

Janus Henderson

INVESTORS

SUSTAINABILITY AS AN INVESTMENT STRATEGY

Seeking companies on the right side of disruption

Hamish Chamberlayne
Head of SRI

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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.

LIMITS TO GROWTH - THE OLD ECONOMIC MODEL IS FAILING

A world of investment risk

A photograph of several men wearing hard hats and safety glasses, looking intently at a document or blueprint on a construction site. The image is overlaid with a semi-transparent red filter.

THE OLD WORLD

SUSTAINABILITY DEFINED

1987 – Brundtland Report

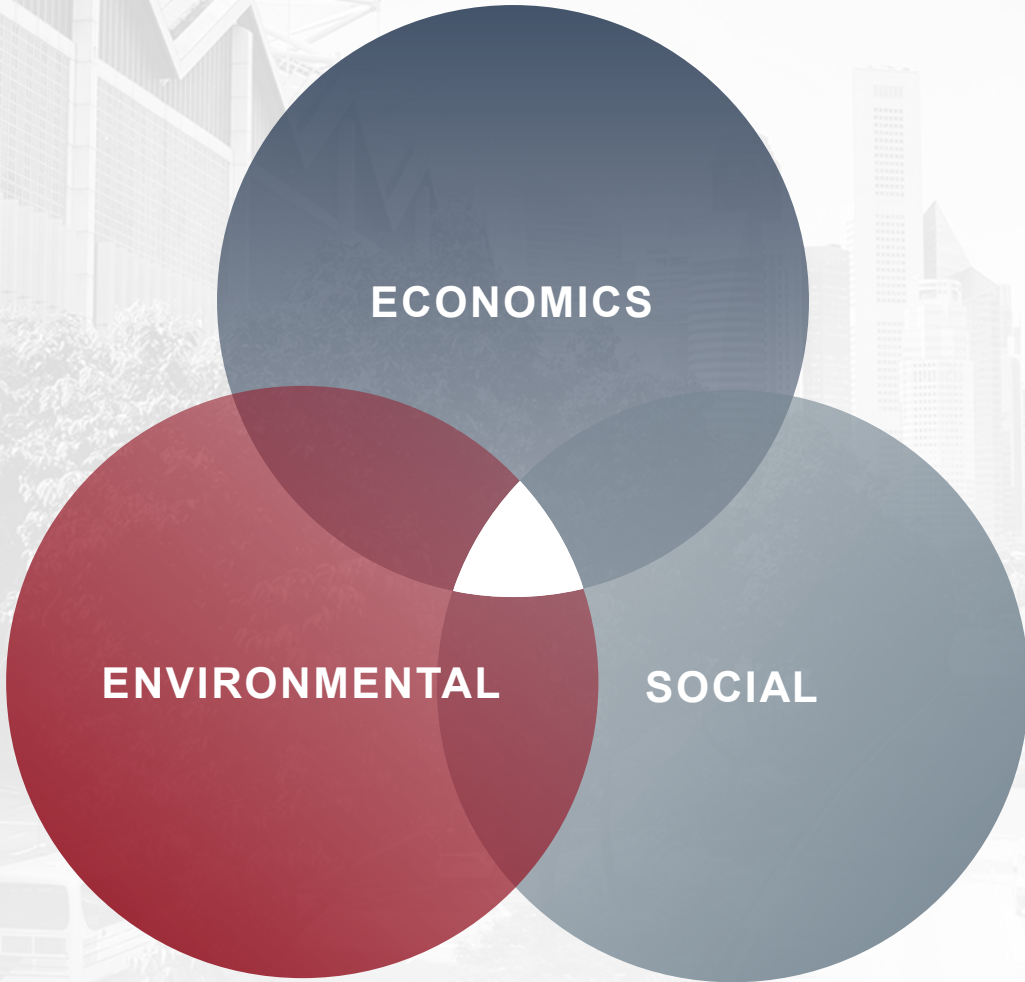
ENVIRONMENTAL

ECONOMICS

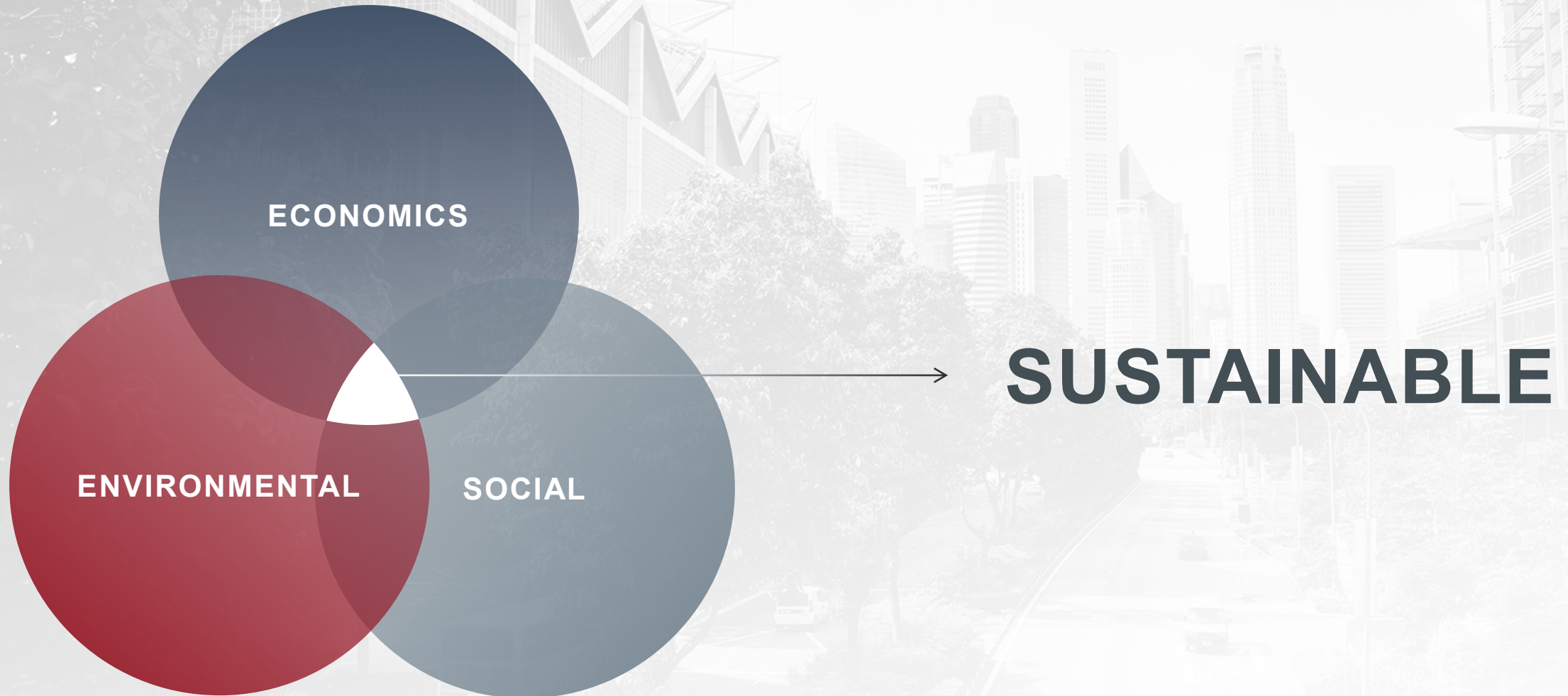
SOCIAL



WEALTH CREATION WITHOUT BORROWING FROM THE FUTURE



WEALTH CREATION WITHOUT BORROWING FROM THE FUTURE



JANUS HENDERSON GLOBAL SUSTAINABLE EQUITY

Strong investment framework designed to generate long term performance

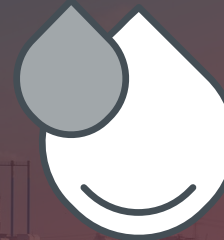
4 MEGA TRENDS



Population growth



Ageing population



Resource constraints



Climate change

10 THEMES



ENVIRONMENTAL

- Efficiency
- Cleaner Energy
- Water Management
- Environmental Services
- Sustainable Transport

A low carbon portfolio

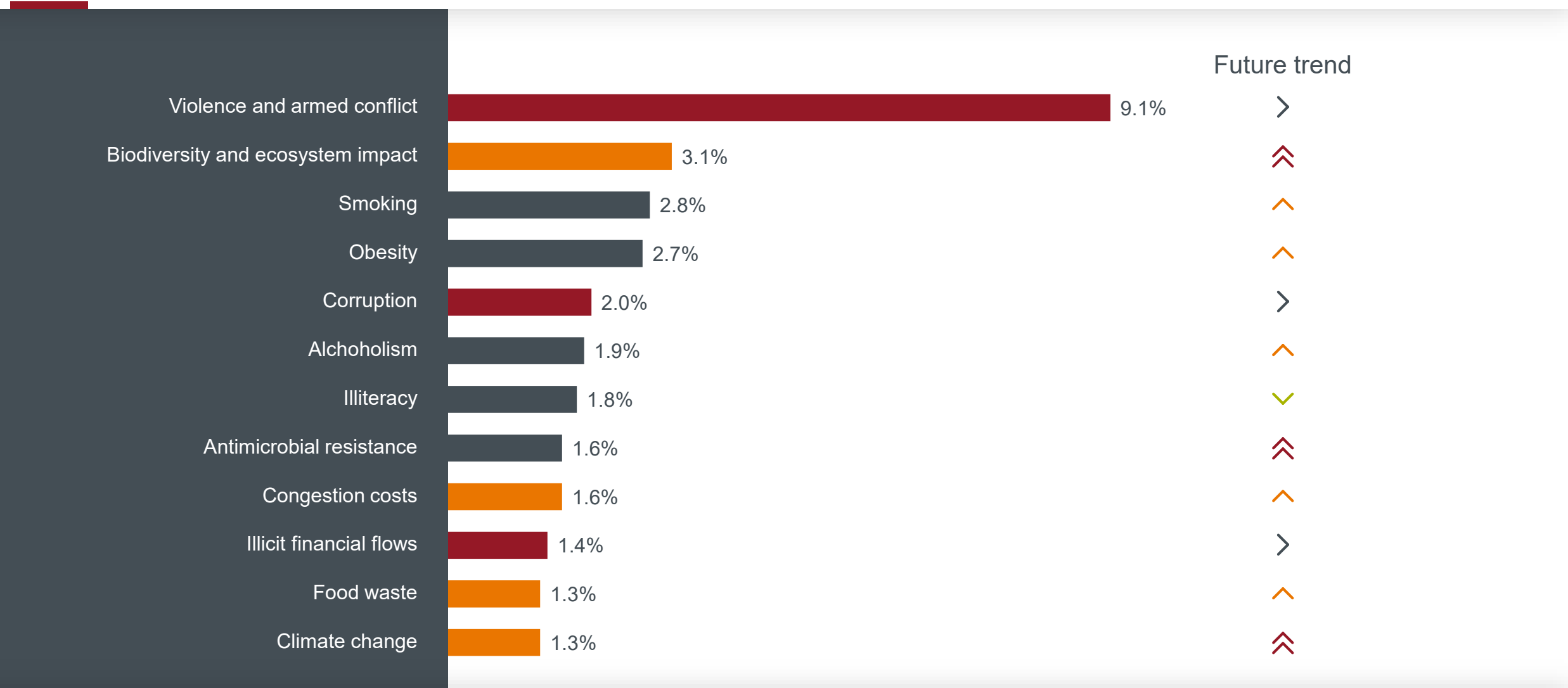


SOCIAL

- Sustainable Property & Finance
- Safety
- Quality of Life
- Knowledge & Technology
- Health

RECOGNISING THE COST OF ECONOMIC EXTERNALITIES

More than \$20 trillion of negative impact on global prosperity



AVOIDANCE CRITERIA

Not investing in businesses involved in activities contrary to the development of a sustainable economy and therefore at risk of disruption or regulation

People

Alcohol

Armaments

Gambling

Pornography

Tobacco

Environment

Fossil fuel extraction & refining

Fossil fuel power generation

Chemicals of concern

Contentious industries

Nuclear power

Animals

Animal testing

Fur

Genetic engineering

Intensive farming

Meat & dairy production

All holdings compliant with UN Global Compact

RECALIBRATING THE ECONOMIC MODEL

A world of investment opportunity

THE NEW WORLD

THE AGE OF DISRUPTION

Two generational investment trends



Low carbon energy transition

The digitalisation of energy

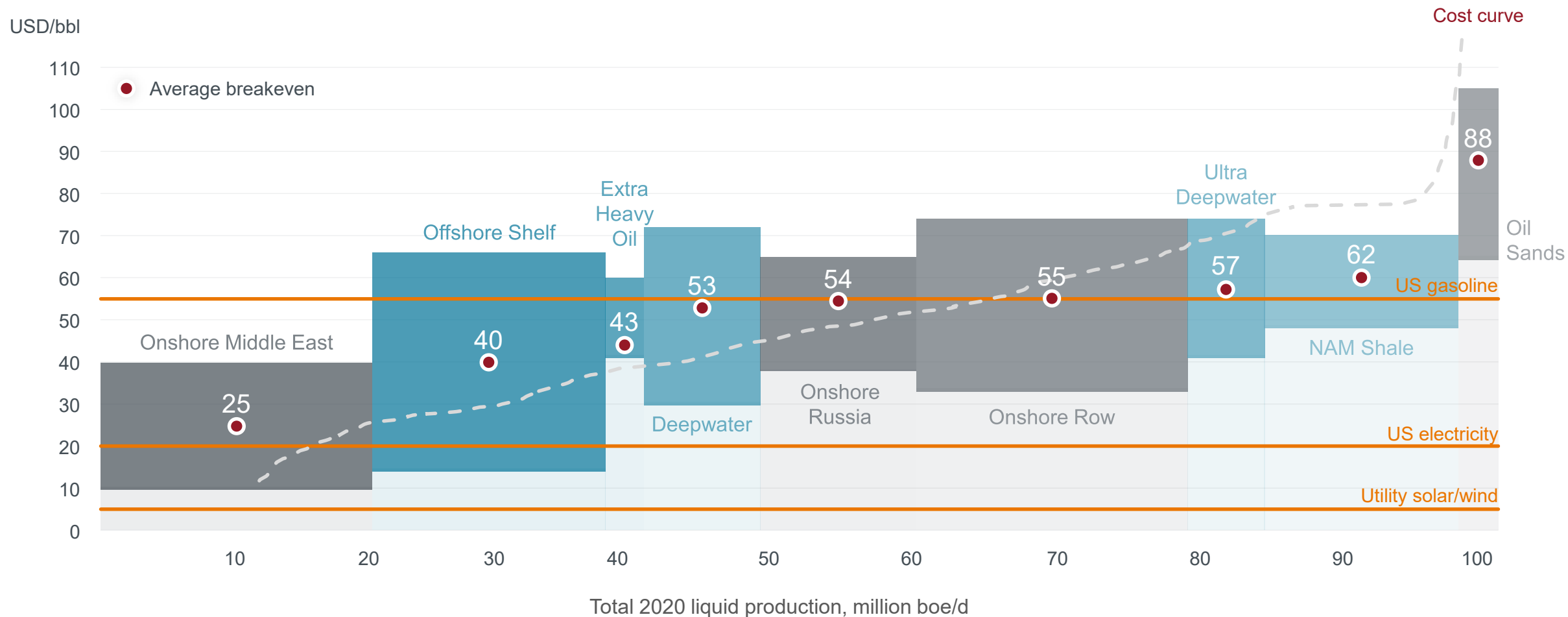


The world becomes a computer

The digitalisation of everything

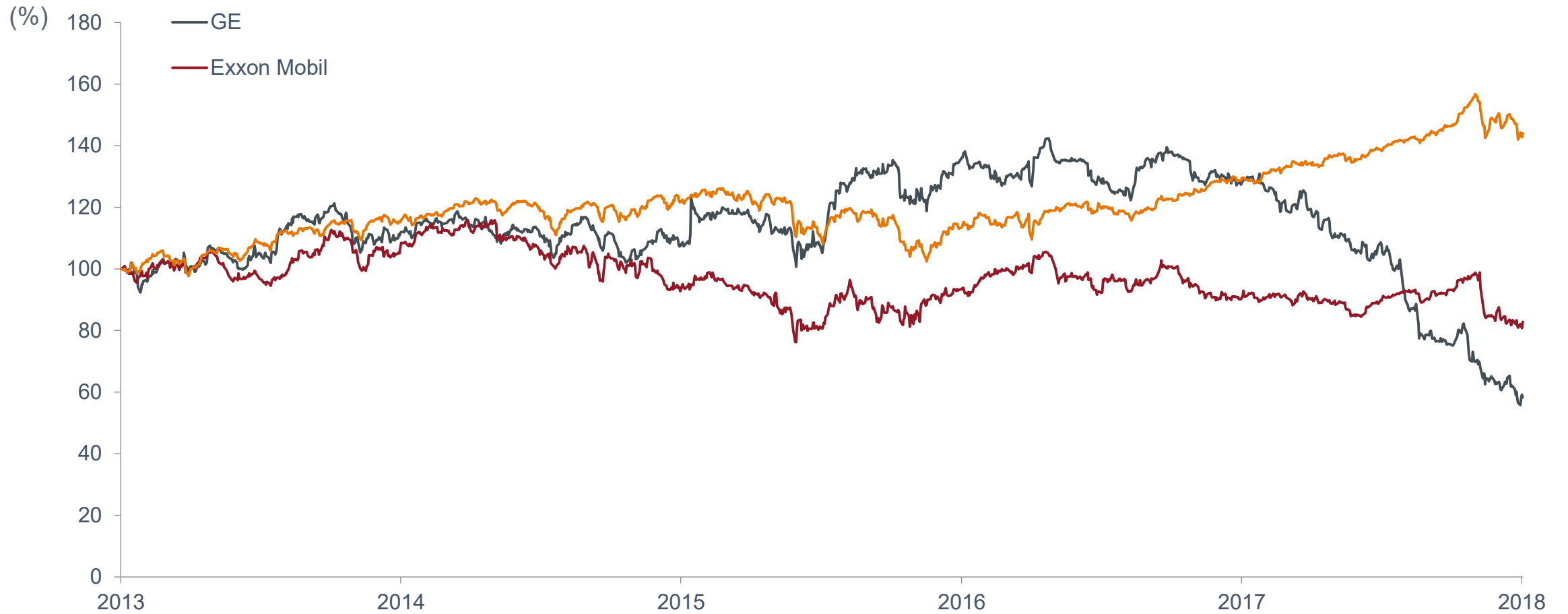
STRUCTURAL DEFLATION IN ENERGY MARKETS?

Oil is an expensive source of energy



TOMORROWS' COMPANIES?

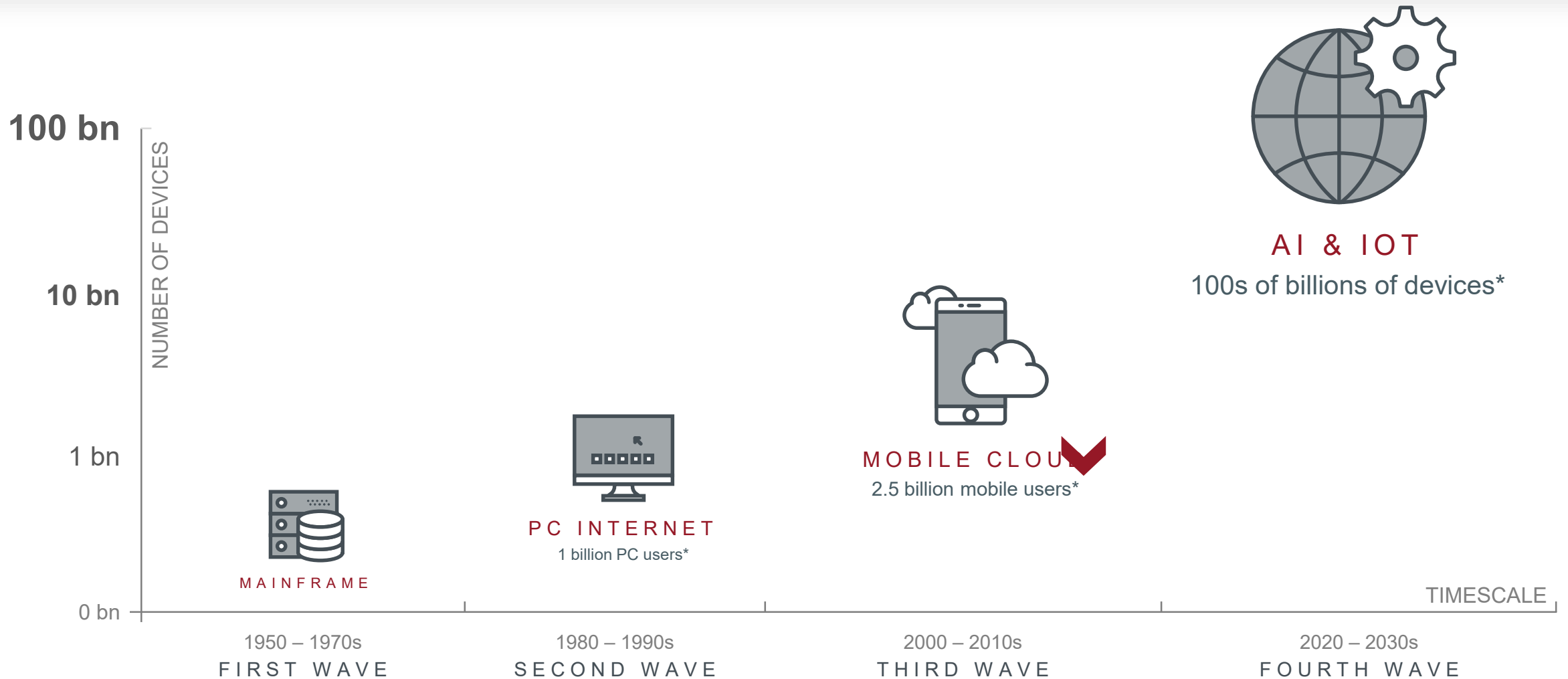
The disruptive impact of the low carbon transition has only just begun



Source: Bloomberg, as at 31 March 2018, rebased to 100 at 28 March 2018

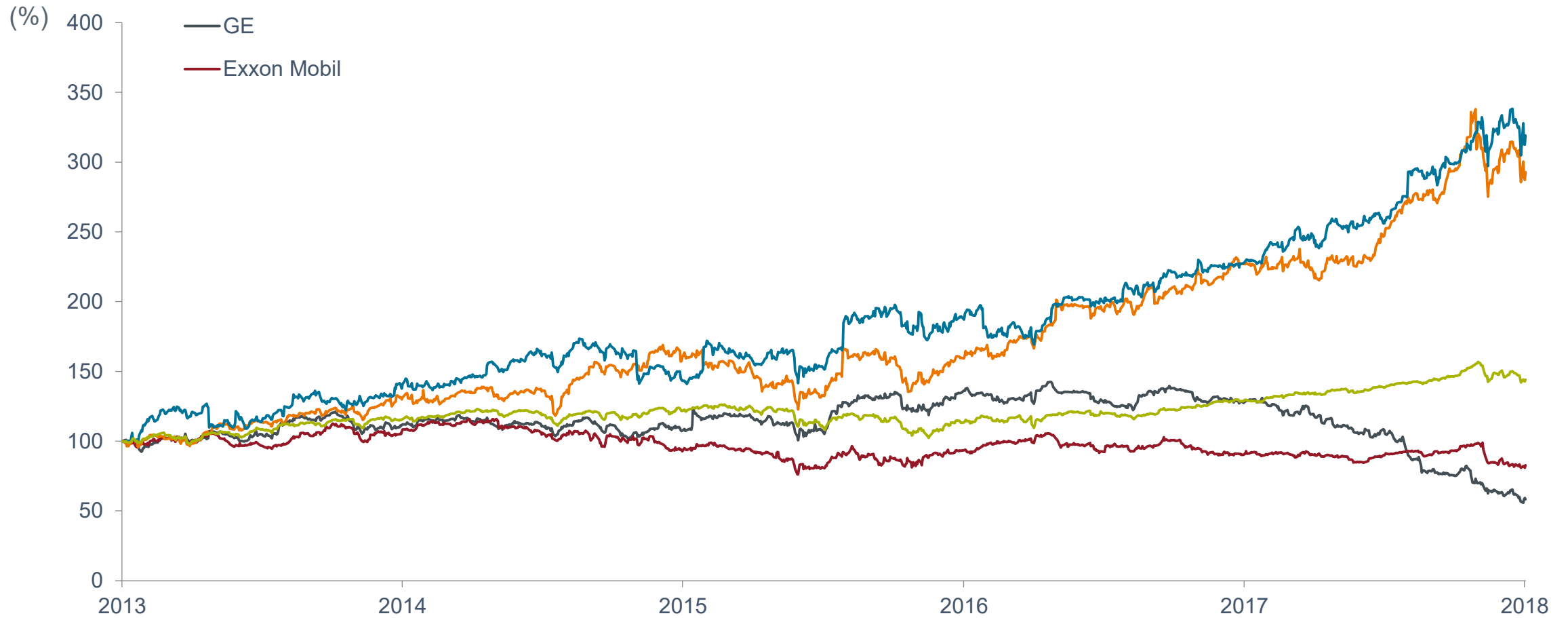
THE FOURTH INDUSTRIAL REVOLUTION

The digitalisation of everything



TOMORROWS' COMPANIES?

The fourth wave has barely begun



Source: Bloomberg, as at 31 March 2018, rebased to 100 at 28 March 2018

SUSTAINABILITY IS GOOD BUSINESS SENSE

Alignment of sustainability and key investment trends



STRATEGY PROFILE



GENERAL CHARACTERISTICS

INCEPTION DATE

31/7/1991

BENCHMARK

MSCI World

STRATEGY ASSETS

\$1,028m



INVESTMENT GUIDELINES AND RISK PARAMETERS

HOLDINGS RANGE

50-70

BETA

Approx ~1.0

EXPECTED TURNOVER

<30%

CASH LEVELS

1-3%

SECTOR LIMIT

Unconstrained

POSITION LIMIT

<3% active (generally 1.0-2.5%)

REGIONAL ALLOCATION

Benchmark aligned

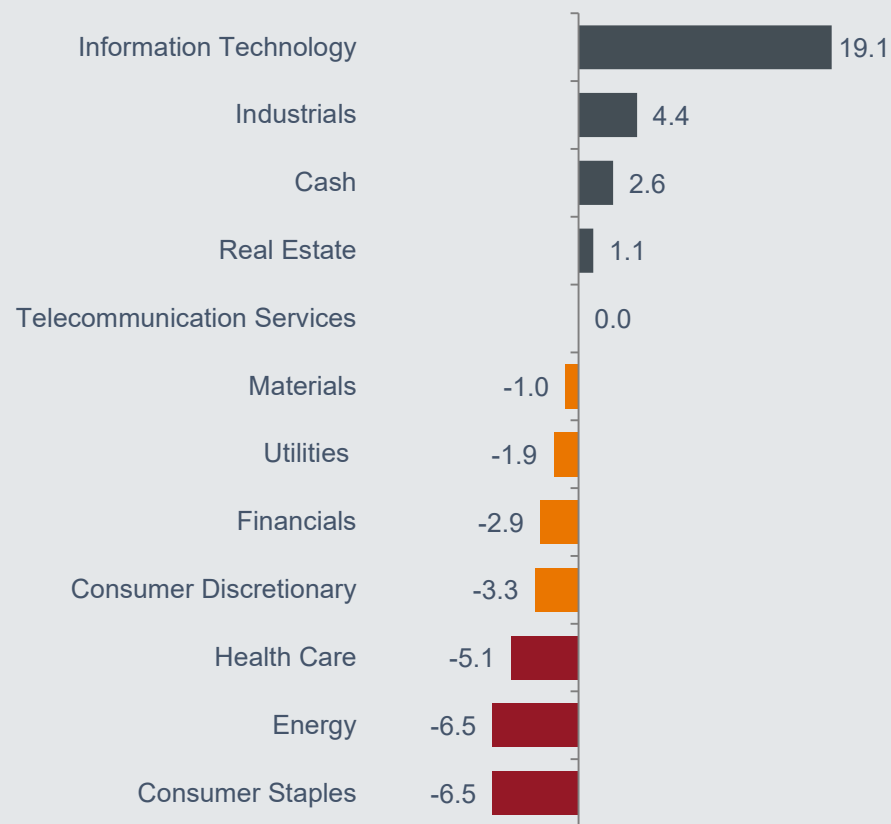
ACTIVE SHARE

>90%

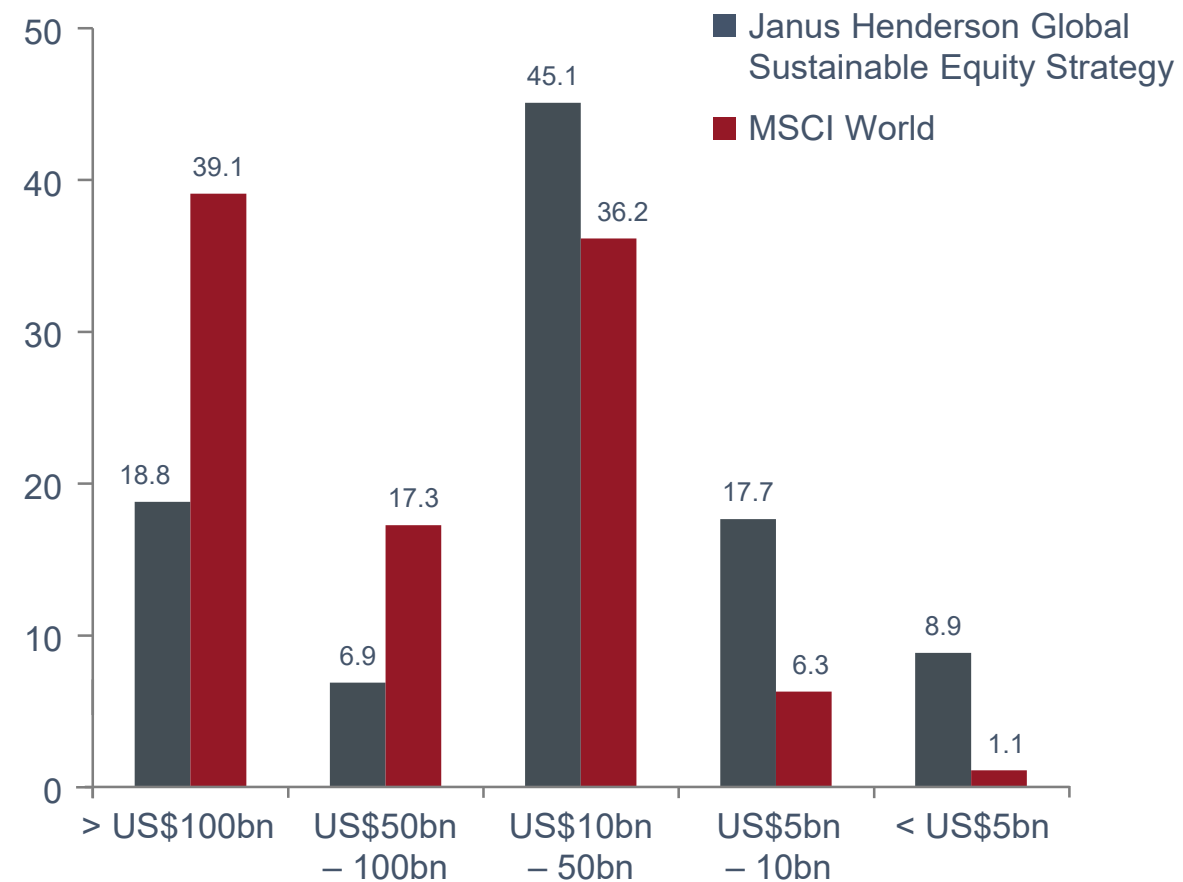
STRATEGY CHARACTERISTICS

Active share: ~93%

SECTOR WEIGHTS RELATIVE TO MSCI WORLD (%)



MARKET CAPITALISATION RELATIVE TO MSCI WORLD (%)



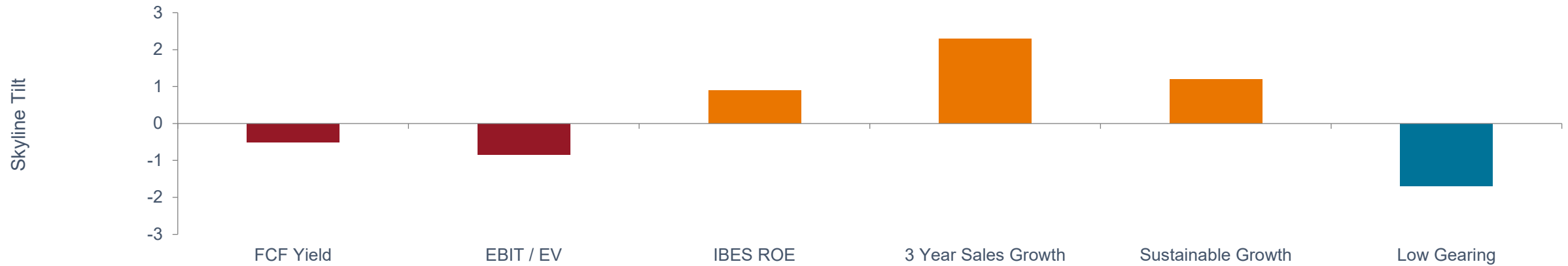
Source: Janus Henderson Investors, as at 30 September 2018

Note: Based on the Janus Henderson Global Sustainable Equity Strategy. Totals may not add up due to rounding or cash levels. Sector weights based on GICS. Benchmark is the MSCI World.

ATTRACTIVE FINANCIAL CHARACTERISTICS

Focusing on profitable growth companies; aiming for superior long term risk adjusted returns

PORTFOLIO STYLE SKYLINE



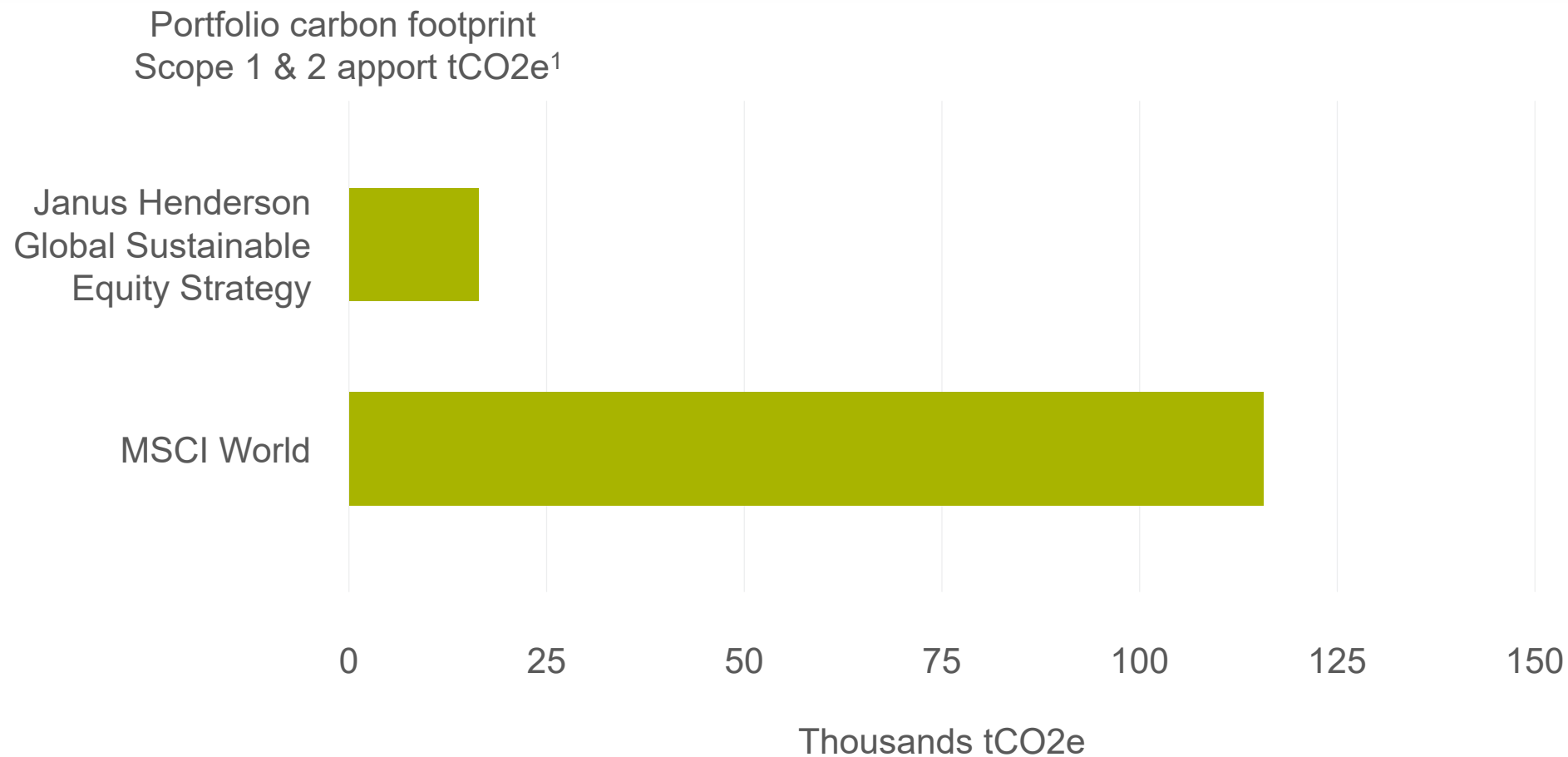
Calendar Year Returns (%)	FCF Yield	EBIT to EV	IBES ROE	3 Year Sales Growth	Sustainable Growth	Gearing
Portfolio	4.7	4.8	26	10.2	13.9	81.6
Benchmark	5.3	5.5	24	5.2	12.2	110.7

Source: Style Research, as at 30 September 2018

Note: Portfolio is the Janus Henderson Global Sustainable Equity Strategy, benchmark is the MSCI World both in GBP

A LOW CARBON GLOBAL EQUITY STRATEGY

Portfolio carbon footprint 80% less than MSCI World and no investments in fossil fuel companies

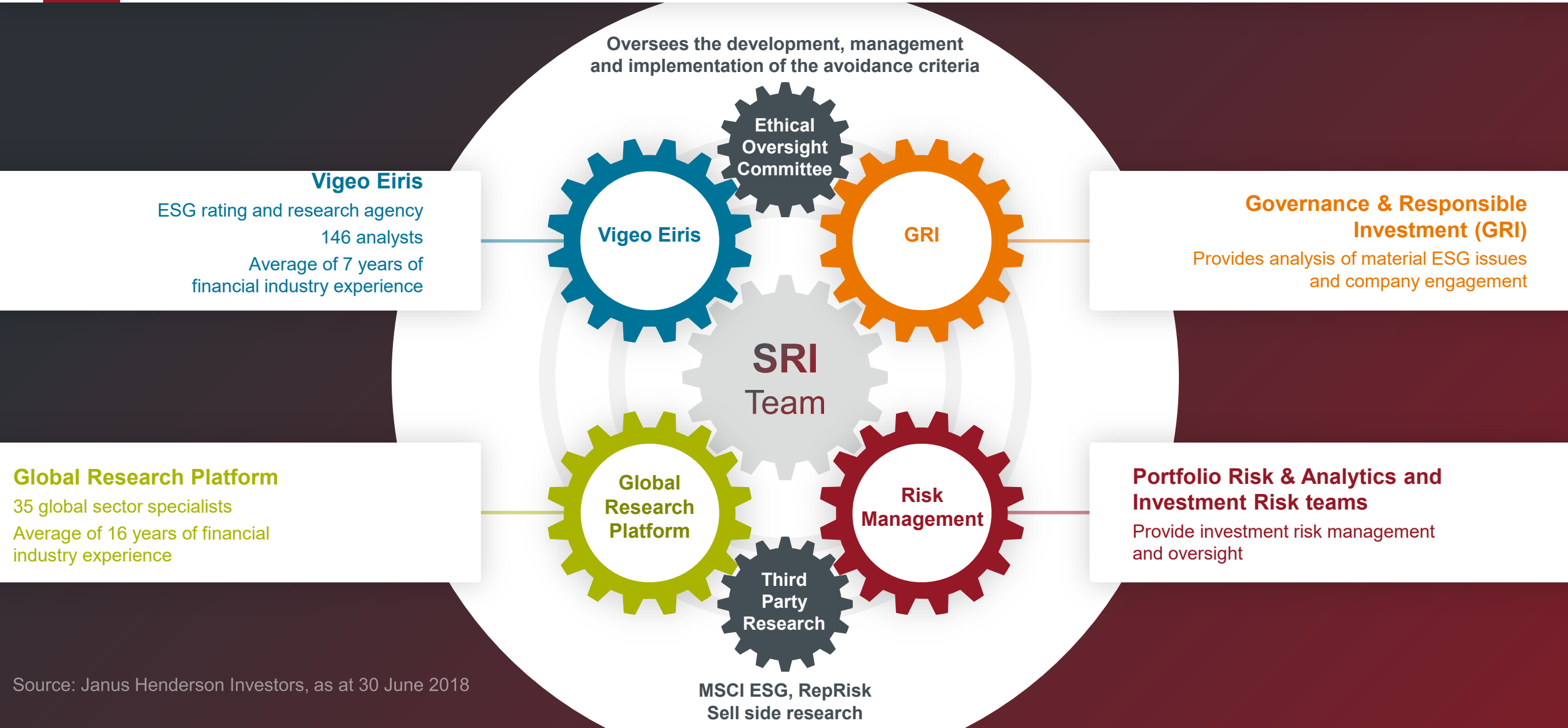


Source: ¹ISS Climate Impact data including Scope 1 (direct), Scope 2 (purchased electricity) Janus Henderson Investors, as at 30 June 2018

Note: Provided for informational purposes only and is not a recommendation to buy or sell / Carbon Neutral certification for Janus Henderson Investors

OUR INVESTMENT INPUTS

Large number of resources at hand



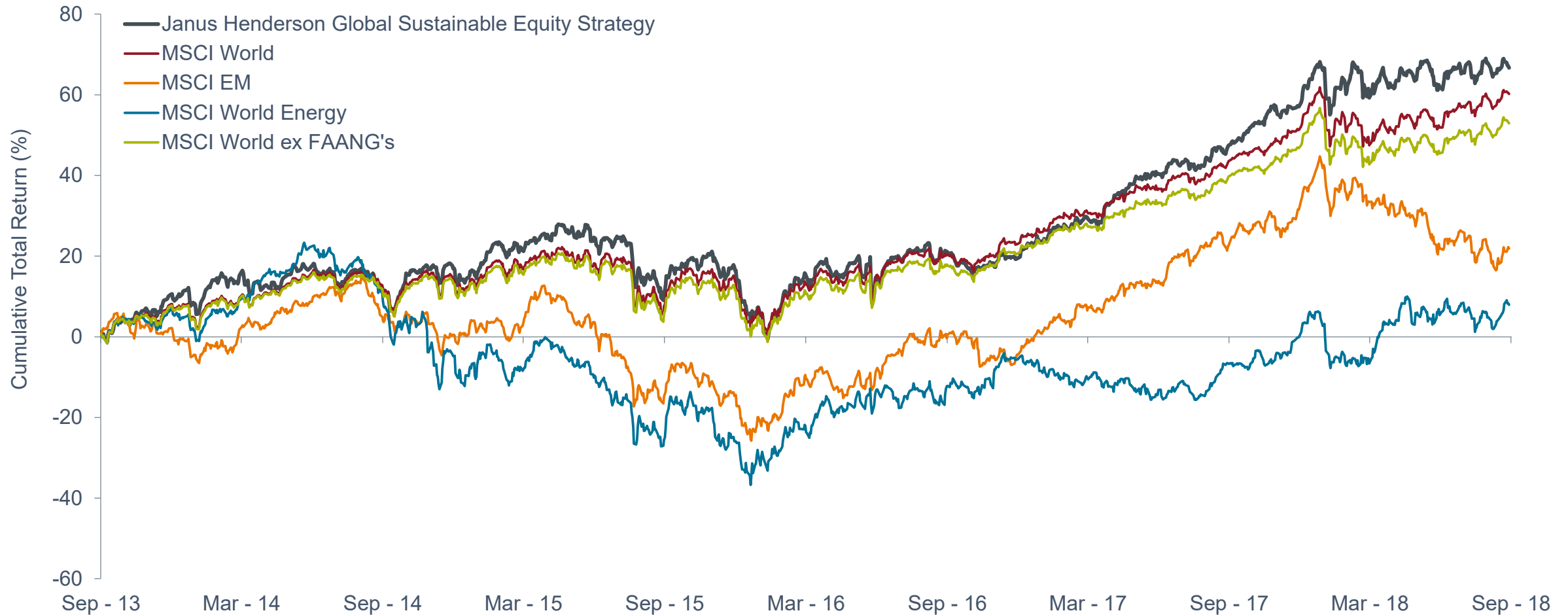
SUSTAINABILITY MAKES GOOD INVESTMENT SENSE

A rich and diverse universe of companies that have a positive impact on the development of a sustainable global economy



Note: Use of third party names, marks or logos is purely for illustrative purposes and does not imply any association between any third party and Janus Henderson Investors, nor any endorsement or recommendation by or of any third party.

SUSTAINABILITY IS A WINNING INVESTMENT STRATEGY



Sources: FactSet, MSCI (all gross of fees and excluding intraday trading impact), as at 30 September 2018
Note: CUMULATIVE TOTAL RETURNS 5-YEARS TO END AUGUST 2018 IN USD. **Past performance is not a guide to future performance.**

CONCLUSION

- Significant disruption is occurring across multiple sectors.
- There is an increasingly close alignment between key investment trends and sustainability.
- A strategy based on sustainability can protect investors from disruption and result in a differentiated portfolio with attractive investment characteristics.

Important information

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The index returns are provided to represent the investment environment existing during the time periods shown. For comparison purposes, the index is fully invested, which includes the reinvestment of dividends and capital gains. The returns for the index do not include any transaction costs, management fees or other costs, and are gross of dividend tax withholdings unless otherwise noted. Composition of each individual portfolio may differ from securities in the corresponding benchmark index. The index is used as a performance benchmark only, as Janus Henderson Investors does not attempt to replicate an index. Because sector weightings are a residual of portfolio construction, significant differences between sector weightings in client portfolios and the index are common.

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ENVIRONMENTAL & SOCIAL MEGATRENDS

Pressuring the sustainability of the global economy



Population
growth



Ageing
population



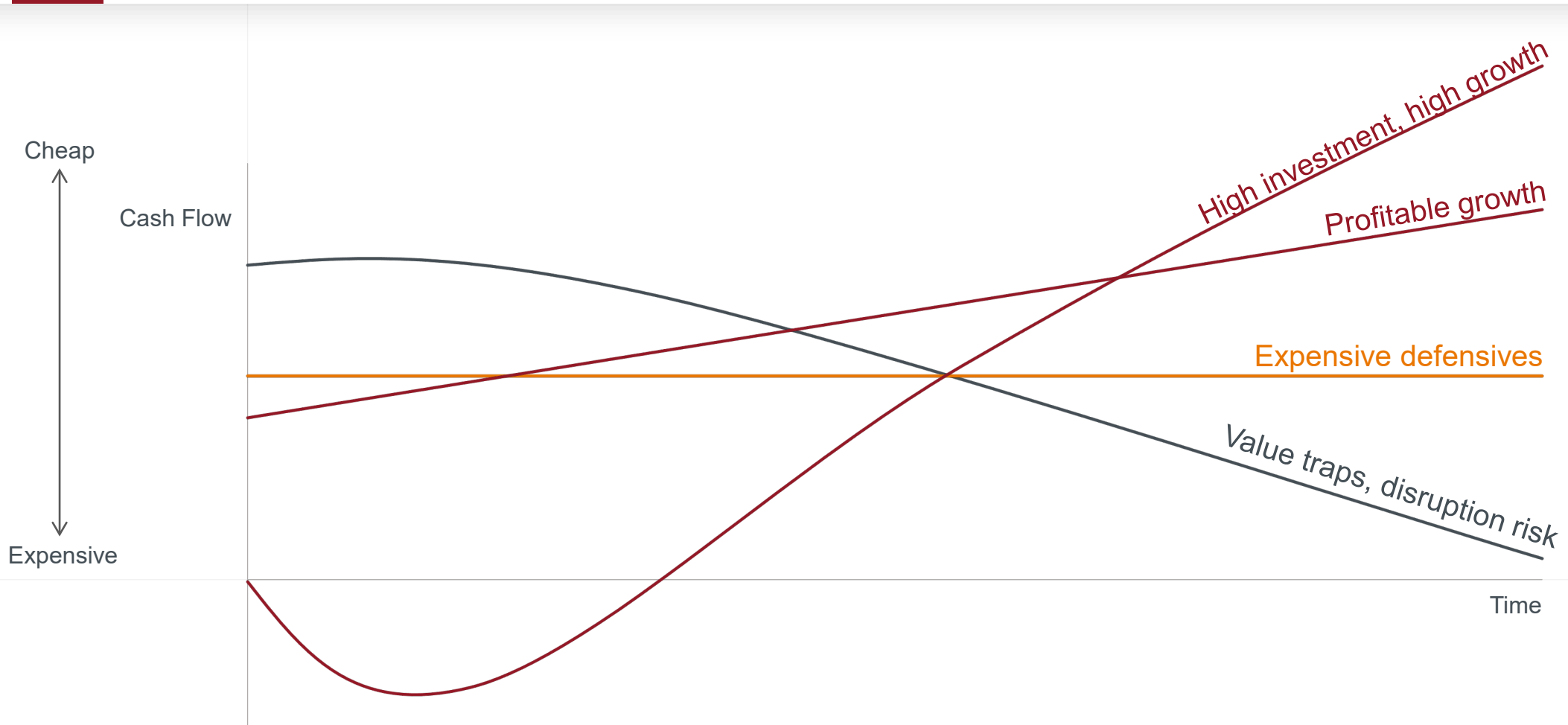
Resource
constraints



Climate
change

INVESTING IN AN AGE OF DISRUPTION

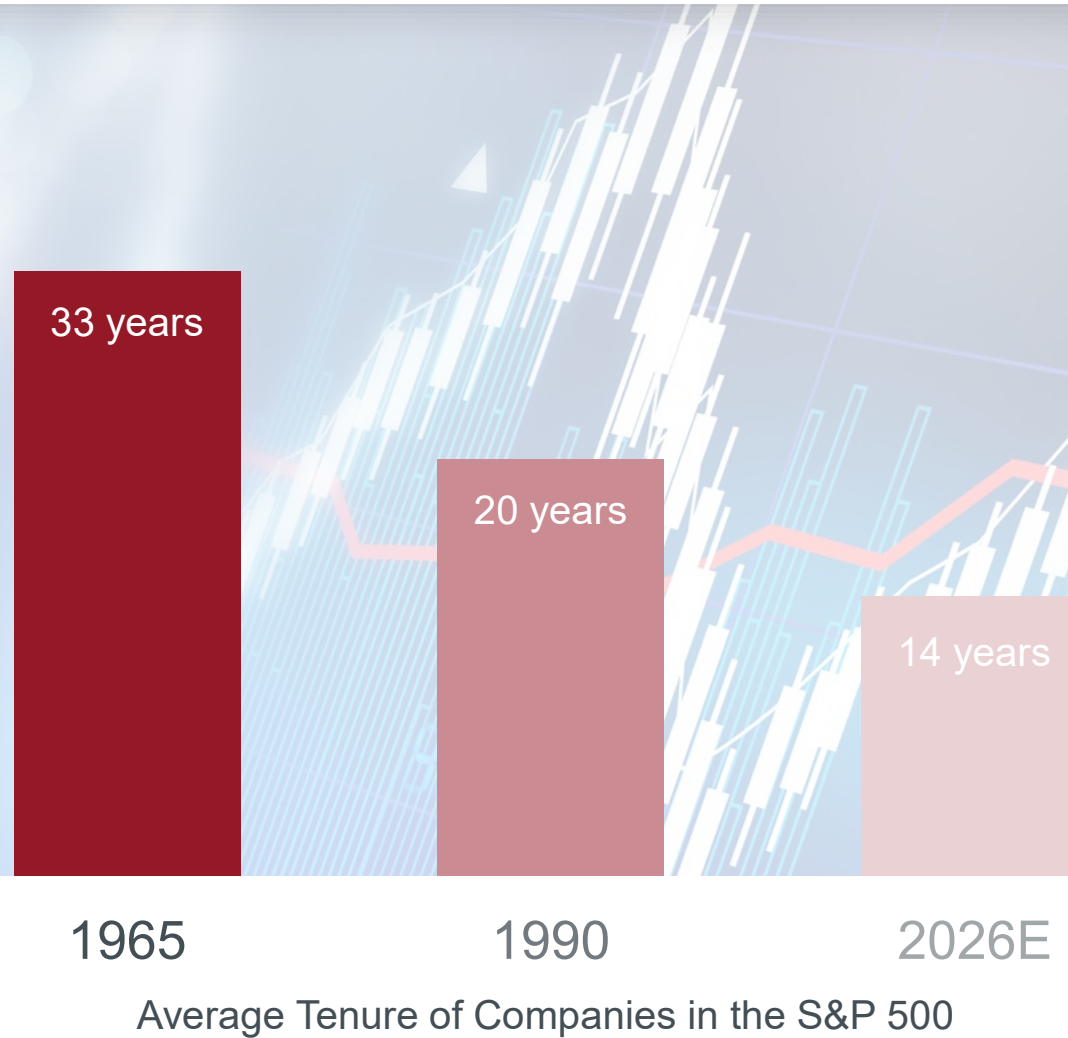
Near term valuation metrics not always a good guide to long term investment returns



High PE stocks have outperformed low PE stocks
2012 - 2017

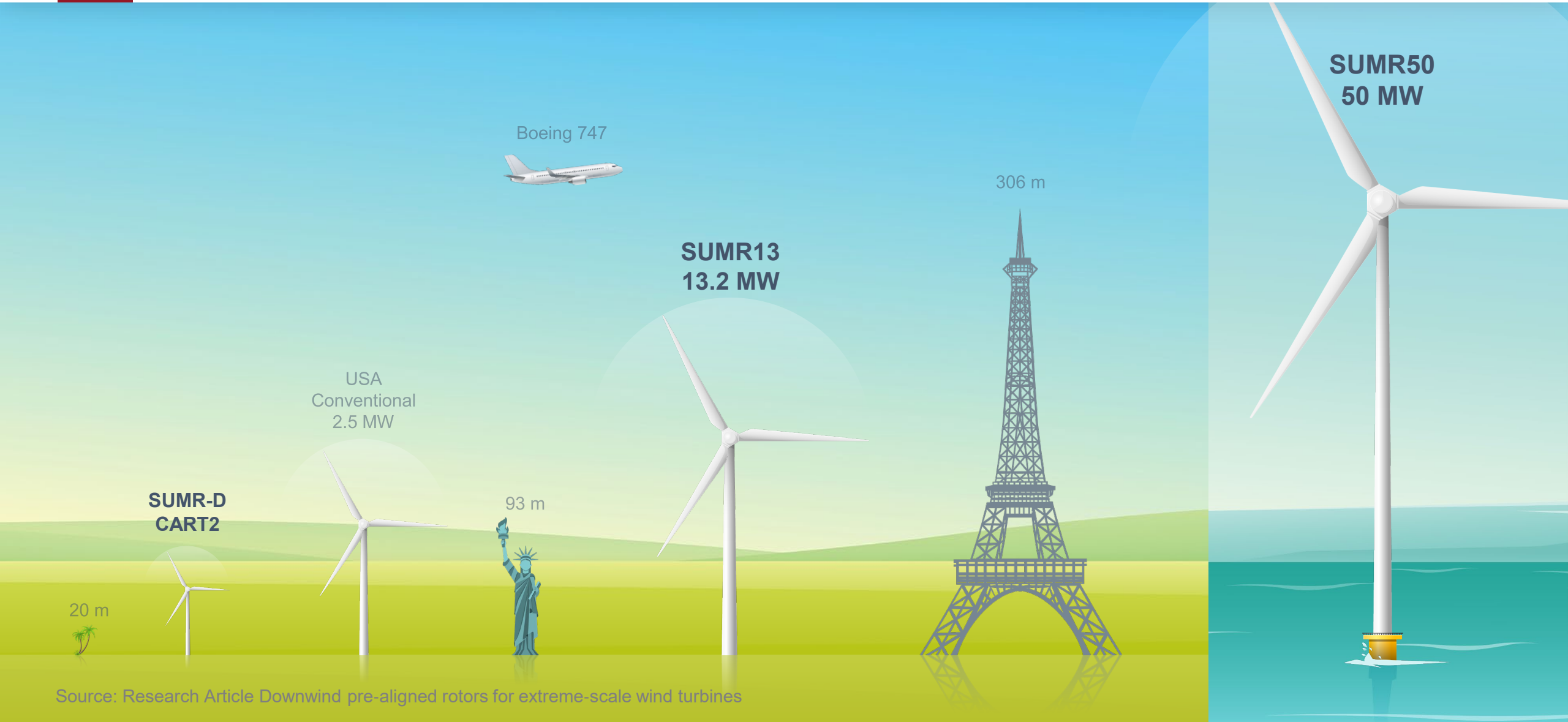
INDICES ARE BACKWARD LOOKING

50% of the current S&P 500 will be replaced over the next decade



DISRUPTION IN POWER MARKETS

Renewables: +60% of new global capacity in 2016 & 2017



Source: Research Article Downwind pre-aligned rotors for extreme-scale wind turbines

DISRUPTION IN TRANSPORTATION MARKETS

44% of oil demand attributable to personal and commercial transportation



\$5,000



**Kilometers Range
Fuel Savings**

**800 km
\$200,000+**

INVESTMENT TEAM

Integrated team of investors and ESG analysts

Global Equity SRI Team



Hamish Chamberlayne
Head of SRI



Aaron Scully
Assistant Portfolio Manager



George Crowdy
Investment Manager



Ama Seery
Analyst, ESG

Governance and Responsible Investment team



Antony Marsden
Head of GRI



George Birch
Analyst, GRI



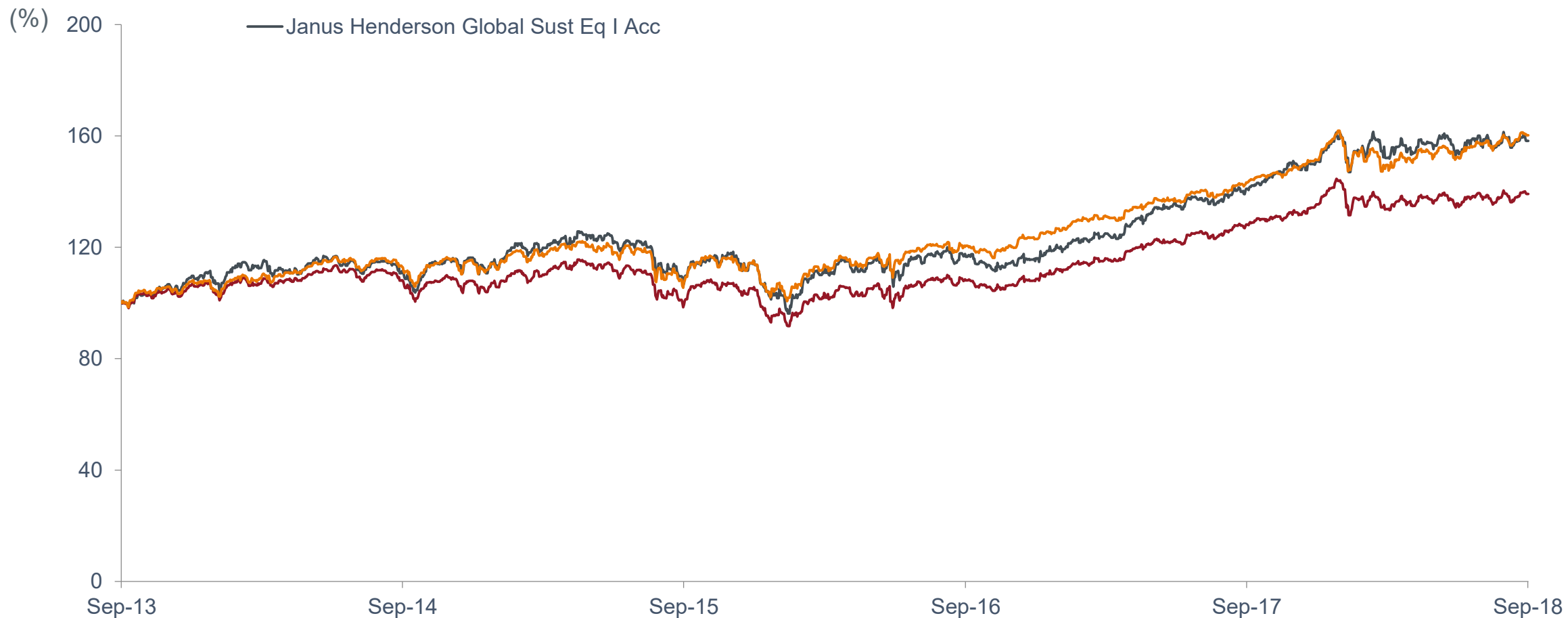
Olivia Gull
Analyst, GRI



David Ray
Analyst, GRI

OUTPERFORMING VS GLOBAL FUNDS

Adding value with an investment strategy focused on sustainability (30/09/2013 – 30/09/2018)



Source: IA Global Sector, Morningstar, as at 30 September 2018

Note: Janus Henderson Global Sustainable Equity Strategy I Share class USD, net of fees, rebased to 100 on 30 September 2013. **Past performance is not a guide to future performance.**