Janus Henderson INVESTORS

# HORIZON GLOBAL SUSTAINABLE EQUITY FUND

## At a glance

**Performance***
The Fund returned −1.10%, the Index returned −0.77% and the Sector returned −2.78%.

**Contributors/detractors**
Stock selection in information technology (IT) detracted, with artificial intelligence (AI) infrastructure stocks weighing in particular. Stock selection and the underweight position in communication services contributed to relative performance.

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

## Portfolio management



**Hamish Chamberlayne, CFA**



**Aaron Scully, CFA**

## Investment environment

- Global equities declined in October as a sharp fall in artificial intelligence (AI)-related technology stocks contrasted with broader strength across typically more defensive sectors.
- Oil prices continued to rise amid heightened geopolitical tensions and uncertainty surrounding Middle East supply, with Brent crude prices up more than 13% during the month.
- By sector, energy was the strongest performer. Oil prices rose due to concerns about a possible escalation of US/Iran tensions after the US midterm elections.
- Consumer staples generated the second-highest return, followed by the healthcare sector, with both benefiting from their more defensive qualities.
- The communications services sector was the weakest, followed by information technology (IT), as concerns grew about companies' substantial spending on AI. The industrial sector was also weak.

## Portfolio review

Stock selection in IT and the underweight position in energy and consumer staples detracted from performance. AI infrastructure stocks were negatively impacted by concerns around heavy AI-related capital expenditure (capex). This affected the performance of Seagate Technology, Contemporary Amperex Technology (CATL), Schneider Electric, Modine Manufacturing, Tokyo Electron, Keysight, TSMC, Forgent and Prysmian.

Stock selection in communication services was strong, with Spotify performing well and Nintendo also contributing. The underweight allocation to this sector was also beneficial. There was a recovery in the shares of businesses that are perceived as AI "losers", which benefited the fund's data-focused holdings such as Spotify, Arthur J Gallagher, Experian, Verisk, Intercontinental Exchange, Tokio Marine, S&P Global, SAP and Progressive. The shift into more defensive areas of the market was also beneficial for our healthcare holdings, including McKesson and Cardinal Health.

At the stock level, the largest positive contributors included Spotify, Arthur J Gallagher (AJG) and McKesson.

Spotify benefited from a bounce in businesses that are perceived as AI "losers". The company also reported

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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.

results during the month that underscored strong user growth, margins that were ahead of expectations, and guidance (forecasts) for the fourth quarter. 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, we think Spotify could shift from a perceived AI loser to an AI beneficiary, with a stronger moat, improved pricing power and a clearer path to its long-term margin and free-cash-flow targets.

Shares in AJG rose as investors priced in expected results, which were reported at the end of the month and in line with expectations, showing growth in revenues and earnings per share. AJG plans, designs and administers customised and cost-effective property and casualty insurance and risk management programmes. 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 could support organic growth even through soft cycle pressures.

McKesson's shares benefited from the general market shift into typically more defensive sectors. Over the longer term, we believe McKesson holds a leading position in a consolidated market with defensive growth characteristics. We think it appears well placed to benefit from secular tailwinds in biosimilar, specialty services, and GLP-1 distribution, while its oncology platform and prescription technology business provide additional avenues for potential future margin expansion.

The largest detractors over the month included Seagate, CATL and Schneider Electric.

Seagate and CATL's shares were impacted by a fall in sentiment on AI infrastructure equipment businesses, as investors fretted about the huge spending on AI-related companies, and whether this would ultimately be rewarded by future returns. In addition, Seagate faced concerns around a competitor's plans to increase capex to expand its hard disk drive (HDD) capacity. We believe Seagate remains a leader in this market. Its heat-assisted magnetic recording (HAMR) technology, which is used in its core hard disk drive (HDD) product offering, is important for 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 they allow 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.

For CATL, there was additional pressure on investor sentiment due to margin compression as the business adjusted its pricing to compete with peers. These peers are currently non-profitable and are pricing aggressively in an attempt to take market share, which we believe is unlikely to be sustainable over the longer term. We therefore do not expect this to affect CATL's position as a leading battery manufacturer over the long term and believe CATL is well positioned to benefit from continued growth in electric vehicle (EV) adoption and energy storage markets, including infrastructure supporting AI-related power demand.

Despite reporting good results, sentiment towards Schneider Electric was negatively impacted by its acquisition of product lifecycle software designer PTC. Investors were concerned about the price paid for the deal, which was at a material premium to PTC's share price, as well as integration risks. Schneider is a leading electrical goods and automation technology company with a broad product offering including medium voltage and grid automation equipment for utility and infrastructure customers, discrete and process automation services for industrial customers, and critical power and cooling technology for data centre customers. All of its products and services are designed to increase efficiency and reduce the carbon intensity of its customers' operations.

## 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 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 could 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) | -1.10 | -1.06 | 10.05 | 8.31 | 17.66 | 5.12 | — | 12.09 |
| Index | -0.77 | 0.58 | 10.89 | 12.11 | 22.28 | 10.49 | — | 13.90 |
| Sector | -2.78 | -1.31 | 3.86 | 3.12 | 16.31 | 3.88 | — | 9.84 |

| Calendar year | YTD at Q3 2026 | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 from 29 May |
|---|---|---|---|---|---|---|---|---|
| A2 USD (Net) | 11.27 | 15.85 | 9.65 | 21.91 | -25.64 | 15.71 | 36.57 | 16.50 |
| Index | 11.75 | 21.09 | 18.67 | 23.79 | -18.14 | 21.82 | 15.90 | 15.31 |
| Sector | 6.84 | 14.99 | 12.99 | 22.79 | -26.69 | 13.57 | 27.23 | 14.35 |

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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** | 1.23bn |
| **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. The achievement of the product's sustainable investment objective is not guaranteed. To meet its sustainable objective, the Product may apply positive or negative sustainability criteria (e.g. non-financial criteria such as ESG screens) potentially resulting in less or more exposure to certain sectors. These may cause differences in performance compared to similar products that do not have a sustainability objective and are permitted to invest in those investments.

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