Janus Henderson INVESTORS

# HORIZON GLOBAL SUSTAINABLE EQUITY FUND

## At a glance

**Performance***
The Fund returned −3.24%, the Index returned −1.19% and the Sector returned −1.56%.

**Contributors/detractors**
Stock selection in industrials, information technology (IT) and communication services sectors detracted. This was partially offset by the contribution from the underweight positions in materials, utilities and consumer discretionary sectors.

**Outlook**
Geopolitical shocks and rapid AI adoption highlight the importance of resilience. We remain focused on durable companies we believe are positioned to navigate volatility and benefit from long-term structural change.

## Portfolio management



**Hamish Chamberlayne, CFA**



**Aaron Scully, CFA**

## Investment environment

- Global equity markets were muted over September. They faced numerous headwinds including rising oil prices, as Brent Crude moved above $100 per barrel, plus elevated bond yields (falling prices) and renewed concerns about inflation.
- The US Federal Reserve (Fed)'s decision to raise interest rates for the first time since 2023, along with its suggestion that more increases could follow, unsettled markets. Investors were also concerned about the possible dangers of artificial intelligence (AI) after two leading US companies urged a moderation in the pace of its development.
- Information technology (IT) and communication services were the best-performing sectors. Materials, consumer discretionary and real estate were the weakest sectors.

## Portfolio review

Stock selection in industrials, information technology (IT) and communication services detracted from performance. There was a shift away from perceived AI losers such as data-focused business. This was mainly due to renewed optimism for AI developers and infrastructure providers after the launch of Meta's personal AI agent Muse, which was reported to have generated more than 2.5 million downloads immediately after launch. This impacted our data-focused holdings such as Spotify, Arthur J Gallagher, Experian and Verisk. In industrials, construction businesses were impacted by higher bond yields, higher input costs and weaker demand. Not owning Meta and Apple detracted, but this was partially offset by the underweight positions in materials, utilities, energy and consumer discretionary stocks. We had some good performance from holdings that saw their share prices rebound after what we believed to be unwarranted short-term weakness, including Seagate, Keysight, TSMC, Forgent and KLA.

At the stock level, the largest positive contributors included Seagate, Keysight and Tokio Marine.

Shares in Seagate and Keysight benefited from enthusiasm for AI infrastructure businesses, which were boosted by the successful launch of Meta's personal AI agent Muse. Muse is intended to act like a personal assistant that can undertake everyday admin tasks such as booking travel, filling in forms and shopping around for

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*For benchmark and sector, if applicable, refer to Fund details on page 4. For relevant descriptions, risks and the Fund's investment policy statement, refer to Additional fund information on page 5.

anything from insurance quotes to clothes. The rapid adoption of the agent underscores the potential huge popularity for agentic AI models, which would require large and swift infrastructure to be put in place to support their development and use.

Seagate's heat-assisted magnetic recording (HAMR) technology, which is used in its core hard disk drive (HDD) product offering, are critical to coping with vast data storage volumes. Although not as fast as the alternative 'flash' storage, HDDs are cost effective and energy efficient. This is because it allows more storage capacity per drive than other storage technologies, which is critical for coping with vast data storage volumes, especially at the larger scales required for AI growth. This translates to a more environmentally friendly source of data storage.

Keysight is an electronic design and testing company. It also offers instrument productivity and application services, instrument calibration and repair, and consulting services throughout the product lifecycle. It is at the heart of the digital revolution, providing solutions that are used by customers in the communications, networking, electronics, semiconductor, automotive, aerospace and battery industries. It supports innovation by providing specialist equipment to a large global client base of researchers, engineers and innovators.

Shares in Tokio Marine outperformed after reporting strong revenue and profit growth, increasing its dividend, and providing ambitious forward guidance (forecasts). Continued progress on its 2026 share buyback programme also supported the share price. The company is a leading Japanese insurer with deep technical and analytical expertise, helping clients manage increasingly complex risks, including those associated with climate change and cyber security. Its strong positioning in these growing and specialist areas continues to underpin confidence in its long-term growth prospects.

The largest detractors over the month included Spotify, Arthur J Gallagher and CATL.

Shares in Spotify fell as investors focused on compressed gross margins and fears of potential disruption from AI agentic models, such as Muse. We believe this is short-term and that the investment thesis is on track. AI has the potential to deepen Spotify's proprietary taste-data moat, improve personalisation across music, podcasts and audiobooks, and create new monetisation layers through premium features, creator tools and add-ons. If execution is strong, Spotify could shift from a perceived AI loser to an AI beneficiary, with a stronger moat, better pricing power and a clearer path to its long-term margin and free-cash-flow targets.

Shares in Arthur J Gallagher (AJG) fell with other data-focused insurers as the successful launch of Meta's agentic AI personal assistant. Merger and acquisition (M&A) activity has been slow and property rates have fallen materially. Our long-term thesis is unchanged. AJG plans, designs, and administers customised and cost-effective property and casualty insurance and risk management programs. AJG uses data to help clients understand and manage complex risks. There is growing demand for insurance given the emergence of new risks such as the environmental consequences of climate change, cyber risk, and the risks associated with the provision of retirement and healthcare services to an ageing population. We continue to believe the company's faster-growing business mix and resilient pricing environment can support organic growth even through soft cycle pressures.

Shares in CATL underperformed despite delivering strong first-half results, as investors focused on margin pressure, rising competition, the potential introduction of a lithium battery consumption tax, and uncertainty around AI infrastructure demand. Our conviction remains intact and as one of the leading global producers of electric vehicle (EV) batteries, we think CATL is well positioned to benefit from continued growth in EV adoption and energy storage markets, including infrastructure supporting AI-related power demand.

## Manager outlook

Last quarter, we warned that markets had priced out the energy risk premium faster than conditions had improved, and that timing mismatches between AI capital expenditure (capex) and realised returns could create air pockets. Both played out during the third quarter. The US-Iran conflict dragged on and pushed oil above $100 a barrel, which contributed to the Fed raising rates for the first time in three years. AI infrastructure stocks fell as investors questioned whether the spending would pay off.

That said, demand for compute remains strong, hyperscalers are still capacity constrained, and agentic AI appears set to drive the next leg of growth. We have therefore been adding back to some of our green AI infrastructure exposure. In the interest of maintaining an appropriately diversified portfolio, we continue to pay close attention to overall exposure to the AI theme.

Investing with a sustainable objective, we cannot ignore how resource intensive this build-out is. The International Energy Agency (IEA) estimates that data centre electricity use rose 17% in 2025 to around 485 TWh and will almost double to around 950 TWh by 2030, with consumption at AI-focused data centres potentially tripling. As a result, the benchmark has become both more carbon intensive and more cyclical. We acknowledge this tension and are managing it through our balanced portfolio positioning. For this reason, our infrastructure exposure is focused on making AI more efficient and lower carbon, through electrification, energy-efficient semiconductors, cooling, solar and batteries.

The wider energy picture only strengthens this case, since conflict is constraining supply just as AI is creating a large new source of demand. Meanwhile, the Global Carbon Project estimates that fossil CO2 emissions reached a record 38.1 billion tonnes in 2025, and it describes the remaining carbon budget for 1.5°C as "virtually exhausted". Against this backdrop, technology companies signed roughly 40% of all corporate renewable power purchase agreements in 2025 (according to the IEA). We therefore remain positive about our solar and battery holdings, which we believe are well placed to help meet both energy security and decarbonisation needs.

Agentic AI also raises the bar for business models more broadly. Meta's launch of Muse showed how quickly

agents could pose disintermediation threats across a range of industries, so we remain watchful of the pressure this could place on terminal multiples. With this in mind, we are managing allocations closely across three groups: Green AI infrastructure, AI beneficiaries with competitive advantages such as proprietary data or network effects, and AI-resilient companies with little direct exposure to disruption. We consider purchases and sales in this context.

Alongside these technological shifts, physical climate risk is also rising. In June, NOAA put the chance of a very strong El Niño at 63%. By September, that figure had risen above 90%, and the Met Office now considers it "very likely" that 2027 will be the hottest year on record. A severe El Niño could disrupt global agriculture and add to food inflation at a time when interest rates are already rising. For this reason, climate resilience is a high-priority engagement topic for us, and one we are actively discussing with the companies we hold.

We are watching interest rates, energy prices and El Niño closely, while favouring what we believe are resilient companies with pricing power and durable advantages, alongside potential structural growth from AI and the energy transition.

## Performance (%)

| Returns | Cumulative | | | | Annualised | | | |
|---|---|---|---|---|---|---|---|---|
| | 1 Month | 3 Month | YTD | 1 Year | 3 Year | 5 Year | 10 Year | Since inception (29/05/19) |
| A2 USD (Net) | -3.24 | 1.46 | 11.27 | 10.60 | 16.68 | 6.19 | — | 12.40 |
| Index | -1.19 | 1.88 | 11.75 | 15.24 | 21.40 | 11.89 | — | 14.20 |
| Sector | -1.56 | -0.16 | 6.84 | 8.23 | 16.03 | 5.48 | — | 10.38 |

| 12 month rolling | Sep 2025-Sep 2026 | Sep 2024-Sep 2025 | Sep 2023-Sep 2024 | Sep 2022-Sep 2023 | Sep 2021-Sep 2022 |
|---|---|---|---|---|---|
| A2 USD (Net) | 10.60 | 10.01 | 30.57 | 16.65 | -27.13 |
| Index | 15.24 | 17.25 | 32.43 | 21.95 | -19.63 |
| Sector | 8.23 | 11.52 | 29.45 | 18.41 | -29.44 |

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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 (5 years or more) by investing in companies whose products and services are considered by the Investment Manager as contributing to positive environmental or social change and thereby have an impact on the development of a sustainable global economy.

For the fund's investment policy, refer to the Additional fund information on page 5.
**Past performance does not predict future returns.**

## Fund details

| | |
|---|---|
| **Inception date** | 29 May 2019 |
| **Total net assets** | 1.24bn |
| **Asset class** | Equities |
| **Domicile** | Luxembourg |
| **Structure** | SICAV |
| **Base currency** | USD |
| **Index** | MSCI World Index℠ |
| **Morningstar sector** | Global Large-Cap Growth Equity |
| **SFDR category** | Article 9 |

In accordance with the Sustainable Finance Disclosure Regulation, the Fund is classified as Article 9 and has sustainable investment as its objective.

# Additional fund information

Tax assumptions and reliefs depend upon an investor's particular circumstances and may be subject to change. 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 a Luxembourg SICAV Fund, regulated by the Commission de Surveillance du Secteur Financier (CSSF). 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 shares (also known as equities) of companies, of any size, in any industry, in any country. The Fund will avoid investing in companies that the Investment Manager considers to potentially have a negative impact on the development of a sustainable global economy. The Fund may also invest in other assets including cash and money market instruments. The Investment Manager may use derivatives (complex financial instruments) to reduce risk or to manage the Fund more efficiently. The Fund is actively managed with reference to the MSCI World Index, which is broadly representative of the companies in which it may invest, as this can provide a useful comparator for assessing the Fund's performance. The Investment Manager has discretion to choose 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 Investment Manager, within its thematic framework of environmental and social themes and positive/negative (avoidance) criteria screening, seeks to construct a differentiated and well diversified global portfolio of companies, based on the belief that superior returns can be generated by companies that the Investment Manager believes contribute to positive environmental or social change.The Fund has a bias towards "growth" equities. The "growth" approach emphasises investments in companies the relevant Investment Manager believes have the potential for above-average earnings growth. These companies should have attractive financial attributes such as persistent revenue growth and durable cash flows, as well as exhibiting strong management of environmental, social and corporate governance risks. Companies will typically be strategically aligned with themes such as climate change, resource constraints, growing populations, and ageing populations. The Fund avoids investing in companies that stand to be disrupted by the transition to a low-carbon economy.

## 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. The Fund follows a growth investment style that creates a bias towards certain types of companies. This may result in the Fund significantly underperforming or outperforming the wider market. Due to the Fund's Sustainability Approach, it may exclude or invest less or more in certain companies and may therefore perform differently to funds that have a similar financial objective, but that do not have a binding Sustainability Approach. Political, regulatory or investor sentiment about sustainability initiatives may change over time and impact the Fund's performance. Derivatives may be used with the aim of reducing risk or managing the portfolio more efficiently. However, this introduces other risks, in particular, that a derivative counterparty may not meet its contractual obligations. 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. 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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