COMMENTARY

Janus Henderson Pan European Small and Mid-Cap Fund

Q2 2023

Marketing communication - For professional investors only
Past performance does not predict future returns

Fund Managers Names

Ollie Beckett, Rory Stokes, CFA

Investment environment

After a first quarter in which financial markets generally saw positive returns, the second quarter (June in particular) was more mixed. Some areas did really well, with technology stocks seeing some strong outperformance thanks to the excitement around artificial intelligence (AI). Volatility also fell as we avoided broader financial contagion after the banking issues in March. That being said, investors remained nervous about the economic cycle with small caps, commodities and cyclicals remaining out of favour.

Portfolio review

Given the fund's style balance, returns were generally driven by single stock holdings. Van Lanschot Kempen was the biggest positive contributor. For a while now, we have liked its attractive valuation, high dividend and the company's transition to a less capital-intensive part of the sector. These attributes were highlighted in June as a large local broker gave the stock a buy rating. Positive contributors also included information technology (IT) services company Majorel following a bid from Teleperformance, which lifted the share price by over 40%. We have mixed feelings as we had been buying shares at a lower valuation, and clearly it was a large positive contributor over the month. However, we also feel that more value could have been realised over the long term and remain frustrated with how the original initial public offering (IPO) had been handled, limiting the companies liquidity (and therefore its eligibility for a broad investor base). Our holding in Fugro has also been showing good operational momentum. The company is still perceived as a traditional oil services company, but its expertise in seismic mapping of the sea floor is increasingly being used for offshore wind farms and we like the potential here. u-blox, which does the modules for geolocation in Internet of Things (IoT) devices, was a poor performer. Here, sell-side analysts have grown incrementally more bearish on the company's Chinese growth and, given a mixed track record in capital markets over the past decade, seem unwilling to give the company the benefit of the doubt. We take comfort in u-blox's current valuation level, along with the structural growth that we think the sector is likely to see over the medium and long term. Elsewhere, UK housebuilder Crest Nicholson was also weak as mortgage rates jumped higher again in the UK, where inflation remains stubbornly high compared to other developed markets. We also saw a profit warning from our relatively new position in Viaplay. Its subscriber numbers were disappointing, and contradicted its management's recent communication. It was therefore not surprising to see the CEO leave the company and we have sold the holding. In terms of activity, we added a position that we have owned before in Nordex. Nordex is an onshore wind manufacturer which has been plagued by supply-chain delays and cost pressures. We now believe the company is approaching a trough in its margins. We also purchased Marel, a food processing company. While the company recently announced a profit warning, we believe it is well positioned in a relatively niche market. We are also encouraged by the firm's focus on research and development (R&D) and its strong entrepreneurial culture under its current CEO. Disposals included Thule (outdoor equipment), in addition to Viaplay as previously mentioned. With Thule, the sale was driven by profit taking.

Manager outlook

European smaller companies were trading at around a 38% price-to-earnings (P/E) discount to the US equity market at the end of June. This represents the biggest discount since data began in 2005, with the average discount over the period being around 5%. European small caps also trade at a valuation discount to European large cap stocks, which is equally unusual. This comes at a time when we think the likelihood of an economic soft landing has increased. In Europe, real wages have turned positive while destocking seems increasingly likely to come to an end in the second half of the year. Given that a number of measures of inflation have been falling in the US and Europe, we expect policymakers to move away from their overly restrictive stance. If this proves to be the case, we believe the large valuation discount is unlikely to remain at current extremes.

Source: Janus Henderson Investors, as at 30 June 2023

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Janus Henderson Pan European Small and Mid-Cap Fund

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Fund information (Investment policy is on the next page)

Index	MSCI Europe Small Cap Index (EUR)
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
1 month	1.0	0.8	0.3
YTD	7.2	5.7	4.5
1 year	12.4	6.7	3.3
3 years (annualised)	13.2	8.1	6.9
5 years (annualised)	5.5	3.3	2.3
10 years (annualised)	9.8	8.4	8.3

Source: at 30 Jun 2023. © 2023 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.

Calendar year returns %	A2 (Net)	Index	Sector
2023 to 30 Jun 2023	7.2	5.7	4.5
2022	-16.3	-22.6	-26.4
2021	21.1	22.9	25.7
2020	11.7	7.3	12.5
2019	35.4	28.6	27.2
2018	-20.1	-14.5	-18.6
2017	17.3	17.2	21.7
2016	4.7	2.4	1.5
2015	23.6	21.7	26.5
2014	4.4	5.1	5.2
2013	34.7	32.2	29.5

Source: at 30 Jun 2023. © 2023 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.

Investment into the fund will acquire units/shares of the fund itself and not the underlying assets owned by the fund.

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.

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 http://www.janushenderson.com.

Source for target returns (where applicable) – Janus Henderson. Please note the performance target is to be achieved over a specific annualised time period. Refer to the performance target wording within the objective. With effect from 1 January 2023, the Key Investor Information document (KIID) changed to the Key Information Document (KID), except in the UK where investors should continue to refer to the KIID. 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 if you have any further queries. Please note that as of 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. Please note that as of 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 reference benchmark have changed. Past performance shown before 25 February 2022 was achieved under circumstances that no longer apply. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance does not predict future returns. 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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Janus Henderson Pan European Small and Mid-Cap Fund

What are the risks specific to this fund?

- 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.
- The Fund could lose money if a counterparty with which the Fund trades becomes 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.
- Shares/Units 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.
- If a Fund has a high exposure to a particular country or geographical region it carries a higher level of risk than a Fund which is more broadly diversified.
- The Fund may use derivatives 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. mitigated by taking an offsetting position in a related security), the value of your investment may be impacted by changes in exchange rates.
- Securities within the Fund 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.

General risks

- Past performance does not predict future returns.
- 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.
- Tax assumptions and reliefs depend upon an investor's particular circumstances and may be subject to change.

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.

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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.

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Important information

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.

This document is intended solely for the use of professionals and is not for general public distribution. Any investment application will be made solely on the basis of the information contained in the Fund's prospectus (including all relevant covering documents), which will contain investment restrictions. This is a marketing communication. Please refer to the prospectus of the UCITS and to the KID before making any final investment decisions. Nothing in this document is intended to or should be construed as advice. This document is not a recommendation to sell or purchase any investment. It does not form part of any contract for the sale or purchase of any investment. Past performance does not predict future returns. The performance data does not take into account the commissions and costs incurred on the issue and redemption of units. 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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B22848 at 2 Rue de Bitbourg, L-1273, Luxembourg and regulated by the Commission de Surveillance du Secteur Financier). Copies of the Fund's Prospectus, Key Information Document, Articles of Incorporation, annual and semi-annual reports are available in English and other local languages as required from www.janushenderson.com. These documents can also be obtained free of charge from the Registered Office of the Company at 2 Rue de Bitbourg, L-1273, Luxembourg. They can also be obtained free of charge from the local Facilities Agents and the Swiss representative and paying agent. Janus Henderson Investors Europe S.A. ("JHIESA"), 2 rue de Bitbourg, L-1273 Luxemburg, is the Facilities Agent in Austria, Belgium Germany, Ireland, Malta, Portugal, Sweden and Liechtenstein. JHIESA is also the Facilities Agent for France (Sub - TA is CACEIS). 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