Janus Henderson INVESTORS

# HORIZON PAN EUROPEAN SMALLER COMPANIES FUND

## At a glance

**Performance***
The Fund returned 3.47%, the Index returned 2.93% and the Sector returned 1.44%.

**Contributors/detractors**
TKH, DFDS and JCDecaux contributed, while IG Group, Flatexdegiro and Suss MicroTec detracted from performance 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



**Ollie Beckett**



**Rory Stokes, CFA**



**Julia Scheufler, CFA**

## 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, 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 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

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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.

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 Konecranes, a Finnish company that manufactures and services cranes and other lifting equipment. We believe the firm could benefit from the improving outlook for the northern European economy. We also purchased Danish mining equipment company FLSmidth, partly to increase the fund's exposure to copper, where prices have been rising. We are also encouraged by the recovery in greenfield mining investment.

GN Store Nord, a Danish manufacturer of hearing and listening devices, was another addition. 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 initiated small positions in Acast, a Swedish podcast-hosting marketplace, and Fugro, which conducts seismic surveys and other geoscience services for onshore and offshore purposes.

We sold out of the position in Merlin Properties in order to lock in profits after its strong year-to-date 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 positions in UK property listing company Rightmove and French consulting and digital services firm Sopra Steria after runs of strong share price performance. We also profitably sold out of 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) | -1.97 | 3.47 | 13.21 | 17.13 | 13.47 | 4.66 | 8.73 |
| 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) | 13.21 | 13.91 | 4.23 | 8.00 | -15.19 | 21.17 | 13.97 | 34.27 | -23.21 | 25.53 | 5.69 |
| 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.

Performance fees may be charged before the Fund's outperformance target is reached.

Performance fees are charged separately as a way of rewarding the investment manager for superior returns or for outperforming specified targets. A Performance Fee is accrued where the NAV outperforms the relevant Hurdle NAV (subject to a High Water Mark). For further explanation of the performance fee calculation methodology please see the relevant prospectus, available at www.janushenderson.com.

## Investment objective

The Fund aims to provide capital growth over the long term. Performance target: To outperform the MSCI Europe Small Cap Index, after the deduction of charges, over any 5 year period.

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** | 01 August 1993 |
| **Total net assets** | 1.41bn |
| **Asset class** | Equities |
| **Domicile** | Luxembourg |
| **Structure** | SICAV |
| **Base currency** | EUR |
| **Index** | MSCI Europe Small Cap Index |
| **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 benchmark changed from the EMIX Smaller European Companies Index to the MSCI Europe Small Cap Index, the Fund's investment policy and performance target also changed. Past performance shown before 25 February 2022 was achieved under circumstances that no longer apply. This is a Luxembourg SICAV Fund, regulated by the Commission de Surveillance du Secteur Financier (CSSF). 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.

## Investment policy

The Fund invests at least 75% of its assets in shares (equities) and equity-related securities of smaller companies, in any industry, in the EEA or the UK if not part of the EEA. Companies will have their registered office in the EEA or the UK if not part of the EEA. 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 forms the basis of the Fund's performance target and the level above which performance fees may be charged (if applicable). 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 companies which generally fall within the bottom 25% of their relevant market by way of size. 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.

FOR MORE INFORMATION PLEASE VISIT **JANUSHENDERSON.COM**

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Source: Janus Henderson Investors, as at 30 September 2026, unless otherwise noted.

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