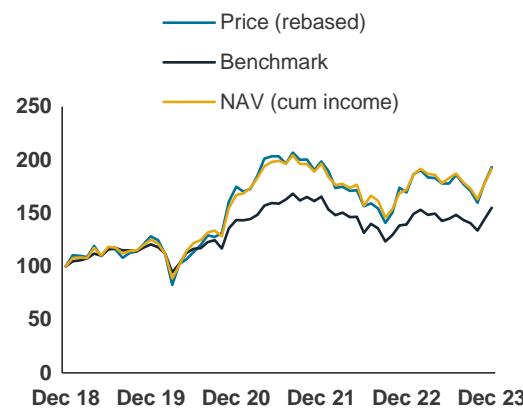
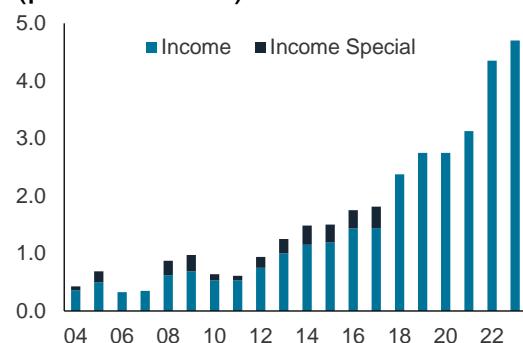


## Share price performance (total return)



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 the glossary for the definition of share price total return.

## Performance over (%)

	6m	1y	3y	5y	10y
Share price (Total return)	8.6	14.0	10.4	93.1	199.0
NAV (Total return)	4.7	11.6	14.8	91.6	201.9
Benchmark (Total return)	7.1	11.1	8.0	54.9	136.4
Relative NAV (Total return)	-2.4	0.5	6.8	36.7	65.5

## Discrete year Share price NAV performance (%) (total return) (total return)

31/12/2022 to 31/12/2023	14.0	11.6
31/12/2021 to 31/12/2022	-14.7	-12.5
31/12/2020 to 31/12/2021	13.4	17.6
31/12/2019 to 31/12/2020	36.4	33.2
31/12/2018 to 31/12/2019	28.2	25.3

All performance, cumulative growth and annual growth data is sourced from Morningstar.

Source: at 31/12/23. © 2024 Morningstar, Inc. All rights reserved. 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.

## Commentary at a glance

## Performance

In the month under review the Company's NAV total return was 7.7% and the MSCI Europe ex UK Small Cap Index total return was 7.2%.

**Contributors/detractors (for the quarter)**  
Ipsos, Energiekontor and Ionom had positive impacts on performance while holdings in the financials and real estate sectors were detractors.

## Outlook

European small-caps are trading at historically low valuations, with a significant discount to the US market. These valuations are typically cyclical and expected to benefit from GDP growth.

## 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)	189.3p
NAV (ex income)	188.1p
Share price	163.5p
Discount(-)/premium(+)	-13.6%
Yield	2.9%
Net gearing	13%
Net cash	-
Total assets	£860m
Net assets	£758m
Market capitalisation	£655m
Total voting rights	400,321,188
Total number of holdings	125
Ongoing charges (year end 30 Jun 2023)	0.65%
Benchmark	MSCI Europe ex UK Small Cap Index
Overall Morningstar Rating™	★★★★

As of 31/12/2023

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)

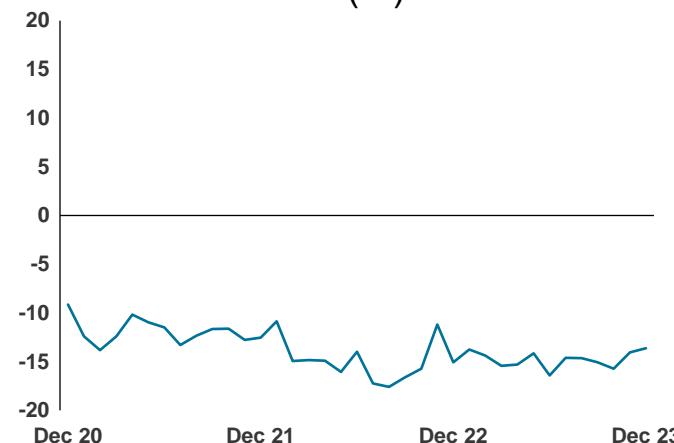
## Find out more

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

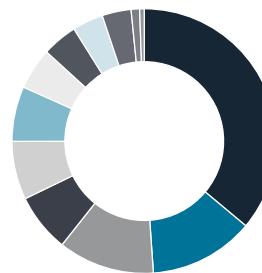
Top 10 holdings (%)

Van Lanschot Kempen	3.0
TKH Group	2.9
u-blox	1.9
KSB	1.9
DFDS	1.8
Ipsos	1.7
Fugro	1.6
Stroeer	1.6
eDreams ODIGEO	1.6
Nordnet AB publ	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 (%)**

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

Industrials	36.1%
Consumer Services	12.8%
Technology	11.8%
Core Financials	7.2%
Consumer Goods	7.1%
Basic Materials	6.7%
Financial Services	5.1%
Energy	4.3%
Health Care	3.8%
Real Estate	3.5%
Utilities	1.0%
Telecomm	0.6%

**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	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 the glossary for the definition of share price total return.

**How to invest**

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**Customer services**

0800 832 832

## Fund Manager commentary

### Investment environment

Equities continued their upward momentum in December as investors remained optimistic about possible interest rate reductions by the US Federal Reserve (Fed) and the European Central Bank (ECB) in the first quarter of 2024. Encouraging signs from the labour market and declining inflation led investors to grow increasingly excited about a 'soft landing' (versus a recession) for the global economy. This primarily took the form of investors taking short covering investments in those areas that have been most penalised during the interest rate hiking cycle, such as the REITs sector.

Small-cap stocks participated in the rally but not to the extent one might expect, with mid-cap stocks attracting more of the returning capital (likely due to their greater representation in equity ETFs and futures). We would expect this to broaden out to small-caps (and the smaller end of the small-cap universe) as we get further evidence of any economic recovery.

### Portfolio review

Ipsos, the market research company, had a positive impact on performance. The stock saw strong growth as it beat earnings expectations after it cut its earnings forecasts in September (to reflect headwinds from technology customers). Two other companies also contributed positively to performance. The first was Energiekontor, the windmill and park developer, as it

raised its earnings forecasts after the successful sale of one of its wind farms. The other was Ionos, a German webhosting company, which raised its 2024 earnings forecasts, driven by the growth in its higher-margin web businesses and the successful cross-selling of its new artificial intelligence (AI)-based products.

The Company's performance was impacted negatively by the overweight position to financials stocks, which were generally beneficiaries of higher interest rates, and the underweight position to real estate firms, which tend to be beneficiaries of lower interest rates. In terms of holdings, the biggest detractors were Italy's BFF Bank and Spain's Unicaja Banco. Although both banks experienced a decline in their share prices during the month, we believe they still possess decent potential. BFF Bank has successfully generated profits through factoring in Italy (where a business sells invoices to a third party to meet its short-term liquidity needs), while Unicaja has shown better profitability compared to its peers. Thus, we have maintained the positions.

In terms of trading activity, we purchased Cadeler, a Norwegian transportation company that specialises in transporting and installing offshore wind farms. With its recent acquisition of Eneti, a US-based company, Cadeler now owns about a third of all wind installation vessels. We believe that this expanded fleet size will help the company overcome industry challenges, such as rising costs and turbine issues in the value chain. To finance this new position, we sold the holding in Sanoma, the Finish advertising company. We were concerned that

the company had become a value trap (where shares are trading at such a low level, they automatically attract the attention of investors) and we have additional concerns over the recent direction of travel for the Finish media industry.

### Manager outlook

We think small-caps could outperform as it becomes clear that a 'soft landing' is likely and as investors become less risk averse. For significant progress in 2024, we will likely need to see company earnings upgrades come through as we expect, as valuations are no longer at the extremely low levels of October 2023.

## 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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