

# Janus Henderson US Venture Fund

Q2 2020

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For professional investors only

**Fund manager names:** Jonathan Coleman CFA and Scott Stutzman

## Market Environment

Stocks rose strongly in the second quarter, recovering ground following a historic March sell-off. Declining COVID-19 infection rates led many states to begin reopening their economies in May and June. As a result, investors looked past weak economic data to focus on prospects for recovery later this year. The Federal Reserve (Fed) provided support for the economy with near-zero interest rates and expanded asset buying.

## Portfolio Comments

The fund saw positive returns but underperformed its primary benchmark, the Russell 2000® Growth Index, for the quarter. It outperformed its secondary benchmark, the Russell 2000® Index. Stock selection in health care and industrials detracted from relative performance. Stock selection in information technology and real estate contributed positively to relative performance.

The recent quarter saw outperformance by a narrow group of high-growth, high-valuation stocks that have led the market in recent quarters across very different market conditions. Many of these companies were perceived beneficiaries of the COVID-19 crisis due to their virtual business models. Even so, this extended outperformance is unusual, and it has left many of these companies with lofty valuations that in our view are not justified by long-term earnings potential. We are not willing to pay any price for growth, even when we like underlying business models, and we see heightened risk attached to these soaring valuations. While our resulting underweight position in this narrow group of stocks hurt our relative performance in the quarter, we remain committed to our disciplined approach.

Several individual stocks were also notable detractors, as investors punished companies that issued even modest downward revisions to their outlooks. J2 Global, a notable relative detractor, provides cloud-based business services. It also owns digital media websites such as Everyday Health Group, a popular advertising-supported delivery platform for health care information. While the company's business held up relatively well in the first quarter, it modestly reduced its full-year earnings outlook. This news triggered a drop in the stock price that we believed was out of line with the company's fundamentals, and we maintained our position.

Medical device company ICU Medical was also a laggard. Demand for the company's IV delivery solutions initially rose along with COVID-19 hospitalisation rates. However, the company warned its business might moderate as hospitalisation rates fall. Additionally, hospitals are facing budget constraints because of delayed elective procedures, creating additional uncertainty for ICU Medical's business. While the stock was a notable detractor, we continue to like its strong competitive positioning in IV pumps and consumables.

Several of our companies were strong positive contributors for the quarter, as their business models demonstrated resiliency even in light of COVID-19 uncertainties. The Trade Desk has developed a cloud-based software platform that allows companies to rapidly adapt their ad buying to changing market conditions. For example, it would have allowed a company in the recent environment to shift messaging from billboards to streaming video platforms. The stock rose strongly in the quarter as the company's first quarter earnings reassured investors of the resilience of its business model.

Lovesac, another contributor, is an omnichannel retailer of modular sofa furniture. Lovesac's stock declined in the first quarter on fears of a broad-based drop in big-ticket consumer spending. While the company's showrooms closed due to COVID-19, it was able to drive sales through its website, especially to consumers looking to enhance their stay-at-home experience. A surge in online sales helped Lovesac beat its first quarter revenue growth targets, and the stock rebounded strongly in the second quarter.

## Outlook

We caution that the near-term environment may remain volatile, especially as increased COVID-19 infection rates have complicated reopening plans in some states. Despite this uncertainty, we remain committed to our long-term investment style. Our focus remains on a three to five-year time horizon, well beyond this crisis. At the same time, we continue to stress test every company we own to make sure they have the financial resources to manage near-term volatility.

Source: Janus Henderson Investors, as at 30 June 2020

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## Fund information

<b>Index</b>	Russell 2000 Growth Index
<b>Morningstar sector</b>	Morningstar Europe OE US Small-Cap Equity
<b>Objective</b>	The Fund aims to provide capital growth over the long term.
<b>Performance target</b>	To outperform the Russell 2000 Growth Index by 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	2.7	3.8	2.9	2nd	-	-
YTD	-3.4	-3.1	-7.9	2nd	-	-
1 year	-0.0	3.5	-2.2	2nd	-	-
3 years (annualised)	8.2	7.9	4.5	1st	-	-
5 years (annualised)	6.6	6.9	5.6	2nd	8.5	9.0
10 years (annualised)	13.7	12.9	10.6	1st	15.6	15.2
Since inception (annualised)	6.3	5.3	6.4	-	8.1	7.4

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	-0.0	3.5	-2.2	1.7	5.6
30 Jun 2018 to 30 Jun 2019	4.4	-0.5	-1.0	6.2	1.5
30 Jun 2017 to 30 Jun 2018	21.3	21.9	18.0	23.5	24.3
30 Jun 2016 to 30 Jun 2017	19.1	24.4	23.4	21.1	26.9
30 Jun 2015 to 30 Jun 2016	-8.7	-10.8	-6.9	-7.1	-9.0

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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**Past performance is not a guide to future performance. 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.**

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