Janus Henderson INVESTORS

HORIZON GLOBAL SUSTAINABLE EQUITY FUND

At a glance

Performance*

The Fund returned 8.57%, the Index returned 8.88% and the Sector returned 8.25%.

Contributors/detractors

Technology and industrials holdings contributed positively to relative performance, while financials holdings detracted. At the stock level, NVIDIA was the top contributor and Humana detracted.

Outlook

We believe there is a clear link between sustainable development, innovation and the long-term compounding of capital. We remain confident in the durability of our sustainable investing themes.

Portfolio management

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Investment environment

- Equities started the new year even more strongly than they finished 2023, with the MSCI World Index posting its best quarter since 2019. In a departure from recent periods, the rally was driven less by interest rate cut expectations and more by earnings - along with further optimism around companies exposed to the adoption of artificial intelligence (AI). As the quarter went on, a strong US economy helped the rally broaden to include more cyclical sectors like banking and industrials.
- Against this backdrop, communication services and information technology (IT) sectors led the way, followed by financials. By contrast, sectors that traditionally suffer from higher interest rates - such as real estate and utilities - lagged the index as investors toned down their expectations of rate cuts. This led to further short-term pain for our holdings in renewable energy developers, even though the megatrends underpinning their growth prospects are very much intact.
- AI continued to dominate headlines this quarter. In particular, the poster child of this trend has been NVIDIA, which is the second largest position in the fund behind Microsoft. The company's share price returned more than 200% in 2023 and became a $1 trillion-plus market capitalisation company. There were many questions about whether NVIDIA had overdone its performance, yet this quarter its share price was up more than 80% and added almost another $1 trillion of market capitalisation.
- While most headlines focused on NVIDIA's share price gains, we were equally impressed by the efficiency gains shown by its newest graphic processing units (GPUs). At NVIDIA's GPU Technology Conference, it unveiled its new Blackwell GPUs, which are up to 25 times more power efficient than the company's current Hopper GPUs, which showed a similar improvement to their predecessor. As we see it, NVIDIA is enabling enormous leaps in computing power for much lower energy than would otherwise have been consumed. The efficiency of NVIDIA's GPUs is a critical enabling factor to the advancement of AI, which in turn promises to transform our societies across government, work, mobility, healthcare, industry, climate and scientific discovery. When it comes to the challenge of delivering the large amounts of power required for AI, companies like Prysmian and Schneider Electric, are helping to address this while also aiding energy efficiency.
- Outside of AI, other pockets of strength were also evident, with companies such as Xylem, Core & Main

*For benchmark and sector, if applicable, refer to Fund details on page 4. For relevant descriptions, risks and the Fund's investment policy statement, refer to Additional fund information on page 5.

and Advanced Drainage Systems outperforming due to their exposure to secular trends around water. Investment in the water sector continues to see impressive momentum from various factors, including government stimulus towards upgrading ageing infrastructure, manufacturing re-shoring and PFAS contaminant treatment. In a sign of this trend's relevance in the years ahead, recent data has shown only approximately 3% of the $50 billion in funding by the Biden administration has been spent, while 40% of projects have been announced. This suggests we will see an acceleration in project activity in the near to medium term.

- We remain focused on using our multi-disciplinary approach to find durable trends and innovative companies that are deeply embedded in them. While the recent share price gains in some AI stocks have been staggering, it aligns with our thesis that innovation, sustainable development and the compounding of capital are closely linked. At the same time, we are mindful that investors often let short-term optimism and pessimism run too far. For this reason, staying the course and investing at reasonable starting valuations remain crucial to our process.

Portfolio review

In line with the market developments above, all of the benchmark's sectors finished the quarter higher. Communication services, IT and financials were the strongest sectors. Real estate, utilities and materials were the weakest.

Against this backdrop, the fund's overweight position in IT and industrials contributed positively to performance. On the other hand, an overweight position in utilities and an underweight position in communication services detracted.

Stock selection in IT and industrials was favourable. In IT, our holdings in NVIDIA, ASML, Lam Research and other companies enabling the adoption of AI performed especially well. The fund's zero weight in sector heavyweight Apple was also beneficial, and helped outweigh negative contributions from Infineon, Murata, IPG Photonics and Keysight. In industrials, most of our holdings outperformed. This included strong performance from water-related holdings Core & Main, Advanced Drainage Systems and Xylem, electrification holdings Prysmian and Schneider Electric, and rail industry suppliers Wabtec and Knorr-Bremse. The only notable detractor was Legrand, which finished higher but lagged the sector's strong performance.

Our only holding in materials, recycled packaging provider DS Smith, also outperformed as it was subject to a takeover bid.

Relative performance was impacted the most by stock selection in the financials sector. Key underperformers included financial services firm AIA, real estate financing group Walker & Dunlop and Indian bank HDFC. The fund's underweight position to banks also detracted from relative performance as developed economy lenders outperformed amid the rally in cyclicals. These losses more than offset the good performance from Progressive and Mastercard.

Relative performance was also impacted by stock selection in utilities, consumer discretionary and healthcare. In utilities, renewable energy holdings in Boralex, Innergex and SSE all detracted. In consumer discretionary, concerns over slowing electric vehicle demand affected our position in Aptiv, while the position in Shimano and zero weight in Amazon were also unfavourable. In healthcare, the underperformance of Humana and Nanosonics more than offset good performance from Encompass and Icon.

Notable positive contributors at the stock level included semiconductor firm NVIDIA, property and casualty insurer Progressive and semiconductor equipment supplier ASML.

NVIDIA's shares continued to rally. The company's fourth quarter results surpassed the market's lofty expectations and investors also reacted positively to the company's new generation of GPUs. From a sustainability angle, NVIDIA's GPUs are typically 20x more energy efficient than Central Processing Units (CPUs) for certain AI and High Performance Computing (HPC) workloads. This is a critical enabling factor to the advancement of AI, and allows society to benefit from far greater computing power without an equally large rise in energy use.

Progressive announced better-than-expected fourth-quarter results, with robust combined ratio metrics and healthy underwriting trends in personal auto. Progressive's superior analytics technology has delivered excellent underwriting results over a long period of time. In turn, this has allowed Progressive to offer essential financial protection at lower prices while encouraging safer driving habits. This has historically led to strong free-cash-flow generation and impressive market share gains.

ASML's fourth-quarter results beat expectations and featured a strong backlog, suggesting a recovery in end markets. ASML also benefited from optimism around the impact of AI adoption on demand for advanced semiconductors. As a leading provider of advanced semiconductor making equipment, ASML is a key enabler of technological gains in almost every industry imaginable. We think the company's culture and record of innovation should also continue to underpin sustainability improvements in semiconductor manufacturing given their large consumption of energy, with some larger factories consuming more than auto plants and oil refineries.

Notable detractors included health insurer Humana, financial services company AIA and renewable energy company Boralex.

Humana's share price was volatile through the period. The company posted weak earnings and lowered guidance, citing lower-than-expected Medicare Advantage growth in 2024 and irrational market dynamics around pricing. We believe this to be a near-term risk and our investment thesis remains unchanged. As the dominant provider of Medicare Advantage plans, we feel that Humana 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. From a valuation perspective, we believe Humana to be overly discounted (at the time of writing).

AIA's share price fell despite the company posting solid earnings with strong growth in value of new business

(VNB). Our investment thesis here is also unchanged. AIA's retirement saving plans, life insurance and insurance products offer a layer of protection for citizens of countries that often lack a social safety net. The company is present in 18 countries and its markets in China, India and Southeast Asia have relatively low penetration and long-term growth potential. Meanwhile, life insurance sales in more developed markets are being driven by ageing populations. We believe the valuation is undemanding, and AIA has a robust capital position.

Boralex underperformed with other renewable energy developers due to concerns over the impact of higher interest rates. Despite tough industry conditions, the company's annual results showed significantly increased revenue and profits in 2023. 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 EU's Green Deal, to drive further demand for renewable projects and potentially lead to better project economics.

Turning to trading activity, we sold insurance broker Aon after its acquisition of NFP eroded our confidence in its management's capital allocation strategy. We replaced Aon with Arthur J Gallagher. Gallagher also fits with our investment themes of both safety and sustainable property and finance. The company is a near pure play on the middle market, which has less competitive intensity and is highly fragmented.

We also initiated new positions in CGI and Uber. As a leading yet under-the-radar technology consultancy, CGI aligns with our key investing theme of technology-driven efficiency gains. CGI is owner-operated and has a strong record of generating value through acquisitions. Meanwhile, Uber is increasingly translating its position as the world's dominant ride-hailing platform into better shareholder returns. By increasing access to private transport, and with a much higher penetration of electric vehicles across its fleet, we believe Uber makes the world a better and safer place.

We funded these positions by selling Nike and IPG Photonics. Our view on demand for athletic leisure products and Nike's exposure to China worsened, while IPG Photonics' weak forward guidance underlined demand issues and increased competition in its key end markets.

Manager outlook

Inflation across developed market economies has been falling from the pandemic highs, which should help pave the way for many central banks to start cutting policy rates. So far in 2024, our strategy has benefited from direct exposure to the AI trend through holdings in semiconductor and semiconductor equipment companies. We believe that optimism surrounding this trend could broaden beyond technology as an increasing number of sectors adopt AI. Consequently, we have been looking at the next level of potential beneficiaries across the value chain.

Examples here include increased power consumption due to AI use, which bodes well for our holdings in electrical infrastructure companies and those exposed to upgrading the grid, including Schneider Electric, Legrand, nVent Electric and Prysmian. In addition, generative AI models rely on colossal amounts of data, which creates a compelling opportunity among companies that mine, own and store valuable datasets. Again, our portfolio is favourably exposed to leading franchises with data assets like S&P Global and Wolters Kluwer.

Beyond AI, a commonality among many of our portfolio holdings is their alignment with secular megatrends. We believe that megatrends serve as a strong forcing function for investment theses to play out over time, but they do not always progress linearly. Temporary pullbacks do not imply a reversal in the long-run direction of travel - rather, such episodes can create investment opportunities. Today, we are witnessing such pullbacks in sentiment regarding renewable energy providers and companies linked to electric vehicle adoption.

The upcoming US elections have added further disquiet here, as investors mull the impact of a Republican victory on the outlook for sustainable investments, especially those linked to decarbonisation. However, it is noteworthy that during the previous Trump presidency, with its apparently anti-climate undertones, the US actually added more renewable energy than during the Obama administration. Put simply, we believe that the transition to a more sustainable global economy remains one of the biggest investment opportunities of our lifetimes, irrespective of who may be occupying the White House.

We remain convinced that the best investment ideas and opportunities for the long-term are found in companies aligned with big secular trends that result in a more sustainable economy. We will continue to employ our rigorous multi-disciplinary approach to identify these opportunities. We will also continue to stay the course in all market environments to ensure that we deliver on this potential for our clients. As Warren Buffett opined, “The stock market is a device to transfer money from the impatient to the patient".

Performance (%)

Returns	Cumulative 1 Month	3 Month	YTD	1 Year	Annualised 3 Year	5 Year	10 Year	Since inception (29/05/19)
A2 USD (Net)	2.60	8.57	8.57	20.72	4.21	—	—	13.07
Index	3.21	8.88	8.88	25.11	8.60	—	—	12.86
Sector	2.18	8.25	8.25	21.91	2.92	—	—	10.34

Calendar year	YTD at Q1 2024	2023	2022	2021	2020	2019 from 29 May
A2 USD (Net)	8.57	21.91	-25.64	15.71	36.57	16.50
Index	8.88	23.79	-18.14	21.82	15.90	15.31
Sector	8.25	22.79	-26.69	13.57	27.23	14.35

Performance is on a net of fees basis, with gross income reinvested. Source: at 31/03/24. **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.

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 (5 years or more) by investing in companies whose products and services are considered by the Investment Manager as contributing to positive environmental or social change and thereby have an impact on the development of a sustainable global economy.

For the fund's investment policy, refer to the Additional fund information on page 5.
Past performance does not predict future returns.

Fund details

Inception date	29 May 2019
Total net assets	1.26bn
Asset class	Equities
Domicile	Luxembourg
Structure	SICAV
Base currency	USD
Index	MSCI World Index^{SM}
Morningstar sector	Global Large-Cap Growth Equity
SFDR category	Article 9

In accordance with the Sustainable Finance Disclosure Regulation, the Fund is classified as Article 9 and has sustainability as its objective.

Additional fund information

Tax assumptions and reliefs depend upon an investor's particular circumstances and may be subject to change. 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. This is a Luxembourg SICAV Fund, regulated by the Commission de Surveillance du Secteur Financier (CSSF). 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 shares (also known as equities) of companies, of any size, in any industry, in any country. The Fund will avoid investing in companies that the Investment Manager considers to potentially have a negative impact on the development of a sustainable global economy. The Fund may also invest in other assets including cash and money market instruments. The Investment Manager may use derivatives (complex financial instruments) to reduce risk or to manage the Fund more efficiently. The Fund is actively managed with reference to the MSCI World Index, which is broadly representative of the companies in which it may invest, as this can provide a useful comparator for assessing the Fund's performance. The Investment Manager has discretion to choose 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 Investment Manager, within its thematic framework of environmental and social themes and positive/negative (avoidance) criteria screening, seeks to construct a differentiated and well diversified global portfolio of companies, based on the belief that superior returns can be generated by companies that are providing solutions to environmental and social challenges. The Fund has a bias towards "growth" equities. The "growth" approach emphasises investments in companies the relevant Investment Manager believes have the potential for above-average earnings growth. These companies should have attractive financial attributes such as persistent revenue growth and durable cash flows, as well as exhibiting strong management of environmental, social and corporate governance risks. Companies will typically be strategically aligned with themes such as climate change, resource constraints, growing populations, and ageing populations. The Fund avoids investing in fossil fuels and companies that stand to be disrupted by the transition to a low-carbon economy.

Fund specific risks

In respect of the equities portfolio within the Fund, this follows a value investment style that creates a bias towards certain types of companies. This may result in the Fund significantly underperforming or outperforming the wider market. 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. The Fund follows a sustainable investment approach, which may cause it to be overweight and/or underweight in certain sectors and thus perform differently than funds that have a similar objective but which do not integrate sustainable investment criteria when selecting securities. The Fund may use derivatives with the aim of reducing risk or managing the portfolio more efficiently. However this introduces 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**

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Source: Janus Henderson Investors, as at 31 March 2024, unless otherwise noted.