Janus Henderson

GLOBAL SUSTAINABLE EQUITY ACTIVE ETF (MANAGED FUND)

Janus Henderson INVESTORS

As at November 2022

Fund objective
The Fund seeks to provide capital growth over the long term and to achieve a total return after fees that exceeds the total return of the Benchmark over rolling five year periods.

Investment approach
The Fund seeks to provide exposure to a diversified global portfolio of equities considered by the Manager as contributing to positive environmental or social change, and thereby have an impact on the development of a sustainable global economy.

Benchmark
MSCI World Index (net dividends reinvested) in AUD

Risk profile
High

Suggested timeframe
5 years

Inception date
20 September 2021

Active ETF size
$0.9 million

Underlying fund size
$30.6 million

Management cost (%)
0.80 p.a.

Buy/sell spread (%)^
0.10/0.10

Base currency
AUD

Distribution frequency
Semi-annually (if any)

ARSN code
651 993 118

APIR code
HGI8931AU

ISIN
AU0000169229

ASX ticker
FUTR

Performance	1 Month (%)	3 Months (%)	6 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Since inception (% p.a.)
Fund (net)	3.02	4.99	4.32	-13.86	-	-	-9.79
Benchmark	2.12	6.44	5.21	-5.62	-	-	-1.21
Excess return	0.90	-1.45	-0.89	-8.24	-	-	-8.58

Past performance is not a reliable indication of future results.

Fund performance – net (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep*	Oct	Nov	Dec	YTD
2021	-	-	-	-	-	-	-	-	-2.77	1.46	4.06	0.06	2.72
2022	-5.95	-5.29	-1.47	-4.51	-1.54	-5.12	9.12	-4.02	-4.20	6.37	3.02	-	-13.91

*Fund inception date is 20 September 2021, therefore part month performance is shown.

Top 10 Holdings	(%)
Microsoft	5.95
Autodesk	3.35
Westinghouse Air Brake Technologies	3.17
Aon	3.11
Humana	3.04
Microchip Technology	3.00
Intact Financial	2.84
Progressive	2.77
NVIDIA	2.75
Evoqua Water Technologies	2.69

Characteristics	
Number of Holdings	51

Sector Weightings	(%)
Information Technology	35.01
Industrials	17.78
Financials	15.32
Health Care	7.95
Consumer Discretionary	6.60
Utilities	5.46
Real Estate	4.00
Communication Services	3.91
Materials	1.85
Consumer Staples	0.51
Cash	1.60

Country Weightings	(%)
United States	66.97
Japan	8.34
Canada	6.20
France	4.75
United Kingdom	3.95
Netherlands	3.55
Hong Kong	2.36
Germany	1.67
Australia	0.33
China	0.26
Cash	1.60

^ For more information and most up to date buy/sell spread information visit www.janushenderson.com/en-au/investor/buy-sell-spreads

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(continued)

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Head of Global Sustainable Equities
Hamish Chamberlayne

Portfolio Manager
Aaron Scully

Fund commentary

The Janus Henderson Global Sustainable Equity Active ETF (Managed Fund) (ASX: FUTR) returned 3.02% in November, compared with 2.12% from the MSCI World Index (net dividends reinvested) in AUD (Benchmark).

All sectors within the MSCI World Index were up in US dollar terms. Materials stocks led the way as metal prices rose due to hopes of China abandoning its zero-COVID policy. Industrials and financials also outperformed, helped by improving inflation data and strong company results. By contrast, energy stocks lagged as oil prices slipped lower during the month.

The Fund's underweight position to the materials sector was detrimental to relative performance. The sector includes companies involved in mining, metals and chemicals, many of which we do not invest in. Stock selection in financials also hurt relative performance, where many of our insurance names underperformed relative to banks. While our overweight position to industrials was beneficial to performance, this was more than offset by our holdings in Advanced Drainage Systems (ADS), Wolters Kluwer and Legrand, which underperformed due to various stock-specific challenges following earnings announcements. Despite this, several of our industrial holdings such as Knorr-Bremse, Schneider Electric and Evoqua Water Technologies outperformed thanks to solid results announcements.

On the positive side, good stock selection in information technology supported relative performance. Several of our semiconductor names outperformed due to good earnings and stronger-than-expected demand while no exposure to Apple was also beneficial. By contrast, our allocation to software offset some of the positive contribution due to softer earnings and fears of a slowdown in growth. Underweight allocations to energy and consumer discretionary – the two worst-performing sectors in the index – were also beneficial. The Fund has no exposure to energy due to its exclusionary criteria. Meanwhile, our consumer-facing holdings like Nike, Adidas and Home Depot outperformed other pockets of the consumer discretionary sector such as automobile manufacturers. Relative performance also benefited from the Fund having no position in Amazon and Tesla.

At the stock level, top contributors included Microchip Technology, AIA Group and Nvidia.

Shares in Microchip outperformed after the semiconductor firm delivered a surprise earnings beat. Microchip's revenues were up 26% year-on-year and guidance for the next quarter was higher than its industry peers. The results also highlighted impressive gross margin expansion and demand that continues to outstrip supply. Microchip is a leading supplier of microcontrollers - small, low cost computing devices that are embedded into products to help control and manage their operations. They are used in a wide variety of advanced technologies, enabling innovation and improved efficiency in areas including 5G, data centres, edge computing, electric vehicles and artificial intelligence (AI). The company's end markets are growing fast and have relatively little exposure to consumer spending. Microchip's products also have excellent traction in verticals that are typically less vulnerable to oversupply.

The Fund's position in pan-Asian insurance firm AIA was another key contributor. Total bookings grew by 1% despite significant currency headwinds, beating estimates of a slight decrease. The results also showed a strong sequential recovery across the company's markets. AIA was also supported by the strong outperformance of Hong Kong's Hang Seng Index, which surged due to optimism of a relaxation in China's zero-COVID policy. We continue to view AIA as a quality company with good growth opportunities, which we think could surpass the market's low expectations. The firm's markets in China, India and Southeast Asia have relatively low penetration and strong potential. Meanwhile, life insurance sales in more developed markets are being driven by ageing populations. AIA's products offer a layer of protection for citizens of countries that often lack a social safety net.

The holding in Nvidia was also beneficial as the firm's quarterly earnings narrowly beat consensus estimates.

The holding in Nvidia was also beneficial as the firm's quarterly earnings narrowly beat consensus estimates. Nvidia's data centre and automotive segments both grew slightly while the gaming segment's problem with bloated inventories has largely been reversed. Its management also gave an encouraging update on demand in Nvidia's cloud computing and AI markets. We feel the latter will be a big driver of demand for graphics processing units (GPUs), in an area where Nvidia is the clear market leader. Nvidia's GPUs use up to 90% less energy than central processing units for computer graphics, image processing and processing large blocks of data. The firm's products are increasingly being used in ways that enrich and prolong human life. These include applications in medical science, AI, gaming and autonomous vehicles. Given the potential for Nvidia to grow in several large markets, we believed the company's premium valuation at the time of writing was justified and may even downplay the firm's growth opportunities.

On the negative side, Atlassian, Autodesk and ADS were the top detractors from relative performance.

Atlassian posted revenue growth of 31.5%, which was in line with expectations. But the firm meaningfully cut revenue guidance for the next quarter and its full financial year. Given Atlassian's history of "beating and raising" guidance since going public in 2015, its share price fell significantly. Atlassian's management put the weaker growth down to two key trends – fewer free accounts upgrading to paid accounts and slower user growth within existing customer accounts due to hiring freezes. Atlassian expects these conditions to persist for some time and predicted that sales growth will slow to around 20% by the second half of its financial year. Despite this, our long-term thesis remained unchanged. Companies will see some volatility in quarterly results, particularly in times of such economic uncertainty. Atlassian's growth rate is still high in absolute terms and the risk/reward becomes even more attractive to us at the lower share price. Atlassian's software offers time and cost savings to companies seeking to implement the Agile project management philosophy. Agile empowers employees by building accountability, encouraging diversity of ideas, allowing the early release of benefits and promoting continuous improvement. Atlassian operates in over 120 countries and over 200,000 businesses use its products to promote more productive and meaningful work.

The holding in Autodesk also underperformed. The design firm's third-quarter results were relatively in line, but management lowered full-year guidance. The reasons given for the downgrade were macro and foreign exchange headwinds, as well as lumpy free cash flow (FCF) due to Autodesk's move to annual billing. Its management's initial guidance for 2024 was also far softer than expected, driven by more unfavourable currency effects and costs related to exiting Russia. In our opinion, the issues affecting Autodesk are temporary. The company is still set to generate healthy FCF growth, even in a tough operating environment, and its management team is confident that Autodesk can return to double-digit growth in the medium term, given the huge opportunities ahead in construction and other verticals like rail and water infrastructure. We remain positive about Autodesk's move from product to platform company and feel that the company's cloud-based offerings can promote digitisation of the entire design-build-operate process. Autodesk's solutions also help customers design buildings with lower energy needs and a more sustainable environmental impact.

ADS' quarterly earnings suggested that demand may be slowing faster than investors had anticipated. Both quote activity and order pace were weaker in the third quarter, especially in the firm's residential business. As a result, its management lowered its full-year revenue guidance. Despite the negative market reaction, we view this as a solid set of results. Sales for the quarter were up 25%, margins improved and revenues grew in all divisions except Infiltrator. At ten times the size of its largest peer, ADS enjoys a strong market leadership position and is a key enabler in the pipe industry's move from high-emitting traditional materials such as concrete and steel towards plastic. ADS's product is superior to traditional materials and is cheaper to install when all transportation and labour costs are considered. As a result, we felt that the reset in expectations makes ADS even more compelling.

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Market review

The rally in global equities continued in November due to speculation of a slowdown in interest rate hikes as US inflation data for October came in slightly below expectations at 7.7% year-on-year. Markets were also supported by investor optimism of a reopening in China, as the government sought to vaccinate more of its elderly population and reduce its Covid control measures.

Further information
www.janushenderson.com/australia