

GLOBAL TECHNOLOGY AND INNOVATION FUND

At a glance

Performance*

The Fund returned 48.50%, the Index returned 39.09% and the Sector returned 36.23%.

Contributors/detractors

Lam Research, KLA, and Nebius Group contributed to relative performance, while Advanced Micro Devices, Amazon, and Intuit detracted.

Outlook

As the artificial intelligence (AI) investment cycle continues, constraints on key inputs are expanding beyond graphics processing units (GPUs), and it may take years for supply to catch up.

Portfolio management



Denny Fish



Jonathan Cofsky, CFA

Investment environment

- The global technology sector led equity markets higher over the quarter, driven by companies providing key inputs for AI deployment.
- A key driver of these gains in technology stocks has been material earnings upgrades, which have kept earnings multiples below levels that have historically been associated with market froth.
- Software stocks continued to lag the broader sector as investors have singled out the industry as potentially vulnerable to AI disruption.

Portfolio review

The technology sector entered the quarter after having sold off, along with broader equities, in the wake of developments in the Middle East. In addition to the risk-off environment, technology stocks faced pressure from investors who continued to express concerns over the scale of the capital expenditure (capex) allocated to AI infrastructure. Many of those reservations were assuaged as companies in the AI ecosystem reported the previous period's earnings. These announcements indicated not only strong demand for GPUs, but also significant shortfalls of other inputs essential to the AI buildout. Among these are central processing units (CPUs), memory chips, accelerators, and optics. Importantly, we believe that

as AI applications become more broadly deployed, demand for GPUs and other critical products is likely to continue to outpace supply for the foreseeable future.

Also propelling the sector were hyperscalers' AI revenues reaching an inflection point. We viewed this as further evidence that this level of investment already is resulting in monetisation rather than resting solely on the promise of returns over some distant horizon.

The market's growing acknowledgment of what we believe may be persistent supply imbalances was a driving force in the portfolio's performance. Two of the period's leading relative contributors were found in semiconductor capital equipment stocks. Lam Research is especially exposed to the memory chip segment, which is experiencing significant demand (and thus supply constraints) as AI enters its inference stage. Meanwhile, KLA has what we view as a near-monopoly in manufacturing-process control. These steps, in our view, may become increasingly important as chipmakers seek to improve yields as they attempt to meet the surge in demand.

Nebius Group saw its stock price nearly double as the market began to recognise that not all neoclods (specialised cloud providers purpose-built for AI workloads) are created equal. Also aiding the segment were recent regulatory filings that highlighted the pricing power neoclods enjoy vis-à-vis their client base, including a growing universe of AI start-ups. Nebius not only benefited

Marketing communication

For professional investors only

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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.

from these tailwinds but also from its competitive position, vertical integration, and strong unit economics.

Similar themes also were at play in determining the period's relative detractors. For example, chipmaker Advanced Micro Devices (AMD) saw its share price rise on the back of voracious demand for GPUs. Compounding the gains was enthusiasm about the impending release of the company's new and most advanced GPU racks. While we appreciate AMD's competitive positioning, we hold an underweight position in the stock and this weighed on relative fund performance.

Intuit also felt the brunt of the market's concerns about AI disintermediating legacy software, especially those focused on horizontal business processes such as accounting, human resources, and marketing. Pessimists view Intuit's tax preparation and small business accounting processes as particularly vulnerable given that they are largely rules-based and therefore could be replicated cheaply by AI. Low-cost competitors were a factor in Intuit's TurboTax franchise not meeting expectations during the past filing season, and while we do not see that as directly related to AI, it provided an additional proof point to the prevailing narrative. The company must now wait another year to attempt the difficult task of disproving a bear case once it is established.

Our out-of-benchmark position in Amazon faced headwinds. The market does not appear to give the company credit for its Amazon Web Services (AWS) cloud business, which continues to perform well. We believe that behind this logic lies the fact that many of AWS's clients are the same legacy software companies that the market views as vulnerable to AI. And while AWS hosts many leading AI models, Amazon's lack of its own offering has held back the stock, as has the company's propensity to move from one capex cycle to the next.

Manager outlook

We think it is difficult to overstate the degree to which current supply constraints in the AI infrastructure ecosystem could dictate the prospects of technology stocks 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. The labour to build these facilities and the electricity to power them must be procured. This succession of bottlenecks should act as a governor that, in our view, may keep supply growth running well behind demand into 2028 and possibly beyond.

Another influential theme is the ongoing capex cycle. For now, the market appears to be rewarding the perceived beneficiaries of this buildout, including the chipmakers, foundries, and optics providers, while punishing those writing the checks. Given our bullish view towards the potential for AI to be a force multiplier in global productivity, we believe much of this investment is merited. But for now, the market, perhaps understandably, appears to have a case of sticker shock.

A final observation is that the expanding capital market cycle could prove especially beneficial for the technology sector. Excitement around recent public offerings, on the back of a robust venture funding environment, illustrates that capital is flowing to innovative AI companies that 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 the industry, and e-commerce 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 might be the market aggressively discounting the value of legacy companies that either appear most at risk from AI disintermediation, or those whose management teams fail to grasp the magnitude of the opportunity presented by this generational technology, leaving them vulnerable to more forward-thinking peers.

We feel it is in periods such as this that the role of allocating capital towards its most productive use might have the greatest impact. We aim to hold what we see as potential winners, while minimising the fund's exposure to those companies 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)	5.03	48.50	36.89	48.86	34.07	15.89	22.73
Index	-1.33	39.09	29.73	50.50	33.50	20.52	24.84
Sector	-1.00	36.23	29.36	46.06	28.83	11.55	17.98
A2 USD (Gross)	—	—	—	—	—	18.70	25.75
Target	—	—	—	—	—	22.93	27.34

Calendar year	YTD at Q2											
	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016	
A2 USD (Net)	36.89	21.08	31.48	51.84	-38.21	15.66	48.69	42.61	-1.17	41.09	11.97	
Index	29.73	26.37	31.59	51.02	-31.07	27.36	45.61	46.89	-5.81	41.77	12.20	
Sector	29.36	26.42	19.54	37.26	-36.40	12.13	47.75	35.10	-9.50	37.77	7.51	

Performance is on a net of fees basis, with gross income reinvested. Source: at 30/06/26.
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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	894.73m
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.

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