

# Janus Henderson Horizon Global Technology Leaders Fund

Q2 2021

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For professional investors only

## Fund Managers Names

Graeme Clark, Alison Porter, Richard Clode, CFA

## Macro backdrop

A rapid, albeit mixed, pace of Covid-19 vaccinations (67% of US adults have received at least one dose) have spurred a sharp reduction in cases and hospitalisations in much of the developed world. Global economies have swiftly re-opened and, boosted by record levels of economic stimulus, have driven strong economic growth. The sharp recovery sparked inflation concerns as supply has been unable to keep pace with demand in many parts of the economy. Interest rate movements continued to drive rotation in the markets. Despite strong consumer price index (CPI) inflation readings, the US 10-year yield moved lower during the quarter, which drove outperformance of growth relative to value.

## Fund performance and activity

The fund returned 9.6%, versus a benchmark return of 9.8%.

CrowdStrike contributed positively to performance as the company posted strong quarterly results that showed an attractive combination of high growth and strong free cash flow margins, while continuing headlines of ransomware attacks demonstrated the importance of best-in-class security tools. Intuit also contributed positively to performance as the company announced strong quarterly results and increased top and bottom-line full-year guidance driven by strength in its consumer tax and SMB segments and its acquired Credit Karma business. Alphabet also contributed positively to performance with the market appreciating the company's strong core search business and its exposure to the economic re-opening. Facebook also contributed positively after reporting another very strong quarter that demonstrated continued user engagement and effectiveness for an increasing number of advertisers. Meanwhile, regulatory concerns about the company may have peaked; the US Federal Trade Commission's competition review is coming to a head with the company navigating changes to Apple's operating system for advertisers.

After lagging since last summer, NVIDIA surged as investors belatedly reacted to very strong results, the company's efforts to ring-fence the cryptocurrency mining risk and the acceleration in datacentre growth. Despite strong memory pricing and results, Micron detracted from performance during the quarter as the market was getting increasingly concerned about the sustainability of demand and potential customer inventory builds leading to weaker memory dynamics in the second half of the year. Uber also adversely impacted performance during the quarter. Despite strong reopening trends driving a ride hailing recovery and ongoing strength in food delivery, the market reacted negatively to US Department of Labour commentary on gig economy workers, rekindling regulatory concerns that had faded after Prop 22 late last year.

We initiated a number of new positions in the quarter. We purchased Dropbox, a leading file, sync and share utility system, which has demonstrated strong new customer growth, solid underlying profitability and cash flow. We re-initiated a position in Marvell, a leading semiconductor supplier with strong exposure to 5G infrastructure, networking, storage and ARM server silicon. We also exited several positions during the quarter including Booking, which we exited following a mixed set of first quarter results and a continuation of the challenging macro environment as the economy recovers from Covid-19. We exited our position in IAC as the company completed the Vimeo spin off, with the existing businesses being early stage and more volatile, and we exited our position in THG based on concerns related to competition and high levels of merger and acquisition (M&A). We also exited our positions in Applied Materials and Ciena as we felt there were more attractive capital allocation opportunities elsewhere.

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## Outlook/strategy

In 2020, measures to curb the spread of Covid-19 mandated a digital transformation of our lives, across all demographics and all geographies, while at the same time central banks and governments unleashed levels of new liquidity and fiscal support unseen since the Global Financial Crisis. While we expect that digital transformation to be ongoing and have lasting effects we do not expect the pace of adoption to continue at the rate we witnessed in 2020. We expect the liquidity backdrop to remain favourable and fiscal support for infrastructure with more strategic intent to be forthcoming.

We believe that the acceleration of technology adoption throughout the pandemic will require ongoing future investment. Payment digitisation has been accelerated as coins and notes have been displaced, and as ecommerce and business transactions from business to consumer, government to consumer, and business to business all moved online. Consumer-related experiences have moved rapidly to a virtual setting with a broadening of our internet transformation theme to areas such as education, e-sports, primary health care, grocery shopping and social meetings, which were in the early stages of adoption pre-pandemic. As society has moved to work at home and away from offices, workplace automation has become increasingly necessary.

With a vaccine rolled out a "new normal" will emerge, one which will inevitably rely more on technology and while disruptive, it can also be more flexible for workers, more convenient for families, more efficient for businesses, more accessible for students and kinder to the environment. Next-generation infrastructure is a key focus for the fund as we believe that the accelerated and broadening adoption of technology by consumers and businesses will require an acceleration of investment to ensure scalable, seamless, fast and reliable connectivity. The pace of this investment could be further boosted by fiscal stimulus to help a greener and more inclusive economy.

As technology fund managers we are excited by the step change that has occurred in the levels of technology adoption and the digital transformation that many more industries are now undergoing. However, we are cognisant of the rapid acceleration in valuations in some segments of the sector over the last year. While this has unwound to some degree, in recent months we do still see vulnerability to a further normalisation in interest rates for those companies where profitability remains a distant potential and where valuation is not underpinned by cash flow expectations. We continue to invest in companies where we see unappreciated earnings power - unappreciated in terms of strength and sustainability or growth and also in terms of the what the valuation already reflects. We continue to see a bifurcation in valuations within the sector that is extreme by historical standards. This reflects the increasing diversity of the sector but also some short-term hype that warrants select caution.

We remain focused on the global technology leaders of today and companies with the potential to be the leaders of tomorrow. We believe the fund remains well positioned to benefit from the long-term secular trends of internet transformation, payment digitisation, artificial intelligence, next-generation infrastructure and process automation. Our investment process gravitates to high quality technology companies with strong cash flows and balance sheets while aiming to maintain the highest standard of liquidity controls. We remain consistent in applying our unique approach of navigating the hype cycle, applying valuation discipline and identifying attractive growth/valuation combinations. We will continue to engage proactively with the companies we hold on their role in being responsible disruptors and generating value for all stakeholders.

Source: Janus Henderson Investors, as at 30 June 2021

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## Fund information

Index	MSCI ACWI Information Technology Index + MSCI ACWI Communication Services Index
Morningstar sector	Europe OE Sector Equity Technology
Objective	The Fund aims to provide capital growth over the long term.
Performance target	To outperform the MSCI ACWI Information Technology Index + MSCI ACWI Communication Services Index, after the deduction of charges, over any 5 year period.

## Performance in (USD)

Performance %	A2 (Net)	Index	Sector	Quartile ranking
1 month	5.1	4.7	4.3	2nd
YTD	13.5	13.3	10.8	2nd
1 year	47.6	44.8	46.7	2nd
3 years (annualised)	24.5	24.3	23.3	2nd
5 years (annualised)	27.2	26.8	24.8	2nd
10 years (annualised)	17.2	18.6	15.5	2nd
Since inception 15 Oct 1996 (annualised)	12.3	10.9	9.4	-

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.

Discrete year performance %	A2 (Net)	Index	Sector
30 Jun 2020 to 30 Jun 2021	47.6	44.8	46.7
30 Jun 2019 to 30 Jun 2020	22.9	23.7	25.3
30 Jun 2018 to 30 Jun 2019	6.3	7.2	1.9
30 Jun 2017 to 30 Jun 2018	26.4	26.1	22.4
30 Jun 2016 to 30 Jun 2017	36.3	35.5	31.9

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.

From 1 July 2020, the fund name changed from Janus Henderson Horizon Global Technology Fund to Janus Henderson Horizon Global Technology Leaders Fund.

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**Past performance is not a guide to future performance. The value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested.**

# Janus Henderson Horizon Global Technology Leaders Fund

For further information on the Luxembourg-domiciled Janus Henderson fund range please contact your local sales office or visit our website: [www.janushenderson.com](http://www.janushenderson.com).

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A copy of the Fund's prospectus, key investor information document, articles of incorporation, annual and semi-annual reports can be obtained free of cost from the local offices of Janus Henderson Investors: 201 Bishopsgate, London, EC2M 3AE for UK, Swedish and Scandinavian investors; Via Dante 14, 20121 Milan, Italy, for Italian investors and Roemer Vissscherstraat 43-45, 1054 EW Amsterdam, the Netherlands. for Dutch investors; and the Fund's: Austrian Paying Agent Raiffeisen Bank International AG, Am Stadtpark 9, A-1030 Vienna; French Paying Agent BNP Paribas Securities Services, 3, rue d'Antin, F-75002 Paris; German Information Agent Marcard, Stein & Co, Ballindamm 36, 20095 Hamburg; Belgian Financial Service Provider CACEIS Belgium S.A., Avenue du Port 86 C b320, B-1000 Brussels; Spanish Representative Allfunds Bank S.A. Estafeta, 6 Complejo Plaza de la Fuente, La Moraleja, Alcobendas 28109 Madrid (Registered in Spain under CNMV 353. The Custodian in Spain is BNP PARIBAS SECURITIES SERVICES S.C.A.); Singapore: Singapore Representative Janus Henderson Investors (Singapore) Limited, 138 Market Street, #34-03/04 CapitaGreen, Singapore 048946; or Swiss Representative BNP Paribas Securities Services, Paris, succursale de Zurich, Selnaustrasse 16, 8002 Zurich who are also the Swiss Paying Agent. RBC Investor Services Trust Hong Kong Limited, a subsidiary of the joint venture UK holding company RBC Investor Services Limited, 51/F Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, Tel: +852 2978 5656 is the Fund's Representative in Hong Kong.

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