

GLOBAL TECHNOLOGY AND INNOVATION STRATEGY

At a glance

Performance

The Portfolio returned 16.93% (gross) and the MSCI All Country World Information Technology IndexSM returned 12.12%.

Contributors/detractors

Facebook parent Meta and semiconductor equipment manufacturer ASML contributed to performance, while software names Workday and Adobe were relative detractors.

Outlook

While the market assesses the speed at which artificial intelligence (AI) translates to durable earnings growth, the broader sector appears well positioned to benefit from a cyclical upswing.

Portfolio management



Denny Fish



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Investment environment

- The tech sector outpaced global equities in the quarter, as the secular tailwind of artificial intelligence continued to fuel investor enthusiasm.
- A likely delay in anticipated rate cuts weighed on software names that tend to carry high earnings multiples and can, thus, benefit from lower discount rates.
- Geopolitics also impacted sector performance, as tech titans are increasingly exposed to the growing rift between the U.S. and China.

Portfolio review

The sector's trajectory during the quarter was influenced by the kitchen sink of forces that can hold sway over tech stocks. There were cyclical considerations, enthusiasm for secular themes, the shadow of interest rates, and even geopolitics. The result was the dispersion of returns that one would expect during a period of cyclical and technological transition.

With respect to secular themes, demand for AI capacity remains unabated. Two beneficiaries were ASML Holding and Taiwan Semiconductor (TSMC). Semiconductor (semi) capital equipment-maker ASML manufactures the machines essential to the production of the advanced graphic processing units (GPUs) that underpin AI. The company registered solid bookings and was able to provide greater visibility into its orders well into 2025. AI wasn't the only driver, as an increase in orders associated with memory chip

potentially signals a bottom of the analog cycle. Given where they stand in the supply chain, both ASML and TSMC appear well positioned to benefit from AI-related chips' increasing share of semi production.

As evidenced by another massive upward quarterly move, Nvidia continues to command the most AI-related attention. The company's larger presence in the benchmark was a factor in the stock being a relative detractor. While we maintain a favorable view of Nvidia's position as a leader in advanced chips, from a risk management perspective, we trimmed our exposure to a modest underweight, resulting in a drag on performance.

The software space was most impacted by shifting expectations on interest rates. Given its historical growth profile, software tends to benefit from a lower discount rate used to value its future cash flows. As the market began to price in lower policy rates in late 2023, software rallied. This trend has since reversed as the optimism for imminent rate cuts faded.

Also weighing on software was a recalibration of AI's expected impact on earnings. Investors started to realize that software's range of outcomes due to generative AI has broadened — to both the upside and downside. Caught in this uncertainty was relative detractor Adobe. After initial hesitation, investors began to view Adobe as an AI beneficiary. More recently, sentiment has cooled given disappointing guidance and perceived threats to its creative business from new AI-enabled platforms. Rising circumspection regarding the pace of AI deployment is partly

owed to the enterprise market, as this segment must navigate data, governance, and security complexities.

A software detractor whose fate was less tied to AI was Workday. The company is an early mover in providing cloud-based, back-office services. A pullback during the period was likely due to recent results not meeting rising expectations and the company falling short in its hoped inclusion in the S&P 500® Index.

Another driver — a turn in the cycle — was evident in semi's quarterly trajectory. In contrast to the scramble for advanced logic chips, memory has had to navigate a slowdown in industrial, consumer, and automotive end markets. While the first two categories already found a bottom, recent weakness in electric vehicles removed lingering support for automotive-focused chips. Caught up in the downdraft was Analog Devices, a semi company focused on the automotive sector.

Due to our underweight in the name, Apple was a relative contributor, as the iPhone maker vastly underperformed the market. Weighing on the stock was its exposure to China, as rising geopolitical tensions were behind the company's earlier market share gains grinding to a halt. Another headwind emerged when the U.S. Department of Justice filed a suit against Apple, taking aim at barriers it places on its operating system.

Finally, solid execution was on display as Meta registered sizeable gains. The company's embracing of AI was evidenced in many facets of the business, including greater

engagement on its Reels platform, a competitor to TikTok. Furthermore, Meta continues to rein in costs as a continuation of 2023's "year of efficiencies."

Manager outlook

The breadth of forces currently influencing the tech sector is not atypical. But it is a reason why investors should maintain a long-term view, as many of these ephemeral factors tend to even out over a full cycle. Instead, we believe one should prioritize identifying the business models that can consistently grow earnings faster than the broader sector and economy.

We especially believe this to be the case with growth stocks. At first glance, valuations that appear expensive could instead offer significant value if a company is able to compound earnings over long horizons. This necessitates identifying these companies early, so the compounding effect ultimately compensates for higher multiples. Back office and verticals are two areas where we believe this is possible in software, as both have plenty of runway remaining in their transition to the cloud.

Over the nearer term, we believe that the combination of a soft landing and moderating interest rates sets up well for both secular and cyclical stocks. Valuations of the former could benefit from a lower discount rate, while the latter could enjoy an extended cycle providing support for earnings.

Global Technology and Innovation Strategy (as of 03/31/24)

Performance - USD (%)

Returns	Cumulative			Annualized			
	1Q24	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception (01/01/99)
Composite (gross)	16.93	16.93	49.23	10.22	20.16	19.61	12.23
Composite (net)	16.74	16.74	48.22	9.46	19.35	18.82	11.28
MSCI All Country World Information Technology Index SM	12.12	12.12	40.89	13.74	22.12	19.11	8.97

Past performance cannot guarantee future results. Investing involves risk, including the possible loss of principal and fluctuation of value. Returns greater than one year are annualized. Returns are expressed in U.S. dollars unless otherwise stated. Composite returns are net of transaction costs and gross of non-reclaimable withholding taxes (if any and unless otherwise noted), and reflect the reinvestment of dividends and other earnings.

Portfolio

Top Contributors (%)	Average Weight	Relative Contribution	Top Detractors (%)	Average Weight	Relative Contribution
Apple Inc	5.06	3.26	Nvidia Corp	9.50	-0.52
Meta Platforms Inc	5.53	1.25	Workday Inc	2.77	-0.35
Asml Holding Nv	4.93	0.42	Adobe Inc	2.43	-0.23
Taiwan Semiconductor Ma	5.01	0.23	Dynatrace Hldgs Inc	0.74	-0.22
Vertiv Holdings Co	0.41	0.22	Analog Devices Inc	2.19	-0.21

The holdings identified in this table, in compliance with Janus Henderson policy, do not represent all of the securities purchased, held or sold during the period. To obtain a list showing every holding as a percentage of the portfolio at the end of the most recently available disclosure period contact a Janus Henderson institutional team representative.

Relative contribution reflects how the portfolio's holdings impacted return relative to the benchmark. Cash and securities not held in the portfolio are not shown.

Top Holdings (%)	Fund
Microsoft Corp	10.66
NVIDIA Corp	10.39
Meta Platforms Inc	5.70
Taiwan Semiconductor Manufacturing Co Ltd	5.34
ASML Holding NV	5.13
Apple Inc	4.41
Alphabet Inc	3.22
Constellation Software Inc/Canada	3.09
Mastercard Inc	2.63
Lam Research Corp	2.40
Total	52.97

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Definitions

Monetary policy refers to the policies of a central bank, aimed at influencing the level of inflation and growth in an economy. It includes controlling interest rates and the supply of money. Premium/Discount indicates whether a security is currently trading above (at a premium to) or below (at a discount to) its net asset value.

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Investing involves risk, including the possible loss of principal and fluctuation of value.

Discussion is based on performance gross of fees.

MSCI All Country World Information Technology Index™ reflects the performance of information technology stocks from developed and emerging markets.

Index returns are provided to represent the investment environment existing during the periods shown. The index is fully invested, including the reinvestment of dividends and capital gains. Index returns do not include any transaction costs, management fees or other costs, and are gross of non-reclaimable withholding taxes, if any and unless otherwise noted.

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