

US VENTURE FUND

At a glance

Performance*

The Fund returned 5.38%, the Index returned 8.12% and the Sector returned 5.18%.

Contributors/detractors

Stock selection in industrial and information technology sectors hindered relative performance. Stock selection in financials and energy contributed, as did an underweight position in the energy sector.

Outlook

We believe our portfolio is positioned to navigate an uncertain economic environment, supported by our focus on well-managed, profitable growth companies with strong balance sheets.

Portfolio management



Jonathan Coleman, CFA



Scott Stutzman, CFA



Aaron Schaechterle

Investment environment

- US equities rallied in February due to optimism over resilient economic growth and positive corporate earnings news.
- Mid-month, higher-than-expected inflation reports caused jitters and appeared to end hopes for a near-term Federal Reserve (Fed) rate cut. However, robust corporate results, particularly from some mega-cap technology companies, reignited investor interest in artificial intelligence (AI) and drove a market rebound by month-end.
- Small-cap stocks outperformed large-caps, as measured by the Russell indices. Growth-style stocks outperformed value-style stocks.

Portfolio review

Among individual holdings, Clarivate Analytics was a relative detractor from performance. Clarivate provides life sciences researchers and companies subscription-based, online access to over 7,000 scientific journals and proprietary databases. Clarivate reported fourth-quarter revenues that were in line with expectations, while its earnings were slightly ahead of forecasts. However, the company disappointed investors by issuing a weak outlook,

as its anticipated business turnaround is taking longer than expected in a challenging macroeconomic environment. The company also warned that profit margins may narrow as it plans to increase spending in pursuit of future growth opportunities.

Blackbaud was another detractor. It provides software solutions that help non-profit organisations monitor and engage with donors. Blackbaud reported better-than-expected earnings per share, but its revenues fell short of Wall Street expectations. Despite this revenue miss, Blackbaud reported robust free cash flow. It also announced significant improvement in profit margins, as its strong market positioning enabled it to raise prices and upgrade the terms of its customer contracts.

ATS, another detractor, is a Canadian provider of factory automation systems. Its share price declined despite the company's solid quarterly financial performance. ATS reported somewhat weaker-than-expected bookings, however. Its forward guidance also reflected softness in the electric vehicle market, which has affected ATS's battery assembly business.

On a positive note, relative performance benefited from several information technology investments. These included Software-as-a-Service (SaaS) company Vertex. Vertex furnishes comprehensive tax compliance software

Marketing communication

For professional investors only

Past performance does not predict future returns.

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*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.

to enterprises and mid-market companies. The stock rose as Vertex reported strong fourth-quarter revenues and earnings that exceeded expectations.

NICE Systems, another contributor in the SaaS space, offers software-based technology solutions for call centres and data security. The stock rallied in February after the company reported better-than expected financial results for the fourth quarter of 2023. Moreover, NICE Systems issued stronger-than-anticipated revenue guidance, as company management indicated that it has seen signs of stabilising macroeconomic conditions and enterprise spending. Larger enterprises have also continued to migrate more contact centre operations to cloud-based systems, with NICE Systems winning a notable share of this business.

Napco Security Technologies was another outperformer. Napco develops and distributes security solutions, including intrusion detection, fire alarm systems and video surveillance products. It reported solid quarterly results that exceeded consensus forecasts. Service revenues were particularly strong, while service gross margins improved.

Manager outlook

We have been impressed with the resilience of the US economy and equity market, even as we remain mindful of risks in the current environment. The manufacturing economy has remained weak, while higher living costs may pressure consumer spending. We also see headwinds

for growth globally, particularly in China. While we cannot rule out a potential recession, we are not expecting the kind of sharp economic dislocation we saw in 2020, nor a wider financial crisis like in 2008. Rather, we might see a relatively short-lived business downturn that we believe well-managed and well-funded companies will be able to successfully navigate. We also continue to see opportunities for small-cap stocks, which have historically performed well coming out of a recession. Small-caps also look particularly attractive as they are trading at historically low valuations relative to large-caps.

This environment is likely to result in divergent performance within small caps, giving us an opportunity to put our active stock selection to work. We continue to focus on well-managed, profitable growth companies with strong balance sheets, healthy free cash flows, and high historical returns on capital. We will also seek out opportunities to capitalise on unique or improving business models as well as on innovation. In 2023, innovations in AI and weight loss drugs prompted broad market rotations that were driven more by fear and euphoria than by individual company fundamentals. We believe investors may be more discerning in 2024, as they start to evaluate implications of these developments on a company-by-company basis. We believe this will give us a further opportunity to put our stock selection to work, as we look to capitalise on these exciting opportunities.

Performance (%)

| Returns | Cumulative | | | | Annualised | | | |
|----------------|------------|---------|------|--------|------------|--------|---------|----------------------------|
| | 1 Month | 3 Month | YTD | 1 Year | 3 Year | 5 Year | 10 Year | Since inception (31/12/99) |
| A2 USD (Net) | 5.38 | 14.67 | 3.95 | 9.03 | -4.09 | 4.96 | 6.85 | 5.54 |
| Index | 8.12 | 17.19 | 4.66 | 14.18 | -4.59 | 6.49 | 7.33 | 5.62 |
| Sector | 5.18 | 14.26 | 2.95 | 11.06 | -0.51 | 7.90 | 7.41 | 7.09 |
| A2 USD (Gross) | — | — | — | — | — | 7.52 | 9.49 | 8.31 |
| Target | — | — | — | — | — | 8.62 | 9.47 | 7.73 |

12 month rolling

| | Dec 2022- Dec 2023 | Dec 2021- Dec 2022 | Dec 2020- Dec 2021 | Dec 2019- Dec 2020 | Dec 2018- Dec 2019 |
|--------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| A2 USD (Net) | 13.68 | -25.92 | 4.21 | 30.84 | 27.75 |
| Index | 18.66 | -26.36 | 2.83 | 34.63 | 28.48 |
| Sector | 17.09 | -23.03 | 16.72 | 25.89 | 25.64 |

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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. 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 objective

The Fund aims to provide capital growth over the long term. Performance target: To outperform the Russell 2000 Growth Index by 2% 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 | 31 December 1999 |
| Total net assets | 123.29m |
| Asset class | Equities |
| Domicile | Ireland |
| Structure | Irish Investment Company |
| Base currency | USD |
| Index | Russell 2000® Growth Index |
| Morningstar sector | US Small-Cap 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. 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. From 01 September 2023, Aaron Schaechterle also co-manages this fund. This is an Irish Investment Company regulated by the Central Bank of Ireland. A short-term trading fee may be applied upon exiting the fund as per the prospectus. These are the views of the author at the time of publication and may differ from the views of other individuals/teams at Janus Henderson Investors. Any securities, funds, sectors or indices mentioned within this article do not constitute or form part of any offer or solicitation to buy or sell them. The information in this commentary does not qualify as an investment recommendation. Investment into the fund will acquire units/shares of the fund itself and not the underlying assets owned by the fund. Cash balances and exposures are based on settled and unsettled trades as at the reporting date.

Investment policy

The Fund invests at least 80% of its assets in a portfolio of shares (also known as equities) of companies, in any industry, in the United States. Companies will be incorporated, headquartered, listed on an exchange in, or deriving significant revenue from, the United States. The Fund will invest at least 50% in smaller US companies. The Fund may also invest in other assets including companies outside the United States, cash and money market instruments. The Sub-Investment Adviser 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 2000 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 Sub-Investment Adviser has discretion to choose individual investments for the Fund with weightings different to the index or not in the index, but at times the Fund may hold investments similar to the index.

Investment strategy

The Sub-Investment Adviser 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. Commonly referred to as stock picking or "bottom-up" investing, portfolios of fundamental-based investments are built one security at a time following intensive in-house research into each company. Areas of research focus can include the company's management, financials, competitive strengths and weaknesses, earnings growth prospects and numerous other metrics.

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. 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](https://www.janushenderson.com)

Janus Henderson
INVESTORS

Source: Janus Henderson Investors, as at 29 February 2024, unless otherwise noted.

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