

# Janus Henderson US Forty Fund

June 2020

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For professional investors only

**Fund manager names:** Doug Rao and Nick Schommer CFA

## US Macro

Equity markets were volatile during the month as the US continued the process of reopening. Although relatively positive economic data and a rebound in consumer spending pointed to the beginning of a recovery, spending was still below pre-lockdown levels. Overall unemployment remained at high levels, and as restrictions were eased, hot spots for COVID-19 began to emerge, particularly in the Southern and Western regions of the country. The spike in cases illustrated the significant challenges in restarting the economy amid an ongoing pandemic.

## Top/Bottom

The fund returned 4.4% while its benchmark, the Russell 1000® Growth Index, returned 4.4%. Stock selection in the information technology and communication services sectors contributed to relative results while stock selection in the health care and industrials sectors detracted from relative results.

Avalara was a top contributor for the period. The Software as a Service company is a provider of tax calculation solutions for medium-size ecommerce businesses. Companies that sell goods online are now required to collect the appropriate sales tax for each state they sell into, even if they do not have a physical presence in that state. This requirement, combined with the complexity of the US tax code, made Avalara's software an essential service for many online businesses. The stock recently reported strong earnings and a growing customer base through a challenging economic environment.

Software firm Adobe, which showed strong growth in digital media across both creative and document clouds, was another top contributor. The company recently reported record revenue for its most recent quarter as increased work from home accelerated demand for its products.

The top detractor relative to the benchmark for the period was defence contractor L3Harris Technologies. Defence stocks in general held up better during the initial market sell-off but have struggled more recently. Huge levels of fiscal stimulus will likely lead to strained government budgets for the foreseeable future. As a result, fears that defence spending will be negatively impacted have weighed on the stock.

Boston Scientific, a cardiovascular-focused medical device company, was another top detractor. The company suffered as surgeries were pushed back until the COVID-19 pandemic slows down. Procedures like heart surgery are not seen as elective, but many operations were delayed in the near term.

## Outlook and Positioning

Massive fiscal and monetary stimulus measures have thus far helped cushion the blow from shelter-in-place orders and provided much-needed liquidity for markets, Main Street businesses and consumers. As a result, the individual savings rate has gone up dramatically, and many companies with impaired balance sheets have likewise been able to raise inexpensive capital and deleverage. Interest rates (and therefore company cost of capital) are likely to remain at or near zero for the foreseeable future. This could eventually lead to price extremes for both equities and fixed income and could present investors with significant challenges in assessing corporate valuations.

The economy has shown signs of a budding recovery as it reopens, but it is clear that COVID-19 infection rates will need to be kept in check, as large spikes could necessitate renewed shutdowns and create risks to the developing recovery. Thus, the path back to normalcy seems likely to be extended and volatile until there is an effective and widely implemented vaccine. Adding to short-term market volatility is a recent spike in retail trading volume and accounts, spurred by zero-cost commissions across the retail brokerage industry and an increase in hours spent at home for individual investors.

While we cannot predict macroeconomic outlooks, nor the trajectory of COVID-19, we believe many of the themes we have discussed in the past - specifically the widespread digitisation of sectors across the economy - will not only persist but also get stronger over the coming months and years. Now more than ever, we think it is important to own companies that can benefit from long-term secular trends and that can continue to invest and grow. These are firms that have durable business models with deeply rooted competitive advantages, including strong balance sheets. Such qualities should allow these companies to allocate capital to growth opportunities despite a recessionary environment.

Source: Janus Henderson Investors, as at 30 June 2020

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## Fund information

<b>Index</b>	Russell 1000 Growth Index
<b>Morningstar sector</b>	Morningstar Europe OE U.S. Large-Cap Growth Equity
<b>Objective</b>	The Fund aims to provide capital growth over the long term.
<b>Performance target</b>	To outperform the Russell 1000 Growth Index by at least 2.5% per annum, before the deduction of charges, over any 5 year period.

Performance %	I Acc (Net)	Index	Sector	Quartile ranking	I Acc (Gross)	Target (Gross)
1 month	4.4	4.4	3.3	1st	-	-
YTD	10.3	9.8	6.5	2nd	-	-
1 year	21.7	23.3	16.3	1st	-	-
3 years (annualised)	19.2	19.0	14.8	1st	-	-
5 years (annualised)	14.1	15.9	12.1	2nd	15.5	18.8
10 years (annualised)	15.8	17.2	14.1	1st	17.1	20.2
Since inception (annualised)	5.4	5.5	5.3	-	6.6	8.2

Source: at 30 June 2020. © 2020 Morningstar. All rights reserved, performance is with gross income reinvested.

Discrete year performance %	I Acc (Net)	Index	Sector	I Acc (Gross)	Target (Gross)
30 Jun 2019 to 30 Jun 2020	21.7	23.3	16.3	23.1	26.4
30 Jun 2018 to 30 Jun 2019	13.8	11.6	9.5	15.1	14.3
30 Jun 2017 to 30 Jun 2018	22.2	22.5	18.8	23.6	25.6
30 Jun 2016 to 30 Jun 2017	22.7	20.4	20.6	24.1	23.4
30 Jun 2015 to 30 Jun 2016	-6.7	3.0	-2.8	-5.6	5.6

Source: at 30 June 2020. © 2020 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.

Source for target returns (where applicable) - Janus Henderson. Where quartiles are shown, 1st quartile means the share class is ranked in the top 25% of share classes in its sector.

Performance/performance target related data will display only where relevant to the share class inception date and annualised target time period.

Please note the performance target is to be achieved over a specific annualised time period. Refer to the performance target wording within the objective.

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