

# EUROPEAN SELECTED OPPORTUNITIES FUND

## At a glance

### Performance\*

The Fund returned 2.19%, the Index returned 3.71% and the Peer Group returned 3.45%.

### Contributors/detractors

Positive contributors included Airbus, Safran, Holcim and Adidas, while detractors included Besi, UPM-Kymmene and Infineon.

### Outlook

Continued uncertainty around the path of inflation and interest rates will likely cause some near-term volatility. We see attractive global secular themes within our investment universe over the longer term.

## Portfolio management



Tom O'Hara



Tom Lemaigre, CFA



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## Investment environment

- Equity markets continued their advance with European indices up on average over 3%, driven largely by increased optimism about the macroeconomic environment.
- Investors appear to be anticipating a 'goldilocks' scenario (an ideal, well-balanced state of economic expansion) with interest rate cuts expected within the coming months and an economic 'soft landing' (versus a recession).
- This led to the outperformance of some of the more cyclical (companies that are typically more dependent on economic growth to do well) and attractively priced areas of the market - notably banks.
- Meanwhile, signs of a 'rotation' in the types of stocks that have outperformed continued into April, with value-style stocks now outperforming growth-style stocks.

## Portfolio review

Top positive contributors included Airbus and Safran (civil aerospace), Adidas, and Holcim (building materials).

Top detractors included BESI, which saw a sharp share price decline of over 20% after trade media in South Korea

reported potential delays to the adoption of its next-generation 'hybrid bonding' technology by key semiconductor manufacturers. The stock remains a top longer-term contributor for us, having risen 100% over 12 months, and we maintain our fundamental conviction in the company's prospects.

UPM Kymmene was again a detractor on the back of a senior management exit and tension with a prominent labour union. While trading momentum in pulp markets appears to be improving, we reduced the position size in response to the company-specific news. UPM is no longer our biggest active weight in the fund.

Infineon continued to detract from fund performance too, as the market moved to price in a "shift to the right" of orders troughing in key end markets. We are of the view that a 'profit warning' is increasingly expected and priced in by the market, and thus we have been building the position size on the back of the share price weakness.

We opened a position in BNP Paribas in order to reduce the fund's underweight position to banks. Elsewhere, we exited the position in Amadeus, preferring to focus the fund's air travel exposure on existing holdings in Airbus, Safran and Ryanair.

## Manager outlook

We continue to believe in the likelihood of structurally

## Marketing communication

### Past performance does not predict future returns.

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\*For benchmark/usage and peer group, if applicable, refer to Fund details on page 3. For relevant descriptions, risks and the Fund's investment policy statement, refer to Additional fund information on page 4.

higher inflation and higher interest rates in the years ahead, at least relative to the decade prior to the Covid-19 pandemic. This is not to argue against the potential for near-term disinflation of a more cyclical nature, as supply shocks from both Covid-19 and the conflict in Ukraine are lapsed.

That said, even given the shifting rhetoric from central banks, we continue to lean much more towards a central bank 'plateau' rather than a 'pivot' on interest rates, unless we witness a sharp economic contraction. However, given the fiscal bazooka being deployed under 'Bidenomics' and the need for Europe to follow suit, we may not see the economic 'hard landing' the market intermittently panics over, even if consumers do moderate their appetite to spend.

Longer term, we expect a clear shift towards a multipolar world, of which deglobalisation - and the capital intensive likes of 'Bidenomics' - is an outcome. We could also see a

political shift in favour of populist/pro-labour policies, from both traditional 'left' and 'right' ends of the political spectrum. This could mean stronger wage inflation and greater labour market friction. It also leads us to believe equity investors will need to be more sensitive to valuation when making stock purchasing decisions.

The real economy implications will also present opportunities for stock-pickers. Enablers of deglobalisation (think industrial automation, digitalisation, electrification and construction materials firms) could thrive, while large incumbents across many industries (such as brewing, food catering and enterprise software) could see their already dominant positions enhanced as the end of virtually 'free' money tempers the threat of disruption by unprofitable start-ups. Europe offers plentiful opportunities to access these themes, being home to large global champions at what we see as reasonable valuations.

Performance (%)

Returns	Cumulative				Annualised			
	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Since inception (31/08/84)
I Acc (Net)	2.19	6.27	6.27	17.75	10.22	12.00	9.12	13.14
Index	3.71	6.85	6.85	13.78	9.63	10.34	8.70	—
Peer Group	3.45	6.44	6.44	12.45	7.75	9.64	7.99	10.57

12 month rolling

	Mar 2023-Mar 2024	Mar 2022-Mar 2023	Mar 2021-Mar 2022	Mar 2020-Mar 2021	Mar 2019-Mar 2020
I Acc (Net)	17.75	9.81	3.56	36.90	-3.83
Index	13.78	8.73	6.51	34.86	-7.96
Peer Group	12.45	6.60	4.36	39.55	-9.23

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Fund charges will impact the value of your investment. In particular, the ongoing charges applicable to each fund will dilute investment performance, particularly over time. For further explanation of charges please visit our Fund Charges page at [www.janushenderson.com](http://www.janushenderson.com).

Note that any differences among portfolio securities currencies, share class currencies and costs to be paid or represented in currencies other than your home currency will expose you to currency risk. Costs and returns may increase or decrease as a result of currency and exchange rate fluctuations.

Investment objective

The Fund aims to provide a return, from a combination of capital growth and income over the long term (5 years or more).

For the fund's investment policy, refer to the Additional fund information on page 4.

**Past performance does not predict future returns.**

Fund details

Inception date	01 September 1984
Total net assets	2.17bn
Asset class	Equities
Domicile	United Kingdom
Structure	OEIC
Base currency	GBP
Index	FTSE World Europe (Ex UK) Index
Peer group	IA Europe ex UK Equity

For benchmark/usage description, refer to Additional fund information on page 4.

## Additional fund information

Tax assumptions and reliefs depend upon an investor's particular circumstances and may be subject to change. Availability of share classes shown may be limited by law in certain jurisdictions. Performance records are detailed on the specific KIID, fees and charges may vary and further information can be found in the fund's prospectus and KIID which must be reviewed before investing. Please consult your local sales representative if you have any further queries. These are the views of the author at the time of publication and may differ from the views of other individuals/teams at Janus Henderson Investors. Any securities, funds, sectors or indices mentioned within this article do not constitute or form part of any offer or solicitation to buy or sell them. The information in this commentary does not qualify as an investment recommendation. Investment into the fund will acquire units/shares of the fund itself and not the underlying assets owned by the fund. Cash balances and exposures are based on settled and unsettled trades as at the reporting date.

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.

### Investment policy

The Fund invests at least 80% of its assets in shares (also known as equities) of companies, of any size, in any industry, in Europe (excluding UK). Companies will be incorporated, headquartered, listed on an exchange in, or deriving significant revenue from, this region. The Fund may also invest in other assets including cash and money market instruments. The Investment Manager may use derivatives (complex financial instruments) to reduce risk or to manage the Fund more efficiently. The Fund is actively managed with reference to the FTSE World Europe Ex UK Index, which is broadly representative of the companies in which it may invest, as this can provide a useful comparator for assessing the Fund's performance. The Investment Manager has discretion to choose investments for the Fund with weightings different to the index or not in the index. As an additional means of assessing the performance of the Fund, the IA Europe ex UK sector average, which is based on a peer group of broadly similar funds, may also provide a useful comparator.

### Investment strategy

The Investment Manager looks to anticipate catalysts for change in companies and industries based on fundamental research and thought leadership, in order to construct a portfolio of large companies complemented by mid-size company opportunities with the potential to enhance the Fund's overall returns. Smaller companies are not normally a significant focus of the portfolio.

### Fund specific risks

The Fund could lose money if a counterparty with which the Fund trades becomes unwilling or unable to meet its obligations, or as a result of failure or delay in operational processes or the failure of a third party provider. Shares/Units can lose value rapidly, and typically involve higher risks than bonds or money market instruments. The value of your investment may fall as a result. Shares of small and mid-size companies can be more volatile than shares of larger companies, and at times it may be difficult to value or to sell shares at desired times and prices, increasing the risk of losses. If a Fund has a high exposure to a particular country or geographical region it carries a higher level of risk than a Fund which is more broadly diversified. This Fund may have a particularly concentrated portfolio relative to its investment universe or other funds in its sector. An adverse event impacting even a small number of holdings could create significant volatility or losses for the Fund. The Fund may use derivatives with the aim of reducing risk or managing the portfolio more efficiently. However this introduces other risks, in particular, that a derivative counterparty may not meet its contractual obligations. If the Fund holds assets in currencies other than the base currency of the Fund, or you invest in a share/unit class of a different currency to the Fund (unless hedged, i.e. mitigated by taking an offsetting position in a related security), the value of your investment may be impacted by changes in exchange rates. Securities within the Fund could become hard to value or to sell at a desired time and price, especially in extreme market conditions when asset prices may be falling, increasing the risk of investment losses.

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Source: Janus Henderson Investors, as at 31 March 2024, unless otherwise noted.

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