COMMENTARY

Janus Henderson Horizon Global Sustainable Equity Fund

August 2023

Marketing communication - For professional investors only
Past performance does not predict future returns

Fund Manager Name

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Investment environment

Global equities ended August lower as rising US Treasury yields weighed on risk assets for much of the month, and a late recovery failed to offset earlier losses. The US economy continued to show resilience, adding to speculation that the Federal Reserve (Fed) may keep interest rates higher for longer. Energy was the only sector to end higher while utilities, materials and financials posted the biggest losses.

Portfolio review

The fund returned -2.4% in August, compared with a -2.4% return for the MSCI World Index (measured in US dollar terms).

The fund's modest relative underperformance was primarily due to sector allocation. The exclusion of energy companies detracted from performance as rising oil prices helped the sector to outperform. The underweight position in health care, due to our exclusion of most pharmaceutical companies, was also unfavourable. Meanwhile, the overweight position in utilities was detrimental as the sector was hit especially hard by higher Treasury yields. These negatives were partially offset by an overweight stance in information technology (IT) shares and beneficial underweight positions in consumer staples and materials.

Stock selection had a neutral impact in aggregate. Stock selection within financials added value, as several of our insurance holdings, including Progressive, Aon and Marsh McLennan, benefited from improved industry sentiment. Stock selection in health care was also modestly beneficial thanks to a strong set of quarterly results from Encompass and further gains in Icon. This more than made up for losses from our holding in Olympus and the absence of Novo Nordisk and Eli Lilly, which both outperformed amid high demand for their new obesity treatments.

On the other side, stock selection in the information technology (IT) sector detracted from performance, as weakness in IPG Photonics and Keysight more than offset positive contributions from Autodesk and Nvidia after strong earnings reports. Stock selection in consumer discretionary also hurt performance. Our holdings Aptiv and Nike both ended lower while sector heavyweight Amazon, which we do not own in the fund, outperformed due to announcing stronger-than-expected profits.

At the stock level, the top performers included rehabilitative care provider Encompass, property and casualty insurer Progressive and semiconductor firm Nvidia.

Higher patient volume and lower staffing costs helped Encompass to record 11% revenue growth and better-than-expected earnings over the second quarter. We continued to like Encompass's exposure to the ageing population trend, which should entail a greater need for rehabilitation treatment facilities. Encompass offers better patient outcomes and lower costs than senior nursing facilities.

Progressive's shares rose after the company's July metrics showed a 15% increase in revenue and a 21% increase in written premiums. 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 impressive market share gains and strong free cash flow generation.

Nvidia shares outperformed after the company posted stronger-than-expected quarterly earnings. This was driven mostly by rapid growth in the firm's data centre segment, which is experiencing a step change in demand thanks to the adoption of artificial intelligence (AI) technology. We remain positive about the array of applications that Nvidia's technologies enable. Our sustainability lens leads us towards industries that enable innovation and efficiency, and Nvidia's products and services are at the heart of this.

Notable detractors included industrial laser manufacturer IPG Photonics, connectivity firm Keysight Technologies and medical and life sciences technology firm Olympus.

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Janus Henderson Horizon Global Sustainable Equity Fund

Shares in IPG fell after the company lowered its earnings guidance due to challenging global macroeconomic conditions. Despite this, our long-term thesis remains intact. The company has continued to gain traction in end markets with strong secular trends such as electric vehicles and renewable energy. We continue to value IPG's status as a leading supplier of fibre lasers, which are up to 20 times more energy efficient than traditional industrial lasers, while its products deliver cost, waste and energy savings.

Keysight's results were in line with estimates, but the firm's shares fell after management's revenue guidance for following quarter was softer than expected. Keysight is a key enabler for companies looking to add greater connectivity to their products. The firm has historically generated ample free cash flow and has used this financial strength to deepen its competitive advantages by investing in further innovation. Keysight serves several attractive and growing end markets in communications, networking, electronics, semiconductors, automotive and aerospace.

Olympus reported weaker than expected quarterly results. Although its revenues were up 8% year-on-year, more growth was expected and operating profits were also below estimates. The company also continued to face supply chain and quality control issues. Olympus is a global medical technology company headquartered in Japan, with a particular focus on imaging solutions for diagnostics and minimally invasive surgical procedures. Through its endoscopy, microscopes and video-imaging systems, Olympus helps medical staff deliver better clinical outcomes with minimally invasive procedures. We continue to believe that Olympus looks attractively valued relative to its peers.

In industrials, there was a positive contribution from Advanced Drainage Systems as earnings beat expectations. However, this was offset by losses in Xylem and Wabtec.

Source: Janus Henderson Investors, as at 31 August 2023

Janus Henderson Horizon Global Sustainable Equity Fund

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Fund information (Investment policy is on the next page)

Index	MSCI World Index
Morningstar sector	Europe Global Large-Cap Growth Equity –OE
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.

Performance in (USD)

Performance %	A2 (Net)	Index	Sector
1 month	-2.4	-2.4	-3.1
YTD	14.4	16.1	15.3
1 year	10.5	15.6	13.0
3 years (annualised)	4.3	8.4	2.0
5 years (annualised)	-	-	-
Since inception 29 May 2019 (annualised)	11.1	10.8	8.2

Source: at 31 Aug 2023. © 2023 Morningstar. All rights reserved, performance is with gross income reinvested. Performance/performance target related data will display only where relevant to the share class inception date and annualised target time period.

Calendar year returns %	A2 (Net)	Index	Sector
2023 to 30 Jun 2023	16.3	15.1	15.5
2022	-25.6	-18.1	-26.7
2021	15.7	21.8	13.6
2020	36.6	15.9	27.2
2019 from 29 May 2019	16.5	15.3	14.3
2018	-	-	-
2017	-	-	-
2016	-	-	-
2015	-	-	-
2014	-	-	-
2013	-	-	-

Source: at 30 Jun 2023. © 2023 Morningstar. All rights reserved, performance is with gross income reinvested. Discrete performance data may change due to final dividend information being received after quarter end.

Investment into the fund will acquire units/shares of the fund itself and not the underlying assets owned by the fund.

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.

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 http://www.janushenderson.com.

Source for target returns (where applicable) – Janus Henderson. 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 if you have any further queries.

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Past performance does not predict future returns. 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.

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What are the risks specific to this fund?

- 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.

General risks

- Past performance does not predict future returns.
- 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.
- Tax assumptions and reliefs depend upon an investor's particular circumstances and may be subject to change.

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.

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For further information on the Luxembourg-domiciled Janus Henderson fund range please contact your local sales office or visit our website: www.janushenderson.com.

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Important information

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

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