

# Janus Henderson Horizon Pan European Smaller Companies Fund

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For professional investors only

**Fund manager names:** Ollie Beckett

**Assistant fund manager name:** Rory Stokes

## Overview

The global economy continues to disappoint as a consequence of trade wars, arguably too rapid monetary tightening in 2018 and general political uncertainty. We had hoped to see signs of improvement for the third quarter, but this now seems unlikely given the escalation in US-Sino trade/currency wars. While this is a source of frustration, we believe it is important to remember that much of the bad news is already reflected in European valuations/expectations, with global asset allocators having increasingly shunned the region over the last 18 months.

## Performance and activity

The biggest positive contribution came from mining equipment supplier Outotec. Regular readers would note that it has been among our biggest detractors over the last 12 months due to a troublesome project in Saudi Arabia. In July the company announced strong results, as well as a proposed merger with Metso Minerals. The deal values Outotec favourably, investors have been reassured that provisions for the problematic Saudi contract are sufficient and offers high levels of both cost and revenue synergies. We added to our holding following the news. Other positive contributions came from BE Semiconductor, where there are early signs that destocking in the industry is reaching a nadir, and Varta, which continues to see high levels of demand for its coin batteries from the ever-growing headsets/earphones market.

The main detractor was flooring company Tarkett which has struggled to pass on raw material cost increases (a rising oil price) to their customers in the form of price hikes. The low valuation keeps us as holders. A position in online gambling company Kindred also lagged, with margins disappointing due to rising costs.

Aside from three new positions that we are in the process of building, we added to an existing holding in Fagron, a supplier of pharmaceutical raw materials. The share price has been weak following a stock placing, which offered us an opportunity to increase our stake. In our view, Fagron stands to benefit from an ageing population, rising drug shortages and tightening regulations. Disposals included real estate developer Kojamo, as the share price reached our estimate for fair value, AT&S, where we are concerned about the mobile phone supply chain (given weak smartphone demand), and Subsea 7, as we prefer other names in the oil services sector.

## Outlook

We continue to deploy a bottom up, valuation conscious, approach to small cap investing.

Source: Janus Henderson Investors, as at 31 July 2019

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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).

## Benelux

Janus Henderson Investors  
Tel: +31 20 675 0146  
Fax: +31 20 675 7197  
Email: [info.nederlands@janushenderson.com](mailto:info.nederlands@janushenderson.com)

## France/Monaco/Geneva

Janus Henderson Investors  
Tel: +33 1 53 05 41 30  
Fax: +33 1 44 51 94 22  
Email: [info.europe.francophone@janushenderson.com](mailto:info.europe.francophone@janushenderson.com)

## Germany/Austria

Janus Henderson Investors  
Tel: +49 69 86 003 0  
Fax: +49 69 86 003 355  
Email: [info.germany@janushenderson.com](mailto:info.germany@janushenderson.com)

## Dubai

Janus Henderson Investors  
Tel: +9714 401 9565  
Fax: +9714 401 9564  
Email: [JanusHenderson-MEACA@janushenderson.com](mailto:JanusHenderson-MEACA@janushenderson.com)

## Hong Kong

Janus Henderson Investors  
Tel: +852 2905 5188  
Fax: +852 2905 5138  
Email: [marketing.asia@janushenderson.com](mailto:marketing.asia@janushenderson.com)

## Italy

Janus Henderson Investors  
Tel: +39 02 72 14 731  
Fax: +39 02 72 14 7350  
Email: [info.italy@janushenderson.com](mailto:info.italy@janushenderson.com)

## Latin America

Janus Henderson Investors  
Tel: +44 20 7818 6458  
Fax: +44 20 7818 7458  
Email: [sales.support@janushenderson.com](mailto:sales.support@janushenderson.com)

## Nordics

Janus Henderson Investors  
United Kingdom  
Tel: +44 20 7818 4397  
Fax: +44 20 7818 1819  
Email: [sales.support@janushenderson.com](mailto:sales.support@janushenderson.com)

## Singapore

Janus Henderson Investors  
Tel: +65 6836 3900  
Fax: +65 6221 0039  
Email: [marketing.asia@janushenderson.com](mailto:marketing.asia@janushenderson.com)

## Spain/Portugal/Andorra

Janus Henderson Investors  
Tel: +34 91 562 6172  
Fax: +34 91 564 6225  
Email: [info.iberia@janushenderson.com](mailto:info.iberia@janushenderson.com)

## Switzerland (Germanic)

Janus Henderson Investors  
Tel: +41 43 888 6262  
Fax: +41 43 888 6263  
Email: [info.switzerland@janushenderson.com](mailto:info.switzerland@janushenderson.com)

## United Kingdom

Janus Henderson Investors  
Tel: +44 20 7818 1818  
Fax: +44 20 7818 1819  
Email: [sales.support@janushenderson.com](mailto:sales.support@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 Visscherstraat 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; 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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