

# US CONTRARIAN FUND

## At a glance

### Performance\*

The Fund returned 11.70%, the Index returned 11.69% and the Sector returned 12.61%.

### Contributors/detractors

Stock selection in the health care and financials sectors contributed positively to relative performance. Stock selection in the consumer staples and consumer discretionary sectors detracted.

### Outlook

Moderating inflation and the US Federal Reserve's pivot towards a more accommodating monetary policy has created conditions for a broadening of market returns.

## Portfolio management



Nick Schommer, CFA

## Investment environment

- The S&P 500 Index posted a gain for the quarter. In October, the index declined before rallying strongly in November and December, as investor expectations shifted from fears of additional interest hikes to hopes that moderating inflation might persuade the US Federal Reserve (Fed) to reduce rates in 2024. As a result, the 10-year Treasury yield fell below 4% by quarter-end, after reaching nearly 5% in mid-October.
- Economic data released during the quarter was largely positive, helping alleviate inflation concerns and underpinning investor hopes that the US could avoid an economic downturn. Unexpectedly, GDP grew strongly in the third quarter by an annualised 4.9%, driven by consumer spending and up sharply from the second quarter's expansion of 2.1%. Annual inflation eased to 3.1% in November - a five-month low - down from 3.7% in September, while job growth remained solid, and the unemployment rate remained fairly steady.
- Corporate earnings remained relatively strong, aided by reduced input prices.

## Portfolio review

Teleflex, a medical device company, was a top relative positive contributor after reporting strong third quarter results. Investor sentiment was boosted by the company's

continued durability of top-line and bottom-line growth. Additionally, although Teleflex has minimal exposure to GLP-1 headwinds, the stock recovered as the overall medical device space rebounded due to moderating fears around GLP-1 headwinds.

Advanced Micro Devices (AMD), a semiconductor manufacturer, was also among the top relative positive contributors. The company reported better-than-expected revenue growth for the third quarter of 2023, reflecting strong demand for its products from data centres, and indicated a solid revenue outlook for 2024. Investors are particularly excited about AMD's new opportunities tied to artificial intelligence (AI). The company's recent launch of its new MI300x GPU accelerator has demonstrated broad customer momentum and favourable performance metrics.

The BeautyHealth Company was among the top relative detractors. The medical aesthetic company missed its third quarter earnings estimates and lowered guidance while experiencing operational challenges rolling out its HydraFacial Syndeo product. Near term, we are monitoring management's execution of the machine recall, but longer term we remain confident in the consumable nature of the product and end-customer's satisfaction.

Equipment manufacturer Chart Industries was also among top relative detractors to performance during the quarter. The company missed third-quarter earnings and revenue estimates while lowering full-year guidance. The company has experienced operational challenges in meeting

### Marketing communication

For professional investors only

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.

customer orders but remains excited about the potential of its Howden acquisition and end-market demand for its energy transition products.

## Manager outlook

Top-heavy market leadership was the dominant narrative in US equities for 2023. In 2024, we expect to see market conditions that could lead to a broadening of market returns.

Just seven mega-cap technology stocks dominated returns in 2023. The so-called "Magnificent Seven" - the most valuable companies trading in the US, including Alphabet, Apple, Amazon, Meta Platforms, Microsoft, Nvidia, and Tesla - returned 107%. Meanwhile, the S&P 500 Index returned 24%, while the S&P 500 Equal Weight Index returned just 11.6%, further illustrating the outsized influence of mega-cap stocks.

Understandably, investors gravitated towards stocks with durable, strong earnings during a period of more restrictive monetary policy and greater economic uncertainty. Also, these tech giants have capitalised on momentum in AI, cloud computing and cutting-edge hardware and software. However, in bidding up the stocks of the Magnificent Seven, we believe investors overlooked value in other areas of the market - particularly given the Fed's monetary policy pivot.

In December, the Fed shifted from combating inflation to steering towards an economic 'soft landing'. This dovish turn triggered a rally in, and market rotation to, previously out-of-favour sectors. With the market gaining confidence in an economic 'soft landing', and expectations for a more

accommodating monetary policy taking hold, we expect to see this broadening of returns continue.

For example, many cyclical stocks that had already priced in a recession rallied toward the end of the year. And with cheaper funding costs and companies gaining more access to the capital markets, as evidenced by January's expected record high-yield bond issuance, we anticipate that small- and mid-cap stocks, as well as companies with financial leverage, could perform relatively well.

It is not just cyclicals recovering. Defensive sectors like health care and utilities underperformed as the Fed aggressively raised rates. Yet these firms also offer resilient earnings regardless of the economic backdrop, and their cost of capital declines as monetary policy eases. For utilities firms, we are also positive about the generational transformation in power consumption that is currently underway, along with its associated capital expenditure.

We continue to monitor two key risks. The first is a reacceleration of inflation, which we do not expect - partly because we believe the housing component remains below the numbers reported. The second is a hard recession scenario. However, we believe a generally strong consumer backdrop along with lean business inventories reduce that threat.

Overall, we seek to generate investment returns independent of any indices. Our investment strategy aims to be more diverse across segments, sizes and styles outside of the very narrow market leadership of 2023.

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)	8.97	11.70	18.90	18.90	2.60	14.08	8.12	5.12
Index	4.54	11.69	26.29	26.29	10.01	15.69	12.03	7.57
Sector	7.47	12.61	20.34	20.34	3.37	10.92	7.33	7.96
A2 USD (Gross)	—	—	—	—	—	16.85	10.72	7.55
Target	—	—	—	—	—	18.00	14.28	9.72

12 month rolling

	Dec 2022- Dec 2023	Dec 2021- Dec 2022	Dec 2020- Dec 2021	Dec 2019- Dec 2020	Dec 2018- Dec 2019
A2 USD (Net)	18.90	-23.51	18.75	26.95	40.91
Index	26.29	-18.11	28.71	18.40	31.49
Sector	20.34	-22.74	18.79	20.00	26.67

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Investment objective

The Fund aims to provide capital growth over the long term. Performance target: To outperform the S&P 500 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	24 December 1998
Total net assets	19.58m
Asset class	Equities
Domicile	Ireland
Structure	Irish Investment Company
Base currency	USD
Index	S&P 500® Index
Morningstar sector	US Flex-Cap 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. 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. From 30 September 2021, the Fund name changed from Janus Henderson Opportunistic Alpha Fund to Janus Henderson US Contrarian 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. 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 companies, of any size, in any industry, in the United States. The Fund may also invest in other assets including companies outside the United States, 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 S&P 500 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 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 Fund invests in companies where the market misunderstands their business models, assets, or growth potential. The investment manager expresses differentiated views by applying independent thinking to investing, unconstrained by sector weightings and with the flexibility to invest in companies of all sizes.

### 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 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 December 2023, unless otherwise noted.

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