

# Janus Henderson Global Technology and Innovation Fund

Q2 2020

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For professional investors only

**Fund manager names:** Denny Fish

## Market Recap

The global technology sector generated strong returns, outpacing broader equities markets. While aggressive monetary and fiscal action were welcomed, some technology stocks also benefited from the acceleration of secular themes associated with their products and services. All subsectors within the fund's benchmark generated positive returns, with software names among the most important contributors.

## Portfolio Attribution

The fund outperformed its benchmark, the MSCI ACWI Technology Index, over the quarter.

We seek to include companies where technology is integral to their business models regardless of sector. This construction drove performance relative to our secondary benchmark. Over the longer term, we believe that harnessing an investment universe complementary to that of the technology benchmark should lead to superior risk-adjusted returns.

Many of the secular themes that we believe will drive tech earnings growth in coming years accelerated as businesses and households altered behaviours to navigate a COVID-19 world. We expect many of these behaviours to remain once the worst of the pandemic subsides. While the circumstances surrounding this acceleration were unfortunate, the fund was well positioned to benefit from the lurch forward in the digitisation of the global economy.

Perhaps no other company registered an increase in demand for its products more than Amazon, one of the month's top contributors. Ecommerce went mainstream as households sheltered in place and slow adopters of online shopping became reliant on the convenience of digital purchases. Similarly, the company's cloud business, AWS, proved to be a valuable tool for companies seeking to increase both their front-office and back-office capabilities as customers and employees adapted to working remotely.

The increased usage of ecommerce also aided Brazil's MercadoLibre. The company registered a marked increase in transactions on its digital payments platform and has achieved a dominant position in the region. The penetration of digital payment services in Latin America still has a way to go before it gets anywhere near the levels registered in the US and China.

Another recent driver of technology gains was a surge in industry heavyweight Apple. Given the large share of the index it commands, we maintain an underweight position in the stock. This can detract from relative fund returns when the stock outperforms, as was the case this month. We increased our position in Apple given the company's transition to a model geared more on services and wearables, along with the rollout of 5G and an elongated replacement cycle given pandemic-related delays. Furthermore, its management has been repositioning the company as a luxury brand with an ecosystem exposed to essential functions like payments and health.

Another detractor was Alibaba. The Chinese ecommerce provider has recently been unable to keep up with peers in an aggressive market. The company is undergoing a significant investment cycle but so far few of its potential new endeavours appear to have convinced shareholders that these investments will result in lucrative new products or markets. The company also lost share to upstart ecommerce companies and has little to no presence in gaming or food delivery, while there is always the possibility Alibaba could continually be called upon to conduct national service in the wake of the pandemic - where history tells us that such requests can diminish the economic benefits to shareholders. We are eager to see how its management addresses these issues and positions the company for its next growth phase.

## Outlook

The technology sector finds itself in a unique position as the global economy continues to navigate – and hopefully emerge from – the COVID-19 pandemic. The recent broad equities rally indicates that investors believe economic growth is close to finding sound footing. Should that be the case, we would expect more economically sensitive segments of technology to perform well.

Among these are semiconductors, digital advertising and payments. The latter category is of note as we would expect it to behave more like software than semiconductors. But while we believe digital payments are a durable,

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secular theme, these businesses were not constructed to withstand a shutdown of the global economy. While this has resulted in payment stocks lagging, we believe these business models could be well positioned to participate in an increasingly digital economy.

Should an economic recovery remain elusive, however, we would expect other secular growth themes to remain favoured investment destinations. Among these are ecommerce, the cloud, the Internet of Things and artificial intelligence.

We remain mindful of valuations in certain technology segments. While we believe that the market still underestimates the duration of some of our favoured growth themes, we recognise market forces can push valuations beyond what is justified by underlying fundamentals. Conversely, although we believe deep discounts in technology valuations often mean value traps, we continue to seek attractive business models potentially overlooked by the market.

*The fund name has changed from Janus Henderson Global Technology Fund to Janus Henderson Global Technology and Innovation Fund.*

Source: Janus Henderson Investors, as at 30 June 2020

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## Fund information

<b>Index</b>	MSCI ACWI Technology Index
<b>Morningstar sector</b>	Morningstar Europe OE Sector Equity Technology
<b>Objective</b>	The Fund aims to provide capital growth over the long term.
<b>Performance target</b>	To outperform the MSCI ACWI Technology Index by at least 2% per annum, before the deduction of charges, over any 5 year period.

Performance %	I Acc (Net)	Index	Sector	Quartile ranking	I Acc (Gross)	Target (Gross)
1 month	7.7	7.6	6.7	2nd	-	-
YTD	18.2	12.2	11.4	2nd	-	-
1 year	34.1	31.8	25.1	1st	-	-
3 years (annualised)	25.3	22.2	16.0	1st	-	-
5 years (annualised)	22.2	20.1	14.9	1st	24.3	22.5
10 years (annualised)	18.8	17.6	14.1	1st	20.9	20.0
Since inception (annualised)	4.0	-	1.9	-	5.8	-

Source: at 30 June 2020. © 2020 Morningstar. All rights reserved, performance is with gross income reinvested.

Discrete year performance %	I Acc (Net)	Index	Sector	I Acc (Gross)	Target (Gross)
30 Jun 2019 to 30 Jun 2020	34.1	31.8	25.1	36.4	34.5
30 Jun 2018 to 30 Jun 2019	11.5	9.9	1.9	13.5	12.1
30 Jun 2017 to 30 Jun 2018	31.6	26.1	22.4	33.9	28.6
30 Jun 2016 to 30 Jun 2017	36.4	35.5	31.9	38.8	38.2
30 Jun 2015 to 30 Jun 2016	1.5	1.1	-2.7	3.3	3.1

Source: at 30 June 2020. © 2020 Morningstar. All rights reserved, performance is with gross income reinvested. Discrete performance data may change due to final dividend information being received after quarter end.

Source for target returns (where applicable) - Janus Henderson. Where quartiles are shown, 1st quartile means the share class is ranked in the top 25% of share classes in its sector.

Performance/performance target related data will display only where relevant to the share class inception date and annualised target time period.

Please note the performance target is to be achieved over a specific annualised time period. Refer to the performance target wording within the objective.

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# Janus Henderson Global Technology and Innovation Fund

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