Janus Henderson INVESTORS

# GLOBAL SELECT FUND

## At a glance

**Performance***
The Fund returned 6.94%, the Index returned 4.69% and the Sector returned 3.59%.

**Contributors/detractors**
Stock selection contributed positively to relative performance, especially in the utilities and consumer discretionary sectors. An underweight in the information technology sector modestly detracted.

**Outlook**
We continue to seek out companies with high-quality business models and balance sheets, robust cash flow and proven management teams.

## Portfolio management



**Julian McManus**



**Christopher O'Malley, CFA**

## Investment environment

- Global equities rallied in February, boosted by signs of continued economic resilience in the US and upbeat corporate earnings reports.
- Mid-month, higher-than-expected inflation reports caused jitters and appeared to end hopes for a near-term Federal Reserve (Fed) interest 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.
- Most sectors of the MSCI AC World Index had positive performance for the month, with the strongest returns in consumer discretionary and information technology. Utilities stocks underperformed with a nearly flat performance.

## Portfolio review

Relative performance benefited from an investment in Vistra Energy. This electricity and natural gas utility is the largest competitive power generator in the US. Its share price rose as the company reported another quarter of strong financial performance. It also raised guidance and continued to deliver accelerating free cash flow.

Additionally, the company announced that the Federal Energy Regulatory Commission approved its acquisition of Energy Harbor, a carbon-free power producer that owns the second-largest nuclear fleet in the US. With this approval, the company hoped to close the merger in March.

Luggage company Samsonite was another relative positive contributor. Samsonite's stock is listed in Hong Kong, and it underperformed in January due to negative sentiment toward stocks with exposure to China and Hong Kong. However, Samsonite sells to a global market. While it has seen slower revenue growth in China, it has benefited from accelerating demand in other markets, notably India. As investors refocused on this broader growth potential, the stock regained ground in February. Additionally, there were reports that the company was seeking a potential acquisition partner or might be considering going private, and these rumours also lifted the stock late in the month.

Relative performance was also lifted by an investment in ICON, a clinical research company that provides outsourced development services to support drug and medical device development. The company has reported solid bookings and improved revenue growth. It also has a large backlog of orders. It released a solid earnings report for the fourth quarter of 2023. It also reaffirmed its guidance as its management team indicated signs of a positive demand environment for 2024.

**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.

On a negative note, relative performance was dampened by the portfolio's relative underweight position in graphic chipmaker NVIDIA, as the stock was a strong performer for the Index. NVIDIA reported very strong fourth-quarter results, due in part to spending by data centres to support the roll-out of generative AI. Additionally, the company's management team signalled a very strong outlook for 2025 and beyond. Despite these fundamentals, we feel comfortable with our current positioning in the stock given its valuation and relatively sizable weighting in the Index.

An investment in BNP Paribas also detracted, as its share price declined. The multinational financial services company reported lower-than-expected fourth-quarter results that reflected increased costs and weaker revenues across most business lines, notably corporate investment banking.

Additionally, BNP's management warned that 2024 may be a challenging period for the bank. While the outlook for central bank policy remains murky, there is potential that lower interest rates could reduce the bank's net interest income, which acted as an earnings tailwind in 2023. Economic fundamentals have also remained relatively soft in many markets, which could further pressure the company's near-term outlook. Moreover, BNP Paribas downgraded its 2025 profitably targets, adding to negative sentiment around the stock. On a positive note, the company has continued to buy back stock and announced an increase to its full-year cash dividend.

Teck Resources, another detractor, is a Canadian producer of copper, zinc, and coking coal. The stock declined as the company's fourth-quarter earnings fell short of consensus forecasts, even though revenues were better than expected.

The company is in the process of selling its coking coal business to a Glenore-led consortium. In our view, this sale may allow Teck Resources to focus more on copper production. We remain positive on the long-term outlook for the copper demand and pricing given industry supply constraints and the growing need for copper to support green energy-related applications such as solar panels and electric vehicles.

## Manager outlook

While we have welcomed the recent resilience in equity markets, we caution that we continue to see risks for the global economic outlook. Even in the US, manufacturing activity has remained relatively soft, and consumers are facing increased pressure from higher living costs. We also see headwinds for growth globally but especially in China.

Geopolitical developments could also take a human and economic toll while contributing to investment market volatility. Given these crosscurrents, we cannot rule out a potential recession in 2024. However, we are not expecting a sharp economic dislocation that would take the economy off its long-term growth trajectory.

In this environment, we remain committed to our risk-aware, fundamentals-driven investment strategy that seeks out companies with strong or improving business models, proven management teams and durable competitive advantages. We continue to pay close attention to the quality of corporate balance sheets, cash flow and capital allocation.

We also favour companies committed to reinvesting in their businesses. We are excited about new innovations that are transforming industries and creating opportunities, especially in secular growth areas such as information technology and health care. We remain opportunistic in other sectors where we have identified improving business models and favourable economic conditions. Through this disciplined investment approach, we will continue to pursue our goal of long-term growth in capital.

# Performance (%)

| Returns | Cumulative | | | | Annualised | | | |
|---|---|---|---|---|---|---|---|---|
| | 1 Month | 3 Month | YTD | 1 Year | 3 Year | 5 Year | 10 Year | Since inception (29/10/04) |
| A2 EUR (Net) | 6.94 | 15.73 | 10.94 | 18.86 | 7.80 | 10.77 | 11.36 | 9.16 |
| Index | 4.69 | 10.85 | 7.08 | 20.69 | 10.96 | 11.63 | 11.15 | 8.93 |
| Sector | 3.59 | 10.19 | 6.24 | 16.50 | 8.60 | 9.42 | 8.82 | 7.10 |
| A2 EUR (Gross) | — | — | — | — | — | 12.58 | 13.23 | 10.96 |
| Target | — | — | — | — | — | 14.42 | 13.92 | 11.65 |

| 12 month rolling | Dec 2022-Dec 2023 | Dec 2021-Dec 2022 | Dec 2020-Dec 2021 | Dec 2019-Dec 2020 | Dec 2018-Dec 2019 |
|---|---|---|---|---|---|
| A2 EUR (Net) | 9.51 | -18.53 | 28.39 | 13.26 | 27.07 |
| Index | 18.07 | -13.01 | 27.54 | 6.65 | 28.93 |
| Sector | 15.04 | -14.11 | 25.45 | 4.94 | 26.15 |

Performance is on a net of fees basis, with gross income reinvested. Source: at 29/02/24. © 2024 Morningstar, Inc. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. **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. Performance target: To outperform the MSCI All Countries World Index by 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** | 29 October 2004 |
| **Total net assets** | 294.71m |
| **Asset class** | Equities |
| **Domicile** | Luxembourg |
| **Structure** | SICAV |
| **Base currency** | USD |
| **Index** | MSCI All Country World Index℠ |
| **Morningstar sector** | Global Large-Cap Blend Equity |
| **SFDR category** | Article 8 |

In accordance with the Sustainable Finance Disclosure Regulation, the Fund is classified as Article 8 and promotes, among other characteristics, environmental and/or social characteristics, and invests in companies with good governance practices.

# 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 29 November 2023, the Fund changed its name and investment strategy. Past performance shown before 29 November 2023 was achieved under circumstances that no longer apply. From 29 November 2023, the Janus Henderson Global Select Fund moved from the Global Large-Cap Growth Equity sector to the Global Large-Cap Blend Equity. From 26 January 2024, Christopher O'Malley, CFA, also co-manages this fund. 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 two-thirds of its assets in a concentrated portfolio of shares (equities) and equity-related securities of companies, of any size, in any industry, in any country. 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 All Countries World 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 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 seeks to grow capital by investing in companies with strong or improving cash flow. The Fund considers both growth criteria (i.e. where company earnings are expected to grow at an above-average rate), and value criteria (i.e. where share prices are expected to increase), to identify the best companies to invest in. The investment process looks to identify meaningful differences between the Investment Manager's analysis and the market's expectations. Taking a disciplined approach to portfolio construction and risk management, the Investment Manager aims to ensure that stock selection is the primary driver of returns.

## 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. Emerging markets expose the Fund to higher volatility and greater risk of loss than developed markets; they are susceptible to adverse political and economic events, and may be less well regulated with less robust custody and settlement procedures. 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 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 29 February 2024, unless otherwise noted.

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