# Janus Henderson

# GLOBAL SUSTAINABLE EQUITY ACTIVE ETF

## As at October 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 investors with exposure to a diversified global portfolio of companies, whose products and services are aligned to 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

**Share class size**
$1.4 million

**Fund size**
$54.5 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) | 1.93 | -1.55 | 7.58 | 27.64 | 6.92 | - | 6.19 |
| Benchmark | 3.81 | 2.14 | 10.17 | 29.22 | 11.35 | - | 11.20 |
| Excess return | -1.88 | -3.69 | -2.59 | -1.58 | -4.43 | - | -5.01 |

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 | 0.56 | 3.43 | -2.25 | -1.18 | 1.93 | - | - | 18.12 |

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

| Top 10 Holdings | (%) |
|---|---|
| Microsoft | 5.47 |
| NVIDIA | 4.72 |
| Westinghouse Air Brake Technologies | 3.47 |
| Schneider Electric | 3.33 |
| T-Mobile US | 3.03 |
| Progressive | 3.00 |
| Intact Financial | 2.53 |
| Cie de Saint-Gobain | 2.42 |
| Encompass Health | 2.38 |
| Uber Technologies | 2.37 |

| Characteristics | |
|---|---|
| Number of Holdings | 54 |

| Sector Weightings | (%) |
|---|---|
| Information Technology | 27.28 |
| Industrials | 27.22 |
| Financials | 17.42 |
| Health Care | 8.82 |
| Communication Services | 5.97 |
| Utilities | 3.74 |
| Consumer Discretionary | 2.94 |
| Real Estate | 2.07 |
| Consumer Staples | 0.33 |
| Cash | 4.21 |

| Country Weightings | (%) |
|---|---|
| Australia | 0.15 |
| Canada | 5.91 |
| France | 7.82 |
| Germany | 3.84 |
| Hong Kong | 1.80 |
| India | 1.06 |
| Ireland | 3.68 |
| Italy | 2.13 |
| Japan | 4.97 |
| Netherlands | 3.75 |
| Sweden | 1.61 |
| United Kingdom | 1.62 |
| United States | 57.44 |
| Cash | 4.21 |

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

**Head of Global Sustainable Equities**
Hamish Chamberlayne

**Portfolio Manager**
Aaron Scully

## Fund commentary

The Janus Henderson Global Sustainable Equity Active ETF (Fund) returned 1.93% in October, compared with a 3.81% return for the MSCI World Index (net dividends reinvested) in AUD (Benchmark).

Against this backdrop, the Fund's underweight positions in consumer staples and healthcare sectors, and having no holdings in materials stocks, were positive contributors to relative performance. This helped offset the negative contribution from the overweight position in industrials.

Stock selection was the main driver of the relative underperformance of the Fund over the month, with notable weakness in financials, information technology (IT) and healthcare. Within financials, insurers AIA Group and Progressive detracted the most. Within IT, the Fund's overweight position in semiconductor capital equipment company ASML was the biggest detractor from relative returns. In the healthcare sector, Humana and Icon were the biggest detractors, although there was some positive contribution from Encompass which helped lessen the overall negative stock selection. Stock selection in industrials contributed positively, particularly the notable overweight position in Wabtec.

At the stock level, the largest positive contributors were network telecommunications company T-Mobile, rail equipment and systems provider Wabtec, and electrical and digital infrastructure provider nVent Electric.

T-Mobile's share price was boosted during October when it released its third-quarter results, which beat analyst estimates. The business reported profit growth that was ahead of its peers while also raising its guidance for performance over 2024 as a whole. This was well received by investors. T-Mobile is the clear leader in 5G investment in the US, where its 5G networks already cover nearly all of the US, which is around two years ahead of competitors. At the start of November, the company announced it was partnering with other big telecommunications players to progress the roll-out of 6G networks. We believe the company will play a pivotal role in the upcoming era of ubiquitous connectivity through the Internet of Things (IoT).

Wabtec shares enjoyed another strong month, after the company released its third-quarter results. The company benefited from strong demand in freight and transit, while upgrading its guidance for the full-year. The company provides equipment and components to the freight and transit rail industries. Its products are focused on safety and efficiency, including driver control systems, braking, signalling, and low-emission locomotives with enhanced fuel efficiency. With relatively low greenhouse gas emissions, rail and public transport systems have a key role in achieving decarbonisation, as one of the "greenest" modes of transportation available.

nVent Electric's share price rose over October. There was no specific news during the month driving the performance, but the business remains a leader in products and solutions that feed into the safety and sustainability of the electrification megatrend. nVent's end markets are broad, including industrial (automation, digitisation and onshoring), commercial/residential (smart buildings, power and data), infrastructure (data solutions, power utilities, and renewables) and energy (clean fuels, carbon capture and hydrogen) markets. Data centres are a key growth area for the business, and this is an area where huge investment will be needed to meet demands from across the technology sector, notably with regards to artificial intelligence (AI). The company enjoys a scale advantage over its peers and was a pioneer in liquid cooling products, which are 30-50% more energy efficient than air-cooling systems for data centres.

Notable detractors at the stock level included holdings in clinical research company Icon, health insurance provider Humana, and semiconductor capital equipment company ASML.

**Despite global tensions and uncertainties, we maintain a positive economic outlook.**

Shares in Icon fell sharply in October after the company released its third-quarter results. The results were below guidance previously provided by management, with revenues falling notably short of expectations. The company's CEO cited ongoing cautiousness of biotech customers as a primary reason, and although this is expected to continue through the fourth quarter, he noted that recent new strategic partnerships had already contributed to investment pipelines and underpin the fundamental strength of the business. As a clinical research organisation, Icon helps pharmaceutical companies manage the human trial process that supports the development of new drugs and devices that save lives and improve quality of life. Icon has played a role in the development of 18 of the world's top 20 most popular drugs.

Shares in healthcare insurer Humana continued to underperform. This is due to speculation that Humana would face a downgrade in its star ratings, which are assigned and published by the Centers for Medicare and Medicaid Services (CMS). This would affect Humana's eligibility for quality bonuses. We continue to believe that 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.

Although ASML reported third-quarter results above expectations, the company significantly cut its sales forecasts for 2025, which drove the fall in its share price. ASML is focused on inventing advanced technology to produce high-technology lithography (transferring patterns or shapes to silicon wafers), metrology (measurement) and software solutions for the semiconductor industry. This in turn helps facilitate more efficient electronic systems, which underpin most sectors of advanced economies. ASML has a vital role to play in decarbonising the semiconductor industry over the longer term, and as such our investment thesis remains intact.

**Contributors/detractors**

Network telecommunications company T-Mobile was the biggest positive contributor to performance while clinical research company Icon was the largest detractor.

**Outlook**

Despite global tensions and uncertainties, we maintain a positive economic outlook. Our focus is on companies with what we see as attractive valuations and commitment to a sustainable future.

**Manager Outlook**

Looking towards the final leg of the year, AI clearly remains topical, and our recent team discussions have frequently touched upon the subject. As alluded to previously, we delved into the debate of increasing demand for electrical power required to support the ambitious growth plans for data centre capacity in the foreseeable future. Forecasts suggest a considerable surge in energy needs for AI, with data centres possibly consuming over 9% of the current US electricity demand by 2030. It is also estimated that the US needs to add upwards of 10GW of data centre capacity yearly to meet this demand. Meanwhile, there continue to be significant limitations in available power capacity to support such an expansion. For example, firms like Dominion Energy have indicated a waiting period of up to five years for electricity connections, followed by a staggered ramp-up over the ensuing years.

As a result, while we continue to maintain conviction in NVIDIA as it enters an exciting new product cycle, we scaled back the Fund's overweight position as we favour the "picks and shovels" of the AI trend, including the multi-year trend of grid upgrades needed to provide the power for this expansion. In accordance with this approach, our focus will remain on investing in business models and trends that play into the shift towards a more sustainable global economy, with companies that demonstrate durability in their business models offering some of the most compelling investment opportunities.

**Despite global tensions and uncertainties, we maintain a positive economic outlook.**

As we move through the fourth quarter, markets are confronted with geopolitical tensions, especially in the Middle East and Ukraine. Elsewhere, the bigger-than-expected win for Donald Trump in the US election will create uncertainty in terms of policy change, and in Europe challenges persist as France and Germany deal with internal issues. Yet, in the face of increased market fluctuations, we maintain a positive outlook on the resilience of corporations and the broader global economy. With the low risk of an economic 'hard landing' (recession) and inflation largely under control, we believe that financial conditions remain supportive of economic growth.

The key takeaway is that our meticulous bottom-up approach to selecting stocks and alignment with powerful secular trends has proven effective over time. Our history shows our capacity to adeptly navigate varying economic conditions, and our consistent investment process has helped us avoid the pitfalls of the market's irrational exuberance at times. Echoing the wisdom of investing legend Benjamin Graham: "The individual investor should act consistently as an investor and not a speculator".