Janus Henderson INVESTORS

EUROPEAN SMALLER COMPANIES FUND

At a glance

Performance*
The Fund returned −4.66%, the Index returned −1.33% and the Peer Group returned −2.55%.

Contributors/detractors
Odfjell Drilling, BHG Group, and Ionos Group contributed positively, while Suss MicroTec, Elmos Semiconductor, and EVS Broadcast Equipment detracted from performance.

Outlook
While the risks of elevated energy prices and borrowing costs remain, we think European small-cap stocks could benefit from strong fundamentals and what we see as favourable relative valuations.

Portfolio management


Rory Stokes, CFA


Ollie Beckett


Julia Scheufler, CFA

Investment environment

- European small-cap stocks fell in October. Investor sentiment was generally weak in the first half of the month, as higher bond yields and oil prices stoked concerns about economic growth. Renewed scepticism about the high levels of capital expenditure (capex) for artificial intelligence (AI) infrastructure contributed to a global sell-off in technology stocks.
- European markets were also hurt by worries about the French government's finances and political stability. The country also faced protests, mostly over economic grievances.
- More positively, European stocks were supported by their typically more defensive characteristics amid technology-sector volatility. Third-quarter corporate results were also largely encouraging.
- The eurozone economy remained unexpectedly resilient, growing by 0.4% over the third quarter, which was better than expected. However, the composite Purchasing Managers' Index (PMI) declined to a weaker-than-anticipated 51.9 in October from 53.1 in September, partly due to a slowdown in France.
- The European Central Bank (ECB) left interest rates on hold but indicated it could tighten monetary policy in December. Eurozone annual inflation accelerated to a more than three-year high of 3.8% in September from August's 3.2% increase.

Portfolio review

Some of the leading detractors from fund performance included stocks caught up in the wider AI-related selloff, including Suss MicroTec and Elmos Semiconductor. Suss, which manufactures bonding machines and other equipment for semiconductor production, was also impacted by supply-chain issues, which prompted a downgrade of its current-year guidance (forecasts) despite a strong order pipeline in 2027. Meanwhile, the broad-based sell-off of semiconductor stocks caused shares in Elmos Semiconductor to fall despite its focus on automotive sensors rather than AI data-centre expenditure.

EVS Broadcast Equipment was another underperformer. The Belgium-based broadcasting equipment producer downgraded its full-year revenue outlook amid softer demand in the US and the Middle East. As headwinds in these regions may persist for the foreseeable future, we exited the position.

On the positive side, Odfjell Drilling contributed to performance as the firm benefited from its expertise in offshore rig operations to add to its order backlog. Higher oil prices added a tailwind.

BHG Group also contributed. The Swedish DIY retailer's third-quarter revenues and earnings both beat

Marketing communication
Past performance does not predict future returns.
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*For benchmark/usage and peer group, if applicable, refer to Fund details on page 3. For relevant descriptions, risks and the Fund's investment policy statement, refer to Additional fund information on page 4.

expectations. This helped restore investor confidence in the stock, which had wavered earlier in the year after the end of beneficial government subsidies.

Other contributors were stocks that had experienced weakness earlier in the year when they were deemed “AI losers”. The pivot in October away from stocks connected to the AI build-out benefited many of these previously overlooked firms, including Ionos Group, a German web-hosting and cloud-computing provider.

In terms of activity, we initiated a position in Gerresheimer. The German-listed pharmaceutical packaging manufacturer has underperformed in recent years amid a merger and acquisition (M&A) cycle that investors viewed as adding too much debt. However, a new management team has sold assets, creating a more streamlined core business, which we think at the time of writing looks attractively valued.

We reinitiated a position in Pfisterer after having profitably sold our stake in the German manufacturer of electrical conductors and insulation for the energy grid earlier in the year. However, we felt recent share price weakness created an attractive entry point to a company that could stand to benefit from ongoing updates to the energy grid.

We also participated in the initial public offering (IPO) of Finnish defence technology firm Sensofusion. The company's specialisation in drone and drone-detection systems has driven rapid expansion. Given its global customer base and exposure to current geopolitical hotspots, we believe Sensofusion can continue to grow.

In addition to EVS, we also sold out of market research company IPSOS as recent management changes have caused some uncertainty around its direction. We also exited our stake in FinecoBank, which we had held since its IPO in 2014. The Italian bank had delivered strong long-term performance, but its share price appeared high in our view, and we profitably exited the position.

Manager outlook

We believe the outlook for European small-cap stocks, along with the wider equity market, is largely dependent on oil prices and events in the Middle East. Should oil prices ease, we think small-cap stocks could be well placed to outperform, given what we see as attractive opportunities, both on an absolute and relative basis, and their sensitivity to economic growth. Industrials and other sectors closely geared to the economic growth outlook could benefit the most from a fall in energy prices and borrowing rates.

Should oil prices remain elevated, we expect further volatility across global markets as higher borrowing costs weigh on the economic outlook. However, we think there are still grounds for optimism. European economic data has been constructive, with PMI data still in expansionary territory, despite the uncertainty in France. Corporate fundamentals have remained strong and could continue to improve. With US midterm elections out of the way, political risk from the US appears reduced.

Despite the market’s recent jitters and the ongoing risks related to the concentration of capital spend on AI, we expect hyperscaler capex to remain robust and continue to support demand throughout the AI value chain. The capex cycle is also broadening beyond AI-related stocks. Any further improvement in demand has the potential to translate into higher revenues and profitability across different sectors. Overall, we believe the fund is well positioned to capture opportunities available across the European small-cap universe.

Performance (%)

Returns	Cumulative				Annualised			
	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Since inception (31/01/85)
I Acc (Net)	-4.66	-5.06	1.96	3.10	16.09	4.96	10.50	11.80
Index	-1.33	-2.18	4.31	5.93	14.92	4.24	8.20	—
Peer Group	-2.55	-2.88	2.12	3.21	12.88	1.25	6.52	10.40

12 month rolling	Sep 2025-Sep 2026	Sep 2024-Sep 2025	Sep 2023-Sep 2024	Sep 2022-Sep 2023	Sep 2021-Sep 2022
I Acc (Net)	10.81	21.64	16.82	13.85	-26.08
Index	9.59	16.70	14.34	13.93	-23.53
Peer Group	8.24	13.19	14.13	11.75	-28.86

Performance is on a net of fees basis, with gross income reinvested. Source: at 31/10/26. © 2026 Morningstar, Inc. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. **Past performance does not predict future returns.** Performance/performance target related data will display only where relevant to the share class inception date and annualised target time period. **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.** Source for target returns (where applicable) - Janus Henderson Investors. This is a representative share class for the fund, other share classes are available and may be more suitable for your investment needs.

Fund charges will impact the value of your investment. In particular, the ongoing charges applicable to each fund will dilute investment performance, particularly over time. For further explanation of charges please visit our Fund Charges page at www.janushenderson.com.

Note that any differences among portfolio securities currencies, share class currencies and costs to be paid or represented in currencies other than your home currency will expose you to currency risk. Costs and returns may increase or decrease as a result of currency and exchange rate fluctuations.

Investment objective

The Fund aims to provide capital growth over the long term (5 years or more).

For the fund's investment policy, refer to the Additional fund information on page 4.
Past performance does not predict future returns.

Fund details

Inception date	28 January 1985
Total net assets	421.70m
Asset class	Equities
Domicile	United Kingdom
Structure	OEIC
Base currency	GBP
Index	MSCI Europe ex UK Small Cap Index
Peer group	IA European Smaller Companies

For benchmark/usage description, refer to Additional fund information on page 4.

Additional fund information

Tax assumptions and reliefs depend upon an investor's particular circumstances and may be subject to change. Availability of share classes shown may be limited by law in certain jurisdictions. Performance records are detailed on the specific KIID, fees and charges may vary and further information can be found in the fund's prospectus and KIID which must be reviewed before investing. Please consult your local sales representative if you have any further queries. From 25 February 2022 the benchmark changed from the EMIX Smaller European Companies Ex UK Index to the MSCI Europe ex UK Small Cap Index. The Fund's investment policy also changed. The past performance shown before this change was therefore achieved under circumstances that no longer apply. These are the views of the author at the time of publication and may differ from the views of other individuals/teams at Janus Henderson Investors. Any securities, funds, sectors or indices mentioned within this article do not constitute or form part of any offer or solicitation to buy or sell them. The information in this commentary does not qualify as an investment recommendation. Investment into the fund will acquire units/shares of the fund itself and not the underlying assets owned by the fund. Cash balances and exposures are based on settled and unsettled trades as at the reporting date.
The MSCI Europe ex UK Small Cap Index is a measure of the combined performance of small and medium sized companies from developed European stock markets. It provides a useful comparison against which the Fund's performance can be assessed over time.
The Investment Association (IA) groups funds with similar geographic and/or investment remit into sectors. The Fund's ranking within the sector (as calculated by a number of data providers) can be a useful performance comparison against other funds with similar aims.

Investment policy

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. The Fund may also invest in other assets including Collective Investment Schemes (including those managed by Janus Henderson) and cash. The Investment Manager may use derivatives (complex financial instruments) to reduce risk or to manage the Fund more efficiently. The Fund is actively managed. The MSCI Europe ex UK Small Cap Index is broadly representative of the companies in which the Fund may invest and can provide a useful comparator for assessing the Fund's performance. The Investment Manager has discretion to choose investments for the Fund with weightings different to the index or not in the index. As an additional means of assessing the performance of the Fund, the IA European Smaller Companies sector average, which is based on a peer group of broadly similar funds, may also provide a useful comparator.

Investment strategy

The Investment Manager focuses on meetings and calls with company management, along with the use of quantitative filters, to identify potential companies for investment. Emphasis is placed on the robustness of a company's business model, an analysis of what drives the business, its competitive advantages and the sustainability of returns. The Fund maintains a well-diversified portfolio of companies which generally fall within the bottom 25% of their relevant market by way of size. The liquidity of any stock (the degree to which shares can be quickly bought or sold in the market at a price reflecting its intrinsic value) is important in determining whether to invest and the size of the holding for the Fund.

Fund specific risks

Shares can lose value rapidly, and typically involve higher risks than bonds or money market instruments. The value of your investment may fall as a result. Shares of small and mid-size companies can be more volatile than shares of larger companies, and at times it may be difficult to value or to sell shares at desired times and prices, increasing the risk of losses. High exposure to a particular country or geographical region carries a higher level of risk than a more broadly diversified portfolio. Derivatives may be used with the aim of reducing risk or managing the portfolio more efficiently. However, this introduces other risks, in particular, that a derivative counterparty may not meet its contractual obligations. If the Fund holds assets in currencies other than the base currency of the Fund, or you invest in a share/unit class of a different currency to the Fund (unless hedged, i.e. seeks to mitigate exchange rate movements between the share/unit class currency and the base currency of the Fund), the value of your investment may be impacted by changes in exchange rates. Securities could become hard to value or to sell at a desired time and price, especially in extreme market conditions when asset prices may be falling, increasing the risk of investment losses. Losses could be incurred if a counterparty became unwilling or unable to meet its obligations, or as a result of failure or delay in operational processes or the failure of a third party provider.

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Source: Janus Henderson Investors, as at 31 October 2026, unless otherwise noted.
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