Janus Henderson
INVESTORS

# SMALLER COMPANIES

## How could an allocation to smaller companies benefit your clients' portfolios?



Marketing communication

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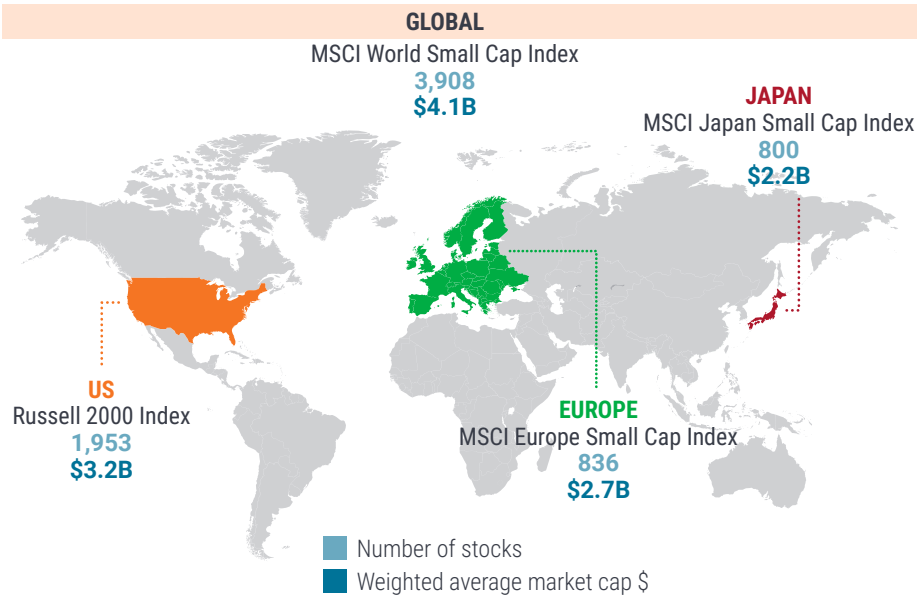
# MARKET OVERVIEW: SMALLER COMPANIES

## Smaller companies are a segment of the global financial market comprising firms with a market capitalisation typically between USD$500 million and USD$18 billion*. They are represented across a wide range of industries and can be innovative and agile, adapting quickly to market changes.

By focusing on growth through reinvesting profits, smaller companies (commonly abbreviated to small caps) can offer higher returns over time and diversification benefits for investors relative to their larger peers. However, they also require careful research and consideration of the associated risks, such as greater share price volatility and less trading liquidity, when investing.

*Source: Janus Henderson, as at 30 September 2024.

### Extensive global and regional opportunities




Source: FactSet, as at 31 March 2025. AUM in USD.

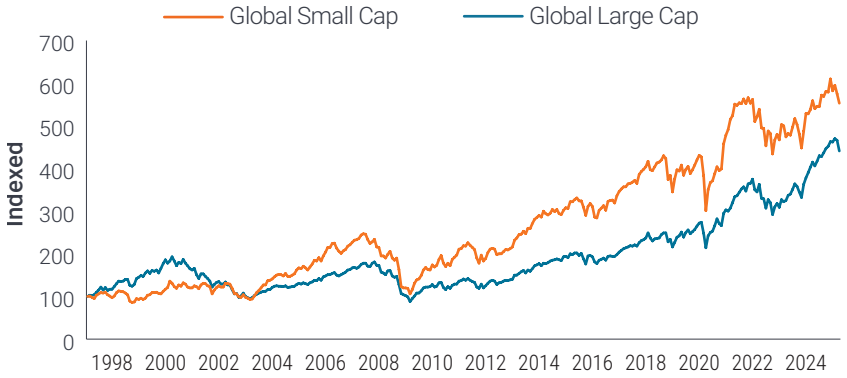
> "Our expert managers seek to exploit pricing inefficiencies across vast global and regional small cap equity markets to identify undervalued opportunities with superior long-term growth potential"
>
> **Lucas Klein,** Head of EMEA and APAC Equities

# THE CASE FOR SMALLER COMPANIES IN YOUR PORTFOLIO

## LONG-TERM RECORD OF OUTPERFORMANCE

Historically, small caps have outperformed large caps globally over the long term, which reflects their greater growth potential and agility to adapt to market changes, although this comes with higher potential share price volatility.

### Global small caps have outperformed over the long term

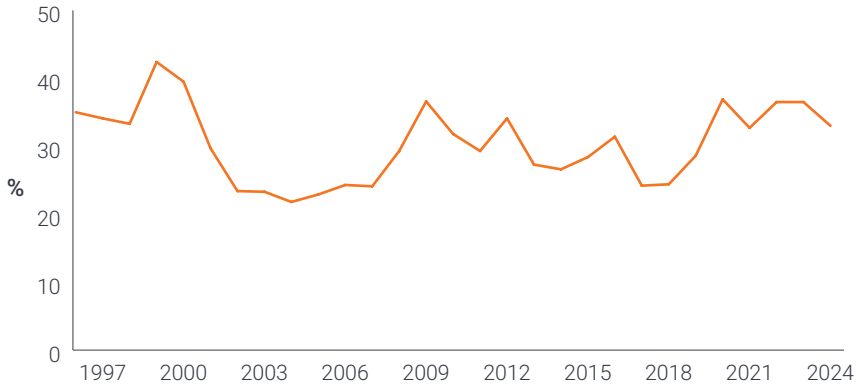



Source: Refinitiv Datastream, Janus Henderson Investors analysis as at 31 December 2024. MSCI World Small Cap and MSCI World Large Cap price indices rebased to 100.

## M&A IS A STRUCTURAL TAILWIND

Smaller companies are often takeover targets for larger companies looking to expand their market share, taking advantage of the unique characteristics or niche market position the target company may have. Since 1995 around 95% of all global M&A has involved a smaller company being bought. On average this has resulted in a 30% increase in the target company's share price.

### Percentage of M&A deals involving a small cap target

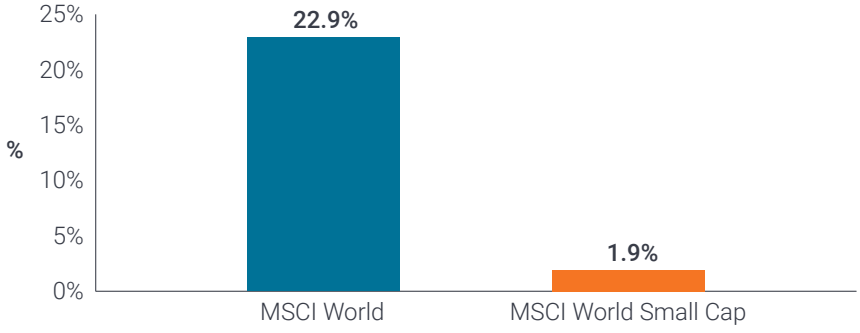



Source: Bloomberg, FactSet, J.P. Morgan calculations, Janus Henderson Investors Analysis as at 31 December 2024. Public-listed target <$5bn versus total global equities market.

## LESS CONCENTRATION RISK

Small cap indices have less concentration risk relative to large cap indices given that the largest constituents comprise a smaller percentage of the total index, ensuring a more even distribution of weight across companies and helping to diversify concentration risk.

### Index weight (%) of top-ten holdings much lower than larger cap indices




Source: Bloomberg, FactSet and J.P. Morgan calculations, Janus Henderson Investors analysis, as at 31 March 2025. MSCI World and MSCI World Small Cap Indices.

Allocations are subject to change without notice. **Past performance does not predict future returns.**

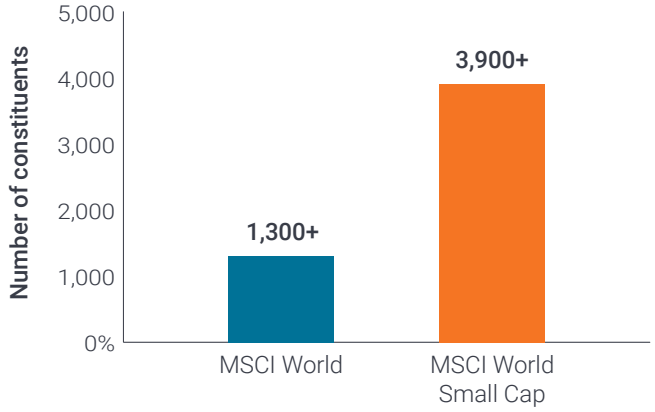
Note: M&A (mergers and acquisitions) refers to the consolidation of companies or their significant assets through financial transactions between the companies.

# WHY ACTIVE FOR SMALLER COMPANIES?

## MORE STOCKS, MORE OPPORTUNITIES

The small cap universe is extensive, comprising thousands of companies worldwide, across industries and sectors. This breadth of choice offers substantial investment opportunities for investors.

### Breadth of choice from the size of small cap markets

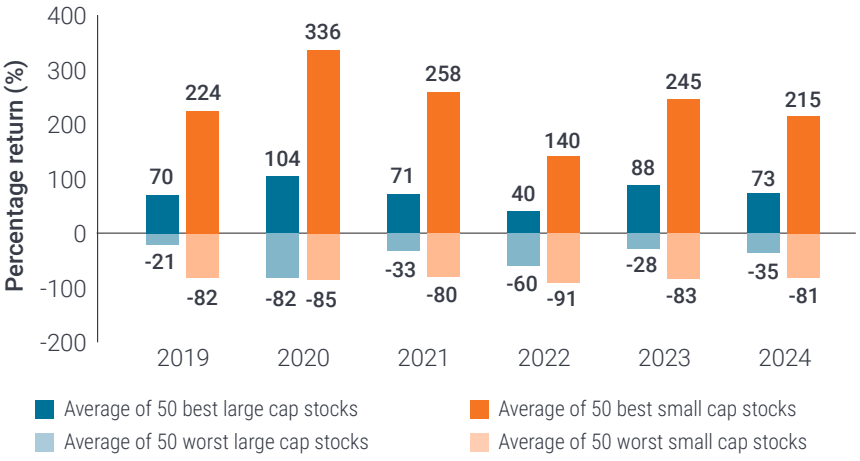



Source: MSCI / FactSet, as at 31 March 2025. Note: Indices used: MSCI World and MSCI World Small Cap.

## INEFFICIENCIES EQUAL GREATER DISPERSION

Smaller companies are an overlooked, under-researched and often mis-priced segment of the market. This can create pricing anomalies that offer significant growth opportunities for astute active stock pickers. Therefore, stock pickers have the opportunity to select much bigger winners on average from small caps versus larger peers.

### More opportunities to select higher-performing stocks

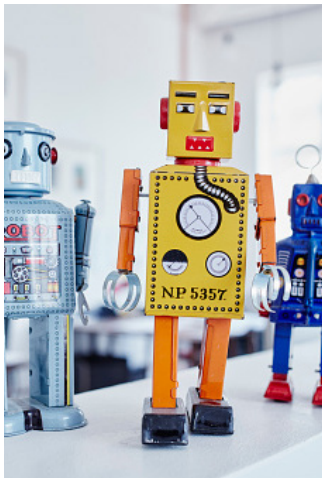



Source: Bloomberg, Janus Henderson Investors Analysis, as at 31 December 2024.
Note: Indices used: MSCI World Large Cap and MSCI World Small Cap.
**Past performance does not predict future returns.**

## DISTINCT DIVERSIFICATION

The small cap investment universe encompasses a diverse range of companies, including innovative startups and niche market leaders, such as companies that just focus on space exploration infrastructure, or just produce toys or eggs. This offers investors distinct diversification opportunities from active managers seeking to select the best growth opportunities over time.








# WHY JANUS HENDERSON FOR SMALLER COMPANIES?

## SMALL CAP EQUITY HERITAGE

Our heritage in small cap equity investing can be traced back more than 40 years, characterised by a blend of growth and value strategies implemented across a range of global and regional products, aiming to offer investors diversified exposure to the high-potential of small cap companies.



**40+** YEARS OF **SMALL CAP** INVESTING

MORE THAN **AU$15B** IN SMALL CAP **AUM**



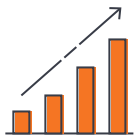
## EXPERIENCED REGIONAL & GLOBAL TEAMS

Janus Henderson's experienced regional and global equity teams manage more than $15 billion in active small cap equities. We leverage our global presence, extensive research capabilities, and deep sector knowledge to identify promising small cap investments across various geographies and sectors.

## OPPORTUNITIES FOR ACTIVE MANAGEMENT

A deep and less-explored universe of smaller companies provides significant opportunities for our investment teams. Our heritage in small cap investing is built on a foundation of rigorous research and a commitment to identifying undervalued companies with strong growth prospects.

**3,900+** STOCKS IN THE GLOBAL MSCI WORLD SMALL CAP INDEX



Source: Janus Henderson Investors and FactSet, as at 31 March 2025. AUM figures are represented in AUD.
The above are the team's views and should not be construed as advice and may not reflect other opinions in the organisation. The views are subject to change without notice.

# JANUS HENDERSON SMALLER COMPANIES CAPABILITIES

## Global Smaller Companies Fund

Aims to deliver capital growth over the long term by investing in small companies listed globally.



Nick Sheridan
**Portfolio Manager**

### Fund overview

| | |
|---|---|
| **Fund inception** | 29 October 2025 |
| **Investment management fee** | 1.30% p.a. |
| **Typical market cap range** | $50M-$20B |
| **Income distribution** | Annually (if any) |
| **APIR code** | HGI9978AU |
| **Fund type** | Registered managed investment scheme |

FOR MORE INFORMATION, PLEASE VISIT JANUSHENDERSON.COM

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**Important information**

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