Janus Henderson INVESTORS

GLOBAL TECHNOLOGY AND INNOVATION FUND

At a glance

Performance*
The Fund returned 15.79%, the Index returned 17.56% and the Sector returned 15.73%.

Contributors/detractors
Several semiconductor capital equipment makers were leading positive relative contributors, while CCC Intelligent Solutions, Alphabet and On Semiconductor detracted.

Outlook
While artificial intelligence (AI) was a broad tailwind in 2023, companies with exposure to this secular theme (and others) will have to demonstrate use cases and potential profitability.

Portfolio management

Denny Fish

Jonathan Cofsky, CFA

Investment environment

- The technology sector led global stocks higher over the quarter, continuing the trend of a handful of mega-cap names accounting for a sizeable portion of broader equities' gains.
- Whereas the early stages of the technology rally were due to enthusiasm surrounding artificial intelligence (AI), the sector - along with the broader market - benefited late in the year from expectations that monetary policy would soon turn dovish.
- While semiconductor and software names were among the quarter's top performers, the broad nature of the rally meant that lower-quality, legacy tech names also participated.

Portfolio review

We seek to include companies in which technology is integral to their business models regardless of sector. Over the longer term, we believe that harnessing an investment universe complementary to that of the technology benchmark can lead to superior risk-adjusted returns.

Unlike 2022, when macroeconomic factors - such as the rise in interest rates - seemed to dictate the tech sector's fortunes, for much of 2023 the sector's trajectory was left to its own devices. For the most part, it thrived, benefiting from not only the enthusiasm surrounding the wider public's introduction to AI, but also resilient earnings. The macroeconomic focus returned late in the year as dovish signals by the US Federal Reserve (Fed) ignited a broad-based rally.

Chasing macroeconomic outcomes is not something we do, as it is less difficult to anticipate a company's earnings prospects over the mid-term than it is to divine what will occur in a system as complex as the global economy. Consequently, throughout this period of elevated rate volatility, we kept the discount rates underpinning our cash flow models steady, believing that this approach was the most prudent tactic for investors with a long-term view. Similarly, we took a circumspect approach toward AI, believing the axiom that the market often overestimates a theme's potential over a one-year horizon, but underestimates its impact over a decade.

Idiosyncratic developments were largely behind the period's leading individual contributors and detractors. CCC Intelligence Solutions, for example, continued to perform well. However, the provider of cloud services to the auto insurance ecosystem was weighed down by news that its largest investor, a private equity firm, may sell a portion of its stake in the company.

Another relative detractor was On Semiconductor. While one would expect that an improving economic outlook would benefit more cyclically exposed companies, On Semiconductor came under pressure due to dynamics in its silicon carbide business. This segment's prospects are tied to a concentrated group of electric vehicle manufacturers, and investors took notice of a slowdown in

Marketing communication
For US Financial Professionals servicing non-US persons.
Past performance does not predict future returns.
*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.

electric vehicle demand. These vehicles are still expanding their share of the broader passenger car market, but recent tapering of demand served as a reminder that semiconductor firms with automotive exposure can still be influenced by cyclical forces.

Also detracting was the fund's out-of-benchmark position in Alphabet. While the Google parent's exposure to digital ads may leave it vulnerable to a slowing economy, the company has been aggressive in its AI deployment with the aim of becoming a major beneficiary of this secular trend.

The semiconductor capital equipment complex was a beneficiary of AI tailwinds as increasingly sophisticated chips will be required for AI to reach its full potential. ASML and KLA are integral to the fabrication of leading-edge chips. ASML has a virtual monopoly on the extreme ultraviolet (EUV) lithography technology needed to produce the most advanced chips, while KLA also enjoys a strong competitive position in its core offerings.

Another positive relative contributor was the fund's underweight position to Apple, as the iPhone maker underperformed the tech index. Holding back the stock were concerns from some quarters about saturation in the smartphone market and the rise in bans on iPhones by Chinese government agencies and some state-owned enterprises.

Manager outlook

The recognition of AI's potential serves as a reminder of the essential role that a few secular tech themes play in the ongoing digitisation of the global economy. A core tenet of our investment approach is that the tech sector will garner an increasing share of aggregate global earnings as commercial users adopt these platforms and applications to enhance productivity and consumers look for convenience.

Already, hyperscalers (companies able to deploy massive capital expenditure) are investing in their AI capabilities as they seek to train their models. While enthusiasm at this stage of deployment is understandable, the next phase of the AI roll-out will require companies to present viable use cases, including the potential for monetisation and a realistic build up of financials. At that point we would expect to see a bifurcation between true AI beneficiaries and companies that are either along for the ride - often due to their inclusion in passive strategies - or ones whose technology and/or business cases fall short.

Given that AI has long been one of our mega-themes, we have already spent years seeking to understand companies' particular technology, use cases and unit economics. This approach holds true with other mega-themes such as the cloud and the Internet of Things. These themes are proving increasingly complementary. The cloud's ability to store and analyse large sets of data, for example, will be essential for training AI.

Vital to all of these developments are semiconductors. In our view, this has become the most important industry in the global economy. As evidenced during pandemic-related shortages, all other sectors are reliant upon chips. Furthermore, growth rates for semiconductors are substantially higher than that of the global economy and industry rationalisation. This has led to what we believe are some of the best margins available. The upshot is that we not only believe semiconductor earnings could exceed estimates, but that the industry could also see a multiple rerating as investors more fully appreciate its resilience across the cycle.

Performance (%)

Returns	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year
	Cumulative				Annualised		
A2 USD (Net)	4.56	15.79	51.84	51.84	2.76	18.14	14.56
Index	4.52	17.56	51.02	51.02	9.86	23.18	17.58
Sector	6.91	15.73	37.30	37.30	-0.70	14.34	11.33
A2 USD (Gross)	—	—	—	—	—	21.00	17.44
Target	—	—	—	—	—	25.64	19.93

Calendar year	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A2 USD (Net)	51.84	-38.21	15.66	48.69	42.61	-1.17	41.09	11.97	1.74	6.48
Index	51.02	-31.07	27.36	45.61	46.89	-5.81	41.77	12.20	3.20	15.20
Sector	37.30	-36.40	12.13	47.75	35.10	-9.50	37.77	7.51	3.23	8.12

Performance is on a net of fees basis, with gross income reinvested. Source: at 31/12/23. **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.

Investment objective

The Fund aims to provide capital growth over the long term. Performance target: To outperform the MSCI ACWI Technology Index by at least 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 March 2000
Total net assets	393.00m
Asset class	Equities
Domicile	Ireland
Structure	Irish Investment Company
Base currency	USD
Index	MSCI All Country World Information Technology Index[SM]
Morningstar sector	Sector Equity Technology
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. With effect from 1 January 2023, the Key Investor Information document (KIID) changed to the Key Information Document (KID), except in the UK where investors should continue to refer to the KIID. 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. 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. 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. The ongoing charge is calculated using the PRIIP methodology. The PRIIP methodology differs to the UCITS ongoing charge methodology, as the PRIIP methodology captures additional recurring charges, including but not limited to: Interest paid on borrowing (e.g. bank interest); Any fees incurred in relation to stock-lending activity (i.e. the fee paid to the lending agent); Any costs associated with holding closed-ended vehicles. References made to individual securities do not constitute a recommendation to buy, sell or hold any security, investment strategy or market sector, and should not be assumed to be profitable. Janus Henderson Investors, its affiliated advisor, or its employees, may have a position in the securities mentioned.

Investment policy

The Fund invests at least 80% of its assets in a concentrated portfolio of shares (also known as equities) of companies, of any size, which are technology-related or derive profits from technology, in any country. Up to 20% may be invested in developing markets. 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, 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 MSCI ACWI Technology 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 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 investment manager looks to identify growth companies by following a process of 'bottom-up' fundamental company analysis to invest in companies that typically have a strong competitive position and improving earnings. This approach rests on a belief that some companies have inherent strengths for creating shareholder value over time, have better prospects than their peer groups and should therefore outperform even in challenging industry and economic circumstances.

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 is focused towards particular industries or investment themes and may be heavily impacted by factors such as changes in government regulation, increased price competition, technological advancements and other adverse events. 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.

FOR MORE INFORMATION PLEASE VISIT **JANUSHENDERSON.COM**

Janus Henderson
INVESTORS

aspects please access Janushenderson.com. With effect from 1 January 2023, the Key Investor Information document (KIID) changed to the Key Information Document (KID), except in the UK where investors should continue to refer to the KIID. Financial advisers are responsible for determining whether an investment in the Funds, and which share class, is suitable for their clients. The value of shares of a Fund and income received from it can go down as well as up, and investors may not get back the full amount invested. Past performance does not predict future returns. This communication should only be read by institutional investors, professional financial advisors and, at their exclusive discretion, their eligible clients. Copies of the Fund's prospectus, Key Information Document, articles of incorporation, annual and semi-annual reports are available in English and other local languages as required from www.janushenderson.com. These documents can also be obtained free of cost from the local offices of Janus Henderson Investors: 201 Bishopsgate, London, EC2M 3AE for UK. The summary of Investors Rights is available in English from https://www.janushenderson.com/summary-of-investors-rights-english. Janus Henderson Investors Europe S.A.may decide to terminate the marketing arrangements of this Collective Investment Scheme in accordance with the appropriate regulation. An investment in the Funds is not FDIC insured, may lose value, and is not bank-guaranteed. Its custodian is JP Morgan Bank (Ireland) Plc. Janus Henderson Investors US LLC, Janus Henderson Investors Singapore Limited, Janus Henderson Investors UK Limited, and Kapstream Capital PTY Limited act as sub-adviser to JHIIL.Janus Henderson is a trademark of Janus Henderson Group plc or one of its subsidiaries.