MONTHLY COMMENTARY | as at 29 February 2024

Janus Henderson INVESTORS

JANUS HENDERSON CAPITAL FUNDS PLC - JANUS HENDERSON GLOBAL TECHNOLOGY AND INNOVATION FUND

A2 USD ISIN IE0009356076

At a glance

Performance
The Fund returned 8.06%, the Index returned 6.15% and the Sector returned 6.85%.

Contributors/detractors
Positioning in Meta and an underweight position to Apple aided performance while a modest underweight to NVIDIA and a position in MercadoLibre detracted.

Outlook
While artificial intelligence (AI) was a tailwind in 2023, companies with exposure to this theme - and others - will have to prove their use cases and potential for profitability.

Portfolio management

Denny Fish

Jonathan Cofsky, CFA

Investment environment

- Technology stocks rose in February and were a driving force in broader equity market gains.
- The rally continued to be fuelled by enthusiasm surrounding artificial intelligence (AI) - something borne out in both recent financial results and comments by corporate managers across sectors with respect to investing in AI-related initiatives.
- Most technology subsectors generated positive returns, with the semiconductor complex chalking up double-digit gains.

Portfolio review

Social media company Meta Platforms was a leading relative positive contributor. Its share price jumped after the Facebook parent company reported stronger-than-expected fourth-quarter results. Meta's management team also raised revenue guidance, supported by product advancements, efficiency initiatives, and advertising innovations such as click-through messaging. The company has been a pioneer in using AI to optimise advertising and content feeds as part of its focus on expanding engagement and monetisation across its businesses.

Another positive contributor was the underweight position to hardware and services company Apple. The stock has faced headwinds because of slowing iPhone sales, especially in China. On a positive note, Apple reported better-than-expected fourth-quarter results as its revenues grew after several quarters of declines. While investors focused on slowing iPhone sales in China, Apple reported stronger sales trends in other markets, including Europe and Japan. The company has also seen rapid growth in its digital services, including subscription-based Apple TV+, Music, and iCloud.

A leading relative detractor was ecommerce platform and digital financial services provider MercadoLibre. Despite reporting revenue growth, the stock declined primarily due to a substantial one-time tax liability in Brazil, its largest market. Investments in free delivery solutions also reduced profitability, but the company expects to recover margins by the second quarter of 2024.

In contrast to Apple, a modest underweight position to chipmaker NVIDIA detracted. NVIDIA's data centre graphics processing units (GPUs) have been in high demand to support the deployment of generative AI. This demand helped NVIDIA report strong fourth-quarter results. Spending by data centres was a particularly strong driver of revenue growth, while demand from the gaming market was better than expected. NVIDIA raised revenue guidance, aided by improving supply chains and ongoing product innovations. Moreover, NVIDIA's management team signalled a strong outlook for 2025 and beyond, as it has seen indications of accelerating demand from a diverse group of customers, including cloud-service providers, GPU start-ups, and internet and software companies.

Manager outlook

The recognition of AI's potential serves as a reminder of the essential role that a few secular technology themes play in the ongoing digitisation of the global economy. A core tenet of our investment approach is that the tech sector will garner an increasing share of aggregate global earnings as commercial users adopt these platforms and applications to enhance productivity and consumers look for convenience.

Already hyperscalers - companies able to deploy massive capital expenditure - are investing in their AI capabilities as they seek to train their models. While enthusiasm at this stage of deployment is understandable, the next phase of the AI roll-out will require companies to present viable use cases, including the potential for monetisation and a realistic build-up of financials. At that point, we would expect to see a bifurcation between true AI beneficiaries and companies that are either along for the ride - often due to their inclusion in passive strategies - or those whose technology and/or business cases fall short.

Given that AI has long been one of our mega themes, we have already spent years seeking to understand companies' particular technology, use cases, and unit economics. This approach holds true with other mega themes such as the cloud and the Internet of Things. These themes are proving increasingly complementary. The cloud's ability to store and analyse large sets of data, for example, will be essential for training AI.

Vital to all these developments are semiconductor companies. In our view, semiconductors has become the most important industry in the global economy. As evidenced during pandemic-related shortages, all other sectors are reliant upon chips. Further benefiting the investment thesis are growth rates substantially higher than that of the global economy and industry rationalisation leading to what we believe are some of the best margins available. The upshot is that we not only believe the earnings of semiconductor firms could exceed estimates, but that the industry could also see a multiple rerating as investors more fully appreciate its resilience across the cycle.

Performance (%)

Returns	Cumulative 1 Month	Cumulative 3 Month	Cumulative YTD	Cumulative 1 Year	Annualised 3 Year	Annualised 5 Year	Annualised 10 Year
A2 USD (Net) with sales charge	2.65	12.53	7.62	46.32	4.56	16.13	15.31
Index	6.15	14.49	9.54	50.40	12.71	22.12	18.39
Sector	6.85	13.24	5.95	31.99	-0.24	12.58	11.53
A2 USD (Net)	8.06	18.45	13.28	54.02	6.37	17.32	15.90

Calendar year	2023	2022	2021	2020	2019
A2 USD (Net)	51.84	-38.21	15.66	48.69	42.61
Index	51.02	-31.07	27.36	45.61	46.89
Sector	37.26	-36.40	12.13	47.75	35.10

Performance is on a net of fees basis, with gross income reinvested. Source: at 29/02/24. **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.**

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 www.janushenderson.com.

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.

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Fund details

Inception date	31 March 2000
Total net assets	$433.84m
Asset class	Equities
Domicile	Ireland
Structure	Irish Investment Company
Base currency	USD
Index	MSCI All Country World Information Technology Index^{SM}
Morningstar sector	Sector Equity Technology
SFDR category	Article 8

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.

Investment objective

The Fund aims to provide capital growth over the long term. The Fund invests at least 80% of its assets in a concentrated portfolio of shares (also known as equities) selected for their growth potential. The Fund may invest in companies of any size, which are technology-related or will benefit significantly from technology, in any country.

Fund specific risks

When the Fund, or a share/unit class, seeks to mitigate exchange rate movements of a currency relative to the base currency (hedge), the hedging strategy itself may positively or negatively impact the value of the Fund due to differences in short-term interest rates between the currencies. 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. If a Fund has a high exposure to a particular country or geographical region it carries a higher level of risk than a Fund which is more broadly diversified. 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. This Fund may have a particularly concentrated portfolio relative to its investment universe or other funds in its sector. An adverse event impacting even a small number of holdings could create significant volatility or losses for the Fund. The Fund may use derivatives to help achieve its investment objective. This can result in leverage (higher levels of debt), which can magnify an investment outcome. Gains or losses to the Fund may therefore be greater than the cost of the derivative. Derivatives also introduce 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.

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Source: Janus Henderson Investors, as at 29 February 2024, unless otherwise noted.