

# EUROPEAN SMALLER COMPANIES – REASONS TO BE CHEERFUL

January 2021

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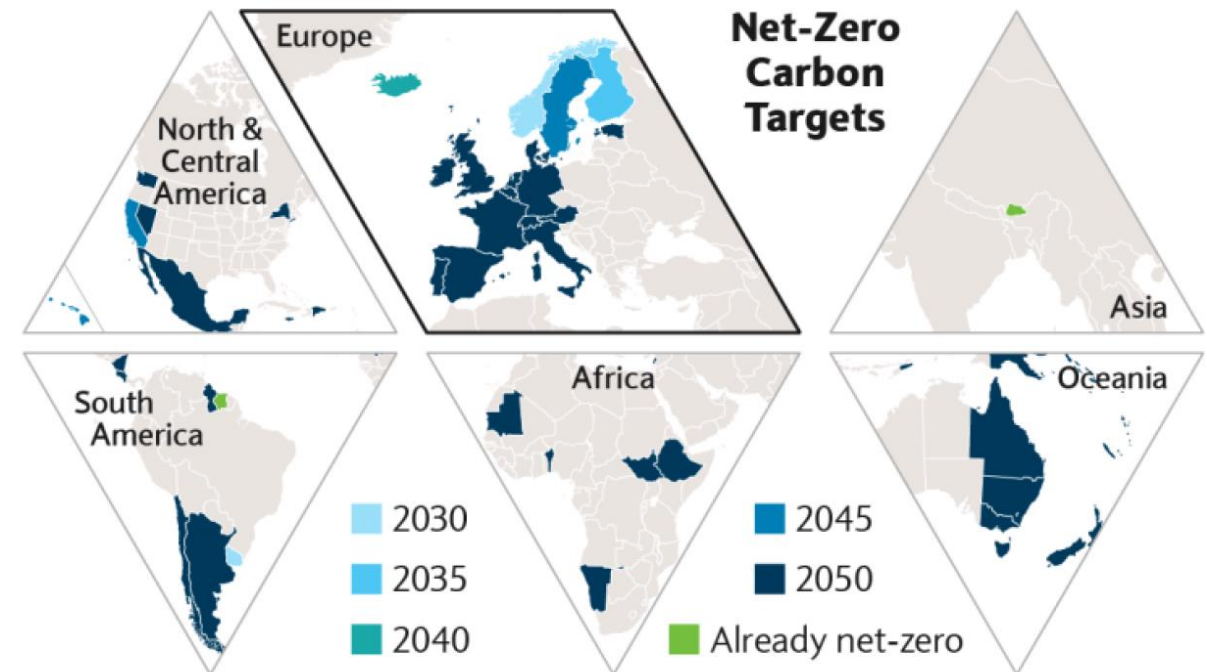
# REASONS TO AVOID EUROPEAN EQUITY

1. Unfinished Currency Union Project
2. Tensions with critical security partner i.e. the US
3. Intra-EU/Inter-member state disputes
4. Mixed performance in the pandemic
5. Anaemic growth over prolonged period

# 1. UNFINISHED CURRENCY UNION PROJECT

## The EU is getting its act together

- German imposed deflationary Europe-wide austerity economics is over
- ‘Next Generation EU’; €750bn<sup>1</sup> (**€390bn grants**, €360bn loans) aimed at limiting the risk to the EU from economic divergence of member states
- Most of the firepower directed to those regions most impacted by Covid-19 and those with lower spending capacity
- Joint debt issuance a step towards much needed fiscal union
- Spending to be focused on digital and green infrastructure; ***Sustainability the next secular theme with Europe the leader?***



Source: Janus Henderson Investors, as at 21 July 2020

<sup>1</sup> The EU 31 July 2020

Source: Energy and Climate Intelligence Unit, Barclays Research

## 2. TENSIONS WITH CRITICAL SECURITY PARTNER I.E. THE US

- Trump, trade wars, defence spending, Nord Stream and China
- Most issues remain but more constructive partner in new administration



Source: Photo image © Reuters

### 3. INTRA-EU/INTER-MEMBER STATE DISPUTES

- EU vs Poland/Hungary – lots of posturing but no real appetite for a fight
- North vs South – Covid policy response eases tension
- Brexit – concluded



## 4. MIXED PERFORMANCE IN THE PANDEMIC

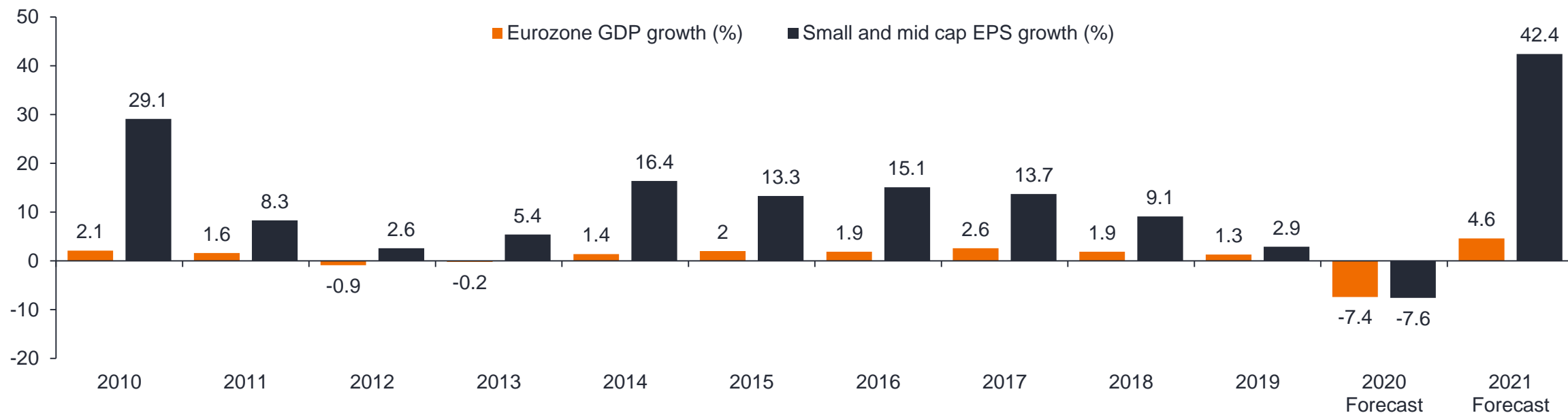
- Health systems struggled continent wide
- PPE shortages
- Slow to approve vaccination
- Invented the vaccine, health system well set up to vaccinate, hopefully a bygone by H2 21



Source: Photo image © Reuters

## 5. ANAEMIC GROWTH OVER PROLONGED PERIOD

- Policy response
- There is growth, but it is small cap!

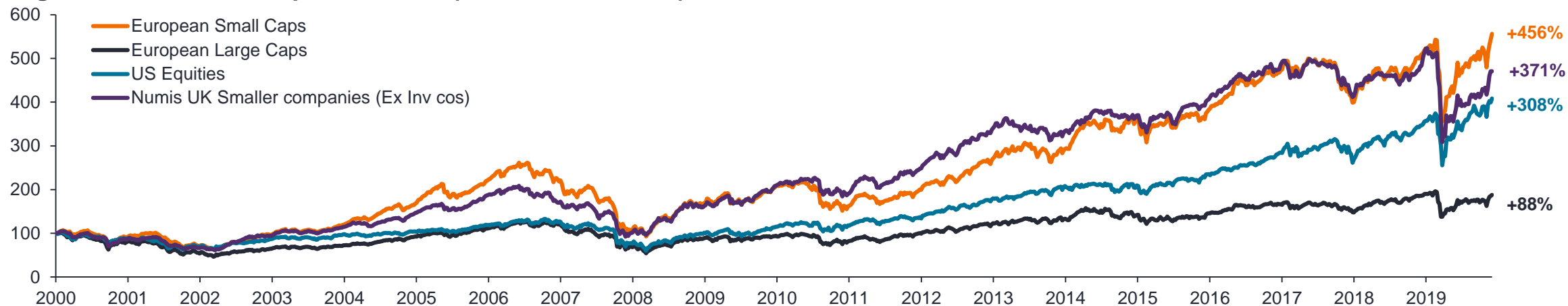


Source: Janus Henderson Investors, as at December 2020



# THERE IS GROWTH, BUT IT IS SMALL CAP!

## Long Term Record of Outperformance (Index Total Return)



## European Small Caps Have Outperformed Large Caps in 12 of the Last 20 Years (Calendar Year Total Returns)

| Performance (%)             | 2001  | 2002  | 2003 | 2004 | 2005 | 2006 | 2007 | 2008  | 2009 | 2010 | 2011  | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018  | 2019 | 2020 YTD |
|-----------------------------|-------|-------|------|------|------|------|------|-------|------|------|-------|------|------|------|------|------|------|-------|------|----------|
| MSCI Europe Ex UK Small Cap | -8.0  | -23.1 | 37.9 | 23.5 | 41.3 | 31.4 | -1.0 | -50.1 | 54.5 | 22.4 | -21.9 | 22.6 | 36.1 | 7.6  | 23.9 | 6.3  | 23.2 | -15.3 | 29.3 | 6.9      |
| MSCI Europe EX UK Large Cap | -11.9 | -22.1 | 28.7 | 10.9 | 4.9  | 15.8 | 5.5  | -37.0 | 26.5 | 15.1 | 2.1   | 16.0 | 32.4 | 13.7 | 1.4  | 12.0 | 21.8 | -4.4  | 31.5 | -0.4     |
| Relative                    | 3.9   | -1.0  | 9.2  | 12.6 | 36.4 | 15.6 | -6.5 | -13.1 | 28.1 | 7.3  | -24.0 | 6.6  | 3.7  | -6.1 | 22.5 | -5.7 | 1.4  | -10.9 | -2.2 | 7.4      |

Source: Janus Henderson Investors, DataStream, in Local currency, as at 30 November 2020

Indices used: European Small Caps = MSCI Europe Ex UK Small Cap, European Large Caps = MSCI Europe Ex UK Large Cap, US Equities = S&P 500. Rebased to 100.

**Past performance is not a guide to future performance.**



# THINGS TO PAY ATTENTION TO

- Policy error – EU institutions seem to have learned lessons, but who knows
- Value vs Growth – investor concentration in growth – what happens if we get inflation?
- ESG – it will become structural in the investment industry

Conclusion – things are getting better...

and we believe that small cap is where the growth, value and ESG is at

Note: Opinions and examples are meant as an illustration of broader themes, are not an indication of trading intent, and are subject to change at any time due to changes in market or economic conditions. It is not intended to indicate or imply that any illustration/example mentioned is now or was ever held in any portfolio. No forecasts can be guaranteed and there is no guarantee that the information supplied is complete or timely, nor are there any warranties with regard to the results obtained from its use.

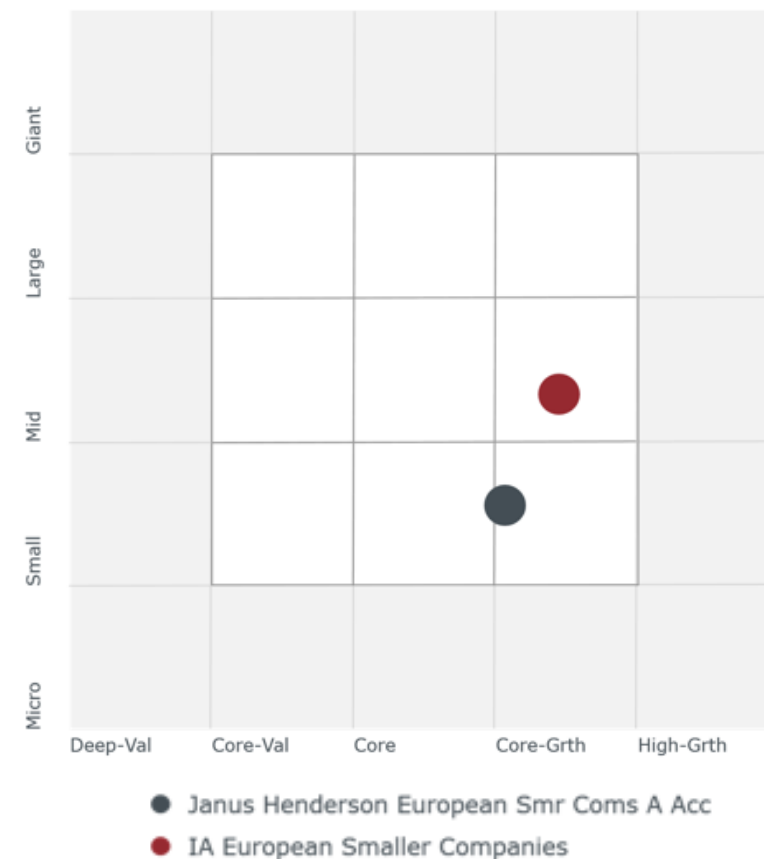
# WHY THIS FUND?

# WHY THIS FUND?

## Janus Henderson European Smaller Companies Fund

- We are a true small cap portfolio
  - Circa 50% of the portfolio in stocks with a market cap <£1bn\*
  - Lower average market cap than peers
- Blended by style – A valuation aware approach
  - We'll buy growth but only at a reasonable price
  - We retain a balance between value and growth
  - Willing to look at neglected areas of the market
- Highly exposed to ESG beneficiaries

### Holdings Based Style Analysis



Source: Morningstar, most recent data available as at 31 October 2020

Note: \*As measured by free float

# WHY THIS FUND?

We take exposure across the company life cycle



Note: Numbers represent portfolio exposure (desk estimates) as at 30 November 2020  
References made to individual securities should not constitute or form part of any offer or solicitation to issue, sell, subscribe or purchase, and neither should be assumed profitable.

# WHY THIS FUND?

Crowded positioning – Expensive is still very expensive

Relative 12-month Forward P/E of 90th vs. 10th Percentile – Europe SMID



Relative 12-month Forward P/BV of 90th vs. 10th Percentile



Relative 12-month Forward EV/Sales of 90th vs. 10th Percentile



Relative 12-month Forward EV/EBITDA of 90th vs. 10th Percentile



Source: FactSet and Nordea, as at 30 November 2020

Noe: SMID = Small and mid cap, P/E = price to earnings, EV/Sales = enterprise value to sales, P/BV = price to book value, EV/EBITDA = enterprise value to earnings before interest, tax, depreciation and amortization.

# WHY THIS FUND?

Investing in businesses that have a positive impact on the development of a sustainable global economy

|  |  |   |   |   |   |   |  |   |  |
|--|--|---|---|---|---|---|--|---|--|
|  <p><b>2</b> ZERO HUNGER</p>                              | <ul style="list-style-type: none"> <li>Alzchem</li> <li>Aker Biomarine</li> <li>Origin Enterprises</li> <li>Sparebank</li> </ul> |  <p><b>3</b> GOOD HEALTH AND WELL-BEING</p>  | <ul style="list-style-type: none"> <li>Aker Biomarine</li> <li>Assystem</li> <li>Carel Industries</li> <li>Comet</li> <li>Dermapharm</li> <li>GVS</li> </ul>      | <ul style="list-style-type: none"> <li>Handicare</li> <li>Implantica</li> <li>Karnov</li> <li>Kendrion</li> <li>Rovi</li> <li>Lisi</li> </ul> | <ul style="list-style-type: none"> <li>Medios</li> <li>Mithra</li> <li>OC Oerlikon</li> <li>PharmaSGP</li> <li>Uniphar</li> </ul>       |  <p><b>4</b> QUALITY EDUCATION</p>                                     | <ul style="list-style-type: none"> <li>Academedia</li> <li>Kahoot!</li> <li>Karnov</li> <li>Mondadori</li> <li>Prisa</li> </ul>                |  <p><b>5</b> GENDER EQUALITY</p>                         | <ul style="list-style-type: none"> <li>Dermapharm</li> <li>Mithra Pharma</li> </ul>  |
|  <p><b>6</b> CLEAN WATER AND SANITATION</p>               | <ul style="list-style-type: none"> <li>Norma</li> </ul>  |  <p><b>7</b> AFFORDABLE AND CLEAN ENERGY</p>   | <ul style="list-style-type: none"> <li>Aixtron</li> <li>Alzchem</li> <li>Assystem</li> <li>Carel Industries</li> <li>Concentric</li> <li>Energiekontor</li> </ul> | <ul style="list-style-type: none"> <li>H+H</li> <li>Kendrion</li> <li>Mersen</li> <li>Recticel</li> <li>Valmet</li> <li>Zumtobel</li> </ul>   |  <p><b>8</b> DECENT WORK AND ECONOMIC GROWTH</p>     | <ul style="list-style-type: none"> <li>Aixtron</li> <li>Basware</li> <li>Fincobank</li> <li>Mersen</li> <li>Pexip</li> <li>Resurs</li> </ul>              | <ul style="list-style-type: none"> <li>Sbanken</li> <li>Sparebank</li> <li>USU Software</li> <li>Van Lanschot</li> </ul>                       |  <p><b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> | <p><b>Innovation Focus</b></p> <ul style="list-style-type: none"> <li>M&amp;M Software</li> <li>Mersen</li> <li>Metso Outotec</li> <li>Suess Microtec</li> <li>S.O.I.T.E.C.</li> <li>BESI</li> <li>GVS</li> <li>Comet</li> </ul> |
|  <p><b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>  | <p><b>Infrastructure Focus</b></p>   | <ul style="list-style-type: none"> <li>Assystem</li> <li>Befesa</li> <li>Besi</li> <li>Comet</li> <li>Concentric</li> <li>Deutz</li> <li>Flex LNG</li> <li>GTT</li> <li>Hexagon Composites</li> <li>Kendrion</li> </ul> | <ul style="list-style-type: none"> <li>Klingelberg</li> <li>Mersen</li> <li>Metso outotec</li> <li>Nabaltec</li> <li>NOS</li> </ul>                               | <ul style="list-style-type: none"> <li>OC Oerlikon</li> <li>S.O.I.T.E.C.</li> <li>Suess microtec</li> <li>Valmet</li> </ul>                   |  <p><b>11</b> SUSTAINABLE CITIES AND COMMUNITIES</p> | <ul style="list-style-type: none"> <li>Aixtron</li> <li>Assystem</li> <li>Carel Industries</li> <li>Concentric</li> <li>Fincobank</li> <li>H+h</li> </ul> | <ul style="list-style-type: none"> <li>Handicare</li> <li>Helma</li> <li>Immobel</li> <li>K&amp;B</li> <li>Mersen</li> <li>Nabaltec</li> </ul> | <ul style="list-style-type: none"> <li>Norma</li> <li>Recticel</li> <li>Sbanken</li> <li>Sparebank 1</li> <li>Zumtobel</li> </ul>           |  |
|  <p><b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION</p> | <ul style="list-style-type: none"> <li>Befesa</li> <li>Metso</li> <li>Valmet</li> <li>Vetropack</li> </ul>                       |  <p><b>13</b> CLIMATE ACTION</p>  | <ul style="list-style-type: none"> <li>Norma</li> </ul>   |  <p><b>14</b> LIFE BELOW WATER</p>                         | <ul style="list-style-type: none"> <li>Aker Biomarine</li> </ul>  |  <p><b>15</b> LIFE ON LAND</p>  | <ul style="list-style-type: none"> <li>Origin Enterprises</li> </ul>   |   |  |

Source: Berenberg, Janus Henderson, as at 30 November 2020

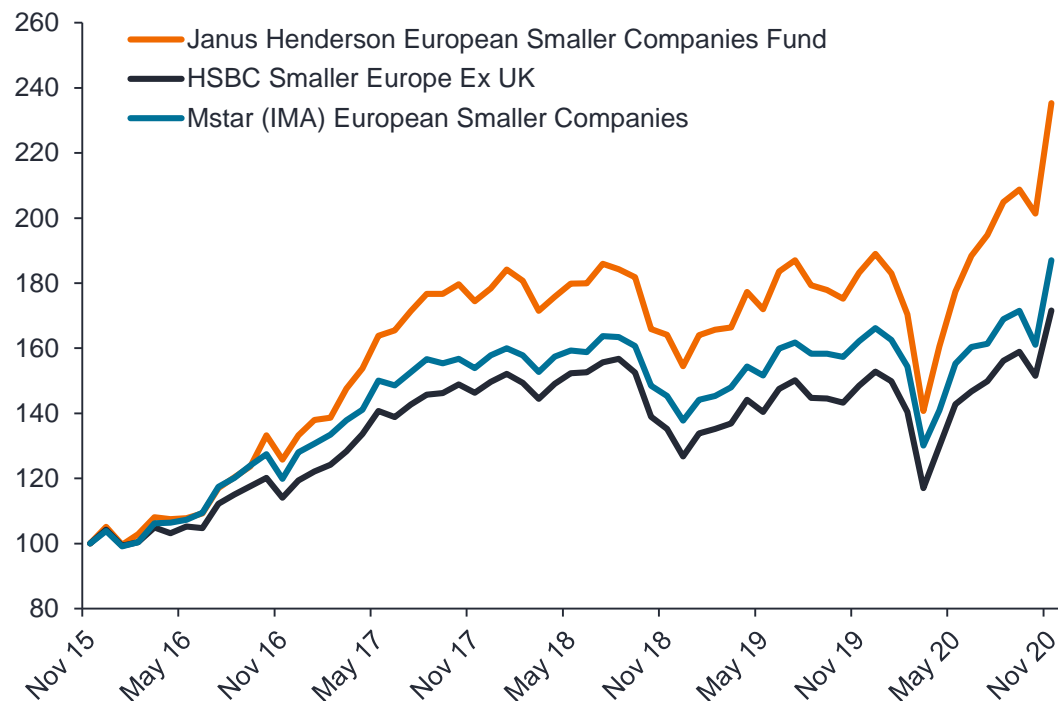
Listed above are stocks we own with exposure to a SDG (Sustainable Development Goal), as EU Taxonomy develops in 2021 we will be able to report this in more detail

References made to individual securities should not constitute or form part of any offer or solicitation to issue, sell, subscribe or purchase, and neither should be assumed profitable.

# WHY THIS FUND?

## Janus Henderson European Smaller Companies Fund

### 5 Year Performance (%)



Source: Janus Henderson Investors, FactSet, as at 30 November 2020  
 Basis: Bid pricing, gross income reinvested, net of fees, I Acc Share Class, in sterling.  
 Note: The Fund performance is based on midday valuation. Index performance is based on close of business valuation. Sector Average performance is based on valuation point of underlying funds in universe.

| Performance (%) | 1 Year | 2 Years | 3 Years | 5 Years |
|-----------------|--------|---------|---------|---------|
| Fund            | 28.4   | 43.4    | 34.9    | 135.3   |
| Index           | 15.4   | 28.7    | 21.5    | 87.0    |
| Sector average  | 15.6   | 26.9    | 17.3    | 71.6    |

Source: Janus Henderson Investors, FactSet, as at 30 November 2020  
 Basis: Bid pricing, net income reinvested, net of fees, I Acc Share Class, in sterling.  
 Note: Periods over 1 year are cumulative.  
 Index: Euromoney Smaller European Companies Ex-UK  
 Sector: Morningstar Europe ex UK Sector Average

**Past performance is not a guide to future performance.**



# APPENDIX

# BIOGRAPHY



**Rory Stokes, CFA**  
Portfolio Manager

Rory Stokes is a Portfolio Manager of European equities at Janus Henderson Investors, a position he has held since 2015. Rory joined Henderson in 2013 as a European equity analyst. He worked for Liberum Capital Limited in small- and mid-cap equity sales from 2007 and prior to that held several roles at Credit Suisse. He began his career at HOLT Value Associates as a research analyst in 2001.

Rory graduated with a degree in philosophy, politics, and economics from Oxford University. He holds the Chartered Financial Analyst designation and is FCA registered. He has 20 years of financial industry experience.

Source: Janus Henderson, as at 31 December 2020

# JANUS HENDERSON EUROPEAN SMALLER COMPANIES FUND

| Annualised Performance (%) | I Acc GBP (Net) | Index | Peer Group Benchmark |
|----------------------------|-----------------|-------|----------------------|
| 5 Year                     | 18.97           | 13.74 | 11.59                |
| 10 Year                    | 13.38           | 10.37 | 10.24                |
| Since Inception            | 12.68           | —     | 11.49                |

| Discrete Performance (%)  | I Acc GBP (Net) | Index  | Peer Group Benchmark |
|---------------------------|-----------------|--------|----------------------|
| 31 Dec 2019 – 31 Dec 2020 | 32.59           | 18.89  | 18.04                |
| 31 Dec 2018 – 31 Dec 2019 | 22.37           | 20.62  | 20.57                |
| 31 Dec 2017 – 31 Dec 2018 | -13.43          | -12.68 | -15.34               |
| 31 Dec 2016 – 31 Dec 2017 | 33.88           | 23.29  | 25.42                |
| 31 Dec 2015 – 31 Dec 2016 | 26.78           | 23.31  | 14.52                |

## Index: EMIX Smaller European Companies Ex UK TR

### Index usage: Comparator

The EMIX Smaller European Companies (Ex UK) Index is a measure of the combined performance of over one thousand 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.

## Peer group benchmark: IA North America Equity

### Peer group benchmark usage: Comparator

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.

Source: Janus Henderson Investors, as at 31 December 2020

Note: Since inception date: 28 January 1985

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

**Past performance is not a guide to future performance.**

## Contact us

201 Bishopsgate, London, EC2M 3AE, United Kingdom  
janushenderson.com



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