HORIZON US SUSTAINABLE EQUITY FUND

At a glance

Performance*
The Fund returned 10.98%, the Index returned 11.55% and the Sector returned 13.58%.

Contributors/detractors
Sector allocation - most notably the exclusion of energy stocks - contributed most positively to relative performance. Walker & Dunlop was the top single positive contributor, while Humana detracted.

Outlook
We remain confident in the durability of our sustainable investing themes. We feel our bias for companies with indispensable products and recurring revenue gives extra resilience to the portfolio.

Portfolio management

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Investment environment

- Going into 2023, few commentators could have predicted it would be a stellar year for equities given fears of recession at the end of 2022. Yet the S&P 500 Index ended up delivering a double-digit return in the fourth quarter (the strongest quarter of the year) and took the benchmark's annual gain to over 25%.
- Most asset classes rallied strongly in the fourth quarter as falling inflation led to investor expectations that interest rates have peaked and that central banks would begin to cut rates in 2024. Against this backdrop, those sectors more typically sensitive to economic growth and lower interest rates outperformed. This proved a tailwind for information technology (IT), industrials and companies hurt the most by the previous 'higher for longer' expectations around interest rates. Most notable positives included real estate and renewable energy firms. Hopes for an economic 'soft landing' (versus a recession) in the US also improved sentiment towards banks and other cyclical companies. By contrast, typically more defensive sectors like consumer staples, health care and energy (driven by falling oil prices) underperformed.
- Throughout the year, the narrow range of companies outperforming has been a prevailing trend. Incredibly, the top-10 performing stocks within the S&P 500 Index were responsible for more than 100% of the index's returns for 2023. The fourth quarter was no exception. While this quarter saw a rally broader than we saw at other times in 2023, many of the so-called 'Magnificent Seven' (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla) continued to outperform.
- In sustainability news, November's COP28 conference brought stronger wording on the phase-out of fossil fuels, marking the first time countries have formally committed to transitioning away from fossil fuels in energy systems, and intimating a closer alignment in perspective with our strategy's "do no harm" avoidance criteria pertaining to fossil fuels exposure. In addition, the conference emphasised an increased focus on energy efficiency solutions, a positive indicator for companies in the fund such as nVent Electric, Carrier and Wabtec.
- On aggregate, the year has presented incrementally confirming evidence for the intactness of our investment thesis - that the global economy is migrating to a more sustainable footing, and that migration will drive many exciting investment opportunities as companies play their role in addressing these challenges. Our approach remains almost entirely bottom-up, focused on companies with secular growth opportunities, strong cash generation and indispensable products that drive positive change.

*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.

Portfolio review

Against the backdrop of falling inflation and expectations of lower interest rates, real estate, IT, financials and industrials were the strongest performing sectors in the index. By contrast, energy, consumer staples and health care were the weakest.

The fund's exclusion of energy stocks and the underweight position in consumer staples (where many companies fail our exclusionary criteria) proved to be beneficial for performance. The fund's two largest sector overweight positions in industrials and IT were also favourable.

Within industrials, stock selection benefited relative performance. Companies exposed to water, such as Xylem, Advanced Drainage Systems and Core & Main, and rail components company Wabtec, outperformed. The fund's only position in communication services, T-Mobile, also aided relative performance.

In the IT sector, Lam Research, Workday and Keysight saw good outperformance. However, this was more than offset by underperformance in ON Semiconductor, Texas Instruments and IPG Photonics. Regarding the 'Magnificent Seven', the fund's positions in Nvidia and Microsoft, and its lack of exposure to Alphabet and Tesla, contributed positively to relative performance. However, having no position in Apple, Amazon and Meta was a detractor.

Financials and health care were the most significant sector detractors. Banks, where the fund has little exposure, benefited from a rotation into cyclical shares and outperformed the fund's insurance companies such as AON and Marsh & McLennan. This more than offset the positive contributions from Walker & Dunlop and S&P Global. In health care, while there was strong outperformance from Icon, Bruker and Certara, this was more than offset by Humana, Encompass Health, Staar Surgical and Revvity. Stock selection in the consumer discretionary sector was a further detractor, primarily driven by Aptiv, as its share price fell due to weaker-than-expected earnings.

Notable positive contributors at the stock level included real estate financing group Walker & Dunlop, water services group Xylem and locomotive and rail components firm Wabtec.

Walker & Dunlop is the leading agency in multi-family lending. Its end markets are heavily tied to the magnitude and velocity of interest rate increases. As such, the company was a relative underperformer throughout the year, given the challenging environment in the housing markets. However, its shares rallied in the fourth quarter after the prospect of interest rate cuts boosted sentiment towards companies in the real estate sector. Our long-term thesis is unchanged. Walker and Dunlop is a relatively more defensive company in the real estate sector. The majority of its earnings come from multi-family residential markets and generate a diversified earnings stream from servicing, loans and escrow balances. The company is a key enabler of home ownership for millions of US citizens and has specialist expertise in helping clients comply with government regulations and programmes concerning the provision of affordable housing and green lending, as well as health care, senior living and student properties.

Xylem announced a solid set of third quarter results with revenues, adjusted earnings before interest, taxes, depreciation and amortisation (EBITDA) and earnings-per-share (EPS) beating expectations, coupled with a robust backlog. Public utilities companies have come under increasing scrutiny to improve their water efficiency and usage, and Xylem's digital products help utilities maximise efficiency and reduce costs in their water infrastructure. We think the recent acquisition of Evoqua, a leader in water treatment, should further enhance Xylem's product range and its status as a key enabler of safe and efficient water supplies. In addition, the newly installed management team has come across favourably, in our view.

Wabtec's third quarter earnings beat estimates. The results featured organic sales growth of 19% year-on-year thanks to strong performance in its transit and freight units, as well as improved margins and cash generation. Wabtec is a leading manufacturer of railway locomotives and components, and could benefit from increased government spend across the rail sector as part of reshoring and green industry initiatives. Wabtec has demonstrated impressive cash flow generation and margin expansion throughout the rail cycle, a testament to its strong value proposition and pricing power. The company has high market share across its products and good positions in emerging rail technologies.

Notable detractors included health insurer Humana, insurance broker Aon and vehicle technology group Aptiv.

Humana operates as a managed health care company. There was some noise around Humana over the period amid potential merger discussions with Cigna Corporation. Although the deal did not materialise, Humana's assets remain interesting, which we think could help keep a floor under the stock, and our long-term investment thesis is unchanged. As the dominant provider of Medicare Advantage plans, 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.

Aon uses big data analytics to help clients manage complex and emerging risks such as climate change, cyber-attacks and risks associated with the retirement and health care needs of an ageing population. Aon is viewed as a key partner by the corporations it serves, and benefits from a near-duopoly market structure in the risk and insurance broking sector. Aon shares fell after the company announced that it had agreed to buy middle-market brokerage firm NFP. We are closely reviewing the deal.

Aptiv's third quarter results were affected by near-term headwinds around US car inventory levels and strike action. We viewed this as a short-term headwind and used the share price weakness to add to the fund's position. Aptiv's mix of hardware and software makes it a key enabler of vehicle electrification and driverless technology. We believe that a critical factor for the company is its relationships with key electric vehicle brands. To that end, we think Aptiv is well-placed given its relationships with Tesla, BYD and the big three electric vehicle truck products.

Turning to trading activity, we added a new position in water products distributor Core & Main. Core & Main is exposed to appealing growth drivers in the water industry, and the shares were available at what we saw as a relatively attractive valuation, with improving liquidity as a private equity ownership overhang progressively falls away. We exited the position in Workday, and the small positions in Moderna and Twilio. We sold out of Workday following strong share price performance and uncertainty around its fundamentals, particularly around its use of stock-based compensation.

Manager outlook

Over the past year, the trifecta of geopolitical discord, inflation and higher interest rates has created a challenging environment for sustainable investing. The transition to a sustainable economy requires investment, and higher interest rates naturally present a headwind to this ideal. Real growth has also been slowing in many end markets associated with the sustainable investment themes that we focus on.

As we look ahead to the forthcoming year, 40% of global GDP will be voting for a US President, and there will also be pivotal elections held in other major economies including the UK and India. Election years tend to bring additional fiscal support along with other levers that are supportive of economic growth. Lower interest rates should be positive on the margin for sustainable investing, as well as reinvigorating other pockets of the economy, such as the housing industry. 2024 is also the year in which we should start to see a large increase in spending from the various US acts (CHIPs, Infrastructure, Inflation Reduction) impacting the economy.

However, we are not in the business of macroeconomic prognostications. The market has an uncanny knack of surprising its participants, so rather than gazing into an imagined crystal ball and hypothesising on potential future economic/market outcomes, the scope for a "Goldilocks" scenario, or an economic "soft landing", what we can say with some confidence is that the actual outcome will most likely look very different to what so-called "expert" economic forecasters predict. One might view the track record of this group as testament to that.

Our job as long-term fundamental bottom-up investors is to remain focused on the micro aspects of high-quality businesses exposed to attractive secular trends, and underwriting these businesses in order to gain conviction that they can compound wealth and make the world a better place in all market conditions. We have witnessed impressive underlying progress in the laying of foundations for a period of accelerated growth in relation to reshoring manufacturing in key clean tech industries such as batteries and semiconductors, the electrification of transportation, greening buildings, decarbonising electricity and transforming industry among others.

We continue to meticulously follow our robust investment process, identifying sustainable businesses exposed to these growth trends, religiously focusing on cash flow generation, strong balance sheets, financial resilience and exercising valuation discipline, rather than adhering to the zeitgeist due to the "fear of missing out". It is fitting to quote the late and great Charlie Munger of Berkshire Hathaway as we conclude on major market activity in the year of his passing, who has offered countless lessons to investors on the virtues of maintaining and nurturing rationality in the investment process: "The world is full of foolish gamblers, and they will not do as well as the patient investor".

Performance (%)

Returns	Cumulative 1 Month	3 Month	YTD	1 Year	Annualised 3 Year	5 Year	10 Year	Since inception (03/08/21)
A2 USD (Net)	6.62	10.98	23.54	23.54	—	—	—	-2.11
Index	4.51	11.55	25.67	25.67	—	—	—	4.35
Sector	5.36	13.58	34.25	34.25	—	—	—	-1.24

Calendar year	2023	2022	2021 from 03 Aug
A2 USD (Net)	23.54	-27.86	6.60
Index	25.67	-18.51	8.20
Sector	34.25	-30.62	4.19

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 (5 years or more) by investing in US 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	03 August 2021
Total net assets	14.55m
Asset class	Equities
Domicile	Luxembourg
Structure	SICAV
Base currency	USD
Index	S&P 500® Index
Morningstar sector	US 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. 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. Investment into the fund will acquire units/shares of the fund itself and not the underlying assets owned by the fund. 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 US companies, of any size, in any industry. 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 S&P 500 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 portfolio of US companies, based on the belief that superior returns can be generated by companies that are providing solutions to environmental and social challenges. 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

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. 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 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**

Janus Henderson INVESTORS

Source: Janus Henderson Investors, as at 31 December 2023, unless otherwise noted.