

GLOBAL SUSTAINABLE EQUITY (ADR) MANAGED ACCOUNT

At a glance

Performance

The Portfolio returned 14.35% (gross) and the MSCI World IndexSM returned 11.53%.

Contributors/detractors

The exclusion of energy stocks contributed, while stock selection in financials detracted. Walker & Dunlop was the top individual contributor, and Aon the top detractor.

Outlook

We remain confident in the durability of our sustainable investing themes and feel our bias toward companies with indispensable products and recurring revenue boosts the portfolio's resilience.

Portfolio management



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Investment environment

- Given the recession fears at the close of 2022, few commentators could have predicted that 2023 would prove a stellar year for equities. The MSCI World Index posted a double-digit return in the fourth quarter, the strongest quarter of the year, and its annual gain rose to over 24% (measured in US dollar terms).
- Most asset classes rallied strongly in the fourth quarter as falling inflation led to investor expectations that interest rates have peaked and central banks would begin to cut rates in 2024. This proved a tailwind for sectors exposed to growth and lower interest rates – such as information technology (IT) and industrials – and for companies that were hurt the most by the previous “higher-for-longer” narrative, most notably real estate and renewable energy firms. Hopes for a relatively soft landing in the U.S. also improved sentiment toward banks and other cyclicals. By contrast, more defensive sectors, such as consumer staples, healthcare, and energy (driven by falling oil prices), underperformed.
- 2023's prevailing trend of market narrowness continued through the fourth quarter. While the quarter saw a rally broader than at other times in the year, many of the so-called Magnificent Seven – IT giants Alphabet, Amazon.com, Apple, Meta, Microsoft, Nvidia, and Tesla, which have been dominating returns in both U.S. and global indices due to their size – continued to outperform.

- In sustainability news, December's United Nations Climate Change (COP28) conference in Dubai brought stronger wording on the phasing-out of fossil fuels and marked the first time that countries formally have committed to transitioning away from fossil fuels in energy systems. The conference intimated a perspective closer in alignment with our strategy's “do no harm” avoidance criteria pertaining to fossil fuel exposure. In addition, the conference's greater emphasis on energy efficiency solutions, such as grid infrastructure upgrades and gaining exposure to equipment suppliers into the grid, is also in line with our investment strategy.
- Overall, 2023 presented incrementally confirming evidence for the intactness of our investment thesis – that the global economy is migrating to a more sustainable footing, and that this migration will drive many exciting investment opportunities as companies work to address these challenges.

Portfolio review

Against the backdrop of falling inflation and expectations of lower interest rates, IT, real estate, and industrials were the strongest-performing sectors in the index. By contrast, energy, consumer staples, and healthcare were the weakest. Within the portfolio, our overweight positions in IT and industrials proved beneficial. The portfolio's exclusion of energy stocks and an underweight position in consumer

staples (where many companies fail our exclusionary criteria) also was favorable to relative performance. Stock selection in industrials also contributed, as did our selection in semiconductor companies within IT. Regarding the Magnificent Seven stocks, our exposure to Nvidia and Microsoft was additive.

The most significant detractor at the sector level was financials. Banks, where the portfolio has little exposure, benefited from a rotation into cyclical shares and outperformed many of the portfolio's insurance companies. Stock selection in consumer discretionary also detracted.

At the individual stock level, notable contributors included real estate financing group Walker & Dunlop and water technology company Xylem.

Walker & Dunlop is a leading agency in multi-family lending. As its end markets are heavily tied to the magnitude and velocity of rate increases, the company was a relative underperformer throughout the year given the challenging environment in the housing markets. Shares rallied in the fourth quarter, however, after the prospect of interest rate cuts boosted sentiment toward real estate companies. Our long-term thesis remains unchanged, as Walker & Dunlop is a relatively more defensive company in the real estate sector, and the majority of its earnings comes from multi-family residential markets, which generate a diversified earnings stream from servicing, loans, and escrow balances.

Xylem announced a solid set of third-quarter results, with a robust backlog and revenues, adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA), and earnings per share beating expectations. Public utilities have come under increased scrutiny to improve their water efficiency and usage, and Xylem's digital products help utilities maximize efficiency and reduce costs in their water infrastructure.

Notable individual detractors over the quarter included insurance broker Aon and health insurer Humana.

Aon uses big-data analytics to help clients manage complex and emerging risks, such as climate change, cyberattacks, and risks associated with the retirement and healthcare needs of an aging population. Aon is viewed as a key partner by the corporations it serves and benefits from a near-duopoly market structure in the risk and insurance-broking sector. Shares fell after the company announced it had agreed to buy a middle-market brokerage firm, a deal we are closely reviewing.

Humana, which operates as a managed healthcare company, generated some noise during the period amid potential merger discussions with another large managed healthcare firm. Although the deal did not materialize, Humana's assets remain interesting, which should help keep a floor under the stock, and our long-term thesis unchanged. As a dominant provider of Medicare Advantage plans, Humana is well exposed to the aging population trend in the U.S. The firm is a pioneer in integrated care and aims to lower costs by

encouraging healthy choices that prevent future medical problems.

Manager outlook

Over the past year, the trifecta of geopolitical discord, inflation, and higher interest rates created a challenging environment for sustainable investing. The transition to a sustainable economy requires investment, and higher interest rates naturally present a headwind to this ideal. Real growth has also slowed in many end markets associated with the sustainable investment themes on which we focus.

As we look ahead to 2024, pivotal elections also will be held in the U.S. and other major economies, including the United Kingdom and India. Election years tend to bring additional fiscal support along with other levers supportive of economic growth. Lower interest rates should aid the margin for sustainable investing, as well as reinvigorate other pockets of the economy, such as the housing industry. 2024 also is the year in which we anticipate seeing a large increase in spending from various U.S. acts – for example, the Creating Helpful Incentives to Produce Semiconductors (CHIPS) Act; the Infrastructure Investment and Jobs Act; and the Inflation Reduction Act – impact the economy.

However, we are not in the business of macroeconomic prognostications. The market has an uncanny knack of surprising its participants, so we will not attempt to gaze into a crystal ball and hypothesize on potential future economic/market outcomes or the scope for a “Goldilocks” or soft landing scenario. Instead, what we can say with some confidence is that the actual outcome most likely will look very different from what so-called “expert” economic forecasters predict.

Our job as long-term, fundamental, bottom-up investors is to remain focused on the micro aspects of high-quality businesses exposed to attractive secular trends and underwriting these businesses to gain conviction that they can compound wealth and make the world a better place in all market conditions. We have witnessed impressive progress in laying a foundation for a period of accelerated growth relative to reshoring manufacturing in key clean-tech industries, such as batteries and semiconductors, the electrification of transportation, greening buildings, decarbonizing electricity, and transforming industry, among others.

We continue to meticulously follow our robust investment process and to identify sustainable businesses exposed to these growth trends, focusing on cashflow generation, strong balance sheets, and financial resilience. Additionally, we continue to exercise valuation discipline, rather than adhere to the zeitgeist due to the “fear of missing out.” To quote the great Charlie Munger of Berkshire Hathaway as we conclude major market activity in the year of his passing: “The world is full of foolish gamblers, and they will not do as well as the patient investor.”

Global Sustainable Equity (ADR) Managed Account (as of 12/31/23)

Performance – USD (%)

Returns	Cumulative			Annualized			
	4Q23	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception (01/01/09)
Composite (pure gross*)	14.35	28.02	28.02	5.36	17.93	11.16	12.89
Composite (net)	13.54	24.36	24.36	2.29	14.52	7.95	9.62
MSCI World Index SM	11.53	24.42	24.42	7.79	13.38	9.18	11.31

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. All returns reflect the reinvestment of dividends and other earnings.

*Pure gross performance results do not reflect the deduction of any trading costs, fees or expenses and returns will be reduced by such advisory fee and other contractual expenses as described in the individual contract and Form ADV Part 2A. Pure gross returns are supplemental to net returns.

Net returns are calculated by subtracting the highest applicable Managed Account fee (3.00% annually, or 0.25% monthly) from the pure gross or gross composite return. The Managed Account fee includes all charges for trading costs, portfolio management, custody and other administrative fees. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. The fees are available on request and may be found in Form ADV Part 2A.

Representative Portfolio

Top Holdings (%)	Rep Acct
Microsoft	7.12
SSE	4.28
NVIDIA	4.20
Westinghouse Air Brake Technologies	3.77
Progressive	3.62
Schneider Electric	3.50
Xylem	3.37
Ferguson	3.18
ICON	2.75
Humana	2.51
Total	38.29

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Definitions

Growth stocks are subject to increased risk of loss and price volatility and may not realize their perceived growth potential.

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.

Monetary tightening refers to central bank activity aimed at curbing inflation and slowing down growth in the economy by raising interest rates and reducing the supply of money.

To receive a complete list and description of composites and/or a presentation that complies with the requirements of the GIPS® standards, please contact Janus Henderson at 800.668.0434.

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Global Sustainable Equity ADR Managed Account Composite, benchmarked to the MSCI World IndexSM, includes portfolios that aim to provide long term capital growth by investing primarily in companies worldwide, via US equity securities and ADR shares of non-US companies. Portfolios seek to invest in companies whose products and services are considered by the portfolio managers to contribute to positive environmental or social change. Prior to January 1, 2020, returns for the composite are for the Global Sustainable Equity Composite, which consisted of proprietary funds and was not limited to only ADR shares of non-US companies. The composite was created in January 2020.

Information relating to portfolio holdings is based on the representative account in the composite, which reflects the typical portfolio management style of the investment strategy. Other accounts in the strategy may vary due to asset size, client guidelines and other factors.

Portfolio holdings are as of the date indicated, and are subject to change. This material should not be construed as recommendation to buy or sell any security.

Holdings are subject to change without notice.

There is no assurance the stated objective(s) will be met.

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

Foreign securities are subject to additional risks including currency fluctuations, political and economic uncertainty, increased volatility, lower liquidity and differing financial and information reporting standards, all of which are magnified in emerging markets.

Discussion is based on performance gross of fees and expenses.

Actively managed portfolios may fail to produce the intended results. No investment strategy can ensure a profit or eliminate the risk of loss.

Environmental, Social and Governance (ESG) or sustainable investing considers factors beyond traditional financial analysis. This may limit available investments and cause performance and exposures to differ from, and potentially be more concentrated in certain areas than, the broader market.

Actively managed investment portfolios are subject to the risk that the investment strategies and research process employed may fail to produce the intended results. Accordingly, a portfolio may underperform its benchmark index or other investment products with similar investment objectives.

MSCI World IndexSM reflects the equity market performance of global developed 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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