

# US FORTY FUND

## At a glance

### Performance\*

The Fund returned 2.14%, the Index returned 1.76% and the Sector returned 2.18%.

### Contributors/detractors

Stock selection in the consumer discretionary and financials sector contributed to relative performance, while stock selection in the healthcare and communication services sectors detracted from relative performance.

### Outlook

Elevated valuations and increased return dispersion among the Magnificent Seven stocks underscore the importance of fundamental analysis in navigating the current market.

## Portfolio management



Doug Rao



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## Investment environment

- US stocks rose in March as healthy job growth and resilient consumer spending continued to support US economic growth.
- Inflation showed signs of moderating, although not as quickly as investors had hoped. The US Federal Reserve (Fed) left policy rates unchanged but signalled the potential for rate cuts in the coming months.
- Meanwhile, robust corporate results, particularly from some mega-cap US information technology companies, reignited investor interest in artificial intelligence (AI) and helped fuel the broader market advance.

## Portfolio review

Deere & Company, a manufacturer of agricultural equipment, was among the top contributors to relative performance. The stock's performance in March benefited from positive sentiment around the company's launch of four agricultural products and an increase in the stock's quarterly dividend. These products, which include advanced tractors, air carts, combines and AI-enabled weed sensing technology, highlight Deere's commitment to innovation and environmental stewardship.

Insurance company Progressive Corporation was also among the top relative contributors. The company surpassed analyst expectations, with strong earnings and revenue growth. Market share gains, along with improvement in underwriting profitability and reserve development, also boosted investor enthusiasm.

Workday Inc., an enterprise management software provider, was among the top detractors from relative performance. The company delivered a disappointing earnings report, with continued subscription revenue growth deceleration in 2023. Given recent headcount additions and potentially slowing subscription revenue, we continue to evaluate the company's outlook for free-cash-flow generation.

### Marketing communication

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#### 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.

Adobe Inc., an enterprise software provider, also detracted from relative performance. The stock had declined after the company issued weaker-than-expected growth in revenues, especially recurring revenues. Adobe's management team was also cautious about reaffirming 2024 guidance, especially for its digital media business. These results raised investor concerns over Adobe's market positioning as it faces competition from new AI-powered graphics solutions.

## Manager outlook

We witnessed a strong start for US equity returns in 2024, buoyed by optimism from declining inflation and dovish comments from the Fed, suggesting possible rate cuts starting around June.

Despite this optimism, we are approaching the market with a balanced perspective, recognising the interplay of several factors. A healthy jobs market and consumer spending could continue to support economic growth and the risk-on market environment. Furthermore, significant investments are being made to rearchitect data centres for AI capabilities, which are driving strength across large swaths of the technology industry, industrials and real estate.

However, we continue to monitor several risks. Elevated valuations in some pockets of the market are a concern, given that they parallel those of 2021 without the same supportive cost of capital, which is much higher today. Moreover, market concentration continues, with about 46% of the Russell 1000® Growth Index weight in a handful of Magnificent Seven technology giants, which comes with its own set of risks.

We believe understanding the fundamentals of individual companies has become increasingly important in navigating the current market, especially as we may experience a return to a healthier dispersion among stocks. The Magnificent Seven stocks continued as a primary driver of market returns; however, that influence has waned compared to last year, and there was significant dispersion of returns within that cohort.

While we continue to monitor macroeconomic and market trends, our primary focus remains on evaluating companies' business models as bottom-up fundamental investors. We look for competitively advantaged companies in healthy, growing end markets that have the ability to thrive regardless of the economic backdrop.

Performance (%)

Returns	Cumulative				Annualised			
	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Since inception (24/12/98)
A2 USD (Net)	2.14	12.68	12.68	36.40	6.52	14.40	12.74	7.65
Index	1.76	11.41	11.41	39.00	12.50	18.51	15.98	8.22
Sector	2.18	10.71	10.71	33.89	6.81	13.88	12.11	7.45
A2 USD (Gross)	—	—	—	—	—	16.85	15.19	10.10
Target	—	—	—	—	—	21.47	18.88	10.93

12 month rolling

	Mar 2023-Mar 2024	Mar 2022-Mar 2023	Mar 2021-Mar 2022	Mar 2020-Mar 2021	Mar 2019-Mar 2020
A2 USD (Net)	36.40	-15.78	5.22	60.16	1.25
Index	39.00	-10.90	14.98	62.74	0.91
Sector	33.89	-13.76	5.55	61.24	-2.51

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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	1.10bn
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. 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 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 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 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 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 Sub-Investment Adviser 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 Sub-Investment Adviser follows a fundamental, research-driven strategy, seeking to identify 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 20 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 follows a growth investment style that creates a bias towards certain types of companies. This may result in the Fund significantly underperforming or outperforming the wider market. 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.

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

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