

# Janus Henderson Horizon Pan European Alpha Fund

October 2019

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For professional investors only

**Fund manager names:** John Bennett & Robert Schramm-Fuchs

## Overview

Our thesis of poor current macroeconomic conditions but upwards-inflexing lead indicators received confirmation this past month. The US manufacturing purchasing managers' index (PMI) new orders series rose for the second consecutive month and China's Caixin manufacturing PMI new orders improved to the highest level since January 2013. In the eurozone, the PMI new orders to inventories series topped 1.0x for the first time in a year. There is a clear positive leading relationship between eurozone M1 money growth and the PMI, with the former leading by nine months. This curve points to an imminent rebound in PMIs. Positive money creation surprises also came from the US and China over the last few weeks. Further, there is a good historic positive relation between Chinese new export orders and the eurozone PMI with the former leading by three months, again implying a rise in PMIs in the near-term. The global PMI inventory series has been declining since early 2018 and sharply accelerated its fall in 2019. The level reached now suggests that an end to de-stocking should be dead ahead. Should the present trade truce between the US and China hold and Brexit turn out soft (ie. the economy be left to its own devices), we believe it will do just fine climbing out of the hole of the industrial recession of the past year.

This top-down view is backed up on the company-specific level from our numerous interactions with top managements within our portfolio of company holdings. We see far advanced inventory de-stocking dynamics across the semiconductor value chain, pulp and packaging, short cycle industrial consumables, auto parts and even steel. Notably, fewer cyclical companies surprised negatively during the third quarter reporting season – not just fewer than in prior quarters, but far fewer than the stock market was positioned for. Cyclical stocks are in the re-rating phase. Their earnings expectations will likely eventually turn upwards too, but as usual they are a lagging indicator.

Consequently, we continue to bullishly position the fund towards the cyclical end. The ideas driving this positioning are our highest conviction idiosyncratic stock picks. The common trait of all these investment cases is strong management teams demonstrating unwavering focus on shareholder value creation, backed by strong balance sheet sheets. We firmly believe that meeting with the management teams of these companies is among the best uses of our time. During October, we had very good meetings with a number of our largest ideas, among them LafargeHolcim, UPM-Kymmene, STMicroelectronics and Dometic. On the short side, our focus these days is more on crowded, expensive, late cycle / defensive names, especially if these attributes come in conjunction with a weak balance sheet or questions over accounting.

## Performance

The fund returned 2.1% over the month (I share class, net of fees) bringing the year-to-date return to 6.0%.

Source: Janus Henderson Investors, as at 31 October 2019

# Janus Henderson Horizon Pan European Alpha Fund

For further information on the Luxembourg-domiciled Janus Henderson fund range please contact your local sales office or visit our website: [www.janushenderson.com](http://www.janushenderson.com).

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A copy of the Fund's prospectus, key investor information document, articles of incorporation, annual and semi-annual reports can be obtained free of cost from the local offices of Janus Henderson Investors: 201 Bishopsgate, London, EC2M 3AE for UK, Swedish and Scandinavian investors; Via Dante 14, 20121 Milan, Italy, for Italian investors and Roemer Visserstraat 43-45, 1054 EW Amsterdam, the Netherlands. for Dutch investors; and the Fund's: Austrian Paying Agent Raiffeisen Bank International AG, Am Stadtpark 9, A-1030 Vienna; French Paying Agent BNP Paribas Securities Services, 3, rue d'Antin, F-75002 Paris; German Information Agent Marcard, Stein & Co, Ballindamm 36, 20095 Hamburg; Belgian Financial Service Provider CACEIS Belgium S.A., Avenue du Port 86 C b320, B-1000 Brussels; Spanish Representative Allfunds Bank S.A. Estafeta, 6 Complejo Plaza de la Fuente, La Moraleja, Alcobendas 28109 Madrid (Registered in Spain under CNMV 353. The Custodian in Spain is BNP PARIBAS SECURITIES SERVICES S.C.A.); Singapore: Singapore Representative Janus Henderson Investors (Singapore) Limited, 138 Market Street, #34-03/04 CapitaGreen, Singapore 048946; or Swiss Representative BNP Paribas Securities Services, Paris, succursale de Zurich, Selnaustrasse 16, 8002 Zurich who are also the Swiss Paying Agent. RBC Investor Services Trust Hong Kong Limited, a subsidiary of the joint venture UK holding company RBC Investor Services Limited, 51/F Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, Tel: +852 2978 5656 is the Fund's Representative in Hong Kong.

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