

SHINING A LIGHT ON THE.....
Janus Henderson European Smaller Companies Fund

AT A GLANCE

Investment Objective
The Fund aims to provide capital growth over the long term (5 years or more). The Fund invests at least 80% of its assets in shares (also known as equities) of smaller companies, in any industry, in Europe (excluding UK). Companies will be incorporated, headquartered, listed on an exchange in, or deriving significant revenue from, this region.

Inception Date	28 th January 1985
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=FOGBR04RWD

Management	
Manager Name	Start Date
Ollie Beckett	1 st August 2015
Rory Stokes	1 st August 2015

FUND PERFORMANCE

Performance from 1st January 2016 to 30th June 2022:

	2016	2017	2018	2019	2020	2021	2022
Janus Henderson European Smaller Companies Fund	26.78%	33.88%	-13.43%	22.37%	32.59%	12.72%	-19.30%
MSCI Europe Ex UK Small Cap GR	6.28%	23.20%	-15.31%	29.33%	11.60%	24.64%	-21.97%

Performance over 12 months, 3 years, and new fund manager:

	1 year	3 years	Since new fund manager
Janus Henderson European Smaller Companies Fund	-19.92%	24.14%	123.48%
MSCI Europe Ex UK Small Cap GR	-16.32%	19.84%	57.70%

You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

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Tracking Error	Active Share	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
6.17	-	114.55	105.08	52.78	1.07	2.57	Small Blend /

Volatility Measurements	
3-Yr Std Dev (volatility)	22.32%
3-Yr Mean Return (average)	7.47%

Investment Style Details	
Giant	0.00%
Large	0.00%
Medium	14.82%
Small	59.61%
Micro	21.82%

Top 5 Holdings – 92 Holdings		
Ipsos SA	Industrials	2.98%
BFF Bank SpA	Financial Services	2.04%
CTP NV Ordinary Shares	Real Estate	1.89%
Grupo Catalana Occidente SA	Financial Services	1.89%
Recticel SA	Basic Materials	1.86%

Top 5 Sectors	
Industrials	26.59%
Consumer Cyclical	14.97%
Financial Services	12.69%
Energy	8.47%
Technology	8.30%

Top 5 Countries	
France	18.90%
Germany	16.51%
Italy	10.25%
Netherlands	7.57%
Sweden	5.90%

UPDATE....

This is a strategy we have held for some time and therefore was a chance for us to speak to the fund manager and have a refresh on the strategy.

This fund and strategy feel very different to many of the other options available. This is a true small cap fund and they invest in companies that are creating value. In terms of Europe, there are over 2,000 companies they can look at. The space itself is under analysed and therefore the opportunities are plentiful.

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They are valuation aware and won't overpay for an investment. We talked about current positioning and they haven't made many changes this year. They have a list of companies they are interested in. These are businesses where the shares have gone down significantly and they are just waiting for the right time to invest.

We talked about the number of holdings which is around 90. My concern was whether this was too many. The thought behind this was how can you know those holdings well. This is where there was real honesty which is a rare quality for a fund manager. It needs to be taken in context of how well this fund has done.

He sees himself as a low conviction fund manager. The fund needs to be liquid and they need to be able to move in and out of stocks. Investing in small cap companies is treacherous, stocks can half overnight, and it can be volatile. Even with all the research they do they do make mistakes. So, holding 90 plus stocks is a way that they look to mitigate that risk. The minimum position is 0.5% and then as they get more confidence it can increase to 1% to 1.5%. The highest position is normally around 3% and this is driven by performance rather than adding to the holding.

They use a screening system which highlights the types of companies they might like and then they go out and meet the management. They don't like quarterly earnings meetings as these are formulaic. Going to the company or talking to them on Zoom gives them much more insight. They do over 400 meetings a year which is a rich source of information.

This is also bottom-up fund and it is all about the companies. Where it is different is that they have four buckets – rockets, quality growth, mature and turnarounds. The quality growth tends to be the higher weighting and rockets a smaller part of the portfolio.

In 2020 the "rockets" were the names that really lifted the performance, and this included an online pharmacy and online gaming company. Then in 2022 it has been the mature and turnarounds which have helped the fund. Not everything will work at the same time but this blend across styles makes them deliver the performance. They see themselves as risk takers, but in a controlled fashion.

Example holdings include GTT, who have developed "membrane" technologies to cut the cost of shipping liquified natural gas and have a monopoly within the market. Gruppo Mondadori is an Italian book company. This space is seen negatively but book sales have been growing year on year since 2016 they also dominate the educational publishing market in Italy and are cash generative. In turns of turnarounds, an example is AIB, where the new CEO has a clear plan on increasing growth by cutting costs and digitisation.

One other example is Home 24 who are an online German Retailer. It has plenty of cash and doing well, but it is unloved and ignored. At some point it will re-rate.

We talked about when things might change as it does feel gloomy now. They think we need to go through the earnings season as this will likely bring negative news but there are signs things are changing. These are stocks they do not hold but it does demonstrate that perhaps there are early positive signs; AO World were able to recapitalise recently and Currys announced a downgrade in earnings, but the share price was up.

They expect to start to see change happening towards the end of quarter 3 / quarter 4. July and August tend to be quieter in the markets. They also think that inflation will peak and start to fall. At this stage they will look to recycle some of the more profitable holdings into the shopping list of opportunities they have.

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In summary, the fund managers take risk but in a controlled fashion. This is not about high conviction but about having a blended list of holdings that will perform across different cycles. In terms of holdings, they won't overpay and they look to simple businesses which they can understand. We continue to have confidence in the team and the fund. The blend approach and honesty about them makes this different to other options in the market.

The source of information in this note has been provided by Janus Henderson and is correct as of July 2022. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this, and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.