# JANUS HENDERSON HORIZON FUND - GLOBAL SUSTAINABLE EQUITY FUND

A2 USD ISIN LU1983259539

## At a glance

**Performance**
The Fund returned 2.60%, the Index returned 3.21% and the Sector returned 2.18%.

**Contributors/detractors**
Stock selection in technology contributed most positively to relative returns. By contrast, stock selection in financials was unfavourable. NVIDIA was the fund's top contributor, while AIA detracted.

**Outlook**
Our focus remains on identifying sustainable businesses that are exposed to secular growth trends and exhibit healthy cash generation, strong financial positions and reasonable valuations.

## Portfolio management

**Hamish Chamberlayne, CFA**

**Aaron Scully, CFA**

## Investment environment

- Equities continued to rise during March and the rally broadened into more cyclical sectors of the market.
- All of the global benchmark's sectors ended higher, with energy, materials and utilities topping the rankings. Consumer discretionary, information technology (IT) and healthcare were among the laggards.

## Portfolio review

The main detractors from relative fund performance over the month included the exclusion of energy stocks, an overweight position to the IT sector and an underweight position to the materials sector. By contrast, overweight positions in industrials and healthcare, and an underweight position in consumer discretionary, proved beneficial to performance.

Stock selection in IT was the biggest positive contributor to relative returns.

The overweight position in NVIDIA and having no holding in Apple were especially beneficial, while holdings in Lam Research and Texas Instruments also performed well. Taken together, this softened the impact from negative contributors like Murata Manufacturing, CGI and Infineon.

The holding in DS Smith also added value as the company became subject to a takeover battle. Stock selection in healthcare was beneficial thanks to strong returns from Encompass and Icon, which made up for the underperformance of Humana. Stock selection in industrials had a neutral impact as the outperformance of Core & Main and nVent Electric was offset by weakness in Schneider Electric, Wabtec and Uber.

Stock selection in financials detracted the most from relative returns. AIA fell during the month and several of our insurance holdings such as Intact, Marsh McLennan and Arthur J Gallagher also trailed the index. The underweight position in banks was also detrimental. Stock selection in utilities also detracted as our renewable energy holdings continued to suffer from poor sentiment. Elsewhere, selections in real estate suffered from the position in data centre REIT Equinix, while our communication services holdings T-Mobile US and Nintendo both lagged the sector.

At the stock level, top positive contributors included semiconductor firm NVIDIA, recycled packaging supplier DS Smith and water infrastructure distributor Core & Main.

NVIDIA outperformed amid further optimism regarding the company's AI-related growth opportunities. At its annual GPU Technology Conference, NVIDIA revealed its new

Blackwell platform of GPUs (graphics processing units) and supporting software.

The new GPUs are up to 25x more power efficient than the company's current Hopper GPUs, which showed a similar improvement to its predecessor. NVIDIA's ecosystem of GPUs and software underpin the adoption of artificial intelligence (AI), which promises to transform work and innovation across the global economy. As we see it, NVIDIA is enabling enormous leaps in computing power for much lower energy than would otherwise have been consumed.

DS Smith's share price surged after the company became subject of an apparent takeover battle. The firm provisionally accepted a proposal from Mondi, only for the bid to be topped by a rival offer from International Paper late in the month. Recycling and packaging operations are closely integrated - to the extent that it takes as little as 14 days for a cardboard box to be made, used, collected, recycled, pulped, pressed and made back into a cardboard box again.

We believe the company is well positioned as ecommerce volumes have grown while demand from firms seeking to decrease its environmental impact through sustainable packaging has increased. The company boasts a strong financial position and has notable advantages in terms of scale.

Core & Main posted better-than-expected annual profits and guided to double-digit revenue growth in 2024. Core & Main's products are used by municipalities and construction industries for the building, repair and maintenance of water, wastewater and fire protection systems. Core & Main is a key beneficiary from the upgrade of the US's ageing water infrastructure, with a nationwide footprint to ensure the safe and reliable distribution of water to the public.

Notable detractors included financial services company AIA, electronic components manufacturer Murata and data centre operator Equinix.

AIA shares weakened considerably in March, despite the company announcing a strong uptick in new business during 2023. AIA's retirement saving plans, life insurance and insurance products offer a layer of protection for citizens of countries that often lack a social safety net. The company is present in 18 countries and its markets in China, India and Southeast Asia have relatively low penetration and long-term growth potential. Meanwhile, life insurance sales in more developed markets are being driven by ageing populations.

Murata shares underperformed despite any lack of material news. Murata is one of the world's largest manufacturers of passive components for electronic devices, such as capacitors, acoustic filters, ultrasonic sensors, communication modules, power inductors and lithium-ion batteries. These components are necessary for the safe and effective functioning of all electronic circuits being used to control electric flow, store electricity and enable wireless communication. There is strong growth in demand from electric vehicles, 5G communications technology and renewable energy, as well as any market where electrification is accelerating.

Equinix was subject to a short report by Hindenburg Research, which claimed that Equinix was using aggressive accounting to boost its earnings. Equinix is one of the world's largest data centre operators. Data centres are the backbone of the internet and a more connected world - and growing adoption of AI and Internet of Things technology should bring continued growth in demand for efficient and secure storage and transmission of data.

Equinix has a long-term goal to use 100% renewable energy to power its operations and should have a further impact on lowering emissions by enabling customers to move energy-intensive computing processes into the cloud.

## Manager outlook

Inflation across developed market economies has been falling from the pandemic highs, which should help pave the way for many central banks to start cutting policy rates. So far in 2024, our strategy has benefited from direct exposure to the AI trend through holdings in semiconductor and semiconductor equipment companies. We believe that optimism surrounding this trend could broaden beyond technology as an increasing number of sectors adopt AI. Consequently, we have been looking at the next level of potential beneficiaries across the value chain.

Examples here include increased power consumption due to AI use, which bodes well for our holdings in electrical infrastructure companies and those exposed to upgrading the grid, including Schneider Electric, Legrand, nVent Electric and Prysmian. In addition, generative AI models rely on colossal amounts of data, which creates a compelling opportunity among companies that mine, own and store valuable datasets. Again, our portfolio is favourably exposed to leading franchises with data assets like S&P Global and Wolters Kluwer.

Beyond AI, a commonality among many of our portfolio holdings is their alignment with secular megatrends. We believe that megatrends serve as a strong forcing function for investment theses to play out over time, but they do not always progress linearly. Temporary pullbacks do not imply a reversal in the long-run direction of travel - rather, such episodes can create investment opportunities. Today, we are witnessing such pullbacks in sentiment regarding renewable energy providers and companies linked to electric vehicle adoption.

The upcoming US elections have added further disquiet here, as investors mull the impact of a Republican victory on the outlook for sustainable investments, especially those linked to decarbonisation. However, it is noteworthy that during the previous Trump presidency, with its apparently anti-climate undertones, the US actually added more renewable energy than during the Obama administration. Put simply, we believe that the transition to a more sustainable global economy remains one of the biggest investment opportunities of our lifetimes, irrespective of who may be occupying the White House.

We remain convinced that the best investment ideas and opportunities for the long-term are found in companies aligned with big secular trends that result in a more sustainable economy. We will continue to employ our rigorous multi-disciplinary approach to identify these opportunities. We will also continue to stay the course in all market environments to ensure that we deliver on this potential for our clients. As Warren Buffett opined, “The stock market is a device to transfer money from the impatient to the patient".

## Performance (%)

| Returns | Cumulative 1 Month | 3 Month | YTD | 1 Year | Annualised 3 Year | 5 Year | 10 Year | Since inception (29/05/19) |
|---|---|---|---|---|---|---|---|---|
| A2 USD (Net) with sales charge | -2.53 | 3.14 | 3.14 | 14.68 | 2.45 | — | — | 11.87 |
| Index | 3.21 | 8.88 | 8.88 | 25.11 | 8.60 | — | — | 12.86 |
| Sector | 2.18 | 8.25 | 8.25 | 21.91 | 2.92 | — | — | 10.34 |
| A2 USD (Net) | 2.60 | 8.57 | 8.57 | 20.72 | 4.21 | — | — | 13.07 |

| Calendar year | YTD at Q1 2024 | 2023 | 2022 | 2021 | 2020 | 2019 from 29 May |
|---|---|---|---|---|---|---|
| A2 USD (Net) | 8.57 | 21.91 | -25.64 | 15.71 | 36.57 | 16.50 |
| Index | 8.88 | 23.79 | -18.14 | 21.82 | 15.90 | 15.31 |
| Sector | 8.25 | 22.79 | -26.69 | 13.57 | 27.23 | 14.35 |

Performance is on a net of fees basis, with gross income reinvested. Source: at 31/03/24.  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. 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.

**Past performance does not predict future returns.**

## Fund details

| | |
|---|---|
| **Inception date** | 29 May 2019 |
| **Total net assets** | $1.26bn |
| **Asset class** | Equities |
| **Domicile** | Luxembourg |
| **Structure** | SICAV |
| **Base currency** | USD |
| **Index** | MSCI World Index℠ |
| **Morningstar sector** | Global Large-Cap Growth Equity |
| **SFDR category** | Article 9 |

In accordance with the Sustainable Finance Disclosure Regulation, the Fund is classified as Article 9 and has sustainability as its objective.

## Investment objective

The Fund aims to provide capital growth over the long term by investing in companies whose products and services are considered by the Investment Manager as contributing to positive environmental or social change and thereby have an impact on the development of a sustainable global economy. The Fund invests at least 80% of its assets in shares (also known as equities) of companies, of any size, in any industry, in any country. The Fund will avoid investing in companies that the investment manager considers to potentially have a negative impact on the development of a sustainable global economy.

## Fund specific risks

In respect of the equities portfolio within the Fund, this follows a value investment style that creates a bias towards certain types of companies. This may result in the Fund significantly underperforming or outperforming the wider market. 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. The Fund follows a sustainable investment approach, which may cause it to be overweight and/or underweight in certain sectors and thus perform differently than funds that have a similar objective but which do not integrate sustainable investment criteria when selecting securities. 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.

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