

## HORIZON PAN EUROPEAN SMALLER COMPANIES FUND

## At a glance

**Performance\***

The Fund returned -1.26%, the Index returned -0.86% and the Sector returned -0.83%.

**Contributors/detractors**

Large-cap stocks have outperformed mid-cap stocks, and mid-cap stocks have outperformed small-cap, while the larger end of the small-cap universe has outperformed the smaller end.

**Outlook**

As we look into 2024, inflation looks largely slain and we anticipate interest rates to come down over the course of the year.

## Portfolio management



Ollie Beckett



Rory Stokes, CFA



Julia Scheufler, CFA

## Investment environment

January was a mixed month for markets. Economic data kept delivering positive surprises for the most part, which meant equities continued their gains from late 2023. However, the fourth quarter earnings season has been weak and geopolitical concerns have stepped higher with attacks from the Houthis rebels on commercial shipping in the Red Sea. Inflation did not fall to the extent expected, causing investors to push back the prospect of interest rate cuts in the first quarter. For us, the timing of the first rate cut is less important than the direction of travel - which seems to be downwards.

## Portfolio review

The fund slightly lagged its benchmark in January as the shape of markets in 2023 persisted in 2024. Here, large-cap stocks have outperformed mid-cap stocks, and mid-cap stocks have outperformed small-cap, while the larger end of the small-cap universe has outperformed the smaller end. While we are convinced of the merits of investing at the lower end of the market cap universe, it has not aided returns over the last two years and at the start of 2024.

Alongside the fund's market cap skew, we saw disappointing returns from u-blox (Internet of Things). u-blox continues to struggle with the destocking impact from its customers, but its operational performance remained

consistent with our expectations, and as such we continue to hold the stock. Two consumer stocks, JD Sports (apparel) and Resurs (consumer finance), both announced poor earnings results and were also disappointing. JD Sports was among a number of apparel stocks to announce weak results (along with Nike, Adidas and Puma), as consumers - at least for the time being - are choosing to spend in other areas. We exited our holding as the valuation of the stock leaves limited room for further disappointment. Eurogroup Laminations (motors for electric vehicles) also performed poorly, the company announced weak results from its industrials segment as well as the well known weakness in autos. The company has exposure to both European and Chinese producers and we think the growth in EV long term provides attractive growth for the sector and we remain holders.

On the positive side, we saw a bid for our holding in Kindred. This caused the shares to jump 40% in January. As debt markets stabilise, and investors get further confirmation of the state of the global economy, we expect merger and acquisition (M&A) activity to increase materially in European small-caps due to their low relative valuations compared to history. We also had good returns from Team17. While the company announced weak results in December, its management has provided a reassuring message since. Suess Microtec also performed well, and it seems the market is now waking up to the company's exposure to AI-driven investment.

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

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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.

In terms of trading activity, we initiated new positions in Duerr (autos paint shops) and Faroese salmon farmer Bakkafrost. Duerr has seen growing demand for its paint shops driven by planned new electric vehicle car models as well as the need for manufacturers to improve energy efficiency (current paint shops are very carbon intensive). In addition, Duerr owns a furniture manufacturing business which appears to have reached a low in terms of end demand. Bakkafrost gives the fund exposure to the salmon market, where we think conditions remain favourable, without having to deal with the punitive Norwegian resource tax (Bakkafrost does not operate in Norway). Besides the attractiveness of the salmon industry in itself, Bakkafrost offers high visibility on growth in its core Faroese assets, plus a turnaround story for its Scottish operations.

## Manager outlook

As we look into 2024, inflation looks largely slain and we anticipate interest rates to come down over the course of the year. However, we do not think we are going back to a world of zero inflation and zero interest rates. The European economy has been remarkably resilient in light of the challenges of the energy shock, the supply-chain shock, the inflation shock and the monetary policy response. However, European smaller companies are trading at extremely low valuation multiples compared to history, despite all this. We have rarely struggled to find what we consider to be attractively valued investment ideas, but we feel we are currently spoiled for choice - making this a very exciting environment. As investor sentiment begins to improve, we are focused on finding the best investment ideas.

Performance (%)

Returns	Cumulative				Annualised			
	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	
A2 EUR (Net)	-1.26	14.82	-1.26	-0.31	2.64	8.63	7.60	
Index	-0.85	15.59	-0.85	4.02	1.84	6.28	6.62	
Sector	-0.83	15.38	-0.83	0.33	-0.91	5.34	6.43	

Calendar year	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A2 EUR (Net)	8.00	-15.19	21.17	13.97	34.27	-23.21	25.53	5.69	22.90	-0.22
Index	12.74	-22.60	22.93	7.32	28.65	-14.46	17.15	2.39	21.69	5.13
Sector	7.08	-26.43	25.72	12.51	27.19	-18.58	21.69	1.51	26.45	5.16

Performance is on a net of fees basis, with gross income reinvested. Source: at 31/01/24.  
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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](http://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](http://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	764.20m
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. 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 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. From 31 January 2024, Rory Stokes, CFA and Julia Scheufler, CFA, also manage this fund. Investment into the fund will acquire units/shares of the fund itself and not the underlying assets owned by the fund.

### 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

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. The Fund may incur a higher level of transaction costs as a result of investing in less actively traded or less developed markets compared to a fund that invests in more active/developed markets.

**Janus Henderson**  
INVESTORS

FOR MORE INFORMATION PLEASE VISIT [JANUSHENDERSON.COM](https://www.janushenderson.com)

Source: Janus Henderson Investors, as at 31 January 2024, unless otherwise noted.

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## Horizon Pan European Smaller Companies Fund (as at 31/01/24)

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