Janus Henderson

NET ZERO TRANSITION RESOURCES FUND

Janus Henderson INVESTORS

As at February 2024

Fund objective
To achieve a total return after fees that exceeds the total return of the Benchmark over rolling five year periods.

Investment approach
The Fund will invest in companies whose products, services and activities are contributing to or benefiting from the goal of achieving "net zero" carbon emissions through the decarbonisation of the global economy, such as carbon reduction, energy transition, sustainable mobility, sustainable industry, and sustainable agriculture.

Benchmark
S&P Global Natural Resources Index (net dividends reinvested) in AUD

Risk profile
Very High

Suggested timeframe
5 years

Inception date
9 March 2022

Fund size
$25.7 million

Minimum investment
$25,000

Management cost (%)
0.85 p.a.

Buy/sell spread (%)
0.15/0.15^

Base currency
AUD

Distribution frequency (if any)
Semi-annually

ARSN code
657 029 822

APIR code
HGI3426AU

Performance	1 month (%)	3 months (%)	6 months (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	Since inception (% p.a.)
Fund (net)	0.21	2.38	-0.87	-0.89	-	-	-2.00
Benchmark	1.06	-0.38	-3.44	-0.68	-	-	4.69
Excess return*	-0.85	2.76	2.57	-0.21	-	-	-6.69

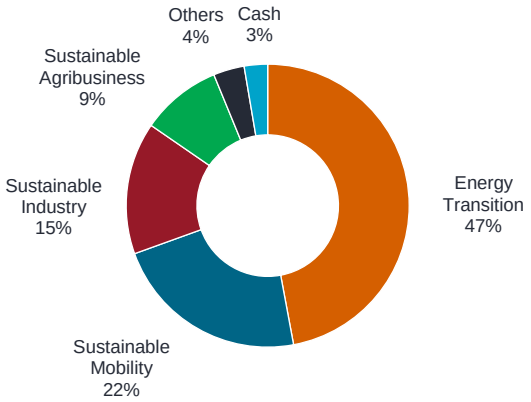
*Excess return is measured against net performance.
Past performance is not a reliable indication of future performance.

Fund performance – net (%)

	Jan	Feb	Mar*	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2022	-	-	6.18	-2.70	-2.96	-15.54	6.42	2.18	-6.34	6.60	6.07	-3.16	-5.57
2023	5.55	-2.72	-1.36	-0.09	-3.98	4.61	3.57	-2.48	-4.39	-3.20	4.63	3.27	2.65
2024	-1.07	0.21	-	-	-	-	-	-	-	-	-	-	-0.86

*Fund inception date is 9 March 2022, therefore part month performance is shown.

Theme Allocation



Rounding accounts for small +/- from 100%.

Top 10 Holdings	%
Nexans	5.85
Wheaton Precious Metals	4.60
NextEra Energy	4.28
UPM-Kymmene	4.17
Linde	4.16
Vestas Wind Systems	3.31
Ivanhoe Mines	3.27
Weyerhaeuser	3.13
Freeport-McMoRan	2.83
Smurfit Kappa Group	2.75

Holdings by market cap (USD)		%
> $20 Billion	10	25.85
$10-$20 Billion	14	34.25
$1-$10 Billion	22	33.32
<$1 Billion	3	3.92
Cash	-	2.67
Total number of holdings	**49**	**100**

^ 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)

Senior Portfolio Manager
Tal Lomnitzer, CFA

Market review

The S&P Global Natural Resources Index (net dividends reinvested) in AUD (Benchmark) finished marginally higher but lagged the MSCI World Index. Within the Benchmark, Agriculture shares performed best with a 4.8% return. Energy shares gained 2.3% and Metals & Mining shares fell 3.9%.

In US dollars, WTI Crude finished 3% higher due to tensions in the Middle East. Elsewhere in Energy, US natural prices dropped 11% and uranium prices fell 7% from recent highs. In precious metals, gold and silver prices both finished around 1% lower on the prospect of a longer wait for interest rate cuts. This also impacted industrial metals, with copper down 2% and larger falls in aluminium and zinc. The exception was nickel, which finished 9% higher amid expectations of sanctions on Russian supplies. Elsewhere, lithium bounced on hopes of improved Chinese demand and key crop prices trended lower.

Fund performance

The Janus Henderson Net Zero Transition Resources Fund (Fund) underperformed its Benchmark over February by 0.85%. This was largely due to selections in Energy, where our overweight allocation to uranium was unfavourable. Sector allocation also detracted as the Fund's underweight in Agriculture and overweight in Metals & Mining proved to be headwinds. More positively, selections in Metals & Mining were beneficial as our lithium and mid-cap copper holdings outperformed.

Our holdings in precious metals royalty firm Wheaton Precious, gold miner K92 and uranium miner Cameco were notable detractors. Wheaton's estimated production for 2024 disappointed investors. Meanwhile, K92 shares fell after the company released drilling results from its Arakompa gold project in Papua New Guinea. Cameco fell on lower-than-expected uranium production during 2023 and a marginal earnings miss.

By contrast, our holdings in high voltage cabling firm Nexans, industrial gases company Linde and lithium producer Albemarle were beneficial. Nexans announced better than expected adjusted profits and a strong backlog thanks to recent project wins. Linde's annual earning also beat expectations and the company provided in-line guidance for 2024. Albemarle and several of our other lithium holdings benefited from an uptick in lithium prices at the end of February. There is an increasing sense that lithium is close to bottoming after a number of higher cost producers have curtailed production in response to weak prices.

In a quiet month of trading activity, we increased the Fund's overweight in copper by adding to several holdings including Lundin, Freeport McMoRan and Capstone. Our only outright sale was the position in Sigma Lithium.

Against the Benchmark, the Fund is overweight in the following sub-industries – Copper, electric utilities (renewable energy), uranium, electrical equipment, diversified metals & mining, precious metals, timber and industrial gasses. As the Fund was established to invest in companies whose products, services, and activities we consider to be helping or benefitting from the goal of achieving net zero carbon emissions, the overweight positions are counterbalanced by the exclusion of oil and gas (integrated, exploration & production, refining & marketing, and equipment & service) and thermal coal producers. The Fund also has underweight exposure to steel, paper & plastic packaging products, fertiliser and agricultural chemicals.

NET ZERO TRANSITION RESOURCES FUND

(continued)

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Fund Thematics

Energy Transition

The global energy transition remains a significant demand driver for the enabling commodities, products and services. Green industry bills such as the US Inflation Reduction Act and the European Union (EU)'s Green Deal Industrial Plan should provide a long-term tailwind through the incentives and legislative certainty that they provide.

2023's COP28 conference featured an agreement to triple renewable energy capacity by 2030 and the strongest wording yet on moving beyond fossil fuels. The biggest winner, however, appeared to be nuclear energy. 20 countries including the US and UK agreed to triple nuclear capacity by 2050, and the energy source was included in the list of technologies needed to combat climate change for the first time. This trend continued in February, as nuclear energy was listed among several "net zero technologies" to be prioritised by the EU's Net Zero Industry Act (NZIA).

The Fund's exposure to the energy transition theme includes wind turbine manufacturer Vestas, fuel cell producer Bloom Energy, green utility Northland Power, and hydrogen producers Air Products and Linde. In addition to this, the Fund owns copper mining and high voltage cable companies (both of which are essential for renewable power grids). The Fund is also overweight uranium through positions in mining firms Cameco, NexGen, Denison and Uranium Energy Corp.

Sustainable Agribusiness

Global food systems equate to around one-third of worldwide emissions, with almost 40% of that coming from agricultural production. If net zero targets are to be achieved, agriculture will need to reduce emissions while meeting the needs of a growing population, many of whom are striving to obtain the same quality of life and consumption levels seen in developed countries.

These competing trends have led to tension and protests from farmers regarding green legislation. We saw this again in February, as the EU was forced to lighten rules on the use of chemical pesticides and abandon a key target related to farming emissions. Despite these concessions, we feel that agriculture will continue to be a prime target for tougher net zero legislation over the coming years.

We believe these challenges present large market opportunities for select companies in precision agriculture, crop protection and farm machinery. The Fund's exposure to this theme includes farming equipment supplier AGCO and select fertiliser firms including Nutrien, CF Industries and Mosaic. The Fund also owns food commodity and ingredient supplier Bunge.

Sustainable Mobility

The transition to electric vehicles (EVs) plays a central role in global net zero legislation. Growing EV adoption, though volatile, should underpin long-term demand growth for battery materials, copper and speciality metals. EV adoption has accelerated rapidly but it is still at an early stage. For example, the International Energy Agency expects EVs to rise from 15% of new car sales today to around 40% by 2030. There is some debate around this at present, with some analysts expecting closer to 30% penetration by that time.

Rising EV demand is taking place alongside a push from developed economy countries to re-shore manufacturing and cut reliance on countries like China for products and raw materials critical to the net zero transition. We believe this dual trend of EV adoption and reshoring could support the value of EV metal mining assets based in favourable locations.

The Fund's exposure to the sustainable mobility theme includes several lithium producers including Albemarle and Pilbara Minerals. The Fund is also overweight copper mining such as Freeport, Ivanhoe, Capstone and Ero Copper and cabling firms such as Nexans and Prysmian, which stand to benefit from growing demand thanks to copper's use in EVs and grid infrastructure. Copper demand also stands to benefit from the ongoing roll out of artificial intelligence (AI) data centres which are increasingly significant consumers of both electricity and copper.

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Carbon Reduction

Carbon capture, utilisation and storage (CCUS) attracts fewer column inches than EVs or renewable energy, but it is essential for achieving net zero. This is especially true in a world where oil, gas and coal production will be required for decades, albeit as a falling percentage of energy generation.

CCUS is currently the Fund's least active sector, but we continue to monitor new and emerging technologies and have modest exposure through our holdings in industrial gas companies Air Products and Linde.

Sustainable Industry

Our sustainable industry theme seeks to invest in companies that deliver sustainability gains to other firms and society in general. As companies rush to meet changing laws, consumer demands and their own sustainability targets, providers of sustainable solutions could see growing demand. Examples range from packaging suppliers helping firms move away from single use plastics to companies providing recycling services.

In February, the European Council and European Parliament agreed a preliminary version of the NZIA. The legislation aims to ensure that Europe becomes an industrial hub for technology related to renewable and nuclear energy generation, emissions reduction, EVs and recycling, among others.

Our exposure to this theme includes sustainable fibres company UPM-Kymmene, metal recycling firm Befesa, biomaterial packaging producer Smurfit Kappa and forestry businesses including West Fraser and Weyerhaeuser.

Market Outlook

Sentiment towards many natural resource companies has been clouded by concerns regarding China's economy and the impact of higher interest rates on OECD economies. The latter has weighed especially on companies seeking to invest in growth opportunities related to the net zero transition. Despite this, we remain optimistic about the medium-term prospects for well-run companies with exposure to this trend.

In Energy, new renewable capacity most likely hit another record in 2023. And given that COP28 brought an agreement to triple renewable energy capacity by 2030, it appears likely that investments in this area will accelerate. Although companies will need to adapt to the reality of higher interest rates, developments such as the EU Wind Package suggest that they will get plenty of support in the way of legislation. We remain bullish on uranium, the price of which rose considerably in 2023 but will need to stay high to encourage requisite investment in new sources of supply. For a long time, we have viewed nuclear energy as a vital function in the net zero energy equation. If COP28 and recent legislation in the US is anything to go by, this message finally seems to be getting through to governments.

In Metals and Mining, the transition to renewables and EVs remains a strong demand tailwind for several commodities. At the same time, long-term supplies of many materials look tight due to rising costs and the obstacles involved in establishing new mines. This has caused mining capital expenditure to fall towards a 30-year low in inflation-adjusted terms, with few signs of an increase in 2024. As demand for copper and EV battery materials continues to grow, this presents a potentially lucrative challenge to producers. We expect that it will result in further takeover activity, with a focus on high-quality assets and targets of strategic value to mining majors.

As for Agriculture, Earth's growing population entails an obvious need for more food. Meanwhile, farming acreage is constrained by urbanisation and extreme weather exacerbated by increased carbon emissions. This imbalance will require more innovation and investment in farm equipment, precision farming services and inputs, such as fertiliser, that increase yield. The Fund's Agriculture exposure also includes forestry assets, wooden building products and biomaterial based packaging.

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Many of the demand drivers and trends we've mentioned – such as unprecedented investments into renewable energy – are likely to continue regardless of the economic environment. However, we remain mindful that weakness in China and a slowdown in the OECD countries could put short-term pressure on commodity prices and company earnings. Our quality driven investment process continues to focus on natural resource companies with world-class assets, strong balance sheets, low costs or high margins, good access to funding and strong or improving ESG profiles.

Mega-theme	Sub-theme	Weighting (%)
Energy Transition (47.1)	Resource enablers	18.0
	Hydrogen	5.2
	Grid / power generation	16.5
	Renewable energy	6.2
	Fuel Cells	1.2
Sustainable Agribusiness (9.2)	Nutrition	2.7
	Precision farming	1.3
	Fertiliser	5.2
Sustainable Industry (15.1)	Circular economy/recycling	5.8
	Wood	5.2
	Plastic replacement	4.2
Sustainable Mobility (22.4)	EV metals	22.0
	Low carbon transport	0.4
Others (3.5)	Precious Metals	3.5
Cash (2.7)	Cash	2.7

Important information

The Product Disclosure Statement for the Fund, dated 29 September 2023, and the Additional Information Guide, dated 29 September 2023, are available at www.janushenderson.com/australia.

Past performance is not a reliable indicator of future performance. Performance source: Morningstar, Janus Henderson. Performance figures are calculated using the exit price net of fees and assume distributions are reinvested. Due to rounding the figures in the holdings, breakdowns may not add up to 100%. The information in this monthly report was prepared by Janus Henderson Investors (Australia) Funds Management Limited ABN 43 164 177 244, AFS Licence 444268 and should not be considered a recommendation to purchase, sell or hold any particular security. Securities and sectors mentioned in this monthly report are presented to illustrate companies and sectors in which the Fund has invested. Holdings are subject to change daily. This monthly report contains general information only and does not take account of your individual objectives, financial situation or needs. The value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested. None of Janus Henderson Investors (Australia) Funds Management Limited nor any of the Janus Henderson group entities nor their respective related bodies corporate, associates, affiliates, officers, employees, agents or any other person are, to the extent permitted by law, responsible for any loss or damage suffered as a result of any reliance by any reader or prospective investor. You should consider the current PDS, available at www.janushenderson.com/australia, before making a decision about the Fund. Target Market Determinations for funds issued by Janus Henderson are available here: www.janushenderson.com/TMD. Dollar figures shown are in Australian Dollars (AUD), unless otherwise stated.

Further information
www.janushenderson.com/australia