

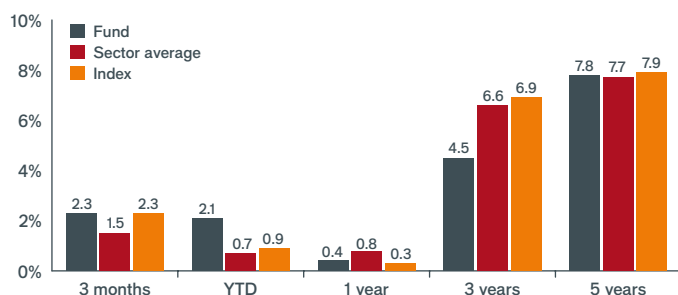
CONTINENTAL EUROPEAN FUND

Quarterly review

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 (Q3 2018)



Performance %

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2015	Fund	9.47	5.00	4.03	-1.61	2.82	-4.12	4.42	-8.04	-2.85	5.88	3.32	-3.75	13.94
	Index	7.76	6.93	3.33	-0.90	1.37	-4.36	4.64	-8.27	-4.38	8.23	2.88	-4.70	11.42
2016	Fund	-6.66	-2.99	0.46	0.96	2.65	-2.98	2.61	0.44	-0.53	-1.40	1.06	5.81	-1.12
	Index	-6.47	-2.60	1.93	1.49	2.23	-4.63	4.13	0.76	-0.10	-0.02	0.05	6.31	2.42
2017	Fund	0.03	1.19	4.05	2.59	1.38	-1.75	-1.02	-0.81	3.44	0.95	-2.16	-0.46	7.45
	Index	-0.06	2.59	4.29	2.25	1.62	-2.16	-0.22	-0.46	3.88	1.90	-2.04	-0.48	11.40
2018	Fund	2.81	-3.49	-2.24	2.77	0.86	-0.70	3.38	-1.06	0.01				2.13
	Index	2.49	-3.67	-2.34	3.82	-0.88	-0.57	4.08	-1.71	0.00				0.93

Source: Janus Henderson, Morningstar, as at 30 September 2018. Basis: bid pricing, gross income reinvested, R share class, net of fees, individual monthly returns and annual/year-to-date returns, in euro terms. Index: MSCI Europe (ex UK) NR.

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

- The cooling off in market sentiment and lighter positioning during the second quarter formed the foundation for a relief rally in July. This was helped by better-than-expected economic data, and a vague agreement between US President Trump and EC President Juncker to lower trade barriers.
- These gains were surrendered in August, despite a further rise in the European economic surprise index and bearish sentiment.
- European markets were weak at the start of September before rallying sharply into the triple witching day (when the contracts for various options and futures expire on the same day), only to reverse course in the closing days of the month.

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Key fund characteristics

Sector	GIF OS European ex UK Large Cap Equity
Index	MSCI Europe ex UK Index
Launch date	29 September 2000
Fund size	€2.56bn
Number of stocks [^]	50-75
Fund management	John Bennett Andrew McCarthy

Source: Janus Henderson Investors, at 30 September 2018.

Fund return (Q318)	2.3%
Sector average (Q318)	1.5%
Index (Q318)	2.3%

Source: Janus Henderson Investors, at 30 September 2018.

Source: Janus Henderson, Morningstar, as at 30 September 2018. Basis: Bid pricing, gross income reinvested, R share class, net of fees, cumulative return annualised after one year, in euro terms. Index: MSCI Europe (ex UK) NR. Sector: GIF OS Europe (ex UK) Large Cap Equity.

* 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.
^ Illustrative figure, subject to change.

Performance overview

- The fund gained 2.3% over the quarter in line with its benchmark index.
- Shares in Swedish seafood company Marine Harvest gained on continued strong global demand for salmon. Portuguese energy company Galp Energia raised its earnings guidance due to higher production and increased prices.
- Autoliv lagged as near-term risks to auto suppliers intensified.

Performance analysis over the quarter

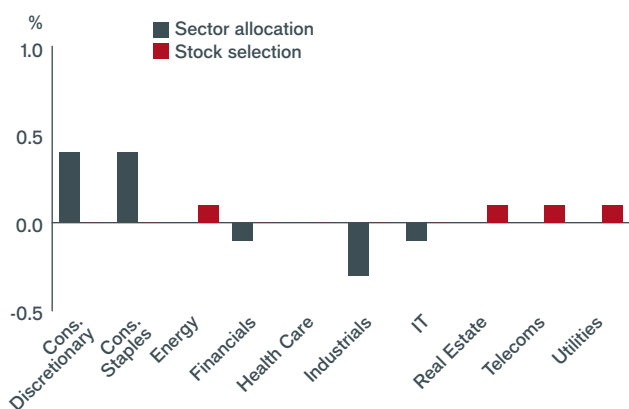
Stock level analysis (relative to the index)

Key contributors	Country	Total effect (%)
Marine Harvest	Norway	0.3
Veoneer	Sweden	0.2
Galp Energia	Portugal	0.2
AB InBev	Belgium	0.2
CNH Industrial	Italy	0.1

Key detractors	Country	Total effect (%)
Autoliv	Sweden	-0.5
United Internet	Germany	-0.4
Ryanair Holdings	Ireland	-0.3
Continental	Germany	-0.2
Bankinter	Spain	-0.2

Source: Janus Henderson, Morningstar, as at 30 September 2018.

Sector contributions relative to the index



Source: Janus Henderson, Morningstar, as at 30 September 2018.

Portfolio activity through the quarter

Key buys	% of fund
Sanofi	2.1
Roche	3.3
Airbus	1.1

Key sales

Nokia	-
Schneider Electric	-
Continental	-

Source: Factset/Janus Henderson, as at 30 September 2018.

Drivers

- Benefiting from continued demand for salmon.
- Spin-off from Autoliv. We took profit on the position.
- Positive results, supported by increased production and higher energy prices.
- Benefited from not holding one of the weaker stocks in the index.
- Shares gained on strong quarterly performance.

Drivers

- Lagged as near-term risks to auto suppliers intensified.
- Impacted by an increasingly competitive mobile environment in Germany.
- Share price was hit by ongoing strike action.
- Lagged as near-term risks to auto suppliers intensified.
- Weak sentiment towards the European banking sector.

Drivers

- Good performance from Marine Harvest and Galp Energia was offset by Autoliv in the consumer goods sector.
- Benefited from having no exposure to a weak telecoms sector.

Drivers

- Under new management, we envisage a return to growth with a less risky portfolio.
- Modifying commitment to healthcare sector.
- Strong structural growth in aircraft demand and solid order backlog.

Drivers

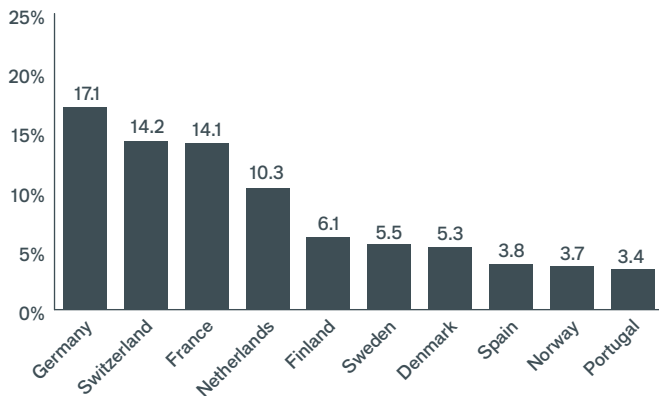
- Sold to fund purchasing activity.
- Industrial cycle concerns.
- Near term risks to auto suppliers intensified.

Portfolio analysis

Market cap distribution (%)	Fund	Index
>€50bn	30.1	30.2
€20bn-50bn	26.7	32.9
€10bn-20bn	20.1	16.0
€5bn-10bn	12.3	15.1
<€5bn	9.0	5.8
Cash	1.8	-

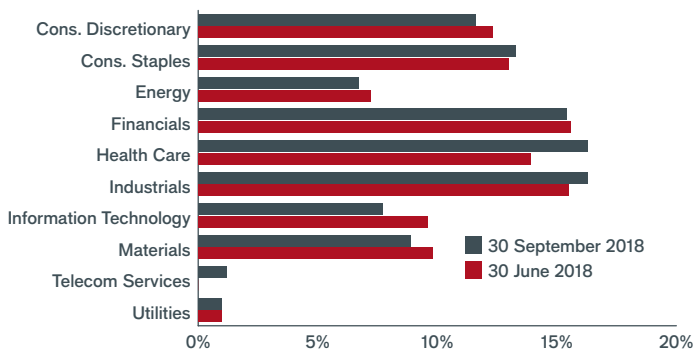
Janus Henderson/Factset, at 30 September 2018. Index: MSCI Europe ex UK.

Country allocation: Top 10



Source: Factset/Janus Henderson, as at 30 September 2018. 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 30 September 2018.

Portfolio metrics

Risk analysis	Fund	MSCI Europe ex UK Index
Value		
Historic Price/Book	2.4x	1.9x
EV/EBIT	13.9x	15.6x
Growth		
1 year forecast earnings growth	10.3%	12.7%
1 year forecast sales growth	4.8%	4.9%
Quality		
Historic return on equity	16.6%	15.4%
Dividend cover	1.9x	1.9x
Net Debt/EBITDA	0.8x	1.2x

Source: Janus Henderson, as at 30 September 2018.

Risk analysis	
Alpha	-1.2
Beta	0.8
Information Ratio	-0.8
R Squared	92.75
Sharpe Ratio	0.5
Tracking Error	2.9
Volatility	9.5

Source: Janus Henderson/Morningstar, ex-post, three years to 30 September 2018 based on monthly returns. For definitions please refer to glossary details on the back page.

Top 5 stocks by weighting

Name	% of fund	% active weight	Sector
SAP	4.2	2.3	Information Technology
Carlsberg	3.9	3.7	Consumer Staples
Nestlé	3.7	-0.1	Consumer Staples
Galp Energia	3.5	3.3	Energy
Roche	3.3	0.8	Health Care

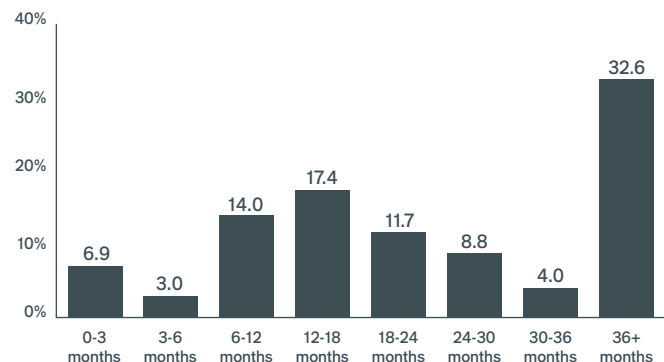
Source: Factset, Janus Henderson as at 30 September 2018. Active weight indicates exposure relative to the MSCI Europe ex UK index.

Activity

Modified our commitment to the healthcare sector, reintroducing Sanofi and adding to the position in Roche.

Took some profit on the holding in Smurfit Kappa and sold Schneider Electric due to industrial cycle concerns.

Current holding period (% of fund)



Source: Factset/Janus Henderson, as at 30 September 2018.

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

Outlook

Indiscriminate outflows, resultant light investor positioning and a record valuation discount to the US remain Europe's key supporting factors in the near term. As ever, political risk is one of the major overhangs. Chancellor Merkel's tenure looks more precarious by the day, Brexit remains unresolved and Italy's latest budget draft of 2.4% deficit for each of the next three years remind us that sovereign crisis fears are never far from the surface.

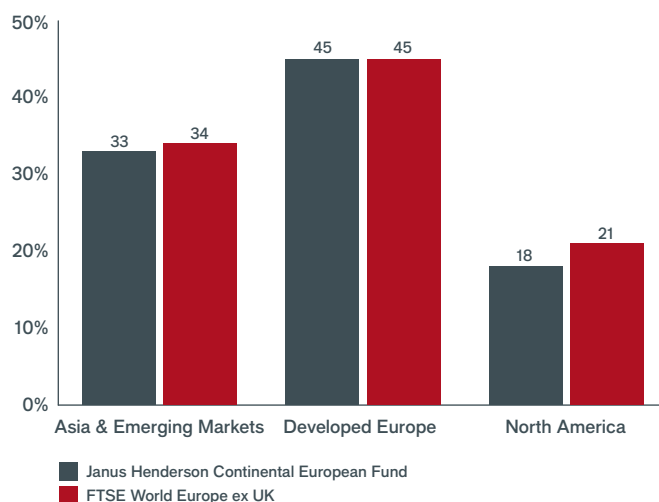
The trade war began in earnest on 24 September when the first of the more severe tariff rounds came into effect. Economic activity was likely heightened ahead of this deadline and the fourth quarter may to some degree benefit from an increase in demand ahead of the next step-up in tariff levels at the turn of the year, though that is more relatively speaking. US homebuilding stocks have entered a bear market, which must surely be another warning sign on the cycle after numerous auto company warnings. Finally, the US yield curve has simply refused to steepen despite all the talk about long-term bond rates breaking out to the upside.

In light of the above we continue to tread cautiously and with a firm trading discipline.

Key holdings

(Relative) value/self help	Banks: Underweight and "boring"
Carlsberg	ABN Amro
CNH Industrial	Bankinter
E.on	DNB
Deutsche Börse	Svenska Handelsbanken
Galp Energia	
Legrand	
Marine Harvest	
Merck	
Michelin	
Nokian Renkaat	
Philips	
Royal Dutch Shell	
Smurfit Kappa	
Trelleborg	
United Internet	
UPM-Kymmene	
Vinci	

International exposure – revenue breakdown



Source: Janus Henderson Investors, as at 30 September 2018
Note: Totals may not add up to 100 due to rounding

Glossary

Please see HGI.co/glossary for a glossary of financial terms used in this document.



Important Information

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