COMMENTARY

Janus Henderson Horizon Responsible Resources Fund

Q2 2023

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

Fund Managers Names

Daniel Sullivan, Darko Kuzmanovic, Tal Lomnitzer, CFA, Tim Gerrard

Investment environment

The fund's benchmark, the S&P Global Natural Resources Accumulation Index, returned -3.9% and trailed the MSCI World Index by a wide margin. Within the benchmark index, energy stocks returned 0.5%, metals and mining shares returned -5.1% and agriculture shares returned -7.1%.

WTI Crude oil prices fell 7% and US natural gas prices rebounded 25% after falling heavily in the first quarter. Industrial metal prices weakened due to soft Chinese manufacturing data, with iron ore down 11% and copper down 8%. Elsewhere, gold prices fell 3% and crop prices were generally weak due to higher-than-expected production forecasts from the US Department of Agriculture. Uranium prices were flat and lithium prices recorded their first quarterly gain since the fourth quarter of 2022.

Portfolio review

The fund returned -0.5% (net of fees) over the quarter and outperformed the benchmark index which returned -3.9%.

The fund's holdings in metals and mining added 0.8% to gross returns. Positions in energy added 0.7%, while holdings in agriculture detracted 1.4%. The fund's outperformance was driven mostly by selections in metals and mining. This was led by the overweight position in lithium miners and underweight position in precious metals.

Key contributors at the stock level included Allkem, NexGen Energy and Cameco. Allkem shares rose thanks to a recovery in lithium prices and news of the firm's planned merger with Livent. Uranium miners NexGen and Cameco benefited from the US Senate advancing a bill to fast track the development of advanced nuclear reactors. Earlier in the quarter, uranium prices were supported by speculation of a ban on Russian uranium and reports that Namibia's government is seeking part-ownership in the country's uranium mines. Both developments underline our preference for assets in countries with lower geopolitical and governance risks.

Notable detractors included Pan American Silver, Champion Iron and Nexans. Pan American's first quarter earnings were higher than expected, but its share price fell due to weak silver and gold prices. Champion Iron shares underperformed as iron ore prices fell amid weak Chinese manufacturing data and reports that Beijing may cap steel output in a bid to reduce emissions. Meanwhile, copper cabling firm Nexans maintained its full-year revenue guidance but sales for the first quarter were weaker than expected.

Turning to activity, we closed the fund's positions in Allkem and Newcrest after merger news sent both stocks considerably higher. These funds were used to add further lithium and battery materials exposure through additions to Albemarle and new positions in Pilbara Minerals and Talga. Elsewhere, we added decarbonisation technology firm DeNora, fertiliser firm Mosaic and copper miners Capstone and Lundin to the portfolio. Other outright sales included aluminium producer Alcoa, milk producer Synlait, steel producer SSAB and paper packaging firm Stora Enso.

Manager outlook

The medium-term outlook remains favourable for well-run companies who provide materials and technologies that facilitate the net-zero transition. Short-term sentiment continues to be clouded by concerns over slower global economic growth and what it could mean for commodity prices. However, the widely anticipated US recession still hasn't arrived and China's sluggish economic recovery could lead to further monetary stimulus.

In energy, new renewable power generation capacity is forecast to hit another record in 2023. If net-zero pledges and emissions targets are to be met, these investments will need to accelerate. We remain bullish on nuclear energy, which continues to gain acceptance as a vital part of the net zero energy equation.

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In metals and mining, the transition to electric vehicles and renewables is possibly the biggest demand tailwind we have ever seen for certain commodities. At the same time, long-term supplies of many materials look tight due to the cost, time and red tape involved in establishing new mines - not to mention reluctance from miners to over-commit like in previous cycles. Real spending from large mining companies is at multi-decade lows. As demand for copper, electric vehicle battery materials and rare earths continues to grow, this presents a potentially lucrative challenge to producers. We expect further takeover activity, with a focus on smaller, high-quality assets and larger targets of strategic value to mining majors.

As for agriculture, the planet's growing population entails an obvious need for more food. Meanwhile, farming acreage is being eaten up by urbanisation and extreme weather caused by climate change. This imbalance will require more innovation and investment in farm equipment, precision farming services and inputs, such as fertiliser, that increase yield.

Despite these tailwinds, we are mindful that commodity prices and company earnings could come under further pressure from slower global growth. The fund remains well diversified to capture value across a range of opportunities including mining (copper, lithium, silver, aluminium), renewable energy and agricultural products. Against the benchmark, the fund is overweight in the following sub-industries: renewable energy (heavy electrical equipment and electrical components), copper, lithium, aluminium, silver, industrial gases/hydrogen, agricultural equipment/products/services, uranium and environmental services. As the fund was established to invest in companies whose products, services and activities we consider to be helping or benefiting from the goal of achieving net-zero carbon emissions, the overweight positions are counterbalanced by the exclusion of oil and gas and thermal coal producers. The fund also has underweight exposure to oil and gas supply-chain companies, gold and steel. Our investment process continues to prioritise companies with world-class assets, strong balance sheets, low costs or above-average margins, strong balance sheets or good access to funding.

Source: Janus Henderson Investors, as at 30 June 2023

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Fund information (Investment policy is on the next page)

Index	S&P Global Natural Resources Index
Morningstar sector	Europe OE Sector Equity Natural Resources
Objective	The Fund aims to provide capital growth over the long term.
Performance target	To outperform the S&P Global Natural Resources Index by 2.5% per annum, before the deduction of charges, over any 5 year period.

Performance in (USD)

Performance %	A2 (Net)	Index	Sector	A2 (Gross)	Target (Gross)
1 month	7.4	6.5	5.6	-	-
YTD	-1.1	-3.5	-1.5	-	-
1 year	8.7	7.6	7.7	-	-
3 years (annualised)	12.8	17.8	14.1	-	-
5 years (annualised)	3.0	5.2	3.9	5.0	7.8
Since inception 28 Jan 2015 (annualised)	3.5	6.0	4.3	5.6	8.7

Source: at 30 Jun 2023. © 2023 Morningstar. All rights reserved, performance is with gross income reinvested. Performance/performance target related data will display only where relevant to the share class inception date and annualised target time period.

Calendar year returns %	A2 (Net)	Index	Sector
2023 to 30 Jun 2023	-1.1	-3.5	-1.5
2022	-10.5	9.6	-0.9
2021	20.6	24.4	19.0
2020	15.3	0.0	9.6
2019	15.5	16.4	16.9
2018	-22.1	-13.1	-18.4
2017	21.4	22.0	17.0
2016	30.9	31.4	36.9
2015 from 28 Jan 2015	-24.1	-23.2	-26.6
2014	-	-	-
2013	-	-	-

Source: at 30 Jun 2023. © 2023 Morningstar. All rights reserved, performance is with gross income reinvested. Discrete performance data may change due to final dividend information being received after quarter end.

Investment into the fund will acquire units/shares of the fund itself and not the underlying assets owned by the fund.

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.

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 http://www.janushenderson.com.

Source for target returns (where applicable) – Janus Henderson. Please note the performance target is to be achieved over a specific annualised time period. Refer to the performance target wording within the objective. 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 if you have any further queries.

Please note that as of 25 February 2022, the Janus Henderson Horizon Global Natural Resources Fund changed its name to become the Janus Henderson Horizon Responsible Resources Fund. From 31 March 2023, Tim Gerrard also co-manages this fund.

Past performance does not predict future returns. The value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested.

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 http://www.janushenderson.com.

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What are the risks specific to this fund?

- The Fund follows a responsible investment approach, which may cause it to be underweight in certain sectors (due to the avoidance criteria employed) and thus perform differently than funds that have a similar financial objective but which do not apply any avoidance criteria when selecting investments.
- 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.
- The Fund is focused towards particular industries or investment themes and may be heavily impacted by factors such as changes in government regulation, increased price competition, technological advancements and other adverse events.
- 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. These transaction costs are in addition to the Fund's Ongoing Charges.

General risks

- Past performance does not predict future returns.
- The value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested.
- Tax assumptions and reliefs depend upon an investor's particular circumstances and may be subject to change.

Investment policy

The Fund invests at least 80% of its assets in shares (equities) and equity-related securities of companies, whose revenues come mostly from the natural resources sector, such as, but not limited to, the mining, energy and agriculture sectors, in any country.

The Fund may also invest in other assets including 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 S&P Global Natural Resources 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.

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For further information on the Luxembourg-domiciled Janus Henderson fund range please contact your local sales office or visit our website: www.janushenderson.com.

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Important information

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.

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