

Janus Henderson Horizon Global Technology Fund

February 2020

Fund manager names: Graeme Clark, Alison Porter & Richard Clode, CFA

Overview

February saw continued investor concerns around the impact of the Coronavirus as it spread more globally, driving weakness in the broader markets.

Performance and activity

The fund* returned -10.0% versus a benchmark return of -6.5%.

Earlier Coronavirus-related concerns in China led to relative outperformance of Tencent and Alibaba, especially later in the month as those concerns spread globally. Tencent in particular has been perceived as a relative beneficiary from virus-related restrictions given its focus on online games and entertainment. We maintain our constructive view on both stocks. NVidia was another positive contributor to performance after reporting results and outlook ahead of investor expectations on datacentre strength. We continue to see NVidia as a core datacentre and artificial intelligence (AI) play in the semiconductor space. Our relative underweight position in Apple was another positive contributor to performance during the times of weak share price performance.

IAC contributed to performance negatively during February as its shares lagged the broader market. FleetCor was another negative contributor to performance as reassuring results/guidance early in the month disappointed some investors after more robust performance in more recent quarters. Western Digital and TSMC were also negative contributors to performance, driven by market concerns about the cyclical semiconductor sector and the potential impact of the Coronavirus on both production and demand.

We initiated a new position in ON Semiconductor after disappointing quarterly results led to a stock sell-off in the month, creating an attractive investment opportunity thanks to the company's favourable revenue exposure and margin expansion potential at what we see as an attractive valuation. We sold our position in Spotify due to better risk-reward opportunity in other stocks.

Outlook

While the presidential election year and geopolitical factors will likely drive ongoing volatility, we remain constructively biased on the long-term outlook for technology equities. We see rising adoption of technology into the 2020s. In the past decade half the world acquired a smartphone and are connected anytime and anywhere. The cloud now enables any new company or service to scale to billions of users faster and cheaper than ever before, and digital payments have become mainstream allowing these new services to monetise instantly. The confluence of this technology infrastructure has already proved incredibly disruptive in retailing, music, TV, travel, ride hailing and even dating. Artificial intelligence is now leveraging that existing technology infrastructure to disrupt new industries such as financial services (notably in China and India), industrials and health care/medical, driving lower cost services, more efficiency and more productivity. This will enable technology to continue to gain share of the global economy.

We remain focused on finding the long-term winners within these mega themes of internet transformation, payment digitisation, next-generation infrastructure and artificial intelligence at a reasonable price. Following a strong year led by multiple expansion in 2019, we expect an improvement in cyclical profitability this year and continue to look for companies where the magnitude of earnings growth is unappreciated and unexpected. We remain consistent in applying our unique approach of navigating the hype cycle, applying valuation discipline and identifying attractive growth/valuation combinations. This is a style that we believe will be particularly suited to the environment of 2020.

Source: Janus Henderson Investors, as at 29 February 2020

* Gross of fees - gross of 5% initial sales charge. Calculated on a bid to bid basis, with gross income reinvested in USD.

Note: Reference to any specific company or stock is for information purposes only and should not be construed as a recommendation to buy or sell the same.

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