US FORTY FUND

At a glance

Performance*
The Fund returned 13.19%, the Index returned 14.16% and the Sector returned 13.58%.

Contributors/detractors
Stock selection in the information technology and consumer discretionary sectors contributed to relative performance. Stock selection in the health care and materials sectors 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 Russell 1000® Growth 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 US 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 rate of 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

Danaher Corp, a global life sciences and diagnostics company, was among the top relative detractors for the quarter. The stock underperformed amid slower-than-expected bioprocessing demand, which is a significant portion of its business. Exposure to China, which continues to see COVID-19 weakness, also hurt. We expect to see an acceleration throughout many parts of the business in 2024 and believe Danaher remains a well-diversified, high-quality company that has shifted to a faster-growing mix of businesses in recent years.

Deere & Company, an agricultural equipment manufacturer, was also 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'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.

Workday Inc., 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.

*For benchmark and sector, if applicable, refer to Fund details on page 3. For relevant descriptions, risks and the Fund's investment policy statement, refer to Additional fund information on page 4.

ASML Holding, a semiconductor equipment company, was also among the top positive 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. We remain confident in ASML's competitive advantage with its sophisticated, high-margin lithography tools necessary for leading-edge semiconductor manufacturing, which could gain importance amid megatrends like generative AI.

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 1 Month	3 Month	YTD	1 Year	Annualised 3 Year	5 Year	10 Year
A2 USD (Net)	4.69	13.19	37.13	37.13	2.99	15.05	11.24
Index	4.43	14.16	42.68	42.68	8.87	19.50	14.86
Sector	5.36	13.58	34.25	34.25	4.05	14.83	11.03
A2 USD (Gross)	—	—	—	—	—	17.52	13.66
Target	—	—	—	—	—	22.49	17.74

Calendar year	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A2 USD (Net)	37.13	-34.32	21.26	37.27	34.45	-0.32	28.04	-2.54	5.56	9.59
Index	42.68	-29.14	27.60	38.49	36.39	-1.51	30.21	7.08	5.67	13.05
Sector	34.25	-30.62	20.93	33.97	32.32	-3.81	27.19	2.84	2.88	10.18

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.

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 Russell 1000 Growth 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	24 December 1998
Total net assets	1.02bn
Asset class	Equities
Domicile	Ireland
Structure	Irish Investment Company
Base currency	USD
Index	Russell 1000® Growth Index
Morningstar sector	US Large-Cap Growth Equity

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. With effect from 1 January 2023, the Key Investor Information document (KIID) changed to the Key Information Document (KID), except in the UK where investors should continue to refer to the KIID. Availability of share classes shown may be limited by law in certain jurisdictions. Performance records/scenarios are detailed within the fund's specific KIID/KID; fees and charges, and the respective risk rating may vary. Further information can be found in the fund's prospectus and KIID/KID, which must be reviewed before investing. Please consult your local sales representative and/or financial adviser if you have any 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. The ongoing charge is calculated using the PRIIP methodology. The PRIIP methodology differs to the UCITS ongoing charge methodology, as the PRIIP methodology captures additional recurring charges, including but not limited to: Interest paid on borrowing (e.g. bank interest); Any fees incurred in relation to stock-lending activity (i.e. the fee paid to the lending agent); Any costs associated with holding closed-ended vehicles. 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.

Investment policy

The Fund invests at least 80% of its assets in a concentrated portfolio of shares (also known as equities) of companies, in any industry, in the United States. The Fund is focused towards larger US companies. The Fund may also invest in other assets including companies outside the United States, cash and money market instruments. The investment manager may use derivatives (complex financial instruments) to reduce risk, to manage the Fund more efficiently, or to generate additional capital or income for the Fund. The Fund is actively managed with reference to the Russell 1000 Growth 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 a high degree of freedom to exercise conviction, which may result in a high degree of bias within the portfolio. The Fund may hold companies which are not within the index.

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

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. 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.

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

Janus Henderson INVESTORS

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

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