

# Janus Henderson European Smaller Companies Fund – September 2023

## LWM FUND SPOTLIGHT

### JANUS HENDERSON EUROPEAN SMALLER COMPANIES FUND

#### 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

31<sup>st</sup> January 1985

#### FUND FACTSHEET

<https://www.trustnet.com/factsheets/O/tu07/janus-henderson-european-smaller-companies/>

#### MANAGEMENT

##### Manager Name

##### Start Date

Ollie Beckett

1<sup>st</sup> August 2015

Rory Stokes

1<sup>st</sup> August 2016

#### RATIO DATA (3-years)

Alpha	Beta	Max Drawdown	Max Gain	Max Loss	Negative Periods	Positive Periods	Tracking Error
3.68	0.91	-30.35	28.78	-12.84	76	78	5.70

#### OTHER DATA

<b>Benchmark</b>	MSCI Europe ex UK Small Cap
<b>Fund Size</b>	£293.10 Million
<b>Fees</b>	0.87% (I Share Class)

#### BULL POINTS (PRO)

- Blend between value and growth.
- Attractive niches.
- Larger universe, less well covered, more mispriced securities.
- Strong balance sheets.
- Attractive valuations.
- Established team.

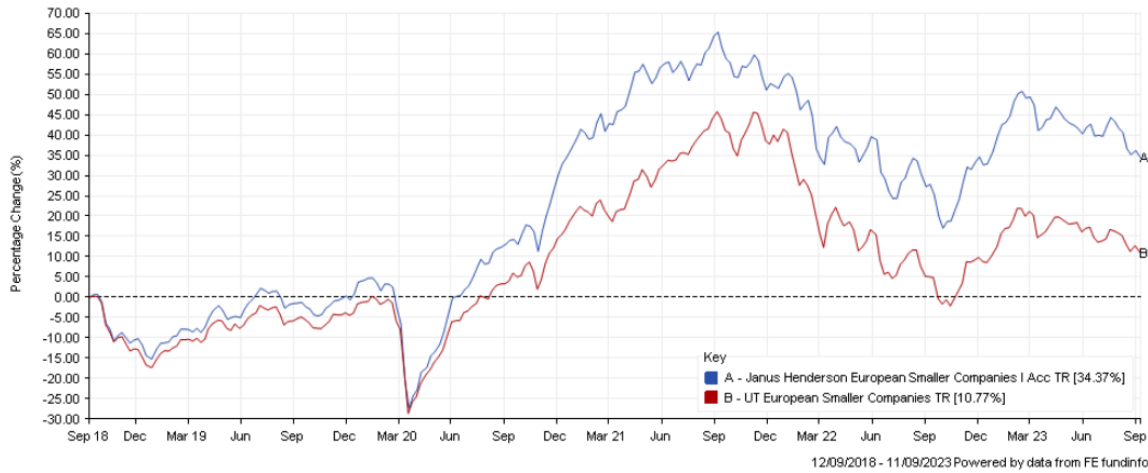
#### BEAR POINTS (CONS)

- Mixed recent performance.
- Higher volatility.

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## FUND PERFORMANCE

Performance Chart in (GBX)



Cumulative Performance (GBX)

	3 Months	6 Months	1 Year	3 Years	5 Years
Fund	-4.92%	-7.87%	4.71%	16.01%	35.80%
Sector	-4.84%	-6.46%	3.59%	4.36%	11.73%
Relative to Sector	-0.08%	-1.51%	1.08%	11.16%	21.55%
Rank in Sector	7 / 10	8 / 10	5 / 10	2 / 10	1 / 9
Fund Quartile	3	4	2	1	1

Discrete Annual Performance to Last Quarter End (GBX)

	0-12m	12m-24m	24m-36m	36m-48m	48m-60m
Fund	12.77%	-19.92%	51.11%	2.59%	2.07%
Sector	10.58%	-22.26%	37.93%	0.21%	-1.97%
Relative to Sector	1.98%	3.00%	9.56%	2.37%	4.12%
Rank in Sector	4 / 10	2 / 10	1 / 10	3 / 9	3 / 9
Fund Quartile	2	1	1	1	1

Performance by Calendar Year in (GBX)

	YTD	2022	2021	2020	2019
Fund	-2.20%	-11.35%	12.72%	32.59%	22.37%
Sector	-0.55%	-21.68%	18.40%	21.72%	19.43%
Relative to Sector	-1.66%	13.18%	-4.80%	8.93%	2.46%
Rank in Sector	8 / 10	1 / 10	10 / 10	1 / 9	5 / 9
Fund Quartile	4	1	4	1	2

Fund Price Movement (GBX)

12 Month High	4,017.00 (Pence)	12 Month Low	3,054.00 (Pence)
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Annualised Ratios Over 36 Months

	Alpha	Beta	Sharpe	r <sup>2</sup>	Volatility
Fund	13.52	-1.36	0.17	0.37	18.34
Fund Quartile	1	4	1	1	1

Please 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.

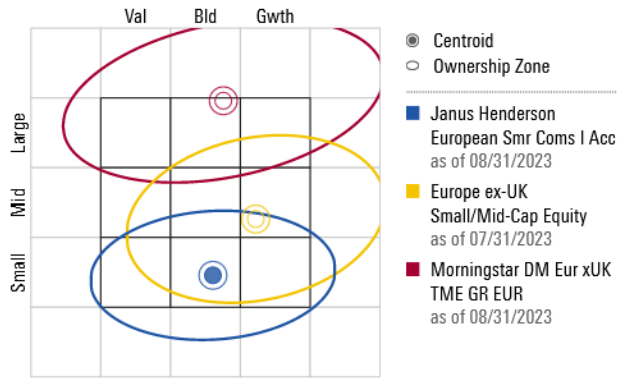
### Stock Style

Map **Weight** Historical

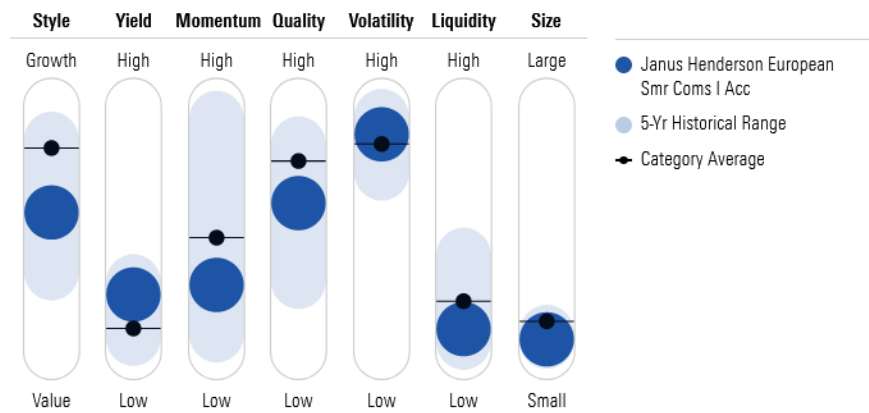


# Janus Henderson European Smaller Companies Fund – September 2023

Stock Style **Map** Weight Historical



Factor Profile **1-Yr** 3-Yr **5-Yr** vs. Category



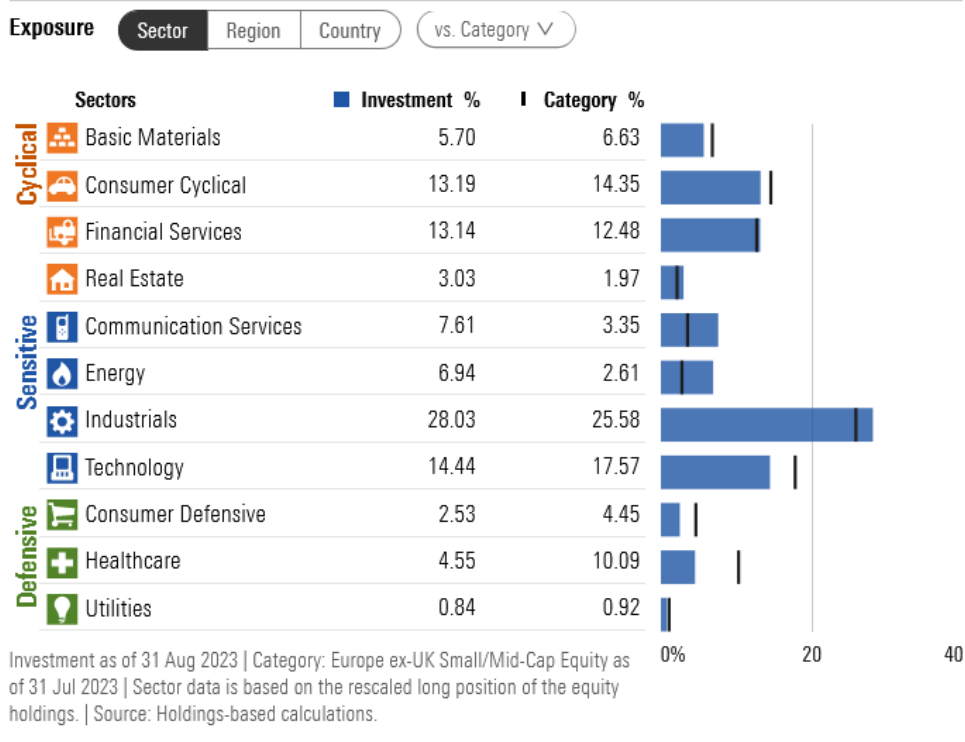
Investment as of 30 Jun 2023 | Category: Europe ex-UK Small/Mid-Cap Equity as of 30 Jun 2023

Style Measures **Measures** Market Cap

Value & Growth Measures	Investment	Cat. Average	Index
Price/Earnings	12.22	16.27	13.02
Price/Book	1.39	2.14	1.86
Price/Sales	0.75	1.07	1.19
Price/Cash Flow	5.68	8.70	7.92
Dividend Yield %	3.83	2.75	3.46
Long-Term Earnings %	17.48	13.13	11.34
Historical Earnings %	16.08	12.84	15.48
Sales Growth %	7.83	9.59	10.80
Cash-Flow Growth %	-9.33	-7.43	8.84
Book-Value Growth %	8.70	9.27	6.92

Investment as of 31 Aug 2023 | Category: Europe ex-UK Small/Mid-Cap Equity as of 31 Jul 2023 | Index: Morningstar DM Eur xUK TME GR EUR as of 31 Aug 2023 | Data is based on the long position of the equity holdings.

# Janus Henderson European Smaller Companies Fund – September 2023



## Holdings

Current Portfolio Date	Equity Holdings	Bond Holdings	Other Holdings	% Assets in Top 10 Holdings	Reported Turnover %
31 Aug 2023	94	0	9	21	17.00

Holdings	% Portfolio Weight	First Bought	Market Value GBP as of 31 Aug 2023	CI
Ipsos SA	2.76	30 Sept 2019	8,211,681	
BFF Bank SpA	2.53	30 Apr 2017	7,517,053	
TKH Group NV NLDR	2.26	30 Jun 2022	6,716,425	
CTP NV Ordinary Shares	2.26	31 May 2021	6,716,312	
Mersen SA	2.00	31 Mar 2018	5,951,102	
Fugro NV	1.96	31 Dec 2020	5,826,466	
Ascom Holding AG	1.88	31 Jan 2022	5,603,217	
Van Lanschot Kempen NV NLDR	1.79	31 May 2015	5,314,806	
Arnoldo Mondadori Editore SpA	1.73	31 Oct 2019	5,150,838	
Gaztransport et technigaz SA	1.72	31 Jul 2016	5,106,817	







Holdings as of 31 Aug 2023 | The top 10 largest holdings are available for display across Equity, Bond and Other.

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(31.07.2023)

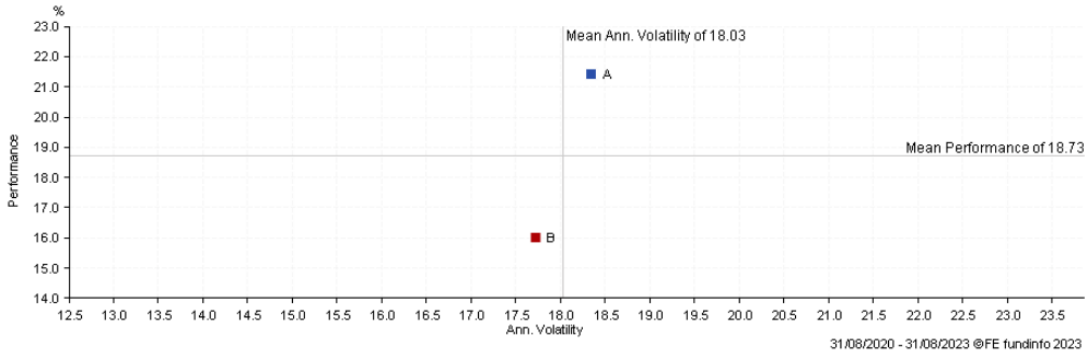


Rank	Asset	%
1	 French Equities	15.72
2	 Italian Equities	12.36
3	 German Equities	12.13
4	 Dutch Equities	11.84
5	 International Equities	11.47
6	 Swedish Equities	9.59
7	 Swiss Equities	9.22
8	 Norwegian Equities	6.24
9	 Irish Equities	4.28
10	 Others	7.15

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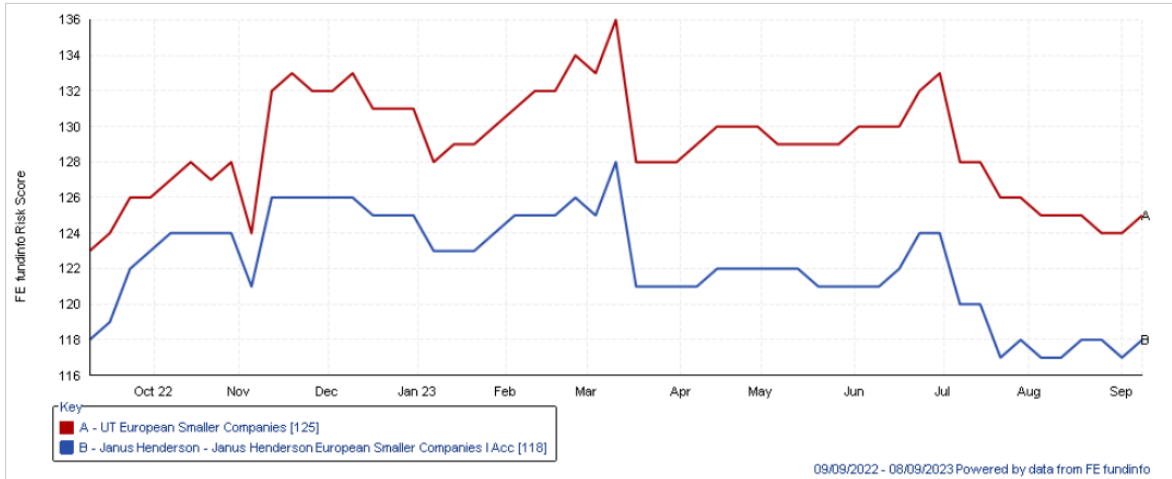
## Volatility

Pricing Spread: Bid-Bid • Currency: Pounds Sterling



Key	Name	Performance	Annualised Volatility
■ A	Janus Henderson - European Smaller Companies I Acc in GB	21.43	18.34
■ B	MSCI Europe ex UK Small Cap TR in GB	16.02	17.72

FE fundinfo Risk Score Chart Over 1 Year



09/09/2022 - 08/09/2023 Powered by data from FE fundinfo

# Janus Henderson European Smaller Companies Fund – September 2023

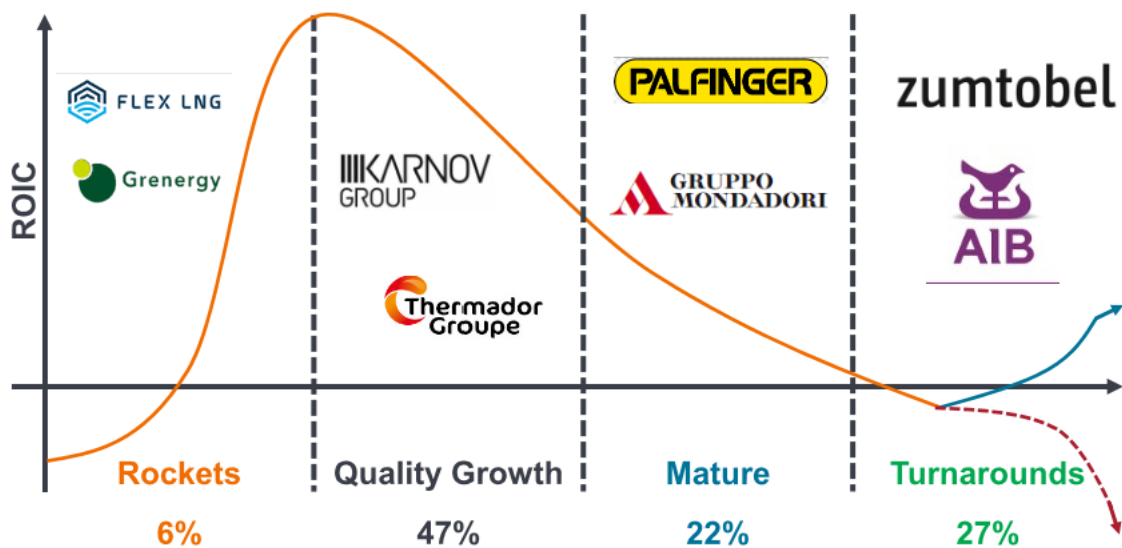
## LWM FUND ANALYSIS

This fund is one of the best-known European smaller company strategies and unlike many, prides itself on being a true small cap fund, with the average market cap value of £827.61 million vs £3.37 billion on the index.

Size	Investment %	Cat. Average %	Index %
Giant	0.00	1.93	46.92
Large	0.00	7.60	42.59
Mid	14.20	57.84	10.49
Small	63.49	25.32	0.00
Micro	22.30	6.36	0.00

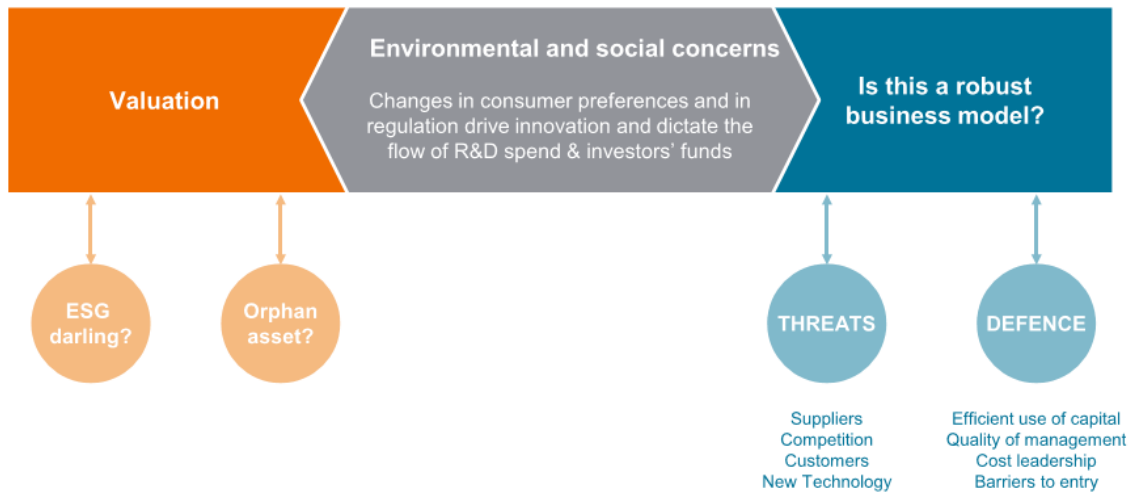
The index tends to skew towards growth whereas this is a blend of styles with a valuation aware approach. They will buy growth at a reasonable price but they will also look at neglected parts of the market. So the fund sits between value and growth which is really what has driven the longer-term performance.

The chart below shows the split between different buckets.



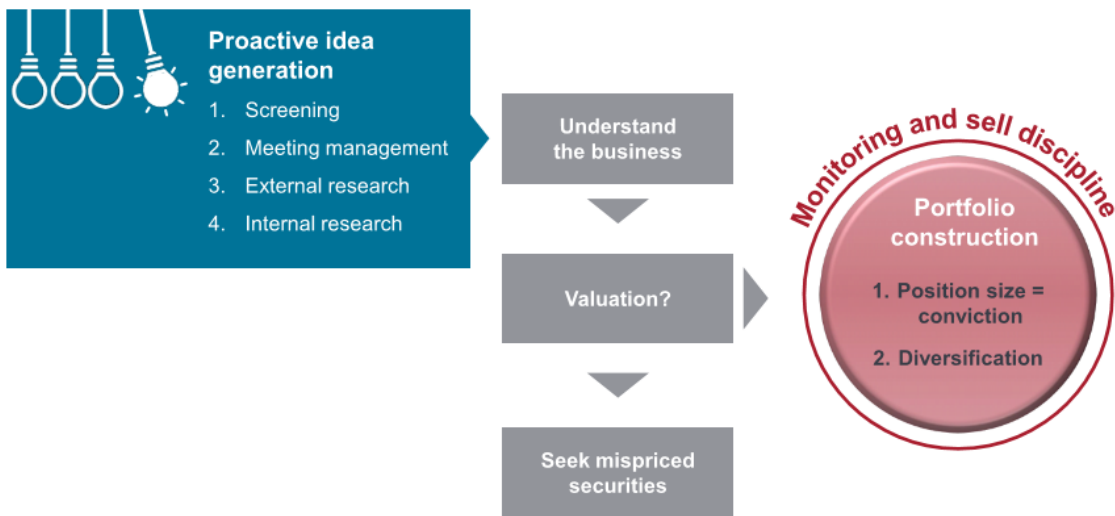
ESG forms part of the process but this is not an exclusionary strategy.

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Their core belief is that companies that score well on ESG and sustainability warrant a valuation premium over time. They look to determine what is / is not a fair premium for those assets rather than exclude stocks on ESG ratings alone.

The chart below shows the investment process.



Bottom-up stock selection and effective risk monitoring

The four buckets are described as follows:

	Rocket	Quality Growth	Mature	Turnaround
Attributes Looking For	<ul style="list-style-type: none"> <li>▪ Growth</li> <li>▪ Clear strategy</li> <li>▪ Operating Leverage</li> </ul>	<ul style="list-style-type: none"> <li>▪ High ROIC</li> <li>▪ Top line growth</li> <li>▪ Margin sustainability</li> <li>▪ 'Moat' Barrier to entry</li> </ul>	<ul style="list-style-type: none"> <li>▪ Steady ROIC</li> <li>▪ Cash generation</li> <li>▪ Equity cheap relative to assets</li> </ul>	<ul style="list-style-type: none"> <li>▪ Management cost cutting</li> <li>▪ Margins</li> <li>▪ Asset disposals</li> </ul>



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Examples of holdings include:

Flex LNG – Rocket.

It owns technology for liquefying natural gas and is likely to benefit from the transition away from Russia as the top supplier of energy.

TKH – Quality Growth.

The team describe this as a boring telecom to high tech, multi-industry leader. Examples of products include smart vision systems, smart manufacturing systems and smart connectivity systems.

Mondadori Group – Mature.

They publish books, magazines, newspapers, advertising as well as offering online information services. Digital penetration of the market has been late but they are quickly catching up and seeking to grow market share.

Zumtobel Group – Turnaround.

Provider of professional lighting solutions, luminaires, lighting management and lighting components for indoor and outdoor applications. Undermanaged business and new CEO driving efficiencies.

This is a well-structured strategy and it is interesting to see how the team are happy to show where things haven't gone well. During 2022 8 sales are down as "getting it wrong". In total there were 25 sales, so around 32% of sales were "getting it wrong". Others include being bid for, profit taking or seeing opportunities elsewhere.

Some of the changes to the portfolios in the last quarter include adding Hellenic exchanges (Greek national exchange), and SIF (provider of offshore wind farm foundations). Disposals include Home24 and Froy (both being subject to bids) and Motor Oil Hellas after a strong run for the shares.

In terms of the strategy, we feel this is different due to its approach to being a real small cap strategy, the blend between styles and an active ESG policy and exclusionary policy. We also like the openness of the team in terms of what has gone well and what hasn't.

Small caps have struggled and are now trading at around a 38% discount to the US equity market. This is the biggest discount since data began in 2005 and the average discount has been around 5%. They are also trading at a discount to European large cap.

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## Buying at current valuations has historically been a good idea

- Earnings estimates are likely too high but valuations are reaching the low end of historic range
- What would have happened had you bought the index the last four times it breached 11.0x P/E?

Date index hit 11x P/E	3 year subsequent return	5 year subsequent return
04-Jul-08	+10.6%	+28.4%
26-Sep-08	+8.1%	+78.4%
05-Aug-11	+69.0%	+108.2%
18-May-12	+109.3%	+135.8%
<b>Average</b>	<b>+49%</b>	<b>+88%</b>

**MSCI Europe Small Cap – forward P/E**



Source: Bloomberg, Janus Henderson Investors Analysis, as at 30 June 2023.  
There is no guarantee that past trends will continue, or forecasts will be realised.  
**Past performance does not predict future returns.**

Using data from BlackRock, Europe Large Cap are expected to return annually 9.22% over five years, and 8.74% over 10 years. US large cap is expected to return 4.59% over 5 years, and 5.00% over 10 years. US small cap is expected to return 5.35% over 5 years, and 5.56% over 10 years. If you reflect on the discount in Europe Small Cap against these projections, then certainly when markets turn the potential is there.

In summary, this is a well-run strategy with a strong team in place. The team are very open with investors so there shouldn't be any nasty shocks. The long-term performance remains strong, but it has been weaker more recently.

If we believe that we are close to the bottom of markets, then clearly there are opportunities within European Small Cap vs Europe Large and the US market. Having said all this, the strategy is volatile and this might not suit all clients.

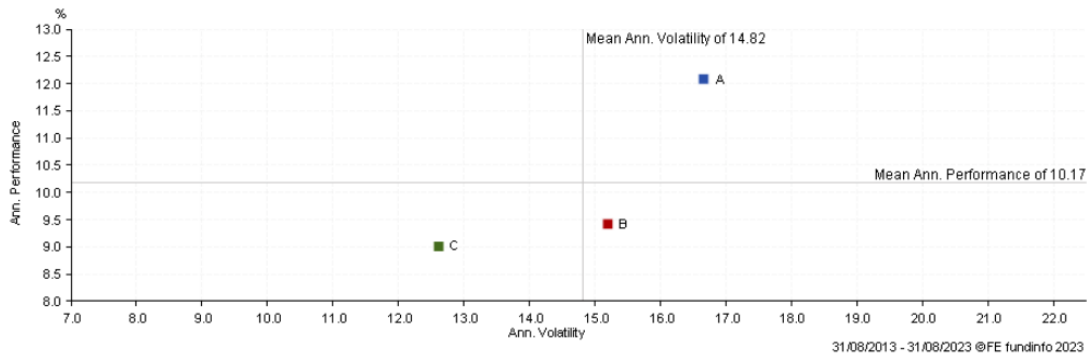
(3 rows)

Pricing Spread: Bid-Bid • Period: Month End (31 Aug 2023) • Performance Growth Option: Annualised • Currency: Pounds Sterling

Customise Columns	1m	3m	6m	1yr	Ann. 3yr	Ann. 5yr	Ann. 10yr	Select
Janus Henderson European Smaller Companies I Acc in GB	-4.69	-2.03	-8.09	5.86	6.69	6.18	12.09	<input type="checkbox"/>
Index MSCI Europe ex UK Large Growth TR in GB	-3.06	-1.04	2.01	13.20	7.65	7.83	9.01	<input type="checkbox"/>
Index MSCI Europe ex UK Small Cap TR in GB	-3.17	0.69	-6.73	5.13	5.08	3.33	9.42	<input type="checkbox"/>

# Janus Henderson European Smaller Companies Fund – September 2023

Pricing Spread: Bid-Bid • Currency: Pounds Sterling



Key	Name	Annualised Performance	Annualised Volatility
A	Janus Henderson - European Smaller Companies I Acc in GB	12.09	16.65
B	MSCI Europe ex UK Small Cap TR in GB	9.42	15.19
C	MSCI Europe ex UK Large Growth TR in GB	9.01	12.61

**The source of information in this note has been provided by Janus Henderson and is correct as of September 2023. 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.**

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