Janus Henderson INVESTORS

PAN EUROPEAN SMALL AND MID-CAP FUND

At a glance

Performance*
The Fund returned 5.00%, the Index returned 2.93% and the Sector returned 1.44%.

Contributors/detractors
TKH, DFDS and JCDecaux were leading contributors, while IG Group, Flatexdegiro and Suss MicroTec detracted over the quarter.

Outlook
We think the outlook for European small-cap stocks is largely dependent on oil prices. Should oil prices ease, we believe they could be well placed to outperform large-cap stocks.

Portfolio management


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Investment environment

- European small-cap stocks fell in the third quarter amid anxiety about pricing pressures, geopolitical tensions and sharp rises in bond yields.
- The beginning of the period saw some consolidation as investors grew more sceptical about the sustainability of artificial intelligence (AI) spending from hyperscalers. However, a strong corporate earnings season and signs of an improving economy spurred a rebound in technology stocks in August.
- Investor sentiment soured again later in the quarter. Rising oil prices, due to a re-escalation of the US-Iran conflict, triggered renewed concerns about rising inflation and sent bond yields sharply higher (prices lower), which weighed on equities.
- Economic data was largely positive. Eurozone GDP expanded by 0.6% over the second quarter, up from no growth in the first quarter. Meanwhile, the composite Purchasing Managers' Index (PMI) hit a three-and-a-half-year high in September, suggesting an improved outlook despite the uncertainty caused by the US/Iran conflict. However, eurozone annual inflation accelerated from 2.8% in June to 3.2% in August, largely due to higher energy prices.
- The European Central Bank (ECB) continued to hint that it could raise its key deposit rate, which it did in the final month of the quarter and signalled that further monetary policy tightening may be needed.

Portfolio review

Shares in several holdings linked to data centres and the wider AI infrastructure build-out outperformed over the quarter and were among the leading contributors. They included TKH, a Dutch technology company specialising in smart connectivity, smart manufacturing, and smart vision systems. The company reported strong first-half of the year results, driven by impressive performance in its electrification cable business and an upgraded outlook for the division. Plans to spin off the business into a separate entity in September provided a further boost, as the move is expected to unlock additional shareholder value.

Danish ferry services company DFDS was another leading contributor to performance, driven by strong second-quarter results. Investors responded favourably to the firm upgrading its full-year earnings and cash-flow guidance (forecasts) as well as its recent cost-cutting measures.

French outdoor advertising firm JCDecaux was another outperformer on the back of announcing its second-quarter results. The firm's revenues and first-half of the year

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*For benchmark and sector, 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.

margins both topped expectations, aided by strong results from its digital advertising segment.

Conversely, IG Group detracted as shares in the UK derivatives trading and spread betting platform gave back some of their outperformance from the second quarter. The company reported generally positive first-half earnings, but investors worried about smaller margins. News in July that the firm had acquired Underdog Sports Holdings, a US fantasy sports prediction markets operator, was met with scepticism by investors due to regulatory uncertainty and the acquisition price. However, we retain our conviction in the stock as we think the deal has been constructed in a clever way, so despite the obvious regulatory risk, it provides interesting optionality on the fast-growing prediction markets.

Germany-listed online trading platform Flatexdegiro was another detractor. News of disagreements among the company's board that resulted in two resignations and the appointment of a co-CEO weighed on sentiment in the final month of the quarter. Despite this uncertainty, we believe Flatexdegiro remains in position to benefit from German pension reforms.

Shares in Suss MicroTec also underperformed over the period, partly due to a weak start when investors took profits in AI-related stocks that had performed well earlier in the year. Performance remained mixed over the rest of the period after the manufacturer of bonding machines and other equipment for semiconductor production posted second-quarter revenues and profits that came in below expectations.

In terms of activity, we initiated a new position in GN Store Nord, a Danish manufacturer of hearing and listening devices. We believe the firm's plans to sell off its hearing aid business will open up the growth potential of its GN Enterprise business, which is focussed on professional headsets, speakerphones, and video collaboration devices for offices. We also purchased Comet, a Swiss firm which makes high-tech components and systems for radio frequency and X-ray technologies, which we believe could benefit from soaring memory prices and a rebound in the semiconductor market. The German-based car rental and mobility services firm SIXT was another new addition.

We sold out of the position in Merlin Properties in order to lock in profits after its strong year-to-date share price performance, which has been driven by the Spanish-listed firm's exposure to the data centre build-out. We also exited HelloFresh, the German-based meal delivery box provider. The firm's strategic shift towards higher-value customers has, so far, resulted in a greater hit to revenue than we had anticipated.

We exited the position in UK property listing company Rightmove after a run of strong performance. We also profitably sold Banco Comercial Português as the shares had reached our valuation target.

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 would expect a rally in global bond markets, which could then likely spill over into other assets. In this scenario, we believe European small-caps stocks are well placed to outperform, given what we see as their attractive valuations, 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 elevated borrowing costs weigh on the economic outlook. However, we think there are still grounds for optimism. European economic data has been increasingly constructive, particularly in Germany and Scandinavia. Corporate fundamentals have remained strong and could continue to improve, supported by encouraging manufacturing Purchasing Managers' Index (PMI) data and signs that the German economic recovery is gaining momentum.

Hyperscaler capital expenditure (capex) is expected to remain robust, which could continue to support demand throughout the AI value chain. A healthy earnings outlook heading into the third-quarter reporting season could provide a tailwind as the capex cycle is 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 the attractive 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
A2 EUR (Net)	-2.73	5.00	13.64	19.37	14.16	4.92	8.42
Index	-2.65	2.93	8.50	12.29	13.53	3.92	7.52
Sector	-2.36	1.44	5.90	8.29	9.64	-0.16	5.79

Calendar year	YTD at Q3 2026	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
A2 EUR (Net)	13.64	15.01	2.40	10.25	-16.28	21.13	11.73	35.37	-20.08	17.27	4.68
Index	8.50	16.35	5.65	12.74	-22.60	22.93	7.32	28.65	-14.46	17.15	2.39
Sector	5.90	12.52	1.52	7.08	-26.43	25.72	12.51	27.19	-18.58	21.69	1.51

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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 a return, from a combination of capital growth and income 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	29 September 2000
Total net assets	86.68m
Asset class	Equities
Domicile	Luxembourg
Structure	SICAV
Base currency	EUR
Index	MSCI Europe Small Cap Index (EUR)
Morningstar sector	Europe Small-Cap Equity
SFDR category	Article 8

In accordance with the Sustainable Finance Disclosure Regulation, the Fund is classified as Article 8 and promotes, among other characteristics, environmental and/or social characteristics, and invests in companies with good governance practices.

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/scenarios are detailed within the fund's specific KIID/KID; fees and charges, and the respective risk rating may vary. Further information can be found in the fund's prospectus and KIID/KID, which must be reviewed before investing. Please consult your local sales representative and/or financial adviser if you have any queries. From 25 February 2022 the Fund's benchmark changed from the EMIX Smaller European Companies Index to the MSCI Europe Small Cap Index and the Fund's investment policy changed. Past performance shown before 25 February 2022 was achieved under circumstances that no longer apply. From 25 February 2022, the Janus Henderson Pan European Smaller Companies Fund changed its name to become the Janus Henderson Pan European Small and Mid-Cap Fund. This is a Luxembourg SICAV Fund, regulated by the Commission de Surveillance du Secteur Financier (CSSF). Ongoing charge represents the ongoing costs to the fund, which includes the AMC and other charges for services such as keeping a register of investors, calculating the price of the fund's units or shares and keeping the fund's assets safe. 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. The ongoing charge is calculated using the PRIIP methodology. The PRIIP methodology differs to the UCITS ongoing charge methodology, as the PRIIP methodology captures additional recurring charges, including but not limited to: Interest paid on borrowing (e.g. bank interest); Any fees incurred in relation to stock-lending activity (i.e. the fee paid to the lending agent); Any costs associated with holding closed-ended vehicles. Cash balances and exposures are based on settled and unsettled trades as at the reporting date.

Investment policy

The Fund invests at least two-thirds of its assets in shares (equities) and equity-related securities of small and mid-cap companies, in any industry, in Europe (including UK). Companies will have their registered office in or do most of their business (directly or through subsidiaries) in this region. The Fund will invest in small and mid-cap companies with a market capitalisation that generally falls within the bottom 50% of the Pan European market. The Fund may also invest in other assets including companies of any size, in any region, cash and money market instruments. The Investment Manager may use derivatives (complex financial instruments) to reduce risk or to manage the Fund more efficiently. The Fund is actively managed with reference to the MSCI Europe Small Cap Index, which is broadly representative of the companies in which it may invest, as this 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, but at times the Fund may hold investments similar to the index.

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, what its competitive advantage is, and the sustainability of returns. The Fund maintains a well-diversified portfolio of smaller companies but will also hold some companies regarded as medium sized. The liquidity of the company (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. When the Fund, or a share/unit class, seeks to mitigate exchange rate movements of a currency relative to the base currency (hedge), the hedging strategy itself may positively or negatively impact the value of the Fund due to differences in short-term interest rates between the currencies. 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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