

Janus Henderson Global Sustainable Equity Fund

Quarter 4 2019

For promotional purposes

Fund Managers Names: Aaron Scully & Hamish Chamberlayne, CFA

Macro backdrop

Global stock markets marked a strong finish to the year with the MSCI World Index rising by more than 8% in US dollar terms in the final quarter, bringing the total return for 2019 to more than 25%. Markets responded positively to tangible signs of progress on the US and China reaching an initial détente in trade negotiations. The US Federal Reserve (Fed) also made no change to interest rates and several other central banks across the world signalled a more accommodative monetary policy stance ahead. Returns were more modest for sterling based investors as the British pound strengthened in response to a large Conservative Party majority in the UK general election, which promised greater political stability and a possible escape from the Brexit quagmire. With rising optimism, outperformance came from several of the more economically sensitive sectors such as information technology, financials and materials. The industrial and communication services sectors also produced good returns while the more defensive utility, consumer staple and real estate sectors lagged.

From a sustainability perspective 2019 has been an important year with a number of economically impactful ecological events making it into the news headlines. We wonder if we will look back and see it as a tipping point for broader public awareness and concern over the immediacy of global environmental issues. 2019 marked the first bankruptcy directly related to climate change as Californian energy utility PG&E filed for Chapter 11. Terrible fires, often accompanied by record temperatures, have dominated news headlines throughout the year, from heavily populated areas in California, South East Asia and Australia to pristine wildernesses such as the Amazon and the Arctic Circle. And it was also the year a 16 year-old girl from Sweden became a household name, acting as the face of a worldwide climate protest movement, that the issue of plastic pollution firmly lodged itself into the public's consciousness and that people started to wake up to the environmental costs of meat production. On a more positive note, more and more businesses embraced sustainability, with many putting it at the heart of their growth strategies; clean technologies kept on getting cheaper, with the cost to build new renewable energy falling below the running costs of coal; electric vehicle sales had their biggest year ever and automakers committed \$225 billion to electrification in the coming years; and plant-based meat went mainstream.

Fund performance and activity

The fund returned 3.4% in sterling terms over the quarter compared with a 1.1% rise in the MSCI World Index and a 2.1% rise in the IA Global peer group benchmark.

The fund's overweight stance towards the information technology sector had a positive impact on performance, but good stock selection also contributed to positive returns with four of the top ten performers coming from different sectors. Only one of the top three contributors was a technology stock.

The three largest contributors to performance were our positions in health insurer Human, electric vehicle manufacturer Tesla and design software company Autodesk. Humana rebounded strongly due to a reversal of political risk. Early on in the period investors started to place a lower probability on Elizabeth Warren's Medicare for All bill being implemented. This removal of risk then transformed into a tailwind, with President Trump signing a law permanently repealing an Obama-era tax on health insurers. Tesla rose by more than 80% over the period. After reporting a surprise profit in the third quarter the shares were further fuelled by a successful opening of the Shanghai Gigafactory and positive commentary on the production timeline for the Model Y. Shortly after the end of the year the company reported fourth quarter deliveries that were ahead of expectations and this has driven the shares higher still. We spoke with the company in December and we are cautiously optimistic that operational execution is on a sustainably improving trajectory. Meanwhile, it is evident that Tesla has a multi-year lead after a string of underwhelming electric vehicle (EV) launches from competitors that have seen little traction with consumers. Elsewhere, Autodesk rose in fourth quarter as it reported better than expected results and raised its full-year free cash flow guidance. The transition to a recurring, subscription-based revenue model is now largely complete and the results demonstrated progress in converting non-paying users (which still represent nearly three quarters of the global user base) and good momentum in both construction and manufacturing end markets where Autodesk is enabling digital transformation. While Autodesk is not immune to a global growth slowdown, we continue to see long-term growth potential and

Janus Henderson Global Sustainable Equity Fund

numerous self-help margin initiatives over the coming years, giving us conviction in the investment case.

The most significant stock specific detractor was our underweight position in Apple which had a very strong quarter of share price performance. In respect of actual holdings, the two largest detractors were Gildan and Progressive, both of which reported weaker-than-expected results. We believe the weakness in both is due to transitory factors and we do not see any structural impairment to the long-term investment theses. We have maintained our investment in both.

Portfolio turnover was 3.2% in the fourth quarter and 17.3% for the full year. During the quarter, we initiated new positions in Innergex and Zendesk and divested our positions in Costa Group and Waters. Innergex (100% Cleaner Energy) develops and operates renewable power facilities throughout Canada, the US, France and Chile. It specialises in wind, solar and run-of-river hydroelectric projects. The company has partnered with government, NGOs, conservation groups, academia and local organisations on its projects to design and enact solutions that mitigate human-wildlife interaction and disturbance to important ecosystems. Zendesk (100% Knowledge & Technology) is a global provider of customer relationship management software. Its mission is to help organisations build better relationships with their customers. Its software unifies customer communication and customer data across disparate channels and departments, and simplifies the process of providing great omni-channel customer service and engagement across self-service, phone calls, live chat, messaging and email. Built on the public cloud and open standards, Zendesk's software is easy to use and implement thereby giving organisations the flexibility to move quickly, focus on innovation, and enhance productivity.

Outlook/strategy

Our outlook has not changed. Looking around the world it is not hard to find causes for concern. Slowing economic growth, geopolitical instability, the ongoing US-China trade war and Brexit are heavy burdens on business and investor sentiment and we understand why many people are arguing for caution when it comes to equities. We remain constructive on the outlook for equities however, especially those with superior growth characteristics. We have now had several quarters of industrial and manufacturing weakness and there are signs that the stock building cycle and industrial momentum may be close to bottoming. The semiconductor sector is often a lead economic indicator and in the last few quarters we have seen evidence of stabilisation in memory prices with management teams commenting that they expect to see a recovery in 2020. The shift by central banks towards more accommodative monetary policy is highly supportive of growth equities and we still see substantial upside potential in many of our investments. While it is true equity valuations are above long-term averages, on an absolute basis they are at historically low valuations relative to bonds.

We have worked hard to construct a balanced portfolio with well-diversified risk and exposure to resilient and idiosyncratic growth. While we are standing ready to add incrementally to investments that will benefit with a recovery in industrial production, we are mindful that a lot of uncertainty remains. We have a significant allocation to companies with a high degree of recurring revenue, strong balance sheets and which are more insulated from global macroeconomic trends. We believe our sustainability framework helps us to navigate uncertainty, helping us to find investments with resilient growth characteristics and that will compound wealth through periods of economic turbulence.

We are still finding lots of opportunities. There are many companies which are growing strongly due to having products or services exposed to secular trends and our investment framework is specifically designed to help us identify these types of company. Technological change and innovation-driven growth have not slowed down. Sustainability issues will continue to grow in importance, with active managers making a positive impact by consciously allocating capital towards companies that are contributing to a more sustainable planet, and away from those doing harm.

Source: Janus Henderson Investors, as at 31 December 2019

Janus Henderson Global Sustainable Equity Fund

Benchmark information

Index benchmark: MSCI World Index

Index benchmark usage: Comparator

The MSCI World Index is a measure of the combined performance of large and medium sized companies from developed stock markets around the world. It provides a useful comparison against which the Fund's performance can be assessed over time.

Peer group: IA Global Equity

Peer group usage: Comparator

The Investment Association (IA) groups funds with similar geographic and/or investment remit into sectors. The Fund's ranking within the sector (as calculated by a number of data providers) can be a useful performance comparison against other funds with similar aims.

Discrete year performance % change	I Acc	Index	Peer group
31 Dec 2018 to 31 Dec 2019	32.6	23.4	22.0
31 Dec 2017 to 31 Dec 2018	-6.3	-2.5	-5.7
31 Dec 2016 to 31 Dec 2017	18.7	12.4	13.9
31 Dec 2015 to 31 Dec 2016	21.8	29.0	23.9
31 Dec 2014 to 31 Dec 2015	3.9	5.5	2.8

Source: at 31 Dec 2019. © 2020 Morningstar. All rights reserved, performance is on a net of fees basis, with gross income reinvested. Discrete performance data may change due to final dividend information being received after quarter end.

Janus Henderson Global Sustainable Equity Fund

Important Information

This document is intended solely for the use of professionals, defined as Eligible Counterparties or Professional Clients, and is not for general public distribution. Past performance is not a guide to future performance. The value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested. Tax assumptions and reliefs depend upon an investor's particular circumstances and may change if those circumstances or the law change. If you invest through a third party provider you are advised to consult them directly as charges, performance and terms and conditions may differ materially. Nothing in this document is intended to or should be construed as advice. This document is not a recommendation to sell or purchase any investment. It does not form part of any contract for the sale or purchase of any investment. Any investment application will be made solely on the basis of the information contained in the Prospectus (including all relevant covering documents), which will contain investment restrictions. This document is intended as a summary only and potential investors must read the prospectus, and where relevant, the key investor information document before investing. We may record telephone calls for our mutual protection, to improve customer service and for regulatory record keeping purposes.

The Custodian in Spain is BNP PARIBAS SECURITIES SERVICES S.C.A.

Issued in Europe by Janus Henderson Investors. Janus Henderson Investors is the name under which investment products and services are provided by Janus Capital International Limited (reg no. 3594615), Henderson Global Investors Limited (reg. no. 906355), Henderson Investment Funds Limited (reg. no. 2678531), AlphaGen Capital Limited (reg. no. 962757), Henderson Equity Partners Limited (reg. no. 2606646), (each registered in England and Wales at 201 Bishopsgate, London EC2M 3AE and regulated by the Financial Conduct Authority) and Henderson Management S.A. (reg no. B22848 at 2 Rue de Bitbourg, L-1273, Luxembourg and regulated by the Commission de Surveillance du Secteur Financier).

[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.