Janus Henderson

GLOBAL SUSTAINABLE EQUITY FUND – INSTITUTIONAL

Janus Henderson INVESTORS

As at February 2024

Fund objective
The Fund seeks to provide capital growth over the long term and to achieve a total return after fees that exceeds the total return of the Benchmark over rolling five year periods.

Investment approach
The Fund seeks to provide exposure to a diversified global portfolio of equities considered by the Manager as contributing to positive environmental or social change, and thereby have an impact on the development of a sustainable global economy.

Benchmark
MSCI World Index (net dividends reinvested) in AUD

Risk profile
High

Suggested timeframe
5 years

Inception date
23 March 2022

Fund size
$0.0 million

Minimum investment
$5,000,000

Management cost (%)
0.70 p.a.

Buy/sell spread (%)^
0.10/0.10

Base currency
AUD

Distribution frequency
Semi-annually (if any)

ARSN code
651 993 118

APIR code
HGI8446AU

Performance	1 Month (%)	3 Months (%)	6 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Since inception (% p.a.)
Fund (net)	7.52	13.75	13.33	26.98	-	-	13.69
Benchmark	5.82	12.69	11.86	29.41	-	-	15.24
Excess return	1.70	1.06	1.47	-2.43	-	-	-1.55

Past performance is not a reliable indication of future results.

Fund performance – net (%)

	Jan	Feb	Mar*	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2022	-	-	1.56	-4.51	-1.55	-5.11	9.15	-4.02	-4.21	6.37	3.04	-5.43	-5.77
2023	5.01	2.07	4.39	0.56	2.78	3.08	-0.39	1.12	-5.17	-0.61	5.71	2.23	22.31
2024	3.49	7.52	-	-	-	-	-	-	-	-	-	-	11.27

*Fund inception date is 23 March 2022, therefore part month performance is shown.

Top 10 Holdings	(%)
Microsoft	7.55
NVIDIA	5.71
Westinghouse Air Brake Technologies	3.95
Schneider Electric	3.31
Xylem	3.24
Progressive	3.11
ICON	2.99
ASML	2.72
Mastercard	2.55
Intact Financial	2.49

Characteristics	
Number of Holdings	53

Sector Weightings	(%)
Information Technology	33.76
Industrials	23.43
Financials	17.10
Health Care	8.16
Communication Services	3.78
Utilities	3.62
Consumer Discretionary	3.59
Real Estate	2.92
Materials	1.26
Consumer Staples	0.33
Cash	2.06

Country Weightings	(%)
Australia	0.14
Canada	5.93
France	5.43
Germany	3.01
Hong Kong	1.52
India	1.02
Ireland	2.99
Italy	1.09
Japan	6.29
Netherlands	4.70
United Kingdom	2.92
United States	62.90
Cash	2.06

^ For more information and most up to date buy/sell spread information visit www.janushenderson.com/en-au/investor/buy-sell-spreads

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Head of Global Sustainable Equities
Hamish Chamberlayne



Portfolio Manager
Aaron Scully

Fund commentary

The Janus Henderson Global Sustainable Equity Fund – Institutional (Fund) returned 7.52% in February, compared with a 5.82% return for the MSCI World Index (net dividends reinvested) in AUD (Benchmark).

Strong mega-cap earnings and more signs of an economic 'soft landing' in the US drove global equities higher and outweighed the impact of higher US Treasury yields. Consumer discretionary, information technology (IT) and industrials were the strongest sectors. Utilities was the only sector to end lower, while consumer staples and real estate also underperformed.

The Fund's overweight positions in IT and industrials were beneficial, as were underweight positions to materials and the exclusion of energy shares. Stock selection in industrials was another key positive contributor as several of our holdings, including Advanced Drainage Systems, Schneider Electric, Xylem, nVent Electric and Knorr-Bremse, outperformed. Stock selection in the technology sector added further value. Meanwhile, the Fund's overweight position in semiconductor companies was especially helpful, with NVIDIA, LAM Research and ASML among the best performers. Not holding Apple and Adobe also benefited relative Fund returns and helped offset weaker performers such as IPG Photonics and Shimadzu. Positions in health care also added value as good performance from Icon and Encompass Health outweighed weakness in Humana.

On the other hand, the Fund's underweight position to consumer discretionary and an overweight position in utilities were unfavourable. Stock selection in consumer discretionary also impacted relative returns as the holdings in Shimano and Aptiv trailed the sector. In utilities, the Fund's renewable energy companies, Boralex, Innergex and SSE detracted from performance. Stock selection in communication services also detracted. This was largely due to not owning Meta Platforms, which posted good results. The other high-profile zero weighting in the sector, Alphabet, was more favourable.

At the stock level, top positive contributors included semiconductor firm NVIDIA, clinical research organisation (CRO) Icon and Schneider Electric.

NVIDIA's shares continued to outperform. This time the main catalyst was the company's fourth-quarter results, which featured impressive quarterly and year-on-year revenue growth and strong forward guidance. Artificial intelligence (AI) looks likely to enhance many aspects of the global economy, with uses ranging from the better use of enterprise data to novel drug discovery, safer driving and many more. As the leading provider of graphic processing units (GPUs) and other services underpinning innovation in AI, the potential looks strong. NVIDIA's products are also enhancing the energy efficiency of data centres.

Icon announced solid annual results and a major share buyback. Icon's services encourage innovation and life-saving breakthroughs in medicine by helping biotechnology and pharmaceutical firms navigate the ever-increasing costs and complexity of clinical trials. We believe Icon's solid record and use of technology set it apart from its peers and could help the firm secure further partnerships with major drugmakers.

Schneider Electric's annual results featured healthy organic growth and better-than-expected forward guidance. Schneider is a leading provider of electrical goods and building automation technologies that increase efficiency and reduce the carbon intensity of its customers' operations. Schneider delivers compelling cost-savings to customers and helps them meet environmental targets and legislation. As a result, Schneider could benefit from any further legislation that forces or encourages companies to reduce emissions.

Notable detractors included health insurer Humana and renewable energy firms Boralex and SSE.

Humana's share price fell with other major US health insurers due to reports that the US Department of Justice has opened an antitrust investigation into UnitedHealth. Humana is the dominant provider of Medicare Advantage plans and is well exposed to the ageing population trend in the US. The firm is a pioneer in integrated care and aims to lower costs by encouraging healthy choices that prevent future medical problems.

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Over the past year, the trifecta of geopolitical discord, inflation and higher interest rates has created a challenging environment for sustainable investing.

Boralex and several other renewable energy firms underperformed as comments from US Federal Reserve (Fed) policymakers suggested a longer wait for interest rate cuts. We think Boralex will benefit from the global energy transition and supportive renewables legislation. Boralex has a highly advantaged geographic profile, with strong positions in markets with tight supply and clear demand growth. We expect policy incentives, including the US Inflation Reduction Act and the European Union's Green Deal, to drive further demand for renewable projects and potentially lead to better project economics.

SSE reported lower-than-planned energy generation due to winter storms in the UK. Despite this, the company maintained its forecast for full-year profits. SSE is a key enabler of the UK's energy transition through its current wind and hydropower facilities, as well as planned projects in hydrogen. The firm closed its last coal energy plant in 2020 and plans to use carbon capture technology to decarbonise its remaining gas energy generation.

Manager Outlook

Over the past year, the trifecta of geopolitical discord, inflation and higher interest rates has 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 been slowing in many end markets associated with the sustainable investment themes that we focus on.

As we look ahead to the forthcoming year, 40% of global GDP will be voting for a US President, and there will also be pivotal elections held in other major economies including the UK and India. Election years tend to bring additional fiscal support along with other levers that are supportive of economic growth. Lower interest rates should be positive on the margin for sustainable investing, as well as reinvigorating other pockets of the economy, such as the housing industry. 2024 is also the year in which we should start to see a large increase in spending from the various US acts (CHIPs, Infrastructure, Inflation Reduction) impacting the economy.

However, we are not in the business of macroeconomic prognostications. The market has an uncanny knack of surprising its participants, so rather than gazing into an imagined crystal ball and hypothesising on potential future economic/market outcomes, the scope for a 'Goldilocks' scenario, or an economic 'soft landing', what we can say with some confidence is that the actual outcome will most likely look very different to what so-called 'expert' economic forecasters predict. One might view the track record of this group as a testament to that.

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 in order to gain conviction that they can compound wealth and make the world a better place in all market conditions. We have witnessed impressive underlying progress in the laying of foundations for a period of accelerated growth in relation to reshoring manufacturing in key clean tech industries such as batteries and semiconductors, the electrification of transportation, greening buildings, decarbonising electricity and transforming industry among others.

We continue to meticulously follow our robust investment process, identifying sustainable businesses exposed to these growth trends, religiously focusing on cash flow generation, strong balance sheets, financial resilience and exercising valuation discipline, rather than adhering to the zeitgeist due to the "fear of missing out". It is fitting to quote the late and great Charlie Munger of Berkshire Hathaway as we conclude on major market activity in the year of his passing, who has offered countless lessons to investors on the virtues of maintaining and nurturing rationality in the investment process: "The world is full of foolish gamblers, and they will not do as well as the patient investor".

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Important information

The Product Disclosure Statement for the Fund, dated 29 September 2023, and the Additional Information Guide, dated 29 September 2023, are available at www.janushenderson.com/australia.

Past performance is not a reliable indicator of future performance. Performance source: Morningstar, Janus Henderson. Performance figures are calculated using the exit price net of fees and assume distributions are reinvested. Due to rounding the figures in the holdings, breakdowns may not add up to 100%. The information in this monthly report was prepared by Janus Henderson Investors (Australia) Funds Management Limited ABN 43 164 177 244, AFS Licence 444268 and should not be considered a recommendation to purchase, sell or hold any particular security. Securities and sectors mentioned in this monthly report are presented to illustrate companies and sectors in which the Fund has invested. Holdings are subject to change daily. This monthly report contains general information only and does not take account of your individual objectives, financial situation or needs. 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. None of Janus Henderson Investors (Australia) Funds Management Limited nor any of the Janus Henderson group entities nor their respective related bodies corporate, associates, affiliates, officers, employees, agents or any other person are, to the extent permitted by law, responsible for any loss or damage suffered as a result of any reliance by any reader or prospective investor. You should consider the current PDS, available at www.janushenderson.com/australia, before making a decision about the Fund. Target Market Determinations for funds issued by Janus Henderson are available here: www.janushenderson.com/TMD. Dollar figures shown are in Australian Dollars (AUD), unless otherwise stated.