

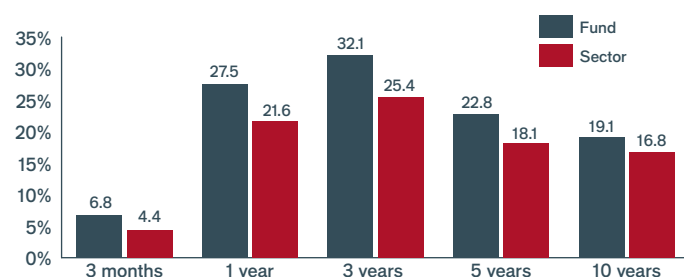
## Quarterly review

For promotional purposes | For professional investors only

### A diversified global technology fund designed to:

- Capture capital growth opportunities.
- Invest with no geographical or sector restrictions allowing diversification and investment into exciting new technology growth areas.
- Deliver exposure to a fast-moving sector that embraces change.

### Performance summary (Q3 2018)



Source: Morningstar, 30 September 2018. I accumulation fund share class bid to bid, net of fees. Sector IA Technology & Telecommunications. Total returns in GBP terms. 3, 5 and 10 year annualised returns.

Past performance is not a guide to future performance.

### Market and performance overview

- The Janus Henderson Global Technology Fund returned 6.8% (I Acc share class) over the quarter compared to the sector average (IA Technology & Telecommunications) return of 4.4%, while the MSCI AC World Information Technology Index returned 7.5%.
- IAC performed well during the quarter. The internet company reported very strong results across the board.
- Amazon outperformed after reporting strong results, driven by an acceleration in cloud adoption and the strength in its advertising business.
- Western Digital underperformed as the memory solutions company issued weaker-than-expected guidance.
- Vipshop also detracted from performance and given our concerns about the change in strategy and execution track record, we exited our position.

### Performance %

		Q1	Q2	Q3	Q4	Full year
2014	Fund	-0.71	3.02	7.00	8.11	18.34
	Sector Average	0.75	0.38	3.91	7.34	12.80
2015	Fund	5.83	-5.81	-3.85	15.80	10.99
	Sector Average	6.96	-3.38	-5.97	10.90	7.76
2016	Fund	-0.18	3.92	18.35	4.01	27.69
	Sector Average	-1.21	6.48	16.00	2.75	25.38
2017	Fund	12.41	3.55	5.09	7.93	32.03
	Sector Average	10.68	2.58	2.82	5.82	23.56
2018	Fund	-2.54	13.41	6.84		
	Sector Average	-1.71	12.06	4.35		

Source: Morningstar, 30 September 2018. I accumulation share class total returns in GBP terms, bid to bid, net of fees. Sector: IA Technology & Telecommunications.

Past performance is not a guide to future performance. 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.

### Key fund characteristics:

Sector:	IA Technology & Telecommunications
Index:	MSCI All Countries World Information Technology Index
Launch date:	8 October 1984
Fund size:	£0.9bn
Number of stocks:	52
Fund managers:	Alison Porter, Graeme Clark, Richard Clode

Source: Janus Henderson Investors, at 30 September 2018.

Fund return (Q3)	6.8%
Sector average (Q3)	4.4%
Index (Q3)	7.5%

Source: Janus Henderson Investors and Morningstar, 30 September 2018.

## Performance analysis over the quarter

### Stock level analysis (relative to the index)

Key contributors	Country	Total effect	Drivers
Tencent	China	+0.52	Tencent fell on disappointing results. The fund was underweight during the quarter. We took the period of weakness to add to Tencent.
IAC/InterActiveCorp	US	+0.37	IAC performed well. The internet company reported very strong results across the board.
Amazon	US	+0.24	Amazon outperformed after reporting strong results, driven by an acceleration in cloud adoption and the strength in its advertising business.
Universal Display Corporation	US	+0.18	Outperformed on positive results.
Xilinx	US	+0.15	Early 5G adoption is driving a positive backdrop for the stock.
Key detractors	Country	Total effect	Drivers
Naspers	S.Africa	-0.32	Fell due to weakness in Tencent, as Naspers is a holding company with significant ownership in Tencent.
Taiwan Semiconductor Manufacturing	Taiwan	-0.28	The fund does not hold the stock and it outperformed over the quarter.
Western Digital	US	-0.25	Western Digital underperformed as the memory solutions company issued weaker-than-expected guidance.
Vipshop	China (US ADR)	-0.23	Vipshop detracted from performance and given our concerns about the change in strategy and execution track record, we exited the position.
Alibaba	China	-0.22	Wider China trade issues, increased costs and Jack Ma announcing his intention to step down as Chairman, weighed on the stock.

Source: Factset/Janus Henderson Investors, at 30 September 2018. Relative to the MSCI AC World Information Technology Index.

## Portfolio activity through the quarter

Key buys	Drivers
Nvidia	We have long admired the strength of the franchise in artificial intelligence (AI), autos and gaming and believe that some of the risks around cryptocurrency-related demand have dissipated.
Applied Materials	We used the period of weakness in the broader semi sector to add to Applied Materials.
Worldpay	We added a position in the payments company. We expect synergies to come from its merger with Vantiv earlier this year, which also made it a leading merchant acquirer.
Key sales	
Vipshop	We have concerns about the change in strategy and execution track record so we exited the position.
Intel	We sold out of Intel and used the proceeds to add to Applied Materials (semi cap equipment) and WorldPay (payments) where our conviction for future share price growth potential is higher.
Western Digital	The memory industry has enjoyed a favourable backdrop recently, with supply remaining tight and demand extremely strong. While we still believe the industry has strong growth potential and has a more favourable structure in the long term, we feel other companies are better positioned and sold the position.

Source: Factset/Janus Henderson Investors, at 30 September 2018.

## Portfolio analysis

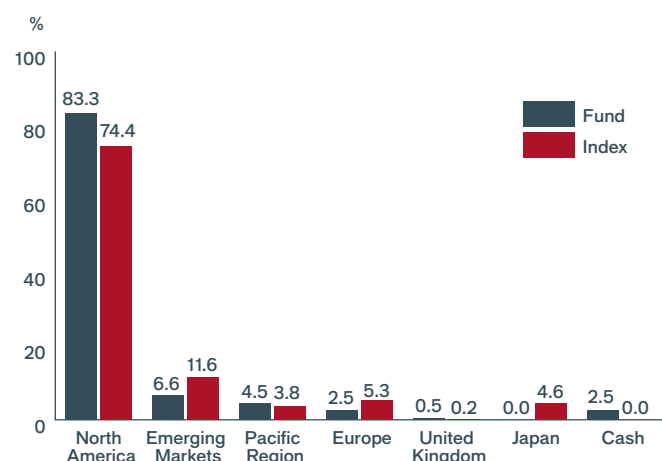
Market cap distribution	Weight %
>£50bn	67.2
£20bn-50bn	14.6
£5bn-20bn	12.2
£2bn-5bn	2.4
£500m-2bn	1.0
<£500m	0.0
Cash	2.5

Risk analysis**	Fund
Active share as at 30 September 2018	42.62
Realised tracking error	5.76
Information ratio	0.00
Alpha	-0.36
Realised beta	1.01
R <sup>2</sup>	84.17
Sharpe ratio	2.17
Realised fund volatility	14.49
Realised sector volatility	11.90

\*\*Source: Janus Henderson Investors/Morningstar, ex-post I Acc shares in GBP, for the period of 3 years to 30 September 2018, based on monthly returns unless otherwise stated. For definitions please refer to glossary details on back page.

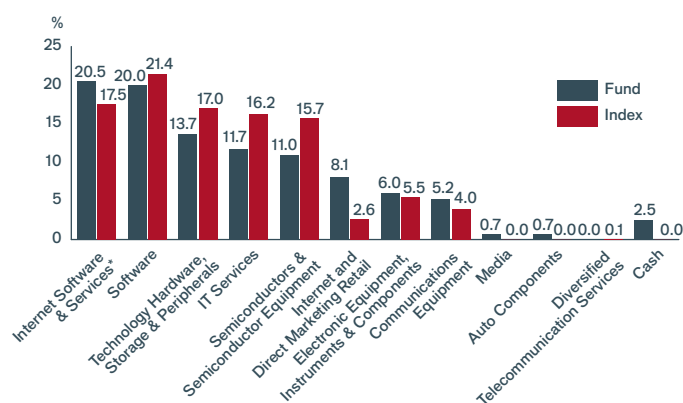
## Positioning

### Country allocation



Source: Factset/Janus Henderson Investors, at 30 September 2018. Index: MSCI AC World Information Technology Index. Totals may not sum to 100 due to rounding.

### Industry and sector allocation



\*includes Internet & Direct Marketing Retail

## Top 5 stock overweights and underweights

Overweights	% of fund	% active weight	Sector	Investment rationale
Amazon	2.3	+2.3	Internet & Direct Marketing Retail	Amazon continues to dominate in the ecommerce and cloud computing areas and invest in international ecommerce and media with a long-term view.
Broadcom	2.8	+1.7	Semiconductors & Semiconductor Equipment	Cost synergies from the merger with Avago are being realised and the combined entity has an attractive valuation with multiple strong franchises notably in Film Bulk Acoustic Resonator (FBAR) filters and ethernet switches.
Samsung Electronics*	4.0	+1.6	Technology Hardware Storage & Peripherals	An attractive valuation and strong balance sheet is being married with more shareholder-friendly policies and a recovery in profits driven by strong component franchises, notably their leadership in 3D NAND flash memory and flexible displays.
Cisco Systems	3.9	+1.4	Technology Hardware Storage & Peripherals	Cisco is an attractively valued leader in networking and security and enjoys tailwinds from enterprise campus refresh, 5G and business transition to more recurring revenues.
IAC/InterActiveCorp	1.6	+1.4	Internet Software & Services	IAC owns a portfolio of internet-related assets including Match Group (which owns dating app Tinder) and ANGI Homeservices (a digital marketplace for home services), both of which are publically listed. The implied share price valuation places a negative value on the other non-listed holdings IAC owns but we believe this to be unjustified.

\*includes preference and ordinary shares.

### Underweights

Intel Corporation	-	-2.4	Semiconductors & Semiconductor Equipment	Underweight given concerns on the sustainability of franchise.
Taiwan Semiconductor Manufacturing Co.	-	-2.3	Semiconductors & Semiconductor Equipment	Underweight due to slowing smartphone growth and increasing competition.
Apple	9.6	-2.3	Technology Hardware Storage & Peripherals	Our positive view on Apple is retained; however, the fund cannot hold more than 10% in any one security hence the underweight against the index.
Oracle	-	-1.7	Software	Management execution has been mixed and we remain concerned by the impact of cloud computing growth on results and increasing competition in Oracle's market-leading database business.
IBM	-	-1.5	IT Services	IBM has significant exposure to legacy contracts in IT services, weaker emerging markets and secularly-challenged areas in software.

Source: Janus Henderson Investors, at 30 September 2018. Note: Fund is the Janus Henderson Global Technology Fund. Relative holdings are to the MSCI AC World Information Technology Index.

## 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 (such as ecommerce, media and travel 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 there are pockets of irrational exuberance.

- Regulatory scrutiny will continue, though the effects of EU regulatory changes and charges have been well managed to date in our view.
- Following recent outperformance, relative share price valuations now seem at neutral levels and in line with long-term historical averages.
- As ever, our bottom-up approach to stock selection focuses on powerful secular themes and growth at a reasonable price.
- The sector has the strongest balance sheet of all equity sectors and we feel it has greater flexibility to benefit from this after the recent changes in the repatriation of overseas cash from US tax reform.

\* identifying and understanding where an emerging technology is on the hype cycle (hype, adoption, maturity, social application phases), which helps to avoid areas of the market in the hype phase.

### Long-term technology outperformance



Source: Datastream, as at 30 September 2018

Note: MSCI AC World IT Total Return Index, MSCI AC World Total Return Index, in USD. Indices rebased to 100 as at 30 September 1998.

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### Long-term relative technology valuation

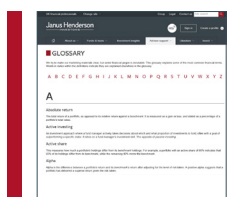


Source: Bernstein, as at 30 September 2018

Note: Forward P/E = Price to forward earnings.

MSCI AC World Technology Sector, price-to-forward earnings relative to MSCI AC World Index. September 1998 to September 2018.

**Past performance is not a guide to future performance.**



## Glossary

Please see [HGI.co/glossary](https://www.hgi.co/glossary) for a glossary of financial terms used in this document.

**Janus Henderson**  
—KNOWLEDGE. SHARED—

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