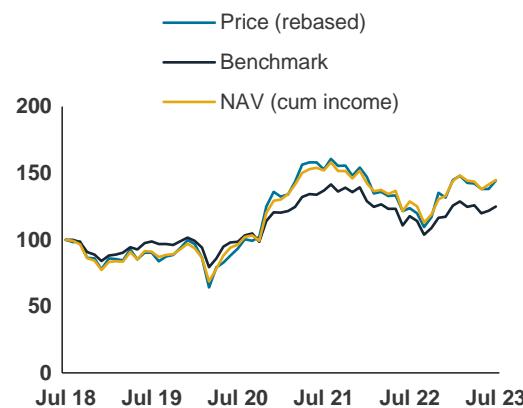
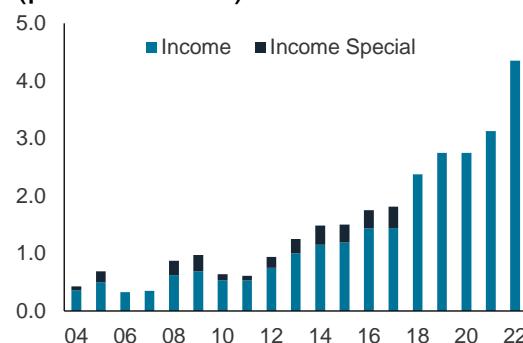


## Share price performance (total return)



From July 2022, the benchmark changed from the EMIX Smaller European Companies ex UK Index to the MSCI Europe ex UK Small Cap Index.

## Dividend history (pence/share)



Please note that this chart could include dividends that have been declared but not yet paid.

Please remember that past performance does not predict future returns. The value of an investment and the income from it can rise as well as fall as a result of market and currency fluctuations, and you may not get back the amount originally invested. Please refer to glossary for definition of share price total return.

### Performance over (%)

	6m	1y	3y	5y	10y
Share price (Total return)	-0.3	16.7	54.8	44.5	263.5
NAV (Total return)	0.5	12.6	50.4	44.8	237.2
Benchmark (Total return)	-0.7	6.1	26.7	24.8	148.9
Relative NAV (Total return)	1.2	6.5	23.7	20.0	88.3

## Commentary at a glance

### Performance

The Company returned 2.3% and the MSCI Europe ex UK Small Cap Index returned 2.6% over the month.

### Contributors/detractors (for the quarter)

In July, performance was mainly influenced by individual holdings. Positive contributors included a French liquefied natural gas company, which posted robust results, and an Austrian microchip manufacturer undergoing strategic restructuring. Conversely, a specialty metal producer and an Italian rotor manufacturer negatively impacted returns due to various challenges.

### Outlook

The prevalent advice is to avoid small cap stocks before a recession given they rely on economic expansion for growth. Despite this, the anticipated deep recession has not materialised. We think this presents an opportunity since many European small cap stocks appear undervalued. Concerns stem from the aggressive monetary policy to fight inflation, but there are indicators suggesting easing inflation in the US, Europe and the UK. Given the stabilisation of European energy prices and positive consumer sentiment, we are more optimistic about the macroeconomic environment.

### See full commentary on page 3.

References made to individual securities do not constitute a recommendation to buy, sell or hold any security, investment strategy or market sector, and should not be assumed to be profitable. Janus Henderson Investors, its affiliated advisor, or its employees, may have a position in the securities mentioned.

## Company overview

### Objective

The Company seeks capital growth by investing in smaller and medium sized companies which are quoted, domiciled, listed or have operations in Europe (excluding the UK).

### Highlights

Providing unique access to Europe's growing small- and medium-sized companies with the sole aim of increasing shareholder capital.

## Company information

NAV (cum income)	188.5p
NAV (ex income)	184.4p
Share price	161.0p
Discount(-)/premium(+)	-14.6%
Yield	2.8%
Net gearing	12%
Net cash	-
Total assets	£838m
Net assets	£756m
Market capitalisation	£645m
Total voting rights	400,867,176
Total number of holdings	125
Ongoing charges (year end 30 Jun 2022)	0.65%
Benchmark	MSCI Europe ex UK Small Cap Index

Overall Morningstar Rating™ ★★★★★  
As of 31/07/2023

Source: BNP Paribas for holdings information and Morningstar for all other data. Differences in calculation may occur due to the methodology used.

Please note that the total voting rights in the Company do not include shares held in Treasury.

### How to invest

Go to [www.janushenderson.com/howtoinvest](http://www.janushenderson.com/howtoinvest)

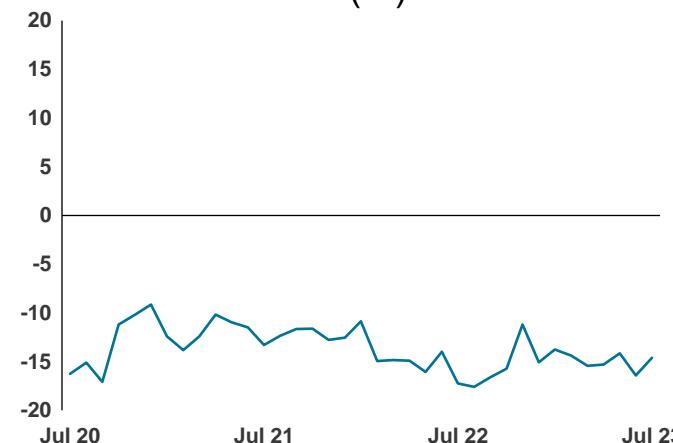
### Find out more

Go to [www.europeansmallercompaniestrust.com](http://www.europeansmallercompaniestrust.com)

Top 10 holdings(%)

TKH Group	3.3
Van Lanschot Kempen	3.2
Mytilineos	2.4
DFDS	2.0
KSB	1.9
BFF Bank	1.8
u-blox	1.8
SAES Getters	1.8
Mersen	1.7
Criteo	1.5

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**Premium/(discount) of share price to NAV at fair value (%)****Geographical focus (%)**

The above geographical breakdown may not add up to 100% as this only shows the top 10.

**Sector breakdown (%)**

Industrials	40.7%
Consumer Services	11.3%
Technology	11.2%
Consumer Goods	7.7%
Core Financials	7.3%
Basic Materials	6.1%
Financial Services	6.0%
Energy	3.6%
Health Care	2.9%
Real Estate	2.4%
Utilities	1.0%

The above sector breakdown may not add up to 100% due to rounding.

**Key information**

Stock code	ESCT
AIC sector	AIC European Smaller Companies
Benchmark	MSCI Europe ex UK Small Cap Index
Company type	Conventional (Ords)
Launch date	1990
Financial year	30-Jun
Dividend payment	April, November
Risk rating (Source: Numis)	Above average
Management fee	0.55% pa on first £800m of net assets and 0.45% pa in excess thereof.
Performance fee	Yes (See Annual Report & Key Information Document for more information)
Regional focus	Pan Europe
Fund manager appointment	Ollie Beckett 2011



Ollie Beckett  
**Fund Manager**

**10 year total return of £1,000**

All performance, cumulative growth and annual growth data is sourced from Morningstar. Share price total return is calculated using mid-market share price with dividends reinvested.

Please remember that past performance does not predict future returns. The value of an investment and the income from it can rise as well as fall as a result of market and currency fluctuations, and you may not get back the amount originally invested. Please refer to glossary for definition of share price total return.

**How to invest**

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**Customer services**

0800 832 832

## Fund Manager commentary

### Investment environment

July was largely positive for equities as the MSCI Europe Small Cap Index was up 2.6%. The continued excitement around artificial intelligence (AI) also saw US equities extend their rally. In Europe, the dynamic played differently, with value-style stocks outperforming growth-style stocks. The performance of the value style is often associated with cyclical stocks (companies that tend to prosper when the market does well and struggle when it falters). While the US rally was fuelled by the performance of large cap technology stocks, Europe's outperforming sectors included energy (due to increased oil prices) and consumer discretionary (as spending remained robust). These are typical of the sectors which outperform in a value-driven market. Unlike at the start of the year - when a recession seemed all but guaranteed - the dispersion in economic forecasts now remains wide. Our current view is optimistic, given European consumer price inflation has continued to fall month over month.

### Portfolio review

Over the month, the Company's returns were generally driven by single stock holdings.

Gaztransport & Technigaz (GTT) was a large positive contributor. The French company builds storage containers/liners for liquefied natural gas (LNG) and announced strong results by beating revenue estimates. With its strong net cash position, order backlog and

future growth opportunities in new technologies, the stock has had strong positive momentum. We expect demand for long-dated LNG contracts to continue into the second half of this year.

Austrian microchip manufacturer ams OSRAM was another positive contributor. The semiconductor company recently underwent a strategic restructuring plan with the aim of significantly improving its earnings by the end of 2025. It also plans to terminate its non-core segments and instead focus on its core capabilities around its sensor and emitter components. We think this is a positive development and welcomed the news.

AMG, the speciality metal producer, was the largest detractor. The company downgraded its earnings guidance because of weaker lithium pricing. It is facing additional headwinds of lower production in one of its mines, and sales problems in its clean energy segment. However, we like the company's exposure to the circular economy theme as it recycles lithium and vanadium.

Italian rotor manufacturer EuroGroup also detracted as the company posted weak initial results on its crucial first announcement after its initial public offering (IPO). These results shook the market's confidence in the company. We still like the potential of the sector the company is in and consequently we topped up the holding.

In terms of activity, we added a new position in Borregaard in the materials sector. Borregaard is a producer of biochemicals, and we think some of the underlying prices of speciality cellulose are set to

normalise later this year. Disposals included CTS Eventim, the German concert ticket platform, where we mainly sold the stock to take some profits.

### Manager outlook

"Don't buy small cap stocks ahead of a recession" seems to be a consistent message in the market. Typically, this has been hard to argue against. After all, smaller companies are more reliant on economic expansion, meaning that they typically grow by more than GDP when the economy is expanding, but contract by more when the reverse is true. However, this is not proving to be a typical cycle. The much-anticipated recession is yet to arrive, and may not even go beyond a shallow recession. That said, large parts of the market - especially shares in small cap companies - seem to be being valued for a recession, and we believe this throws up opportunity.

Markets are fearful that central banks will go too far in their fight against inflation and enforce overly restrictive monetary policy. This is not surprising given the hawkish central bank commentary and stubbornly high inflation so far this year. But we believe this will soon change. A number of measures of inflation have been falling in the US, Europe and, a little more belatedly, in the UK. In addition, we think it is unlikely that Jerome Powell will lean towards recession in the middle of his second term as Chairman of the US Federal Reserve (Fed) and with a US election approaching. The latest Fed commentary

once again emphasises the importance of “upcoming data”.

Closer to home, the European energy price squeeze has eased, consumer sentiment has been resilient, and we are expecting a trough in manufacturing purchasing managers' indices (PMIs) in the second half of the year.

In the past, these things have been a trigger for the outperformance of small cap stocks. Generally, this leads us to be more optimistic about the macroeconomic environment than the market consensus, and our core scenario is a shallow recession.

## Glossary

### Discount/Premium

The amount by which the price per share of an investment company is either lower (at a discount) or higher (at a premium) than the net asset value per share (cum income), expressed as a percentage of the net asset value per share.

### Gearing

The effect of borrowing money for investment purposes (financial gearing). The amount a company can "gear" is the amount it can borrow in order to invest. Gearing is used in the expectation that the returns on the investments bought will exceed the costs of the borrowings that funded the purchase. This Company can also use synthetic gearing through derivatives and foreign exchange hedging and/or other non-fully funded instruments or techniques.

### Leverage

The Company's leverage is the sum of financial gearing and synthetic gearing. Details of the Company's leverage limits can be found in both the Key Information Document and Annual Report. Where a company utilises leverage, the profits and losses incurred by the company can be greater than those of a company that does not use leverage.

### Market capitalisation

Share price multiplied by the number of shares in issue, excluding treasury shares, at month end. Shares typically priced mid-market at month-end closing.

### Net Asset Value (NAV)

The total value of a Company's assets less its liabilities.

### NAV (Cum Income)

The value of investments and cash, including current year revenue, less liabilities (prior charges such as loans, debenture stock and preference shares at fair value).

### NAV (Ex Income)

The value of investments and cash, excluding current year revenue, less liabilities (prior charges such as loans, debenture stock and preference shares at fair value).

### NAV total return

The theoretical total return on shareholders' funds per share reflecting the change in Net Asset Value (NAV) assuming that dividends paid to shareholders were reinvested at NAV at the time the shares were quoted ex-dividend. A way of measuring investment management performance of investment trusts which is not affected by movements in discounts/premiums.

### Net assets

Total assets minus any liabilities such as bank loans or creditors.

### Net cash

A company's net exposure to cash/cash equivalents expressed as a percentage of shareholders' funds, after any offset against its gearing. This is only shown for companies that have gearing in place.

### Net gearing

A company's total assets (less cash/cash equivalents) divided by shareholders' funds expressed as a percentage.

### Ongoing charges

The total expenses for the financial year (excluding performance fee), divided by the average daily net assets, multiplied by 100.

### Risk rating

The key measure used to assess risk is volatility of returns, using historic net asset value (NAV) performance of the Company over 1 and 3 years. In this instance volatility measures how much a company's NAV fluctuates over time in relation to the UK equity market. The higher a volatility figure, the more the NAV has fluctuated (both up and down) over time. Please note that risk categorisations are indicative and based principally on historic data and should not be solely relied upon when making investment decisions.

### Share price

Closing mid-market share price at month end.

### Share price total return

The theoretical total return to the investor assuming that all dividends received were reinvested in the shares of the company at the time the shares were quoted ex-dividend. Transaction costs are not taken into account.

### Total assets

Cum Income NAV multiplied by the number of shares, plus prior charges at fair value.

### Yield

Calculated by dividing the current financial year's dividends per share (this will include prospective dividends) by the current price per share, then multiplying by 100 to arrive at a percentage figure.

For a full list of terms please visit:

<https://www.janushenderson.com/en-gb/investor/glossary/>

### Source for fund ratings/awards

Overall Morningstar Rating™ is a measure of a fund's risk-adjusted return, relative to similar funds. Fund share classes are rated from 1 to 5 stars, with the best performers receiving 5 stars and the worst performers receiving a single star.

Overall Morningstar Rating™ is shown for an investment company achieving a rating of 4 or 5.

Ratings should not be taken as a recommendation. For more detailed information about Morningstar Ratings, including its methodology, please go to [www.global.morningstar.com/managerdisclosures](http://www.global.morningstar.com/managerdisclosures).

### Company specific risks

- This Company is suitable to be used as one component of several within a diversified investment portfolio. Investors should consider carefully the proportion of their portfolio invested in this Company.
- Active management techniques that have worked well in normal market conditions could prove ineffective or negative for performance at other times.
- The Company could lose money if a counterparty with which it trades becomes unwilling or unable to meet its obligations to the Company.
- 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.
- The return on your investment is directly related to the prevailing market price of the Company's shares, which will trade at a varying discount (or premium) relative to the value of the underlying assets of the Company. As a result, losses (or gains) may be higher or lower than those of the Company's assets.
- If a Company's portfolio is concentrated towards a particular country or geographical region, the investment carries greater risk than a portfolio that is diversified across more countries.
- Most of the investments in this portfolio are in smaller companies shares. They may be more difficult to buy and sell, and their share prices may fluctuate more than those of larger companies.
- Using derivatives exposes the Company to risks different from - and potentially greater than - the risks associated with investing directly in securities. It may therefore result in additional loss, which could be significantly greater than the cost of the derivative.
- Where the Company invests in assets that are denominated in currencies other than the base currency, the currency exchange rate movements may cause the value of investments to fall as well as rise.
- If the Company seeks to minimise risks (such as exchange rate movements), the measures designed to do so may be ineffective, unavailable or negative for performance.
- The Company may use gearing (borrowing to invest) as part of its investment strategy. If the Company utilises its ability to gear, the profits and losses incurred by the Company can be greater than those of a Company that does not use gearing.

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