Janus Henderson INVESTORS

GLOBAL TECHNOLOGY AND INNOVATION FUND

At a glance

Performance*
The Fund returned −9.27%, the Index returned −7.81% and the Sector returned −9.67%.

Contributors/detractors
Lam Research was a notable detractor from relative performance, while Spotify Technology was a prominent contributor.

Outlook
As the artificial intelligence (AI) investment cycle continues, constraints for key inputs are broadening beyond graphics processing units (GPUs), and we expect supply may take several years to catch up.

Portfolio management



Denny Fish



Jonathan Cofsky, CFA

Investment environment

- Global information technology (IT) stocks declined in October as investors became concerned about the significant capital expenditure (capex) required to support artificial intelligence (AI) development.
- Some disappointing corporate results also weighed on technology equities, although the sector found support later in the month following positive AI-related news, notably reports regarding AI company Anthropic's initial public offering (IPO) plans.
- The sell-off in IT stocks particularly impacted potential beneficiaries of AI capital spending, with semiconductor and semiconductor equipment shares underperforming the broader sector. Software and related services shares outperformed during the month.

Portfolio review

Over the past year, leadership in the technology sector has oscillated between stocks of companies within the broader semiconductor complex and software and internet infrastructure firms. Regardless of which segment is leading at any particular moment, the underlying driver is the scramble to rapidly deploy AI across the global economy.

The relative "breather" that semiconductor capital equipment makers and chip companies have taken in the past few months is understandable given their historic early-year rally. While many investors may have felt that the significant upgrades to earnings estimates possibly left these stocks in line with their intrinsic value, the economic forces of constrained supply and robust demand tell a story of a sector benefiting from long-duration tailwinds that, in our view, are still not fully appreciated by the market.

Our overweight position in Lam Research detracted during the month. Lam Research is a major global supplier of wafer fabrication equipment used in semiconductor production. Over the past year, the company has consistently beaten revenue and earnings targets, assisted by the build-out of chip foundry capacity. However, its shares fell in October after corporate management warned that fourth-quarter revenue growth might fall short of the market's elevated expectations. While demand for Lam Research's products has remained strong, a shortage of cleanroom capacity has pushed some of its order shipments into 2027. We see this as a short-term issue, and we continue to see opportunity tied to Lam Research's technological innovation and diversified customer base.

Marketing communication
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*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.

Seagate Technology was another relative detractor. It provides data storage solutions such as hard disk drives (HDDs) and solid-state drives (SSDs). Seagate is one of two leading companies in the global market for HDDs, which provide a cost-effective, high-capacity, long-term data storage alternative to SSDs. While the company has delivered solid financial results, its shares fell in October due to concerns about its valuation and questions over the expected pace of AI data centre investment. Investors were also concerned about the impact of higher component costs on Seagate's profit margins. However, we remain constructive on Seagate's competitive positioning in what has been an expanding market segment.

Spotify was a relative contributor. The global music streaming service has experienced robust subscriber growth while pursuing monetisation opportunities with audiobooks and video podcasts. The company has also expanded its use of AI-powered tools at an accelerated rate, leading to enhanced customer engagement. Spotify reported strong third-quarter results and better-than-expected guidance (forecasts). The company has remained a disciplined allocator of cash, returning money to shareholders through stock repurchases.

Analog Devices was another relative contributor. The global semiconductor company designs, manufactures, and markets analog, mixed-signal, and digital signal processing integrated circuits. It reported solid third-quarter results, with revenues exceeding expectations, driven by strong demand in its automotive, communications, and industrial end markets. It has also issued healthy guidance.

Manager outlook

We think it is difficult to overstate the degree to which current supply constraints in the AI infrastructure ecosystem could influence the prospects of technology firms over the coming years. We are already witnessing demand for AI applications, and thus AI-enabling components, grow by an order of magnitude. Supply does not move so fast. Data centres must be permitted and constructed. Critical inputs must be produced. Labour to build these facilities and electricity to power them must be procured. This succession of bottlenecks could act as a governor that, in our view, could keep supply growth well behind demand into 2028 and possibly beyond.

Another influential theme is the ongoing capex cycle. While we have seen some volatility and uncertainty around this spending, we remain constructive and believe AI could be a force multiplier for global productivity. For this reason, we believe much of this investment is merited.

A final observation is that the expanding capital market cycle could prove especially beneficial for the technology sector. Excitement around recent public offerings, supported by a robust venture funding environment, illustrates that capital is flowing to innovative AI companies that investors believe could shake up existing industries and business models, and create new ones. We have seen this in previous cycles when disruptive upstarts led to personal computer makers displacing mainframes, Software-as-a-Service (SaaS) companies coming to dominate their industry, and ecommerce fundamentally changing how households shop.

As has been the case throughout the nascent AI era, developments seem to be unfolding faster this time around. A case in point is that the market appears to be aggressively discounting the value of legacy companies that either appear most at risk of AI disintermediation, or those whose management teams may fail to grasp the magnitude of the opportunity presented by this generational technology, leaving them vulnerable to more forward-thinking peers.

We believe it is during such periods that allocating capital towards its most productive use can have the greatest impact, potentially rewarding the corporate sector's winners while minimising exposure to those most likely to be on the wrong side of the AI divide.

Performance (%)

Returns	Cumulative				Annualised		
	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year
A2 USD (Net)	-9.27	-2.21	18.75	13.88	30.97	11.67	19.56
Index	-7.81	1.92	24.82	19.71	35.05	17.93	22.88
Sector	-9.67	-2.63	15.97	11.22	28.58	8.66	15.58
A2 USD (Gross)	—	—	—	—	—	14.37	22.49
Target	—	—	—	—	—	20.29	25.34

Calendar year	YTD at Q3 2026	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
A2 USD (Net)	30.88	21.08	31.48	51.84	-38.21	15.66	48.69	42.61	-1.17	41.09	11.97
Index	35.40	26.37	31.59	51.02	-31.07	27.36	45.61	46.89	-5.81	41.77	12.20
Sector	28.39	26.42	19.54	37.26	-36.40	12.13	47.75	35.10	-9.50	37.77	7.51

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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.

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 objective

The Fund aims to provide capital growth over the long term. Performance target: To outperform the MSCI ACWI Information Technology 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	31 March 2000
Total net assets	787.99m
Asset class	Equities
Domicile	Ireland
Structure	Irish Investment Company
Base currency	USD
Index	MSCI ACWI Information Technology Index
Morningstar sector	Sector Equity Technology
SFDR category	Article 8

In accordance with the Sustainable Finance Disclosure Regulation, the Fund is classified as Article 8 and promotes, among other characteristics, environmental and/or social characteristics, and invests in companies with good governance practices.

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. 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. This is an Irish Investment Company regulated by the Central Bank of Ireland. A short-term trading fee may be applied upon exiting the fund as per the prospectus. These are the views of the author at the time of publication and may differ from the views of other individuals/teams at Janus Henderson Investors. Any securities, funds, sectors or indices mentioned within this article do not constitute or form part of any offer or solicitation to buy or sell them. The information in this commentary does not qualify as an investment recommendation. Investment into the fund will acquire units/shares of the fund itself and not the underlying assets owned by the fund. Cash balances and exposures are based on settled and unsettled trades as at the reporting date.

Investment policy

The Fund invests at least 80% of its assets in a portfolio of shares (also known as equities) of companies, of any size, which are technology-related or derive profits from technology, in any country. Up to 20% may be invested in developing markets. The Fund may also invest in other assets including cash and money market instruments. The Sub-Investment Adviser 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 MSCI ACWI Information Technology 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 Sub-Investment Adviser has discretion to choose individual 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 Sub-Investment Adviser looks to identify growth companies by following a process of 'bottom-up' fundamental company analysis to invest in companies that typically have a strong competitive position and improving earnings. This approach rests on a belief that some companies have inherent strengths for creating shareholder value over time, have better prospects than their peer groups and should therefore outperform even in challenging industry and economic circumstances.

Fund specific risks

Shares 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. High exposure to a particular country or geographical region carries a higher level of risk than a more broadly diversified portfolio. The Fund is focused towards particular industries or investment themes and may be heavily impacted by factors such as changes in government regulation, increased price competition, technological advancements and other adverse events. 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. seeks to mitigate exchange rate movements between the share/unit class currency and the base currency of the Fund), the value of your investment may be impacted by changes in exchange rates. Derivatives may be used to help achieve the investment objective. This can result in leverage (higher levels of debt), which can magnify an investment outcome. Gains or losses 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. 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. Securities 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. Losses could be incurred if a counterparty became 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. The sustainability approach applied may exclude potential investments which do not meet certain criteria (e.g. non-financial criteria such as ESG screens). This may cause differences in performance compared to similar products that are permitted to invest in those investments.

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