

Janus Henderson Horizon Global Technology Fund

Quarter 4 2019

Fund Managers Names: Alison Porter, Graeme Clark & Richard Clode, CFA

Fund performance and activity

The fund returned 13.2% versus a benchmark return of 12.3%.

The fourth quarter ended the year strongly for technology equities with investors increasingly looking to 2020 and beyond. With high profile weakness in privately held equities (such as Wework) investors became more cognisant of valuations.

Alibaba was a strong contributor to performance during the quarter driven by strong performance on singles day (11 November) and a successful listing of shares on the Hong Kong Exchange on 26 November. Alibaba remains one of our key holdings. NVidia also contributed to performance positively after delivering reassuring results and given increased investor confidence in hyperscale spending coming back driving further revenue growth potential for the company. We continue to see NVidia as one of the best artificial intelligence franchises within the space. Spotify was another positive contributor to performance after delivering a strong set of quarterly results with better subscription and margins dynamics. We retain our favourable view of the company's streaming opportunity. Zebra, a key enabler of supply chain automation, also contributed to performance positively after reporting strong quarterly results and an outlook that is above market expectations. We continue to believe that Zebra will continue to benefit from internet transformation of businesses going forward and maintain our constructive view.

Expedia was a detractor to performance after profitability in the quarter disappointed investors. Expedia saw a mix shift to higher cost marketing channels, revenue per room night headwinds in North America and Asia, and weakness in SEO volume. Apple contributed to performance negatively during the quarter due to our underweight position relative to the benchmark, not allowing us to benefit from strong share performance following new product launches. Proofpoint, a new addition to the fund during the quarter, was another detractor to performance after delivering a solid third quarter results. However, the stock underperformed due to lower implied fourth quarter guidance (due to a third quarter beat) and some questions around billings conservatism. 2019 was always expected to be a back-end loaded year and guidance remains in line with those expectations, so we maintain our constructive view. Cisco was another detractor after providing disappointing guidance on the back of macro headwinds and product order weakness across the business. We have exited our position in Cisco during the quarter on macro risks and what we view as better investment opportunities elsewhere.

During the quarter we initiated a new position in Proofpoint, an enterprise email security software company benefiting from customers moving to the cloud. We also initiated a position in Ciena, a leader in optical networking products, which is benefiting from higher bandwidth demand from 5G and Datacenter, and Pinterest, as we see the company as a strong advertising platform with attractive demographic and significant monetisation opportunity. Lastly, we initiated a position in Chegg during the quarter. We have long been admirers of the company's direct to consumer education model and have used the recent pull back in its share price to initiate a position. We exited our position in PTC and Cisco given concerns around demand and cyclical exposure, and exited our position in Ebay and Trainline due to other more attractive investment opportunities elsewhere.

We increased our positions in Alibaba, Trimble, Sony, Analog Devices, NXP semiconductor and Amazon among others and trimmed Apple, Broadcom, Samsung and Zebra.

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Outlook/strategy

While the presidential election year in the US and geopolitical factors will likely drive ongoing volatility, we remain constructively biased on the long-term outlook for technology equities. We see rising adoption of technology into the 2020s. Over the past decade, half the world now has a smartphone and so is connected anytime anywhere. The cloud now enables any new company or service to scale to billions of users faster and cheaper than ever before and digital payments are now mainstream, allowing these new services to monetise instantly. The confluence of this technology infrastructure has already proved incredibly disruptive in retailing, music, TV, travel, ride hailing and even dating. Artificial intelligence is now leveraging that existing technology infrastructure to disrupt new industries like financial services (notably in China and India), industrials and health care/medical driving lower cost services, more efficiency and more productivity. This will enable technology to continue to gain share of the global economy.

We remain focused on finding the long-term winners within these mega themes of internet transformation, payment digitisation, next-generation infrastructure and artificial intelligence, at a reasonable price. Following a strong year led by multiple expansion in 2019, we expect an improvement in cyclical profitability this year and continue to look for companies where the magnitude of earnings growth is unappreciated and unexpected. We remain consistent in applying our unique approach of navigating the hype cycle and applying a valuation discipline and identifying attractive growth/valuation combinations. This is a style that we believe will be particularly suited to the environment of 2020.

Source: Janus Henderson Investors, as at 31 December 2019

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For further information on the Luxembourg-domiciled Janus Henderson fund range please contact your local sales office or visit our website: 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 Visscherstraat 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. [Janus Henderson, Janus, Henderson, Perkins, Intech, Alphagen, VelocityShares, Knowledge. Shared and Knowledge Labs] are trademarks of Janus Henderson Group plc or one of its subsidiaries. © Janus Henderson Group plc.