

EUROPEAN SELECTED OPPORTUNITIES FUND

Janus Henderson
—KNOWLEDGE. SHARED—

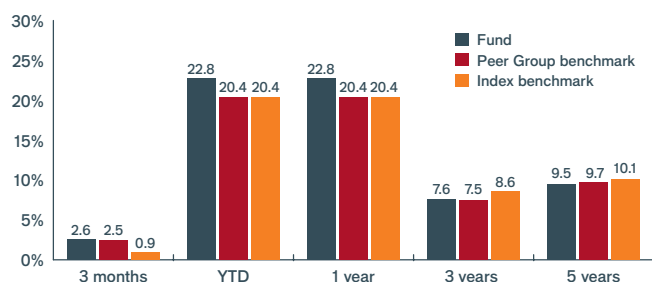
Quarterly review

For promotional purposes | For professional investors only

A large cap core European (ex UK) strategy designed to:

- **Deliver long-term growth:** uses a blend of large and mega cap holdings (to capture sector themes) and under-researched mid-cap stocks (tactical opportunities).
- **Deviate from the benchmark weightings:** unconstrained investment process with no benchmark limitations and the flexibility to seek out alpha across Europe*.
- **Correctly anticipate change:** competitive advantage comes from early insight into macroeconomic and industry trends.

Performance summary (Q4 2019)



Performance %

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2015	Fund	6.03	0.96	4.61	-1.75	3.56	-5.71	2.77	-4.97	-1.27	2.57	1.84	0.51	8.78
	Peer group	4.31	2.55	3.86	-0.92	2.09	-5.42	2.67	-4.10	-2.27	3.93	1.58	1.19	9.25
	Index	4.19	3.05	2.98	0.01	-0.19	-5.66	4.42	-5.61	-3.21	5.01	0.82	0.18	5.35
2016	Fund	-4.25	0.38	2.32	0.22	-0.22	4.47	5.12	1.87	-0.52	4.54	-4.35	6.12	16.14
	Peer group	-4.31	0.95	3.58	0.05	0.22	1.92	6.21	2.09	0.60	4.50	-5.13	5.82	17.01
	Index	-3.13	-0.22	4.06	0.26	0.07	3.86	5.42	1.72	1.62	3.80	-5.59	6.95	19.69
2017	Fund	1.55	-0.86	4.56	1.94	4.97	-0.66	0.44	1.77	-1.03	0.88	-1.30	-0.17	12.53
	Peer group	1.52	0.52	4.07	2.00	5.36	-1.12	1.67	2.08	-0.76	1.82	-1.24	0.47	17.44
	Index	0.68	2.07	4.56	0.99	5.47	-1.27	1.81	2.83	-1.04	1.47	-1.59	0.53	17.53
2018	Fund	1.98	-3.19	-3.02	3.45	1.06	-0.28	3.64	-0.05	-1.23	-6.37	-0.17	-5.48	-9.76
	Peer group	1.56	-2.71	-3.17	3.87	0.28	-0.38	3.72	-0.61	-1.44	-7.02	-1.04	-5.37	-12.16
	Index	1.24	-2.66	-3.27	4.06	-0.92	0.29	5.06	-1.41	-0.46	-6.14	-0.46	-4.63	-9.45
2019	Fund	3.18	1.89	1.69	4.40	-1.81	6.52	3.82	-1.11	-1.10	-0.82	1.49	1.88	22.79
	Peer group	3.80	1.81	1.79	4.85	-2.68	6.40	2.12	-1.98	0.42	-1.30	2.34	1.53	20.38
	Index	3.14	2.07	2.57	4.03	-1.68	6.38	1.95	-1.35	1.01	-1.57	1.43	1.07	20.45

Source: Janus Henderson, Morningstar, as at 31 December 2019. Basis: Bid pricing, net income reinvested, I Acc share class, net of fees, individual monthly returns and annual/ year-to-date returns, in sterling terms. Index: FTSE World Europe ex UK Index. Peer group benchmark: IA Europe ex UK.

The FTSE World Europe (ex UK) Index is a measure of the combined performance of large and medium sized companies from developed and advanced emerging European stock markets excluding the UK. It provides a useful comparison against which the Fund's performance can be assessed over time. The Investment Association (IA) groups funds with similar geographic and/or investment remit into sectors. The fund's ranking within the sector (as calculated by a number of data providers) can be a useful performance comparison against other funds with similar aims.

Past performance is not a guide to future performance. The value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested.

Market overview

- We were proven right over the second half of 2019 in our bullish and pro-cyclical view as the macro data stopped deteriorating and, over the last few months, showed nascent signs of improvement.
- This coincided with bearish investor positioning in equity markets and record valuation gaps between growth and value stocks.

Key fund characteristics

Peer group benchmark	IA Europe ex UK sector
Peer group benchmark usage	Comparator
Index	FTSE World Europe Ex UK Index
Index usage	Comparator
Launch date	1 September 1984
Fund size	£1.86bn
Number of stocks [^]	40-50
Fund management	John Bennett**

Source: Janus Henderson Investors, at 31 December 2019.

Fund return (Q419)	2.6
Peer group benchmark (Q419)	2.5
Index (Q419)	0.9

Source: Morningstar, Janus Henderson as at 31 December 2019.

Source: Janus Henderson, Morningstar, as at 31 December 2019. Basis: Bid pricing, net income reinvested, I share class, net of fees, cumulative return annualised after one year, in euro terms. Index: FTSE World Europe ex UK. Peer group benchmark: IA Europe ex UK.

* The fund must invest at least two-thirds of its assets in companies listed in Europe, or with a significant proportion of their operations in the region.

[^] Illustrative figure, subject to change.

** Please note that as of 31 January 2020 Tom O'Hara became co-manager of this fund.

Performance overview

- The fund rose by 2.6% over the quarter compared with a rise of 0.9% in the benchmark MSCI Europe ex UK Index.
- Notable strong performers during the quarter included semiconductor firm STMicroelectronics and building manufacturer LafargeHolcim. Detractors from performance included industrial truck manufacturer Kion, German automotive, defence and electronics group Rheinmetall, Dutch telecommunications carrier KPN and Finnish engineer Wärtsilä.

Performance analysis over the quarter

Stock level analysis (relative to the index)

Key contributors	Country	Total effect (%)
STMicroelectronics	France	0.9
KION	Germany	0.4
LafargeHolcim	Switzerland	0.3
UPM-Kymmene	Finland	0.3
Grifols	Spain	0.2

Key detractors	Country	Total effect (%)
Rheinmettal	Germany	-0.3
KPN	Netherlands	-0.2
Wärtsilä	Finland	-0.2
Carlsberg	Denmark	-0.2
Siemens	Germany	-0.2

Source: Janus Henderson, Morningstar, as at 31 December 2019.

Drivers

Sector optimism and specific growth prospects for 2020.

Solid results reported in 2019.

The holding rose over the quarter.

A new pulp mill that could lead to more than 30% earnings growth by 2023.

Company obtained authorisation to complete acquisition of a stake in Chinese Shanghai RAAS.

Drivers

Shares lagged and we booked some profit on the position.

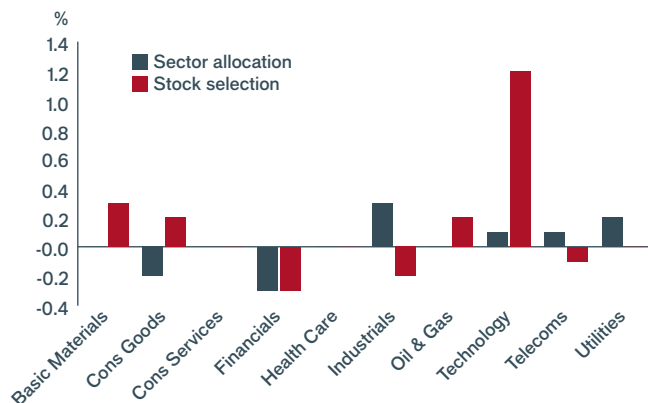
The holding lagged over the quarter.

Poor order and trading outlook.

Sector weakness.

The fund did not hold Siemens and its price rose over the quarter.

Sector contributions relative to the index



Source: Janus Henderson, Morningstar, as at 31 December 2019.

Drivers

The fund benefitted from good stock selection, particularly in information technology. Semiconductor firm STMicroelectronics was a standout performer in this sector.

Portfolio activity through the quarter

Key buys	% of fund
Sandvik	2.6
Sanofi	1.8
Infineon Technologies	1.4

Drivers

Trading at discount to capital goods sector despite continuing improved resilience in the cycle.

Management change is positive for the company.

Reintroduced for its cyclical upside and clear view on inventory cycle.

Key sales

Wärtsilä	-
Nestlé	-
Pernod Ricard	-

Drivers

Sold on the back of poor order and trading outlook.

We believe that raw material price increases are unlikely to be fully passed on to customers.

Disposed following disappointing performance.

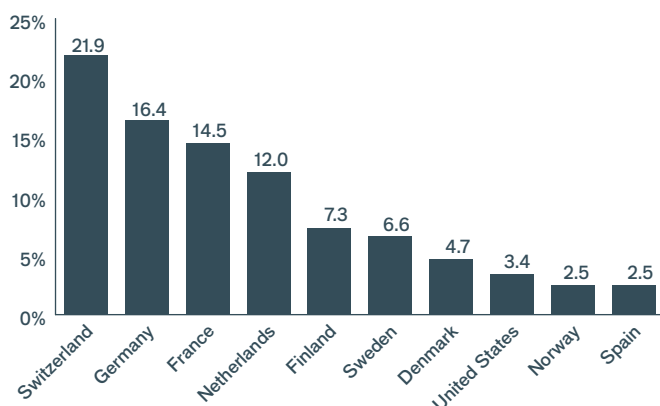
Source: Factset/Janus Henderson, as at 31 December 2019.

Portfolio analysis

Market cap distribution (%)	Fund	Index
>€50bn	34.7	35.4
€20bn-50bn	24.3	26.1
€10-20bn	21.4	15.7
€5-10bn	9.6	13.3
< €5bn	7.3	9.5
Cash	2.8	-

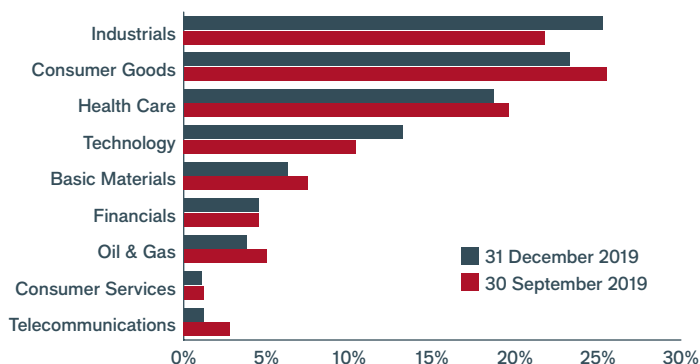
Janus Henderson/Factset, at 31 December 2019. Index: FTSE World Europe ex UK.

Country allocation: Top 10



Source: Factset/Janus Henderson, as at 31 December 2019. The fund must invest at least two-thirds of its assets in companies listed in Continental Europe, or with a significant proportion of their operations in the region.

Change in positioning: sector allocation top 10



Source: Factset/Janus Henderson, as at 31 December 2019.

Portfolio metrics

	Fund	FTSE World Europe ex UK Index
Risk analysis		
Value		
Historic Price/Book	2.9x	1.9x
EV/EBIT (historic)	13.4x	14.9x
Growth		
1 year forecast earnings growth	12.0%	12.1%
1 year forecast sales growth	4.3%	4.6%
Quality		
Historic return on equity	18.7%	15.9%
Dividend cover	1.9x	1.9x
Net Debt/EBITDA	1.0x	1.4x

Source: Janus Henderson, as at 31 December 2019.

Risk analysis	
Alpha	-0.45
Beta	0.94
Information Ratio	-0.28
R Squared	75.91
Sharpe Ratio	0.72
Tracking Error	3.30
Volatility	9.61

Source: Janus Henderson/Morningstar, ex-post, three years to 31 December 2019 based on monthly returns. For definitions please refer to glossary details on back page.

Top 5 stocks by weighting

Name	% of fund	% active weight	Sector
LafargeHolcim	7.9	7.5	Industrials
Nestlé	4.4	0.1	Consumer Goods
STMicroelectronics	4.2	4.0	Technology
SAP	3.8	2.0	Technology
UPM-Kymmene	3.8	3.6	Basic Materials

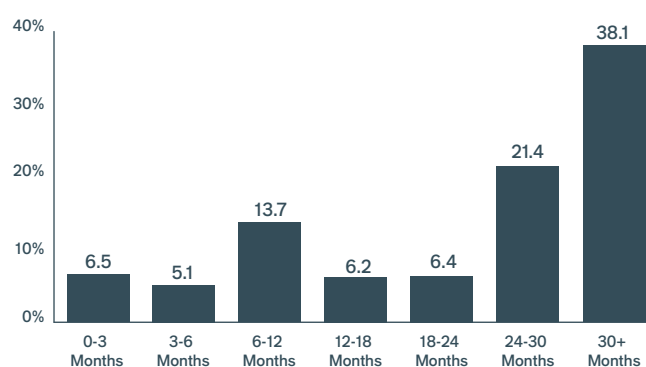
Source: Factset, Janus Henderson as at 31 December 2019. Active weight indicates exposure relative to the FTSE World Europe ex UK index.

Activity

The portfolio is overweight industrials, telecommunications and consumer goods and remains heavily underweight financials, reflecting our views on prospects for the European banking sector.

The strategy currently has no exposure to utilities.

Current holding period (% of fund)



Source: Factset/Janus Henderson, as at 31 December 2019.

Note: The chart shows the holding period of current positions.

Outlook

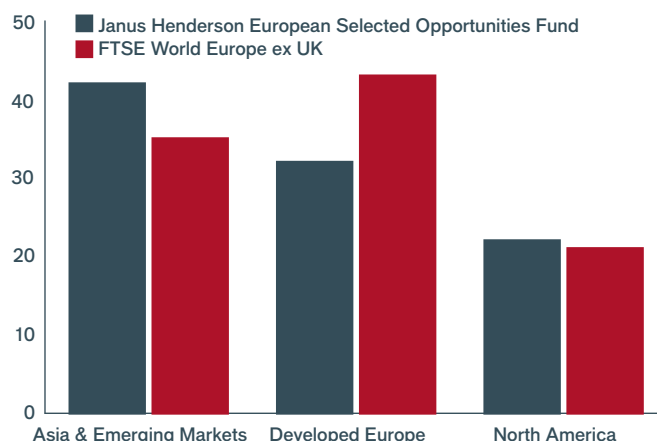
From the macro environment described above, the upcoming year may well lend itself to our strategy which remains focused on a portfolio of bottom-up, well-researched stock ideas, reasonably balanced across sectors and factors, avoiding strong tilts, be they factor or style.

Key holdings

Structural winners	Idiosyncratic value
Adidas	AkzoNobel
ASML	Autoliv
Deutsche Börse	Carlsberg
Grifols	GSK
Mowl	KION
	LafargeHolcim
	STMicroelectronics
	Nokian Renkaat
	Rheinmetall
	Sanofi
	Sandvik
	SBM Offshore
	UPM-Kymmene
	Volvo

Source: Janus Henderson Investors, as at 31 December 2019

International exposure – revenue breakdown

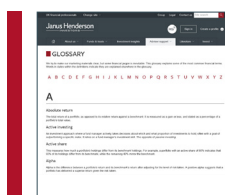


Source: Janus Henderson Investors, at 31 December 2019

Note: Totals may not add up to 100 due to rounding

Glossary

Please see [HGi.co/glossary](https://hgi.co/glossary) for a glossary of financial terms used in this document.



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