Janus Henderson INVESTORS

# HORIZON GLOBAL SUSTAINABLE EQUITY FUND

## At a glance

**Performance***
The Fund returned 1.46%, the Index returned 1.88% and the Sector returned −0.16%.

**Contributors/detractors**
Weakness in artificial intelligence (AI) infrastructure, power and cooling holdings outweighed gains from recovering AI beneficiary stocks. Having no energy holdings and higher interest rates were additional headwinds to performance.

**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



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## Investment environment

- Global equities made modest gains in the third quarter. Higher oil prices, rising inflation, tighter monetary policy and surging bond yields (falling prices) were offset by strong corporate earnings and enthusiasm for artificial intelligence (AI).
- The US-Iran conflict continued, prolonging the global energy crisis and pushing oil prices higher, which at one point rose above $100 a barrel. With inflation rising, the US Federal Reserve (Fed) raised rates by 25 basis points (bps) to 4.0% in September, its first hike in three years, while the European Central Bank (ECB) and Bank of Japan (BoJ) also raised rates. The US 10-year Treasury yield rose by more than 80 bps, and higher fuel and mortgage costs squeezed household budgets.
- A strengthening El Niño added to inflation risks, weighing on agricultural output, while floods, droughts and storms were a reminder that physical climate risk is rising.
- Corporate earnings were robust. S&P 500 Index earnings growth approached 40% year-on-year, a pace usually seen only after recessions, even as valuation multiples compressed. However, it was a handful of mega-cap stocks which accounted for most of the index performance, notably Microsoft in July and Meta in September.
- AI remained a key driver of performance, but the debate shifted from how much is being spent to whether that spending will pay off. Growing public scrutiny and concerns about the safety of AI, including calls from the leading frontier model providers to pause development, added to the unease. This triggered a sharp shift in performance in the technology sector as AI infrastructure stocks generally fell, while perceived 'AI losers' such as software stocks recovered strongly.
- Agentic AI also began to gain momentum. The success of agents is a critical factor in determining whether the investment in AI will earn a return. In September, Meta launched Muse, a consumer AI agent that can shop around for anything from insurance to clothing on its users' behalf. Muse drew more than 500,000 users in its first week, including more than 250,000 daily active users. Its arrival reignited scrutiny of perceived 'AI losers' in information services, insurance broking and software.

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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.

- Under this backdrop, energy was the standout sector, returning around 15% as oil prices stayed high, followed by information technology (IT) and healthcare. Utilities (down around 9%) and industrials (down almost 6%) were the weakest, as higher bond yields hit rate-sensitive areas and the valuations of industrials firms looked stretched after a strong second quarter.
- In summary, the quarter reinforced a central point from our previous commentaries. That is, that sustainability is not a fair-weather philosophy but a resilience framework. In 2025, markets were tested by climate extremes and uneven policy follow-through. In the first half of 2026, they were tested by geopolitics and an energy price shock. In the third quarter, the test came through interest rates and growing questions over the returns on AI spending, while a strengthening El Niño was a reminder that physical climate risk has not gone away. Through each of these shocks, our focus has remained on what we consider to be quality companies with durable competitive advantages and pricing power, positioned to navigate both opportunities and risks.

## Portfolio review

At the end of the second quarter, we reduced the position in AI infrastructure stocks by trimming some of our stronger performing holdings. We reallocated capital towards companies we saw as potential beneficiaries of AI and companies we believed had been unfairly labelled AI "losers". The third quarter was a tale of two sides of the AI trade, with the shift broadly favouring our repositioning.

Shares in companies perceived to be at risk from AI, including Microsoft, SAP, BayCurrent, Intercontinental Exchange, ServiceNow and Spotify, benefited from recovering investor sentiment. By contrast, shares in industrial beneficiaries of AI-driven power, cooling and electrification demand (including Nextpower, CATL, Modine, KLA and Sandvik) came under pressure. While the repositioning helped cushion the weakness in these infrastructure-related businesses, the portfolio's remaining exposure to companies linked to power, electrification and cooling trends was still a meaningful headwind to relative performance.

Outside AI, having no position in energy, the best-performing sector on the back of higher oil prices, was a detractor. So was having no holdings in Apple or Meta. Higher interest rates weighed on holdings exposed to the construction industry, including Saint-Gobain and Advanced Drainage Systems. Outperformance from Tokio Marine, McKesson and BBVA provided a partial offset.

At the stock level, the largest positive contributors included Microsoft, SAP and Tokio Marine.

Microsoft reported a revenue increase of 18% to $90 billion. Azure growth reported a 43% rise from 39%, with its management forecasting around 45%. Copilot adoption reached 30 million seats after adding 10 million during the quarter, while its management committed to remaining free cash flow positive through fiscal 2027. Demand for Azure continues to exceed supply, and efficiency gains are increasing output from each unit of capacity. Microsoft benefits from network effects and an embedded ecosystem across productivity, cloud and developer platforms, which reinforces its competitive moat. Its cloud lets businesses move energy-intensive computing onto more efficient infrastructure. Microsoft has also tied its data-centre expansion to commitments on renewable power, water stewardship and community investment.

SAP's shares benefited from the rebound in perceived AI "losers" and stronger sentiment towards software stocks. Its results reinforced demand: cloud revenue grew 24% in constant currency, current cloud backlog accelerated to 26%, free cash flow rose 27%, while a €10 billion buyback supported the shares. SAP's enterprise software helps customers digitalise operations and use resources more efficiently. By embedding AI agents into mission-critical systems and applying them to proprietary business data and processes, SAP seems well placed to capture value from AI rather than be disintermediated by it.

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 program also supported shares. 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 included CATL, Aptiv and Nextpower.

CATL's shares underperformed despite delivering strong first-half results. Investors focused on margin pressure, rising competition, the potential introduction of a lithium battery consumption tax, and uncertainty around AI infrastructure demand. 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.

Shares in Aptiv fell after the business reported results that disappointed investors, with lower-than-expected revenue generation. The company also cut its full-year guidance, which raised concerns about future profitability. We exited the holding in favour of other opportunities.

Despite raising its full-year guidance, Nextpower's shares fell as the company missed its revenue expectations and recent acquisitions continued to weigh on sentiment. We believe our long-term investment thesis stands, while the acquisitions extend Nextpower's products beyond solar trackers into storage and power conversion, enlarging its addressable market. Its solar tracking and software solutions could leave it well placed for a future acceleration in solar deployment.

In portfolio activity, we added to AI infrastructure holdings. We initiated positions in Modine and Lumentum, and added to Micron, Seagate, Disco, Prysmian and ON Semiconductor. We bought F5, a cybersecurity and application delivery business that could benefit from growing AI usage, as increasing enterprise inference workloads drive demand for traffic management, security and application delivery infrastructure. We also added to APi Group, which we think has significant scope for margin

expansion, disciplined capital allocation and potential for value creation.

To fund these purchases, we exited Legrand and Aptiv as end-market exposure and weaker industry fundamentals reduced our conviction. We also exited Broadcom in favour of more compelling opportunities elsewhere in the AI value chain, and trimmed positions in Progressive, Intact, Waste Management, SAP and KLA.

## 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 | 5.47 | — | 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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