

Janus Henderson US Venture Fund

Q2 2021

For promotional purposes
For US Financial Professionals servicing non-US persons

Fund Managers Names

Jonathan Coleman, CFA, Scott Stutzman, CFA

Market environment

Stocks rose over the quarter as an acceleration in vaccine distribution and easing COVID-19 restrictions led to improved economic growth. Accommodative monetary policy and the prospect of additional fiscal spending also supported the growth outlook. Employment gains, however, were weaker than expected, which tempered some of the optimism over the economic recovery.

Bond yields increased early in the quarter due to inflation expectations and continued economic recovery. However, after the Federal Reserve (Fed) indicated that it would likely continue its accommodative economic policy, bond prices rose and yields retreated. This led higher-valued, growth-oriented stocks to outperform.

As investors waited for more clarity on the strength of the economic recovery and the direction of interest rates, they rotated between growth stocks and more cyclically driven value opportunities.

Performance summary

The fund had a positive return but underperformed its primary benchmark, the Russell 2000® Growth Index, and its secondary benchmark, the Russell 2000® Index, for the quarter.

Stock selection in consumer staples and financials detracted from relative performance. Stock selection in the industrials and materials sectors contributed.

Portfolio discussion

Analogue semiconductor manufacturer ON Semiconductor was a detractor in the second quarter after outperforming earlier in the year. Ordering trends in the semiconductor market remained very strong as the need for chips continued to rise. Historically, semiconductors have been viewed as a cyclical industry, and investors have tended to sell these companies when they believed sales had peaked. However, we view the industry to be less cyclical than in previous cycles due to rising demand for semiconductors more broadly. In particular we continued to see strong long-term drivers for semiconductor demand around electric vehicles, automation and the Internet of Things.

QuantumScape, another detractor, is developing a next-generation, solid-state battery that could potentially allow electric vehicles to charge faster and travel farther. We invested in the company last year and the stock initially rose on investor excitement over this potential game-changing technology. Following this, we significantly reduced our position given the long timeframe to commercialisation. Unfortunately, our small position was affected by some pull-back in the stock price, as excitement over this large potential opportunity was tempered by the reality of the manufacturing hurdles the company will need to overcome. Despite this shift in sentiment and the retreat in the stock price, we have been reassured by the company's technological breakthroughs and its relationship with Volkswagen, which continued to make incremental investments in the business. We continued to hold a small position.

The fund's relative performance was aided by a number of materials investments that benefited from improved economic growth and strong pricing trends. We seek out materials investments that we believe have potential beyond cyclical drivers. Valvoline was a top contributor for the quarter. While the company is primarily known as a supplier of automotive oil products, we have long liked its expanding, customer service-driven Valvoline Instant Oil Change business. Investors recognised the growth potential of this business, which has accounted for a significant share of the company's revenues and more than half of its recent earnings growth.

Long-term holding Sealed Air, another materials investment, produces innovative packaging solutions that help extend the shelf life of food and reduce waste. It also provides cost-effective packaging solutions for industrial shipping and ecommerce. The stock was a top positive contributor to relative performance, supported by its strong revenue growth and expanding profit margins.

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Manager outlook

We have been encouraged by the signs of a return to normal in the economy. At the same time, we recognise that uncertainty around the pace of economic growth and the direction of policy and interest rates could drive market volatility, as well as shifting preferences between high-valuation growth stocks and companies with stable growth profiles.

Inflation also remains a source of near-term uncertainty for many companies. While input prices may fluctuate as supply conditions change, we believe wage pressures may prove more persistent, especially if the pandemic drives people to permanently exit the labour force. For this reason, we remain committed to finding companies with strong competitive positions that we think are able to pass along higher input costs to their customers without sacrificing their profit margins. We also continue to favour companies with strong and diversified supplier networks that can help ensure access to critical materials. We believe these kinds of disciplined, well-managed companies may be better able to navigate near-term market uncertainty while providing the long-term opportunities we want to provide to our investors.

Source: Janus Henderson Investors, as at 30 June 2021

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Fund information

Index	Russell 2000 Growth
Morningstar sector	Europe OE US Small-Cap Equity
Objective	The Fund aims to provide capital growth over the long term.
Performance target	To outperform the Russell 2000 Growth Index by 2% per annum, before the deduction of charges, over any 5 year period.

Performance in (USD)

Performance %	A2 (Net)	Index	Sector	Quartile ranking	A2 (Gross)	Target (Gross)
1 month	3.1	4.7	1.1	1st	-	-
YTD	4.7	9.0	15.8	4th	-	-
1 year	42.4	51.4	57.8	4th	-	-
3 years (annualised)	13.6	15.9	15.2	2nd	-	-
5 years (annualised)	15.8	18.8	17.4	3rd	18.7	21.1
10 years (annualised)	12.7	13.5	12.1	2nd	15.6	15.8
Since inception 31 Dec 1999 (annualised)	6.9	7.1	8.3	-	9.8	9.2

Source: at 30 Jun 2021. © 2021 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	A2 (Gross)	Target (Gross)
2020	30.8	34.6	25.9	34.0	37.3
2019	27.8	28.5	25.6	30.9	31.1
2018	-7.1	-9.3	-10.4	-4.8	-7.5
2017	21.9	22.2	16.6	24.9	24.6
2016	4.1	11.3	18.9	6.7	13.5

Source: at 30 Jun 2021. © 2021 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.

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

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The information in this commentary does not qualify as an investment recommendation.

Important information

The investments underlying this financial product (referred to as the Fund) do not take into account the EU criteria for environmentally sustainable economic activities. While the analysis of ESG factors is an integral component across the Investment Manager's investment capabilities, the Investment Manager does not maximise portfolio alignment with sustainability risks as a separate goal in its own right nor does it precisely attribute the impact of ESG factors on returns for the Fund.

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