

PAN EUROPEAN FUND

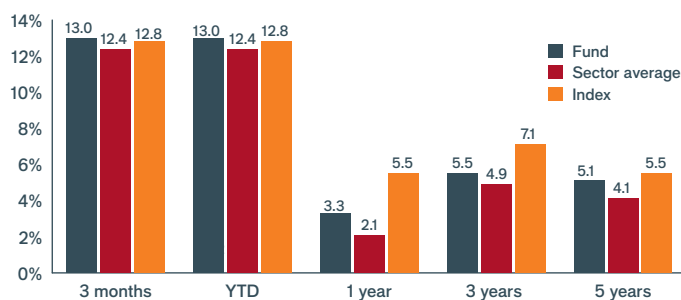
Quarterly review

For promotional purposes | For professional investors only

A large cap core Pan European equities fund designed to:

- **Deliver long-term growth:** uses a high-conviction 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 (Q1 2019)



Key fund characteristics

Sector	GIF OS European Large Cap Equity
Index	MSCI Europe
Launch date	29 September 2000
Fund size	€0.70bn
Number of stocks [^]	55-75
Fund management	John Bennett

Source: Janus Henderson, as at 31 March 2019.

Fund return (Q119)	13.0%
Sector average (Q119)	12.4%
Index (Q119)	12.8%

Source: Morningstar, Janus Henderson at 31 March 2019.

Source: Janus Henderson, Morningstar, as at 31 March 2019. Basis: Bid pricing, gross income reinvested, I€ Acc share class, net of fees, cumulative return annualised after one year, in euro terms. Index: MSCI Europe NR. Sector: GIF OS Europe Large Cap Blend.

*The fund can invest a portion of its assets in companies listed outside Europe, but with a significant proportion of their operations in the region.

[^] Illustrative figure, subject to change.

Performance %

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2015	Fund	8.90	5.58	2.85	-1.10	2.94	-4.18	3.75	-7.79	-3.12	6.05	3.83	-3.83	13.21
	Index	7.24	6.93	1.76	0.12	1.59	-4.59	4.00	-8.41	-4.29	8.29	2.68	-5.28	8.74
2016	Fund	-6.19	-3.17	0.86	1.20	2.63	-3.77	2.46	0.60	-0.17	-1.91	2.45	5.60	-0.01
	Index	-6.22	-2.20	1.33	1.92	2.28	-4.25	3.51	0.70	-0.03	-0.82	1.09	5.84	2.58
2017	Fund	0.25	1.60	3.68	2.34	0.76	-2.14	-1.01	-1.06	3.89	1.34	-2.72	0.80	7.74
	Index	-0.37	2.92	3.34	1.69	1.53	-2.48	-0.37	-0.78	3.89	1.96	-2.08	0.79	10.24
2018	Fund	2.41	-3.92	-1.84	3.47	1.21	-0.38	2.65	-1.43	0.09	-6.77	-1.29	-5.95	-11.69
	Index	1.60	-3.86	-2.02	4.61	0.11	-0.69	3.11	-2.25	0.53	-5.31	-0.86	-5.53	-10.57
2019	Fund	6.33	4.41	1.75										12.98
	Index	6.19	4.15	2.03										12.84

Source: Janus Henderson, Morningstar, as at 31 March 2019. Basis: Bid pricing, gross income reinvested, I€ Acc share class, net of fees, individual monthly returns and annual/year-to-date return. in euro terms. Index: MSCI Europe 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 second half of March finally brought some consolidation to the rally in equity markets off the Christmas lows. In our view, it is possible that the correction will remain just that – a correction, limited in both time and extent. Investor positioning is still light, in particular in Europe which has seen the longest period of persistent investor fund outflows in over a decade. Policy remains very supportive, too.
- Some of the pessimism on the macroeconomic data that has now become quite consensual may need to be questioned. Since many of Europe's economic problems last year were 'made in China', upwards-inflecting Chinese credit growth and survey data should lead to improving European earnings estimates.

Performance overview

- The fund gained 13.0% during the first quarter, versus 12.8% for the benchmark index, while the peer group gained 12.4%.
- There were no major outliers at a sector level during the quarter. At a stock level, Carlsberg released another set of solid results showing strong organic sales growth in the fourth quarter of last year.
- The fund also benefited from its materials allocation, where LafargeHolcim was among the top contributors. The company has a new management team reshaping what was for too long a sprawling, underachieving empire.

Performance analysis over the quarter

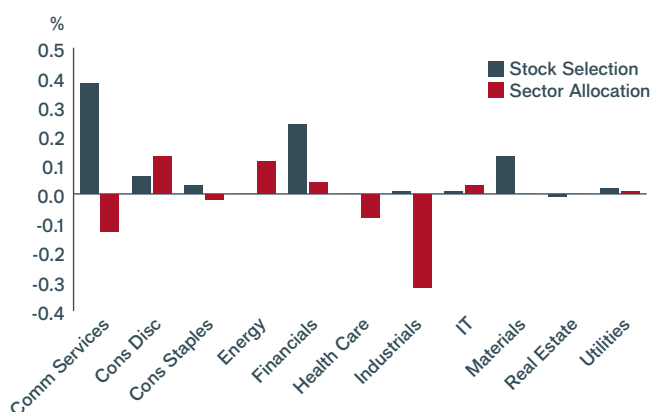
Stock level analysis (relative to the index)

Key contributors	Country	Total effect (%)
Carlsberg	Denmark	0.3
SBM Offshore	Netherlands	0.3
LafargeHolcim	Switzerland	0.3
HSBC Holdings	United Kingdom	0.2
Bellway	United Kingdom	0.2

Key detractors	Country	Total effect (%)
Bankinter	Spain	-0.3
United Internet	Germany	-0.3
Galp Energia	Portugal	-0.2
British American Tobacco	United Kingdom	-0.2
Trelleborg	Sweden	-0.2

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

Sector contributions relative to the index



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

Portfolio activity through the quarter

Key buys	% of fund
Ericsson	2.2
Neste Corporation	1.3
Associated British Foods	1.3

Key sales

E.ON	-
United Internet	-
ABN Amro, ING, KBC, Svenska Handelsbanken	-

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

Drivers

Solid results showed strong organic sales growth in the fourth quarter. Outlook for demand increasing, dividend increase and share buyback. Recovered well from its 2018 sell-off. We believe there is more to come. Benefited from not holding this bank. Continued delivery of growth strategy and a strong financial performance.

Drivers

Lagged in a difficult environment, despite solid quarterly figures. One of the weaker telecoms stocks during the quarter. Relatively large exposure was a negative factor. 'Defensive stock' lagged in a rising market. Stock lagged in a rising market.

Drivers

Fund benefited from its underweight to communication services and financials.

Drivers

A meeting with a significantly changed management team gave us confidence in its continuing restructuring. A globally dominant name in renewable diesel thanks to technological and sourcing capacity advantages. Sensible capital allocation, running the balance sheet conservatively.

Drivers

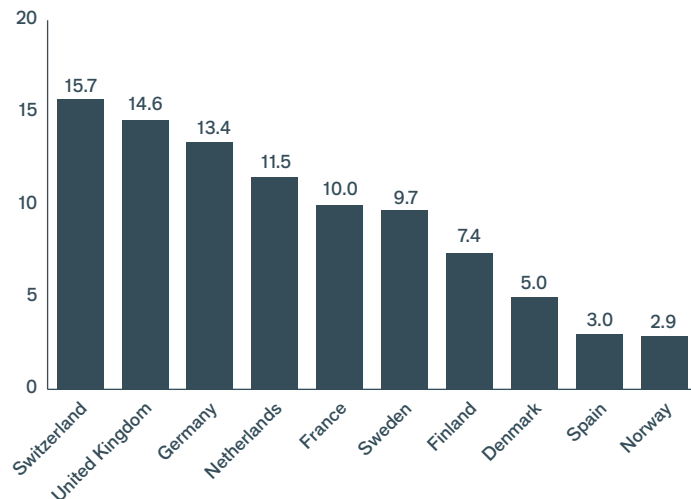
Disposed of due to a disappointing outlook for the business. Concerns about the competitive landscape changes in the German mobile market. Further increasing underweight to financials.

Portfolio analysis

Market cap distribution (%)	Fund	Index
>€50bn	32.3	36.8
€20bn-50bn	20.1	28.9
€10bn-20bn	16.6	15.5
€5bn-10bn	10.1	13.5
<€5bn	21.4	5.4
Cash	-0.6	0.0

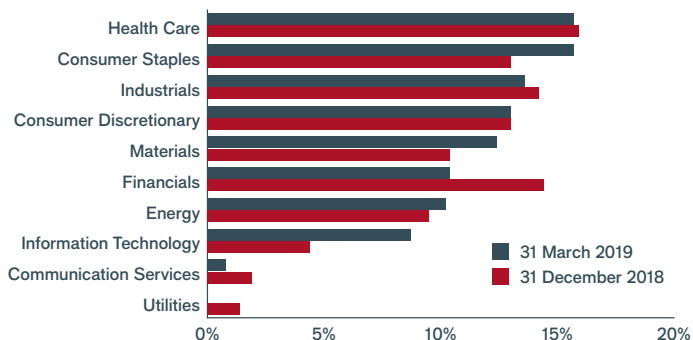
Source: Janus Henderson/Factset, at 31 March 2019. Index: MSCI Europe.

Country allocation: Top 10



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

Change in positioning: sector allocation top 10



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

Portfolio metrics

Risk analysis	Fund	MSCI Europe Index
Value		
Historic Price/Book	2.1x	1.7x
EV/EBIT (Historic)	14.5x	15.3x
Growth		
1 year forecast earnings growth	10.6%	10.8%
1 year forecast sales growth	4.6%	4.1%
Quality		
Historic return on equity	15.3%	15.9%
Dividend cover	1.8x	1.8x
Net Debt/EBITDA	1.1x	1.4x

Source: Janus Henderson, as at 31 March 2019.

Risk analysis	
Alpha	-2.0
Beta	1.0
Information Ratio	-0.9
R Squared	96.3
Sharpe Ratio	0.5
Tracking Error	2.4
Volatility	10.3

Source: Janus Henderson/Morningstar, ex-post, three years to 31 March 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
Nestlé	4.0	0.6	Consumer Staples
LafargeHolcim	3.5	3.3	Materials
Carlsberg	3.4	3.2	Consumer Staples
Roche	3.2	1.0	Health Care
Dometic Group	3.1	3.1	Consumer Discretionary

Source: Janus Henderson, Morningstar, as at 31 March 2019. Active weight indicates exposure relative to the MSCI Europe Index.

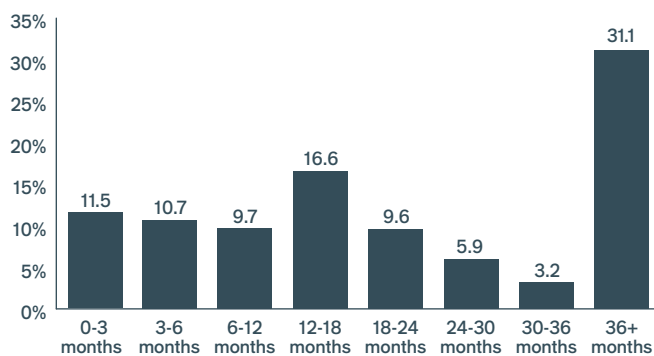
Activity

We increased our underweight to financials, exiting positions in ABN Amro and Svenska Handelsbanken.

We view the banking sector as searching for a sense of purpose.

In common with some other sectors, we consider most European banks to be in run-off.

Current holding period (% of fund)



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

Note: The chart shows the holding period of current positions, based on when the stock first entered the fund.

Outlook

Macroeconomic data has improved in recent weeks, in particular in Europe and China. The turn-around in global money creation is still nascent, but if it were to gather strength as indicated by the dovish communications of all major central banks it would further support the 2019 recovery after the 2018 growth scare. In such an environment, we would expect equity markets to rise. European markets in particular could rally given very light investor positioning.

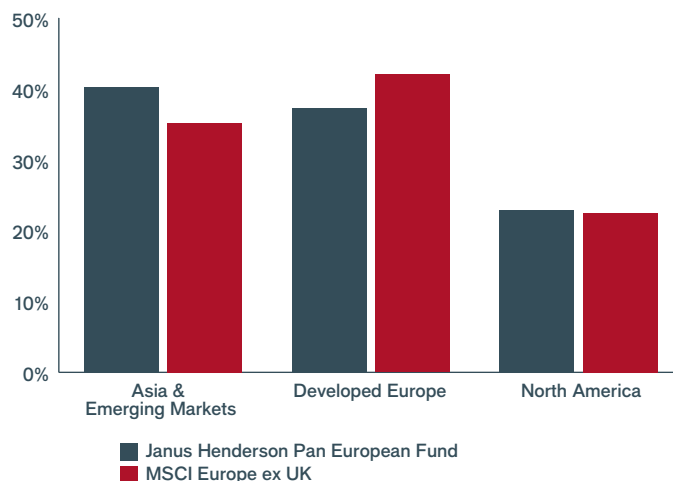
The performance of European and US equities has decoupled since 2011. This correlates with the latest technology boom. Is it a bubble? In our view, it represents a misallocation of capital in some areas. We are seeing a crowding of investors and a crowding of capital into these supposed winners, accentuated by passive investment vehicles.

So when might Europe stop underperforming the US? Europe is understandably seen as an old-world construct, as a value construct, with more banks, more telecoms, more utilities and insures than the tech- and growth-heavy US. This has contributed to why the earnings profile of European equities has lagged the US. I am not sure that this is about to change. What I am sure of, however, is that the world has bet that this is not going to change. Europe has not been so out of favour since the Greek crisis in 2011 / 2012. Perhaps that is the opportunity.

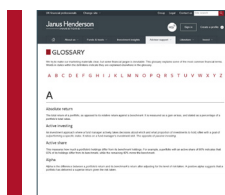
Key holdings

Structural winners	Idiosyncratic value
ASML	AkzoNobel
Deutsche Börse	Autoliv
DiaSorin	Bayer
Grifols	Carlsberg
Knorr-Bremse	Dometic
Mowi	Ericsson
Neste	Galp Energia
	LafargeHolcim
	Nokian Renkaat
	Rheinmetall
	SBM Offshore
	Tessenderlo
	Trelleborg
	UPM-Kymmene
	Wartsila

International exposure – revenue breakdown



Source: Janus Henderson Investors, at 31 March 2019.
Note: Totals may not add up to 100 due to rounding.



Glossary

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

Important Information

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