Janus Henderson

NET ZERO TRANSITION RESOURCES ACTIVE ETF

Janus Henderson INVESTORS

As at December 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
28 March 2022

Active ETF size
$0.8 million

Underlying fund size
$25.9 million

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
HGI7345AU

ISIN
AU0000209348

ASX ticker
JZRO

Performance	1 month (%)	3 months (%)	6 months (%)	1 year (%)	3 years (% p.a.)	5 years (%p.a.)	Since inception (% p.a.)
Fund (net)	-4.17	-3.63	-1.24	3.78	-	-	-1.59
Benchmark	-2.22	-1.28	-1.73	0.44	-	-	2.48
Excess return*	-1.95	-2.35	0.49	3.34	-	-	-4.07

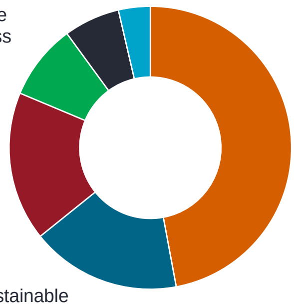
*Excess return is measured against net performance.
Past performance is not a reliable indication of future performance.

Fund performance – net (%)

	Jan	Feb	Mar*	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2022	-	-	0.77	-2.68	-2.96	-15.54	6.39	2.18	-6.43	6.61	6.07	-3.15	-10.47
2023	5.53	-2.71	-1.36	-0.12	-3.95	4.62	3.58	-2.49	-4.39	-2.91	4.63	3.26	2.96
2024	-1.07	0.20	7.66	2.28	5.32	-8.60	3.83	-5.39	4.32	1.57	-0.99	-4.17	3.78

*Fund inception date is 30 March 2022, therefore part month performance is shown.

Theme Allocation



Rounding accounts for small +/- from 100%.

Top 10 Holdings	%
Smurfit WestRock	4.95
Nutrien	4.51
Pan American Silver	4.30
Cameco	4.09
Linde	3.97
Prysmian	3.88
K92 Mining	3.67
Wheaton Precious Metals	3.48
UPM-Kymmene	3.43
Ivanhoe Mines	3.28

Holdings by market cap (USD)		%
> $20 Billion	11	35.01
$10-$20 Billion	7	16.70
$1-$10 Billion	22	42.50
<$1 Billion	4	2.16
Cash	-	3.63
Total number of holdings	**44**	**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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Senior Portfolio Manager
Tal Lomnitzer, CFA

Market review

The S&P Global Natural Resources Index (net dividends reinvested) in AUD (Benchmark) fell by 2.2% over the month. The MSCI World Index gained 2.5%. Within the Benchmark, Energy fell 1.8% and Metals and Mining fell by 5.3%. Agriculture rose by 0.5%.

In US dollar terms, the price of WTI Crude rose by 6%, while the US natural gas price fell by 8%. Base metals posted losses over the month – zinc fell by 3%, copper was down by 2%, while aluminium fell by 2%. In bulk commodities, the spot price for iron ore was up 1%, while the benchmark Australian seaborne coal price fell by 12%. Precious metal prices fell, with gold down 1% and silver down 5%. The uranium price fell by 5%.

Fund performance

The Janus Henderson Net Zero Transition Resources Active ETF (ASX: JZRO) (Fund) recorded a negative return over the month and underperformed the Benchmark which also fell in December. Stock selection was positive in paper and packaging manufacturers, as well as electrical components and equipment manufacturers. However, this was offset by negative performance of uranium producers and copper miners, where the Fund is overweight. In metals and mining, exploration companies such as NGEx Minerals and Patriot Battery Metals performed well, but this was offset by the negative performance of more mature producers such as Teck Resources, Ivanhoe Mines and Pilbara Minerals.

At the stock level, Smurfit Westrock was the top contributor to performance in December. The business received a boost sue to the successful closing of their inaugural green bond issuance which raised €5.9 billion and $5.5 billion to finance a portfolio of green projects. NGEx Minerals was a strong contributor after providing a very positive update on its high-grade copper-gold-silver Luna Huasi exploration project in Argentina. Copper electricity cable manufacturer Prysmian received a boost during the month as it announced an agreement with the French government to provide underwater cables to link two offshore windfarms to the French transmission grid. Specialty metals and chemicals producer 5N Plus which is a supplier of materials for thin film solar panels performed well over December as sell side analysts raised their outlooks.

Uranium producers, such as Cameco, Denison Mines and Uranium Energy, detracted from performance as the spot price of uranium fell in December. Uranium markets were impacted by an oversupply as some traders looked to clear inventories before the year-end into a very thinly traded market. Steel producer Nucor underperformed after lowering its fourth quarter earnings guidance, citing lower volumes and sales prices.

There was no trading activity of note in December.

The Fund's primary investment themes are Energy Transition, Sustainable Transport, Sustainable Industry, Sustainable Agriculture and Carbon Reduction. Relative to the Benchmark, the Fund is overweight in copper, renewable energy, uranium production, heavy electrical equipment, diversified metals & mining, forest products and electrical components. Oil and gas and thermal coal producers are excluded.

Market Outlook

Metal and mining share prices have underperformed since the Trump election victory, as the prospect of trade wars, a stronger dollar, and continued weakness in China have worried investors. We are constructive on the sector for 2025 on the basis that demand in the US and China improves. In the US, lower corporate tax rates, less regulation and the "America First" approach should lead to an increase in metals-intensive investment and manufacturing demand. Initial impressions from the clean sweep for Trump are that his policies seem inflationary, which should benefit commodity equities. In China, demand should be supported by more accommodative monetary and fiscal policies. In Europe it is possible that demand finally begins to improve with the help of interest rate cuts with a possible boost from reconstruction if peace in the Ukraine materialises. Whilst there are macro and geopolitical risks improving demand coupled with ongoing supply constraints should be a recipe for higher commodity prices as the year progresses.

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Looking further out the medium-term outlook is attractive for well-run resources companies with exposure to the energy transition. There is much handwringing over the prospects for renewable energy deployment after the US election. Offshore wind will face significant headwinds but we believe the outcome will be rather benign than feared for utility scale solar. Our sense is that Trump is not anti-decarbonisation per se but rather he is pro-competitiveness. Given how competitive utility scale solar is versus other forms of energy our expectation is that solar energy and electricity grid investments inside and outside of the USA will continue at a good pace. China wishes to continue to dominate clean energy value chains and we note that investment in the Middle East in clean energy infrastructure is surging, spurred by high levels of outward direct investment from China as they seek to drive demand for Chinese-made heavy equipment and renewable energy products. Therefore, despite a potential slowdown in the US under a new Trump administration, the global backdrop is positive for solar, grid transmission, energy storage systems and the associated critical minerals required to build out capacity such as copper, aluminium, and silver.

We remain bullish on uranium as we have long viewed nuclear energy as a vital function in the energy system and this view is increasingly shared by major governments. Data centre hyperscalers are validating that view and we expect to see more restarts of US nuclear power facilities to supply low carbon power for electrification and data centers. On top of recent deals between tech companies and nuclear energy providers we observe that China recently approved eleven new nuclear reactors with 56 operating and 32 under construction. Furthermore, European attitudes to nuclear power are also softening. The price of uranium will need to stay high to encourage the requisite investment in new supply and this should benefit our holdings in uranium producers.

The transition to renewables and electric vehicles (EV) remains a decent demand tailwind for several commodities, alongside localisation of supply chains, military spending, infrastructure investment and Artificial Intelligence driven data centre growth. At the same time, long-term supplies of many materials look tight due to rising costs and the obstacles involved in establishing new mines. As demand for critical materials continues to grow, this presents a potentially lucrative challenge to producers. We maintain significant exposure to these durable thematics and would look to add back.

As for Agriculture, Earth’s growing population entails a need for more food. Meanwhile, farming acreage is constrained by urbanisation and extreme weather exacerbated by increased greenhouse gas emissions. This imbalance requires innovation and more investment in farm equipment, precision farming services and inputs like fertiliser in order to increase yields. With grain prices at weak levels farmer incomes are constrained so we have been running relatively low exposure to agriculture companies and have instead focused on biomaterial-based packaging, timber and pulp producers over soft commodity exposed companies. With that said in the last few months we have been gradually adding to fertiliser producers and pulp companies trading at cyclical lows where risk reward looks good and cash flow generation underappreciated.

We further observe a phenomenon of rising protectionism and competition for resources that is likely to continue as governments scramble to secure access to critical minerals essential for strategic industries. We are seeing a surge in state intervention not seen in Western democracies since the early 20th century, driven by concerns over national security and supply chain stability. This is leading to more M&A and slowly capex by mining companies is rising. Future-facing-commodities’ continue to get the most investment and we believe companies that grow their production, and reserves are likely to get rewarded with higher multiples by investors.

In summary we see high levels of politically driven near term uncertainty but are overall constructive on the resources sector into 2025. Ultimately the outcome will be driven by timing and magnitude of the stimulus in China and the severity and duration of a potential trade war. With this backdrop 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. We wish our clients and companies a prosperous and peaceful 2025.

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Mega-theme	Sub-theme	Weighting (%)
Energy Transition (47.1)	Resource enablers Hydrogen Grid / power generation Renewable energy	28.0 4.0 9.1 6.0
Sustainable Agribusiness (8.6)	Nutrition Fertiliser	1.7 6.9
Sustainable Industry (17.1)	Circular economy/recycling Wood Plastic replacement	8.7 5.0 3.4
Sustainable Mobility (17.2)	EV metals	17.2
Others (6.4)	Precious Metals	6.4
Cash (3.6)	Cash	3.6

Further information
www.janushenderson.com/australia