

Janus Henderson Horizon Global Technology Fund

July 2018

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

Performance and activity

Expedia, a core holding in our internet transformation theme, performed well. The stock had underperformed recently on the back of increased costs associated with moving its IT infrastructure to the cloud. The investments in cloud infrastructure give Expedia further flexibility and speed up its ability to improve its products and results were better than feared during the most recent quarter. Longer term we find the growth outlook attractive with a strong market position shared with Booking.com and an attractive valuation.

Broadcom detracted from performance as the company announced its intention to purchase legacy software company, CA Technologies. While we were surprised by the strategic merger and acquisition (M&A), the decrease in market value on the day assigned zero value to the transaction.

We sold Red Hat as the company approached our assessment of fair value. We added a new position in Trimble who sell equipment and software into the agriculture and construction segments.

Outlook

The long-term drivers of technology remain intact as the sector continues to take share versus the old economy, driven by demographics and innovation. We continue to be excited about the broad growth of payment digitisation, investment in next generation infrastructure (cloud and 5G), internet transformation (e-commerce, media, travel etc. increasingly moving online) and artificial intelligence (changing interface with technology and the transport revolution).

Navigating the hype cycle has heightened importance given that strong returns are attracting incremental capital to the sector and, in our view, there are pockets of irrational exuberance. Regulatory scrutiny will likely continue, though the effects of EU regulatory changes and charges have been well managed to date. Following recent outperformance, relative share price valuations are now at neutral levels and in line with long-term historic averages. As ever, our bottom-up approach to investing focuses on powerful secular themes and growth at a reasonable price. The sector has the strongest balance sheet of all equity sectors and in our view has greater flexibility to benefit from this after the recent changes in the repatriation of overseas cash from US tax reforms.

Source: Janus Henderson Investors, as at 31 July 2018

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