

# The European Smaller Companies Trust PLC

Summary for the half-year ended  
31 December 2024



MANAGED BY  
**Janus Henderson**  
— INVESTORS —

# Investment Objective

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

Front cover:

**ZEISS**

**Holographic transparent display  
(Hüber Window Systems)**

**Percentage of portfolio:** 0.46%

**Geographical area:** Germany  
Manufacturer of optical systems  
and optoelectronics

This report contains material extracted from the unaudited half-year results of the Company for the six months ended 31 December 2024. The unabridged results for the half-year are available on the Company's website:

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

# Performance highlights

Total return performance for the six months to 31 December 2024



## NAV per share

31 Dec 2024

182.66p

30 Jun 2024

201.01p

## Share price

31 Dec 2024

172.00p

30 Jun 2024

178.40p

## Total return performance

(including dividends reinvested and excluding transaction costs)

	6 months %	1 year %	3 years %	5 years %	10 years %
NAV <sup>1</sup>	-7.5	-1.0	-3.3	51.4	201.8
Benchmark index <sup>2</sup>	-3.8	-1.1	-7.4	27.0	138.3
Average sector <sup>3</sup> NAV	-3.1	1.7	-16.7	31.3	164.7
Share price <sup>4</sup>	-1.6	8.2	5.3	63.0	235.0
Average sector <sup>3</sup> share price	-1.0	4.3	-17.4	31.5	174.5

1 Net asset value ('NAV') per ordinary share total return

2 Euromoney Smaller European Companies ex UK Index up to 30 June 2022, thereafter the MSCI Europe ex UK Small Cap Index

3 The sector is the Association of Investment Companies ('AIC') European Smaller Companies

4 Share price total return using closing price

Source: Morningstar Direct, Janus Henderson Investors

# Chairman's Statement

The start to my tenure as your Chairman has certainly been memorable. On 18 December 2024 the Company was requisitioned by Saba Capital Management, L.P. ('Saba') and asked to put resolutions to shareholders to replace the current, independent Board of Directors with two individuals of Saba's choosing.

I am pleased to be able to report that shareholders made their views absolutely clear and all requisitioned resolutions were resoundingly defeated at the general meeting held on 5 February 2025. The Board is grateful for the overwhelming support from shareholders, which demonstrates confidence in the investment manager's ability to continue generating value for shareholders through disciplined, long-term investment in European smaller companies.

A second requisition was received and subsequently withdrawn while the Board engaged in constructive discussions with Saba. Those discussions remain ongoing, as indicated in the announcement made to the market on 14 March 2025. I will provide an update to shareholders as soon as I am able to.

## Performance

The NAV total return performance over the six months to 31 December 2024, was -7.5%, against the MSCI Europe ex UK Small Cap Index of -3.8%. The share price total return for the same period was -1.6%. This underperformance was the result of our overweight exposure to the industrial sector, as a handful of investee companies suffered substantial share price corrections. The Fund Manager details this more fully in his report.

While this short-term underperformance is disappointing, returns over the long term remain strong. Over the five years to 31 December 2024, the NAV total return was 51.4% with the share price total return being 63.0%, against a benchmark total return of 27.0%.

## Discount management

The average discount over the period was 9.3%, closing at 5.8%. This compares with the AIC European Smaller Companies sector weighted average discount of 11.0%.

During the period your Company introduced a policy of targeting a mid-single digit discount, in normal market conditions.

## Interim dividend

The Board is pleased to declare an interim dividend of 1.45p (2023: 1.45p) per ordinary share for the year ending 30 June 2025. This will be paid on 2 May 2025 to shareholders on the register at 4 April 2025.

We remain confident that the Company will be able to deliver a healthy dividend as the underlying portfolio companies continue to generate steady cash flows. We may, however, not achieve the significant dividend growth of recent years, particularly if the economy improves, as our fund management team would likely focus on capital growth in such an environment.

## Outlook

Europe remains home to the key enablers of the big structural growth trends; these small businesses provide the nuts and bolts of innovation, along with some fresh thinking to develop new solutions. Alongside this, the sector also remains very attractively valued and continues to trade at the widest discount in comparison to its European large cap counterparts than it has over the past 15 years.

Falling interest rates, and the likelihood of further easing of monetary policy in 2025, combined with the robust labour market, bodes well. Smaller companies are often overlooked, even more so in a recessionary environment, leaving the space awash with exciting companies, some breaking ground in new areas, at very keen valuations. Our balanced investment strategy and 'valuation aware' discipline enables us to continuing finding strong investment returns.

**James Williams**  
**Chairman**  
**19 March 2025**

# Fund Manager's Report

The initial six months of the financial year concluding on 31 December 2024 have not been a period of exceptional performance for the Company, which underperformed its benchmark by 3.7%. This shortfall can be attributed to several factors, including suboptimal stock selection, a disproportionate focus on companies at the lower end of the market capitalisation spectrum, and an excessive allocation towards economically-sensitive firms, notably within the industrial sector. Initially, the European economy seemed poised for a resurgence. However, political uncertainties in France, a lack of decisive action in Germany, a subdued recovery in China, and a halt in corporate decision-making in anticipation of the US Presidential election collectively contributed to a deteriorating global economic landscape.

Performance was negatively impacted by several holdings. **DFDS**, a Danish ferry operator, experienced performance setbacks due to escalating competition in the Mediterranean. **TKH**, a Dutch conglomerate specialising in industrial automation, vision technology, and cable manufacturing, reported lacklustre results, particularly with the delayed operational ramp-up of its new subsea cable facility. **Mersen**, a French electrical technology company, encountered uninspiring results from its solar power and silicon semiconductor divisions. Additionally, our technology sector exposure was detrimental during this period, with German semiconductor equipment manufacturer **SUESS MicroTec** and Swiss positioning technology firm **u-blox** facing challenges, including customer destocking.

Conversely, positive performance contributions emerged from select investments. **IG Group**, a UK online trading platform, demonstrated exceptional value, prompting a rare investment by the Company in UK-listed stocks, largely due to its significant capital return to shareholders. **R&S**, a Swiss manufacturer of transformers, benefited from the critical need for electrical grid investments across the developed world. Other notable contributions included Dutch wealth manager **Van Lanschot**, Spanish online travel company **eDreams ODIGEO**, and **Renewi**, a UK-listed waste management firm with Dutch operations, which attracted a private equity bid.

Strategic portfolio adjustments were made during this period. New investments included **Cenergy**, a Greek cable and steel pipe manufacturer expanding into the US market, and **Mycronic**, a Swedish electronic production equipment manufacturer, following strong demand for its semiconductor equipment. Additionally, investments in **Bankinter**, a Spanish bank, and **Aixtron**, a German

semiconductor equipment manufacturer, were made based on their growth potential and strategic positioning.

Conversely, positions in **Theon**, **Cadeler**, **Xior Student Housing**, and **Alimak** were divested due to various strategic considerations, including sector exposure optimisation and valuation concerns.

Despite the current economic and political uncertainties, the outlook remains cautiously optimistic. The recent German election has infused optimism across Europe, with the new CDU Chancellor's aggressive agenda potentially rejuvenating German equities—a market where we are significantly overweight. Additionally, potential geopolitical developments, stimulus effects in China, and attractive valuations in the European small-cap space present compelling investment opportunities. Our portfolio is strategically positioned with companies trading at significant discounts to their intrinsic value, underscoring our commitment to maximising capital growth through judicious investment selection.

**Ollie Beckett, Rory Stokes and Julia Scheufler**  
19 March 2025

# Financial summary

Extract from the Statement of Comprehensive Income	Half-year ended 31 Dec 2024 (unaudited)			Half-year ended 31 Dec 2023 (unaudited)	Year ended 30 June 2024 (audited)
	Revenue return £'000	Capital return £'000	Total return £'000	Total return £'000	Total return £'000
Investment income	5,535	-	5,535	6,444	25,453
Other income	19	-	19	11	22
(Losses)/gains on investments held at fair value through profit or loss	-	(59,555)	(59,555)	31,881	72,040
<b>Total income/(loss)</b>	<b>5,554</b>	<b>(59,555)</b>	<b>(54,001)</b>	<b>38,336</b>	<b>97,515</b>
Expenses, finance costs and taxation	(1,850)	(4,043)	(5,893)	(5,434)	(12,617)
<b>Profit/(loss) for the period and total comprehensive income</b>	<b>3,704</b>	<b>(63,598)</b>	<b>(59,894)</b>	<b>32,902</b>	<b>84,898</b>
Return per ordinary share - basic and diluted	0.94p	(16.10p)	(15.16p)	8.21p	21.22p

Extract from the Balance Sheet	31 December 2024 (unaudited) £'000	31 December 2023 (unaudited) £'000	30 June 2024 (audited) £'000
Investments held at fair value through profit or loss	819,421	857,284	883,842
Current assets	5,438	4,523	7,819
Current liabilities	(105,514)	(104,031)	(93,067)
<b>Net assets</b>	<b>719,345</b>	<b>757,776</b>	<b>798,594</b>
Net asset value per ordinary share - basic and diluted	182.66p	189.29p	201.01p

## Dividends

The Company has declared an interim dividend of 1.45p per ordinary share (31 December 2023: 1.45p) payable on 2 May 2025 to members on the register as at 4 April 2025. The shares will trade ex-dividend on 3 April 2025.

## Share capital

At 31 December 2024 there were 393,815,298 ordinary shares in issue (31 December 2023: 400,321,188 and 30 June 2024: 397,287,598). During the half-year ended 31 December 2024, the Company repurchased 2,655,272 ordinary shares for cancellation, at a total cost of £4,720,000 and repurchased 817,028 ordinary shares for treasury, at a total cost of £1,448,000 (31 December 2023: 545,988 ordinary shares for cancellation, at a total cost of £758,000 and 30 June 2024: 3,579,578 ordinary shares for cancellation, at a total cost of £6,140,000). No ordinary shares were issued (31 December 2023 and 30 June 2024: same).

# Portfolio information

Ten largest investments at 31 December 2024

Company	Sector	Geographical area	Valuation £'000	% of portfolio
Van Lanschot Kempen	Financials	Netherlands	25,355	3.1
TKH	Industrials	Netherlands	20,641	2.5
IG Group	Financials	United Kingdom	18,559	2.3
KSB	Industrials	Germany	15,534	1.9
SUESS MicroTec	Technology	Germany	14,323	1.8
Criteo	Technology	France	14,238	1.7
Alzchem	Basic Materials	Germany	14,172	1.7
eDreams ODIGEO	Consumer Discretionary	Spain	13,383	1.6
Renewi	Utilities	Netherlands	13,128	1.6
Stroeer	Consumer Discretionary	Germany	12,001	1.5
<b>10 largest</b>			<b>161,334</b>	<b>19.7</b>

## Sector exposure

As a percentage of the portfolio excluding cash

	31 Dec 24 %	30 Jun 24 %
Industrials	30.6	36.3
Consumer Discretionary	18.3	17.1
Financials	15.7	13.6
Technology	15.4	13.3
Basic Materials	5.6	5.0
Health Care	3.7	3.1
Consumer Staples	3.2	3.4
Real Estate	3.1	3.7
Utilities	2.2	2.0
Energy	2.1	2.0
Telecommunications	0.1	0.5

## Geographic exposure

As a percentage of the portfolio excluding cash

	31 Dec 24 %	30 Jun 24 %
Germany	20.1	20.2
France	13.0	12.7
Sweden	11.5	10.9
Netherlands	11.0	11.9
Switzerland	8.7	8.2
Spain	7.0	4.9
Italy	4.3	5.3
Greece	4.0	3.1
Norway	3.9	2.9
Belgium	3.7	5.0
Denmark	3.3	4.0
United Kingdom	2.3	1.7
Ireland	2.1	2.2
Portugal	1.8	2.4
Finland	1.7	1.7
Austria	1.0	1.6
Faroe Islands	0.6	0.5
Cyprus	-	0.8

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MANAGED BY  
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INVESTORS

**aic**  
The Association of  
Investment Companies



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