Janus Henderson

GLOBAL SUSTAINABLE EQUITY ACTIVE ETF (MANAGED FUND)

Janus Henderson INVESTORS

As at May 2024

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

Underlying fund size
$44 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)	5.06	3.70	17.93	21.86	-	-	6.25
Benchmark	2.00	1.65	14.55	21.56	-	-	9.86
Excess return	3.06	2.05	3.38	0.30	-	-	-3.61

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	-5.46	-18.61
2023	5.01	2.07	4.36	0.56	2.76	3.04	-0.40	1.10	-5.18	-0.63	5.70	2.23	22.09
2024	3.48	7.51	2.51	-3.71	5.06	-	-	-	-	-	-	-	15.37

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

Top 10 Holdings	(%)
NVIDIA	6.81
Microsoft	6.75
Westinghouse Air Brake Technologies	4.40
Schneider Electric	3.35
Xylem	3.34
ICON	2.82
Progressive	2.74
ASML	2.55
Intact Financial	2.33
McKesson	2.25

Characteristics	
Number of Holdings	52

Sector Weightings	(%)
Information Technology	31.16
Industrials	26.22
Financials	16.14
Health Care	10.52
Utilities	3.89
Communication Services	3.42
Consumer Discretionary	3.41
Real Estate	2.34
Consumer Staples	0.32
Cash	2.60

Country Weightings	(%)
Australia	0.14
Canada	5.73
France	5.45
Germany	3.09
Hong Kong	1.85
India	1.02
Ireland	2.82
Italy	1.75
Japan	5.16
Netherlands	4.39
United Kingdom	1.68
United States	64.32
Cash	2.60

^ 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) (Fund) returned 5.06% in May, compared with a 2.00% return for the MSCI World Index (net dividends reinvested) in AUD (Benchmark).

Against this backdrop, the Fund's overweight position in IT, the underweight position in consumer discretionary and the Fund's exclusion of energy stocks were positive contributors to relative performance. These positives helped offset the negative contribution from the overweight position to industrials and the underweight to communication services.

Stock selection was strong due mainly to the Fund's holdings in industrials - the benefit of which significantly outweighed the allocation effect noted above - healthcare and utilities. Within industrials, the largest positive contributors to performance were the holdings in Prysmian, Nextracker and nVent Electric. In healthcare, the main positive contributors were Humana and Icon. Within utilities, the strongest contributions came from Boralex and Innergex Renewable Energy. Financials was the only sector where stock selection was notably weak, due mainly to positions in Mastercard, Progressive and Intact Financial.

At the stock level, the largest positive contributors were graphics processing unit (GPU) company NVIDIA, renewable energy firm Boralex and health insurer Humana.

NVIDIA posted another strong set of quarterly results, with revenue growth of 262% year-on-year driven by surging demand for the company's AI data centre GPUs. This reflected increased investment by software customers, such as Microsoft and Google, as they seek to build the necessary infrastructure to support their expanding AI programmes. NVIDIA's management reiterated the scope for further growth based on the recent release of its new Blackwell chips. NVIDIA's GPUs are significantly more energy efficient than alternative chip components and hence have a role to play in reducing carbon emissions. In addition, these products have an essential role to play in AI and automation, both of which offer scope for improvements to quality of life.

Boralex's share price gained following the release of its first-quarter results that showed a 62% year-on-year increase in net income. Its management highlighted higher production at its North American wind farms as the main driver behind the rise in profits. This helped offset weaker power generation and pricing in Europe. The Montreal-based company has more than 3,000 MW of renewable energy capacity, of which 41% is located in France, with 35% in Canada and 24% in the US. By power source, 86% of this capacity comes from wind power with solar and hydro accounting for 8% and 6% respectively. The company has an ambitious investment programme for expanding renewable energy output. As a clean energy supplier, Boralex is making a significant contribution to reducing global carbon emissions.

Humana's share price rose in May, following a weak start to the year. The company provides health insurance primarily focused on Medicare Advantage (a type of health plan) to senior citizens in the US. As we mentioned last month, the profit outlook for 2025 has been revised sharply downwards due to an increase in medical costs, which was not offset by higher government reimbursement rates. In May, investors welcomed the announcement that the current COO Jim Rechtin would be appointed CEO from 1 July. In the longer term, Humana, as the dominant provider of Medicare Advantage plans, is well exposed to ageing demographics in the US. The firm is a pioneer in integrated care and aims to lower costs by encouraging healthy choices that prevent future medical problems.

Inflation across developed market economies has fallen from the pandemic highs.

Notable detractors included electronic design and testing firm Keysight Technologies, design software company Autodesk and ride-hailing and delivery platform Uber Technologies.

Keysight Technologies traded lower following the release of its first-quarter results. Although both revenue and earnings exceeded market expectations, the cautious outlook statement undermined investor sentiment. Keysight offers a range of design and testing solutions to customers enabling them to accelerate innovations in telecommunications, Internet of Things (Iot), network security and electric vehicles. While recent trading patterns have been disappointing, due to customer destocking and macroeconomic headwinds, the company is well placed to contribute to advancing knowledge and technology.

Autodesk's share price continued to fall in the aftermath of last month's announcement that it would not be able to file its annual results within the required time period. Weak investor sentiment reflected nervousness over the outcome of the audit committee investigation and first-quarter results. These were both released just after the market closed on the last day of the month. The company confirmed that no restatement of any financial statement was required, although it did reassign its CFO to another role. Quarterly results also exceeded market expectations. Autodesk's design software is used by architects and engineers worldwide. The software enables customers to optimise designs to dramatically reduce energy usage and materials waste.

Uber Technologies reported much weaker-than-expected results for the first quarter of the year. Its management attributed this to "discrete legal and regulatory reserve changes and settlements". These additional legal costs included the $178 million settlement of a class-action lawsuit brought by taxi drivers in Australia. Uber faces a similar claim from black cab drivers in London. Its management has been under pressure from investors to demonstrate the company's ability to meet these regulatory challenges and to improve the operating margin by controlling costs. Uber's ride-sharing products allow riders to reduce their travel costs while driving higher utilisation of vehicles, fuelling a circular economy dynamic. In addition, Uber has committed to being a fully electric, zero-emission platform by 2030 in Canada, Europe, and the US, and by 2040 globally.

Manager Outlook

Inflation across developed market economies has fallen from the pandemic highs. Although recent inflation data has been mixed, there are now signs of slowing momentum in the US economy with a downward revision to first-quarter GDP growth and weaker-than-expected labour market figures. This has led to renewed investor optimism over the potential for interest rate cuts later this year.

So far in 2024, our strategy has benefited from direct exposure to the AI trend through holdings in semiconductor and semiconductor equipment companies. We believe that optimism surrounding this trend could broaden beyond technology as an increasing number of sectors adopt AI. Consequently, we have been looking at the next level of potential beneficiaries across the value chain. Examples here include increased power consumption due to AI use, which bodes well for our holdings in electrical infrastructure companies and those exposed to upgrading the grid, including Schneider Electric, Legrand, nVent Electric and Prysmian. In addition, generative AI models rely on colossal amounts of data, which creates a compelling opportunity among companies that mine, own and store valuable datasets. Again, our portfolio is favourably exposed to leading franchises with data assets like S&P Global and Wolters Kluwer.

Beyond AI, a commonality among many of our portfolio holdings is their alignment with secular megatrends. We believe that megatrends serve as a strong forcing function for investment theses to play out over time, but they do not always progress linearly. Temporary pullbacks do not imply a reversal in the long-run direction of travel – rather, such episodes can create investment opportunities. Today, we are witnessing such pullbacks in sentiment regarding renewable energy providers and companies linked to electric vehicle adoption. The upcoming US elections have added further disquiet here, as investors mull the impact of a Republican victory on the outlook for sustainable investments, especially those linked to decarbonisation. However, it is noteworthy that during the previous Trump presidency, with its apparently anti-climate undertones, the US actually added more renewable energy than during the Obama administration. Put simply, we believe that the transition to a more sustainable global economy remains one of the biggest investment opportunities of our lifetimes, irrespective of who may be occupying the White House.

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We remain convinced that the best investment ideas and opportunities for the long term are found in companies aligned with big secular trends that result in a more sustainable economy. We will continue to employ our rigorous multi-disciplinary approach to identify these opportunities. We will also continue to stay the course in all market environments to ensure that we deliver on this potential for our clients. As Warren Buffett opined, “The stock market is a device to transfer money from the impatient to the patient.”

Further information

www.janushenderson.com/australia