Janus Henderson INVESTORS

US GROWTH FUND

At a glance

Performance*
The Fund returned 9.94%, the Index returned 6.94% and the Peer Group returned 7.15%.

Contributors/detractors
No exposure to energy stocks and selection in industrials contributed positively to relative performance. An overweight to the health care sector and stock selection in consumer staples detracted.

Outlook
Our focus remains on finding highly resilient and innovative companies gaining market share and operating in fast-growing end markets.

Portfolio management

Doug Rao

Nick Schommer, CFA

Brian Recht

Investment environment

- The S&P 500 Index posted a gain for the quarter. In October, the index declined before rallying strongly in November and December as investor expectations shifted from fears of additional interest hikes to hopes that moderating inflation might persuade the Federal Reserve (Fed) to reduce rates in 2024. As a result, the 10-year Treasury yield fell below 4% by quarter-end after reaching nearly 5% in mid-October.
- Economic data released during the quarter was largely positive, helping to alleviate inflation concerns and underpinning investor hopes that the US could avoid an economic downturn. Unexpectedly, gross domestic product (GDP) grew strongly in the third quarter by an annualised 4.9%, driven by consumer spending and up sharply from the second quarter's expansion of 2.1%. Annual inflation eased to 3.1% in November - a five-month low - down from 3.7% in September, while job growth remained solid, and the unemployment rate remained fairly steady.
- Corporate earnings remained relatively strong, aided by reduced input prices.

Portfolio review

Workday, an enterprise management software provider, was a top positive contributor after exceeding revenue and earnings estimates. Robust demand for its financial and human capital management solutions across diverse sectors and artificial intelligence (AI) integrations drove performance. By raising its 2024 subscription revenue guidance, Workday indicated continued growth and market strength.

ASML Holding, a semiconductor equipment company, was also among the top contributors. During the quarter, it was increasingly recognised that leading-edge fabrication customers of ASML are continuing with their plans to open new facilities. These are significant investments, and it will require considerable sales from ASML into 2025 and 2026 to meet demand when those facilities open. ASML continues to have a competitive advantage with its sophisticated, high-margin lithography tools that are necessary for leading-edge semiconductor manufacturing which is highly levered to megatrends like generative AI.

Deere & Company, an agricultural equipment manufacturer, was among the top relative detractors. Despite reporting strong fiscal year earnings, its share price fell amid a more cautious 2024 industry outlook. Lower sales forecasts, market uncertainties around farm fundamentals, and elevated interest rates contributed to the company's conservative outlook, particularly in Brazil. We continue to assess Deere and Company's position in its business cycle as the company may be closer to the bottom than mid-cycle. We also recognise its investments in competitive advantages beyond its agricultural roots and are encouraged by improving business fundamentals.

Danaher, a global life sciences and diagnostics company, was also among the top relative detractors for the quarter. The stock underperformed amid slower-than-expected biorocessing demand, which is a significant portion of its business. Exposure to China, which continues to see Covid-19 weakness, also hurt. We believe Danaher remains a well-diversified, high-quality company and are encouraged by its shift to a faster-growing mix of businesses in recent years.

Manager outlook

In Trahan Macro Research's piece written this time last year, it predicted "Another challenging year for stocks in 2023. We see the S&P 500 landing somewhere between 2,800 (pessimistic) and 3,400 (optimistic) at year-end." This was one of many headlines from leading macro-economists, nearly all of whom were negative on the equity backdrop in 2023. However, the S&P 500 Index ended 2023 up over 24% (at nearly 4,800), while the NASDAQ Index had its best year in a quarter of a century. We do not claim to have more informed microanalysis than these economists, but we do recognise the exceptional difficulty in predicting market performance in any given year. Instead, our focus remains on constructing a portfolio of 35-40 highly resilient and innovative companies.

American capitalism has consistently shown remarkable resiliency in the face of adversity. During Covid-19, for instance, restaurants adapted by implementing individualised outdoor pods, while travel companies streamlined their expenses to maximise cash flow before travel resumed. While the economy and capital markets will surely have ups and downs, we believe that we can grow invested capital by owning the most resilient and high-quality companies. Furthermore, we seek to own companies gaining market share and operating in end markets that we think are poised for faster growth than the overall economy.

The question then becomes which end-markets should structurally grow faster than the broader economy over the next decade. We believe three megatrends will shape the investment landscape - deglobalisation, digitisation, and decarbonisation.

In 2020, the shortcomings of globalisation were exposed during the pandemic, leading to disruptions in supply chains and inventory shortages. When combined with increasing geopolitical tensions, we believe the investment environment for the next decade will be marked by deglobalisation, in contrast to the globalisation over the prior two decades. Deglobalisation may drive companies to onshore more production, potentially resulting in structurally higher inflation as well as capital and labour costs. One of the companies we own in the portfolio is a large global producer of industrial gases such as oxygen, nitrogen and hydrogen. As onshoring increases, we believe this company is well-positioned to benefit as these gases are crucial for the construction of new domestic US fabrication plants and food storage facilities.

Digitisation is another megatrend we anticipate will continue to outpace the overall economy. A company we bought in the fourth quarter is a large online commerce platform with operations in numerous Central America and South America countries that we believe should benefit from increased digitisation. Ecommerce penetration is only around 12% in Latin America versus approximately 20% in the US, setting the region up for many more years of growth potential.

Regarding decarbonisation, Deere & Company exemplifies this theme as the company transitions from a cyclical machinery manufacturer to a technology leader specialising in precision agriculture. By using software and technology to optimise planting spaces, Deere can help farmers increase yields and reduce fertiliser usage. Given that agriculture accounts for approximately 10% of US greenhouse gas emissions (Source: EPA, "Total U.S. Greenhouse Gas Emissions by Economic Sector", 2021) and that up to 80% of fertiliser products are derived from natural gas (Source: America Gas Association, "Natural Gas Critical to Agriculture Sector", March 22, 2023), Deere supports agricultural productivity and global decarbonisation.

While we do not believe that 2024 market gains will replicate those of 2023, we seek to own a portfolio of companies that are aligned with these megatrends and could continue to compound and take share through a variety of market and economic environments.

Performance (%)

Returns	Cumulative				Annualised			
	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Since inception (26/01/76)
I Acc (Net)	4.81	9.94	28.61	28.61	7.90	15.55	13.02	10.33
Index	3.82	6.94	19.16	19.16	12.60	15.67	15.01	—
Peer Group	4.70	7.15	16.65	16.65	9.53	13.77	12.78	10.79
I Acc (Gross)	—	—	—	—	—	16.53	13.98	11.26
Target	—	—	—	—	—	18.56	17.88	—

12 month rolling	Dec 2022-Dec 2023	Dec 2021-Dec 2022	Dec 2020-Dec 2021	Dec 2019-Dec 2020	Dec 2018-Dec 2019
I Acc (Net)	28.61	-21.13	23.82	25.39	30.81
Index	19.16	-7.79	29.89	14.74	26.41
Peer Group	16.65	-10.10	25.26	16.46	24.56

Performance is on a net of fees basis, with gross income reinvested. Source: at 31/12/23. **Past performance does not predict future returns.**
Performance/performance target related data will display only where relevant to the share class inception date and annualised target time period. **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.** Source for target returns (where applicable) - Janus Henderson Investors. This is a representative share class for the fund, other share classes are available and may be more suitable for your investment needs.

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.

Investment objective

The Fund aims to provide capital growth over the long term. Performance target: To outperform the S&P 500 Index by at least 2.5% per annum, before the deduction of charges, over any 5 year period.

For the fund's investment policy, refer to the Additional fund information on page 4.
Past performance does not predict future returns.

Fund details

Inception date	26 January 1976
Total net assets	355.99m
Asset class	Equities
Domicile	United Kingdom
Structure	OEIC
Base currency	GBP
Index	S&P 500® Index
Peer group	IA North America Equity

For benchmark/usage description, refer to Additional fund information on page 4.

Additional fund information

Tax assumptions and reliefs depend upon an investor's particular circumstances and may be subject to change. Please note the performance target is to be achieved over a specific annualised time period. Refer to the performance target wording within the objective. Availability of share classes shown may be limited by law in certain jurisdictions. Performance records are detailed on the specific KIID, fees and charges may vary and further information can be found in the fund's prospectus and KIID which must be reviewed before investing. Please consult your local sales representative if you have any further queries. 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. Investment into the fund will acquire units/shares of the fund itself and not the underlying assets owned by the fund. References made to individual securities do not constitute a recommendation to buy, sell or hold any security, investment strategy or market sector, and should not be assumed to be profitable. Janus Henderson Investors, its affiliated advisor, or its employees, may have a position in the securities mentioned.
The S&P 500 Index is a measure of the combined performance of 500 large companies listed on US stock markets. It forms the basis of the Fund's performance target and provides a useful comparison against which the Fund's performance can be assessed over time.
The Investment Association (IA) groups funds with similar geographic and/or investment remit into sectors. The Fund's ranking within the sector (as calculated by a number of data providers) can be a useful performance comparison against other funds with similar aims.

Investment policy

The Fund invests at least 80% of its assets in a concentrated portfolio of shares (also known as equities) of companies, of any size, in any industry, in the United States. Companies will have their registered office in or do most of their business (directly or through subsidiaries) in the United States. The portfolio may be concentrated in terms of its number of holdings and/or the size of its largest holdings. 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 500 Index, which is broadly representative of the companies in which it may invest, as this forms the basis of the Fund's performance target. The investment manager has discretion to choose investments for the Fund with weightings different to the index or not in the index. As an additional means of assessing the performance of the Fund, the IA North America sector average, which is based on a peer group of broadly similar funds, may also provide a useful comparator.

Investment strategy

The investment manager follows a fundamental, research-driven strategy, seeking to identify innovative companies with distinct advantages over their competitors, which allow them to protect market share and/or profitability. The Fund invests in the manager's best US large growth company ideas, where they believe their view is differentiated from the market, to construct a portfolio of typically 30 to 40 holdings.

Fund specific risks

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. 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. 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 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.

FOR MORE INFORMATION PLEASE VISIT **JANUSHENDERSON.COM**

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Source: Janus Henderson Investors, as at 31 December 2023, unless otherwise noted.