Janus Henderson INVESTORS

HORIZON US SUSTAINABLE EQUITY FUND

At a glance

Performance*
The Fund returned −0.21%, the Index returned 2.22% and the Sector returned 0.81%.

Contributors/detractors
Weakness in artificial intelligence (AI)-related power, cooling, and semiconductor holdings, including Modine and Lam Research, outweighed contributions from Microsoft and McKesson. A lack of energy holdings was also a headwind.

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

- US 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. The 10-year US 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 that 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 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 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.
- Against this backdrop, energy was the standout sector, returning around 17% as oil prices stayed high, followed by information technology (IT) and healthcare.

Marketing communication
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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.

Utilities (down around 13%) and industrials (down almost 10%) were the weakest, as higher bond yields hit rate-sensitive areas and the valuations of industrial firms looked stretched after a strong second quarter.

- In summary, the quarter reinforced a central point from our previous commentaries: 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 better-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 (Microsoft, Intercontinental Exchange, ServiceNow, Spotify) benefited from recovering investor sentiment. By contrast, shares in companies exposed to the AI infrastructure trend (TSMC, Lam Research, ON Semiconductor, Seagate, Modine and Nextpower) came under pressure. While the repositioning helped cushion some of the weakness in these infrastructure-related businesses, the portfolio's remaining exposure to these companies was still a meaningful headwind to relative performance.

Having no position in energy, the best-performing sector on the back of higher oil prices, was a detractor, partially offset by having no exposure to utilities, the worst-performing sector. Not holding Apple or Meta detracted, while not holding Alphabet and Tesla was beneficial.

At the stock level, the largest positive contributors included Microsoft, McKesson and Revvity.

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 management stated its intention to remain 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.

McKesson’s share price was supported by solid fiscal 2027 first-quarter earnings, delivering better-than-expected revenue and adjusted earnings-per-share (EPS). The healthcare company also raised its guidance for 2027. We think McKesson is a major player in a consolidated market with defensive growth characteristics, scale advantages and durable customer relationships.

Revvity reported results that beat expectations and raised its full-year guidance. Shares in life science tools companies more generally also performed well on the back of being a possible AI beneficiary as demand for higher content screening rises. Revvity provides technology, services, and solutions to the diagnostic, research, environmental, industrial, and laboratory services markets. Its products range from helping to detect disease, contaminants, and biological pathways, to providing imaging and informatics, to offering custom laboratory management solutions.

The largest detractors included Aptiv, Modine and Lam Research.

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 reporting results that beat expectations, shares in Modine fell over the quarter as investors focused on weaker margins, as well as higher input costs and delays to data centre build-outs. Modine produces advanced cooling systems used for data centres, as well as innovative thermal transfer management solutions. The business develops technologies that help to reduce energy and water consumption, minimise harmful emissions, use environmentally friendly refrigerants, and improve indoor air quality. We believe the company is well placed to increase its role in AI infrastructure.

Lam Research reported strong results. However, its guidance was in line with expectations, and investors appear to expect guidance to be exceeded across the board in the crowded semiconductor space. Its share price was also caught up in the broad sell-off of semiconductor-related stocks early in the quarter. Our investment thesis remains unchanged. Lam Research is a global supplier of fabrication equipment and services to the semiconductor industry. We believe the business could be a beneficiary of the increased capital expenditure (capex) on AI infrastructure over the longer term. Nearly every advanced semiconductor chip in the world is built with the firm's technology, while Lam Research’s products are important in driving innovation in silicon, which is the foundation of most technological progress.

In portfolio activity, we added to AI infrastructure holdings. We initiated positions in Modine and Lumentum, and added to Micron, Seagate and ON Semiconductor. We bought F5, a cybersecurity and application delivery business that we think 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 the position in APi Group, which we think has significant scope for margin

expansion, disciplined capital allocation and potential for value creation.

We exited positions in Core & Main and Aptiv as end-market exposure and weaker industry fundamentals reduced our conviction.

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 likely to drive the next leg of growth. We have therefore been adding back to what we consider green AI infrastructure positions. 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 what we see as 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, the National Oceanic and Atmospheric Administration (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 (03/08/21)
A2 USD (Net)	-2.02	-0.21	15.11	16.25	18.07	7.51	—	6.87
Index	-0.38	2.22	12.45	15.34	22.40	13.31	—	12.33
Sector	0.71	0.81	9.53	10.62	20.86	9.11	—	8.30

Calendar year	YTD at Q3 2026	2025	2024	2023	2022	2021 from 03 Aug
A2 USD (Net)	15.11	15.69	11.37	23.54	-27.86	6.60
Index	12.45	17.43	24.50	25.67	-18.51	8.20
Sector	9.53	15.20	23.20	34.27	-30.62	4.19

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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 US 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	03 August 2021
Total net assets	16.26m
Asset class	Equities
Domicile	Luxembourg
Structure	SICAV
Base currency	USD
Index	S&P 500® Index
Morningstar sector	US 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 a concentrated portfolio of shares (also known as equities) of US companies, of any size, in any industry. The Fund will invest 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. 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 S&P 500 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 portfolio of US 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 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. High exposure to a particular country or geographical region carries a higher level of risk than a more broadly diversified portfolio. When a portfolio is concentrated (has a significant portion of its assets invested in a limited number of holdings), an adverse event impacting even a small number of holdings could create significant volatility or losses. 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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Source: Janus Henderson Investors, as at 30 September 2026, unless otherwise noted.

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