

Janus Henderson Pan European Smaller Companies Fund

May 2021

For qualified investors only
For promotional purposes

Fund Managers Names

Ollie Beckett, Rory Stokes, CFA

Macro backdrop

May saw the end of a busy first quarter reporting season, which continued to propel markets higher and made the European market one of the best performing major equity regions. Similar to April, the majority of company earnings beat the expectations of sell-side analysts, although in many instances perhaps not that of buy-side analysts, as share price moves did not reflect the earnings upgrades implied by many company releases.

Fund performance and activity

The best performing stocks included TKH Group, a technology specialist in machine vision and tyre equipment, as the company received broker upgrades based on improving orders. UK house builder Crest Nicholson benefited from a booming UK housing market following government tax incentives in the wake of the COVID-19 pandemic. John Laing Group also added to returns after being the subject of a private equity bid. The first half of the year has seen elevated levels of corporate activity with John Laing the fourth portfolio holding to be bid for. While rates remain low, confidence is improving in board rooms and private equity has large cash piles we would expect merger and acquisition (M&A) activity to remain high - particularly in small caps with more attractive valuations and strong balance sheets. Detractors included Aareal bank. The stock drifted following its AGM, where a vocal activist investor failed to push management into what they viewed to be value creating actions. We continue to hold the shares as to us it made little sense that investors seem willing to buy hotel stocks for the "recovery" but not those that lend to hotels on a low loan-to-value basis. Also, Aareal has been earning some nice margins on new loans due to reduced competition from mainstream banks, and we like the software business within Aareal Bank. Other detractors include Kahoot!, which we have now sold as we thought its growth rates were not at a level which matches its highly valued share price. Renewable energy company Nordex also dragged on returns due to inflationary pressures in its supply chain, and a broader reversal in sentiment toward green energy stocks. We added two stocks to the portfolio. The first was UK pub chain Mitchells & Butlers as we liked its exposure to a full reopening of the UK economy. The second was the initial public offering (IPO) of Montana Aerospace, an aerospace supplier which has benefited from the big producers looking to narrow their list of suppliers - allowing market share gains. Sales predominantly took the form of profit-taking in names where the valuation had become less compelling to us. This included Allfunds Group, Bankinter (following the spin out of its insurance business, Linea Directa) and Embracer.

Outlook/strategy

We continue to operate a relatively balanced portfolio with exposure to both high growth and lowly valued shares. The inflation debate will likely swing back and forth from being top of investors agenda to a nagging risk factor depending on the data each month, but it is our view that valuation, as a fundamental factor in stock selection, will be more significant in the coming years than it has been for the past decade.

Source: Janus Henderson Investors, as at 31 May 2021

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Fund information

Index	Euromoney Europe Smaller Companies Index
Morningstar sector	Europe OE Europe Small-Cap Equity
Objective	The Fund aims to provide a return, from a combination of capital growth and income over the long term (5 years or more).

Performance in (EUR)

Performance %	A2 (Net)	Index	Sector	Quartile ranking
1 month	1.8	2.3	2.0	3rd
YTD	22.2	16.0	16.5	1st
1 year	68.4	48.0	49.2	1st
3 years (annualised)	13.1	10.2	10.0	1st
5 years (annualised)	12.8	10.7	11.3	1st
10 years (annualised)	12.2	10.5	11.3	1st
Since inception 24 Mar 2005 (annualised)	11.1	9.4	9.5	-

Source: at 31 May 2021. © 2021 Morningstar. All rights reserved, performance is with gross income reinvested. Performance/performance target related data will display only where relevant to the share class inception date and annualised target time period.

Discrete year performance %	A2 (Net)	Index	Sector
31 Dec 2019 to 31 Dec 2020	11.7	7.3	12.5
31 Dec 2018 to 31 Dec 2019	35.4	28.6	27.2
31 Dec 2017 to 31 Dec 2018	-20.1	-14.5	-18.6
31 Dec 2016 to 31 Dec 2017	17.3	17.2	21.7
31 Dec 2015 to 31 Dec 2016	4.7	2.4	1.5

Source: at 31 Dec 2020. © 2021 Morningstar. All rights reserved, performance is with gross income reinvested. Discrete performance data may change due to final dividend information being received after quarter end.

Source for target returns (where applicable) – Janus Henderson. Where quartiles are shown, 1st quartile means the share class is ranked in the top 25% of share classes in its sector.

Please note the performance target is to be achieved over a specific annualised time period. Refer to the performance target wording within the objective.

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Past performance is not a guide to future performance. 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.

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For further information on the Luxembourg-domiciled Janus Henderson fund range please contact your local sales office or visit our website: www.janushenderson.com.

Benelux

Janus Henderson Investors
Tel: +31 20 675 0146
Fax: +31 20 675 7197
Email: info.nederlands@janushenderson.com

France/Monaco

Janus Henderson Investors
Tel: +33 1 53 05 41 30
Fax: +33 1 44 51 94 22
Email: info.europe.francophone@janushenderson.com

Germany/Austria

Janus Henderson Investors
Tel: +49 69 86 003 0
Fax: +49 69 86 003 355
Email: info.germany@janushenderson.com

Dubai

Janus Henderson Investors
Tel: +9714 401 9565
Fax: +9714 401 9564
Email: JanusHenderson-MEACA@janushenderson.com

Hong Kong

Janus Henderson Investors
Tel: +852 2905 5188
Fax: +852 2905 5138
Email: marketing.asia@janushenderson.com

Italy

Janus Henderson Investors
Tel: +39 02 72 14 731
Fax: +39 02 72 14 7350
Email: info.italy@janushenderson.com

Latin America

Janus Henderson Investors
Tel: +44 20 7818 6458
Fax: +44 20 7818 7458
Email: sales.support@janushenderson.com

Nordics

Janus Henderson Investors
United Kingdom
Tel: +44 20 7818 4397
Fax: +44 20 7818 1819
Email: sales.support@janushenderson.com

Singapore

Janus Henderson Investors
Tel: +65 6836 3900
Fax: +65 6221 0039
Email: marketing.asia@janushenderson.com

Spain/Portugal/Andorra

Janus Henderson Investors
Tel: +34 91 562 6172
Fax: +34 91 564 6225
Email: info.iberia@janushenderson.com

Switzerland

Janus Henderson Investors
Tel: +41 43 888 62 62 (Zurich office)
Tel: +41 22 810 82 89 (Geneva office)
Email: info.switzerland@janushenderson.com

United Kingdom

Janus Henderson Investors
Tel: +44 20 7818 1818
Fax: +44 20 7818 1819
Email: sales.support@janushenderson.com

Important information

The investments underlying this financial product (referred to as the Fund) do not take into account the EU criteria for environmentally sustainable economic activities. While the analysis of ESG factors is an integral component across the Investment Manager's investment capabilities, the Investment Manager does not maximise portfolio alignment with sustainability risks as a separate goal in its own right nor does it precisely attribute the impact of ESG factors on returns for the Fund.

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