Janus Henderson INVESTORS

CAUTIOUS MANAGED FUND

At a glance

Performance*
The Fund returned -1.48%, the Index returned -1.15% and the Peer Group returned -0.39%.

Contributors/detractors
Fixed income duration positioning (sensitivity to interest rates) was a key detractor. The fund's sector allocation in the equity portfolio contributed positively.

Outlook
We remain cautious about the outlook for the economy and will continue to focus on high-quality companies in typically more economically resilient sectors.

Portfolio management

Stephen Payne, ASIP

James Briggs, ACA, CFA

Investment environment

- Following the exuberant rally at the end of 2023, January was more of a mixed period. Continued robust economic growth in the US, coupled with an uptick in inflation in core economies, dashed market hopes of imminent interest rate cuts. On the other hand, further evidence that an economic 'soft landing' (versus recession) would be achieved was supportive for developed market equities.
- The exception was UK equities, which fell in January after an unexpected re-acceleration in inflation. Retail sales in December fell at the fastest rate since Covid restrictions were in place. However, news that UK economic growth rebounded by more than expected in November, following the contraction in the previous month, tempered these concerns. Meanwhile, an early reading from the composite purchasing managers' index (PMI) indicated that economic activity continued to trend upward over January.
- UK equity sectors delivered mixed performance. Technology companies generated the best gains, followed by the consumer discretionary sector. Health care was relatively strong while consumer staples also delivered a positive return. By contrast, the basic materials sector was dragged down by the shipping disruption from conflict in the Red Sea. Companies in the telecommunications sector were also weak, as they posted negative returns.
- Bond markets were also mixed. Government bond prices fell, with gilts lagging their developed market counterparts, as the uptick in inflation prompted investors to scale back their expectations on interest rate cuts. As a result, the 10-year gilt yield rose by 26 basis points (bps) to 3.79% (meaning prices fell), whereas the yield on 10-year US Treasuries rose by 3 bps to 3.91%. Major central banks left interest rates on hold over the month, with the US Federal Reserve (Fed) giving little immediate indication of when it would start lowering interest rates this year.
- UK investment grade credit also slipped into negative territory, but outperformed gilts as spreads (the difference between the yield of a corporate bond over the equivalent government bond) tightened due to hopes of a 'soft landing'. Longer-dated maturities outperformed shorter-dated paper, while lower-rated issuance outperformed higher-quality bonds.
- Within sterling investment grade credit, issues in the financial sector performed ahead of bonds in the non-financial sectors, with real estate and insurance recording the strongest gains. With regards to non-financial credit, spreads tightened marginally in industrials and consumer goods, while credit spreads widened in most other areas. Health care and basic

Marketing communication
Past performance does not predict future returns.
References made to individual securities do not constitute a recommendation to buy, sell or hold any security, investment strategy or market sector, and should not be assumed to be profitable. Janus Henderson Investors, its affiliated advisor, or its employees, may have a position in the securities mentioned.
*For benchmark/usage and peer group, if applicable, refer to Fund details on page 3. For relevant descriptions, risks and the Fund's investment policy statement, refer to Additional fund information on page 4.

materials lagged the broader sector. Subordinated debt outperformed senior issues, while credit spreads in lower-rated debt tightened ahead of higher-quality bonds.

Portfolio review

The fund's equity portfolio recorded a negative return in January but finished slightly ahead of the FTSE All-Share Index due to positive sector allocation. The underweight position in the basic materials sector was a key driver of relative returns, while a below-market position to energy companies, coupled with the overweight position to consumer staples, was also constructive. By contrast, the underweight position to consumer discretionary stocks detracted.

Stock selection was negative for fund returns relative to its benchmark. The overweight position to Close Brothers, a merchant bank, was one of the largest detractors as the company was caught up in the Financial Conduct Authority (FCA)'s review of motor finance. Elsewhere, the off-benchmark position in Canadian miner Barrick Gold was dragged down by the weaker gold price. Conversely, having no holding in Glencore, the miner and commodity trader, was among the largest positive contributors to relative performance.

Concerns around a potential reduction in metal production, driven by operational headwinds and mine closures, led to shares in Glencore selling off and underperforming several of its peers during a weak month for mining. The overweight position to GSK was also a significant positive contributor to performance as the global health care group's latest earnings results were well received by the market.

The portfolio's fixed income allocation recorded a negative return, finishing behind its ICE BofA Sterling Non-Gilt Index benchmark. The above-benchmark position to interest rate risk (duration) was the main detractor, as investors revised their expectations around the timing of rate cuts. This led to more interest rate-sensitive bonds selling off. Sector allocation also detracted, partly due to the underweight positions in debt issued by insurers and government agencies. On the other hand, the fund's underweight position in housing association bonds contributed positively to overall returns as this sector was weaker over the month.

Security selection was positive for relative returns. While the fund's overweight position to health care hindered performance, issuer selection here was constructive. Sartorius, a pharmaceutical equipment supplier, delivered one of the best contributions following better-than-expected earnings results. Motability Operations, a mobility solutions group, was also positive. By contrast, the fund's overweight position in French bank BNP Paribas detracted as investors switched focus to attractively priced new supply, while the holding in French utility firm EDF was also negative.

Trading activity in the equity portfolio was minimal through January as we stuck with our positioning. We did manage to sell some of the Close Brothers holding as soon as the FCA review news broke, before the shares fell to levels we felt more than discounted the bad news. We also bought one new position in Sabre Insurance Group, where we like the improving motor insurance market environment.

We were more active in the fixed income portfolio. We participated in a number of attractively priced new issues, taking advantage of increased supply as is seasonal at this time of year. Alongside adding to shorter-dated financial issuance of banking companies such as Credit Agricole and Société Générale, we also added a number of longer-dated corporate deals. This included adding to National Grid, a holding we had reduced at the end of 2023 in expectation of supply.

Having reduced the position in Thames Water through the second half of 2023 - owing to concerns relating to its ability to service its debt stack - we participated in a new deal that came up in January 2024. This means the portfolio now holds an overweight position, reflecting a lower supply overhang and what we saw as increased possibility that positive catalysts could start materialising in the near term. We also closed the fund's underweight position to the real estate sector as we added to positions in favoured holdings Castellum and Blackstone Property Partners.

Manager outlook

Markets now expect the Fed to start cutting interest rates in the summer rather than the spring and this has been reflected in bond yields drifting back upwards a little in January. The upward retracement has been more pronounced in gilt yields, as the Bank of England (BoE) has pushed back against imminent rate cuts. We still anticipate economic growth slowing and inflation continuing to moderate due to the lagged impact of previous monetary tightening, so we expect the downtrend in bond yields to resume. Hence, we are comfortable with the fund's moderate overweight duration position (sensitivity to interest rates), while being careful with regard to credit risk, given still tight spreads.

On the equity side of the portfolio, we are mindful of the risk of earnings downgrades from companies, given the slowing economic backdrop. However, in the UK market a recession has already largely been priced in within cyclical sectors, and the broader market appears attractively valued to us by historical standards (and relative to most other equity markets). Thus, our approach is to discriminate on stock selection as we navigate choppier waters in the near term. But we are conscious of great value opportunities on offer for the longer term given valuation levels.

Performance (%)

Returns	Cumulative 1 Month	3 Month	YTD	1 Year	Annualised 3 Year	5 Year	10 Year	Since inception (03/02/03)
I Acc (Net)	-1.48	7.25	-1.48	2.47	3.04	3.23	3.20	5.61
Index	-1.15	6.30	-1.15	2.97	1.78	2.80	4.19	6.23
Peer Group	-0.39	7.20	-0.39	3.31	0.86	2.93	3.62	4.85
I Acc (Gross)	—	—	—	—	—	3.98	3.94	6.37
Target	—	—	—	—	—	4.35	5.76	7.83

12 month rolling	Dec 2022-Dec 2023	Dec 2021-Dec 2022	Dec 2020-Dec 2021	Dec 2019-Dec 2020	Dec 2018-Dec 2019
I Acc (Net)	8.39	-6.80	8.61	-1.17	13.22
Index	8.37	-9.06	7.27	-1.18	14.33
Peer Group	6.86	-9.63	6.28	3.49	12.08

Performance is on a net of fees basis, with gross income reinvested. Source: at 31/01/24. © 2024 Morningstar, Inc. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. **Past performance does not predict future returns.** Performance/performance target related data will display only where relevant to the share class inception date and annualised target time period. **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.** Source for target returns (where applicable) - Janus Henderson Investors. This is a representative share class for the fund, other share classes are available and may be more suitable for your investment needs.

Fund charges will impact the value of your investment. In particular, the ongoing charges applicable to each fund will dilute investment performance, particularly over time. For further explanation of charges please visit our Fund Charges page at www.janushenderson.com.

Note that any differences among portfolio securities currencies, share class currencies and costs to be paid or represented in currencies other than your home currency will expose you to currency risk. Costs and returns may increase or decrease as a result of currency and exchange rate fluctuations.

Investment objective

The Fund aims to provide a return, from a combination of income and capital growth over the long term. Performance target: To outperform the 50% FTSE All Share + 50% ICE Bank of America Sterling Non Gilt Index by 1.5% per annum, before the deduction of charges, over any 5 year period. The Fund aims to provide a return, from a combination of income and capital growth over the long term. Performance target: To outperform the 50% FTSE All Share + 50% ICE Bank of America Sterling Non Gilt Index by 1.5% per annum, before the deduction of charges, over any 5 year period.

For the fund's investment policy, refer to the Additional fund information on page 4.
Past performance does not predict future returns.

Fund details

Inception date	01 February 2003
Total net assets	775.90m
Asset class	Mixed Asset
Domicile	United Kingdom
Structure	OEIC
Base currency	GBP
Index	50% FTSE All Share/50% ICE Bank of America Sterling Non-Gilt Index
Peer group	IA Mixed Investment 20-60% Shares sector

For benchmark/usage description, refer to Additional fund information on page 4.

Additional fund information

Tax assumptions and reliefs depend upon an investor's particular circumstances and may be subject to change. Please note the performance target is to be achieved over a specific annualised time period. Refer to the performance target wording within the objective. Availability of share classes shown may be limited by law in certain jurisdictions. Performance records are detailed on the specific KIID, fees and charges may vary and further information can be found in the fund's prospectus and KIID which must be reviewed before investing. Please consult your local sales representative if you have any further queries. From 1 July 2020, the Fund's benchmark changed from 50% FTSE All Share + 50% ICE Bank of America ML 5-15 Year Sterling Non Gilt Index to 50% FTSEAll Share + 50% ICEBank of AmericaMLSterling Non Gilt Index. Past performance before 1 July 2020 is shown for the Fund's previous benchmark. Investment into the fund will acquire units/shares of the fund itself and not the underlying assets owned by the fund.
The 50% FTSE All Share + 50% ICE Bank of America Sterling Non Gilt Index is a composite index reflecting 50% exposure to shares listed on the London Stock Exchange and 50% exposure to corporate bonds. It forms the basis of the Fund's performance target and provides a useful comparison against which the Fund's performance can be assessed over time.
The Investment Association (IA) groups funds with similar geographic and/or investment remit into sectors. The Fund's ranking within the sector (as calculated by a number of data providers) can be a useful performance comparison against other funds with similar aims.

Investment policy

The Fund invests in shares (also known as equities) and bonds of governments, companies or any other type of issuer, in any country. At all times the investment in equities will be limited to a maximum of 60% of the value of the Fund's portfolio and the Fund will normally have a strong bias towards UK companies and bonds. Companies and bond issuers may be of any size, in any industry. The Fund may also invest in other assets including cash and money market instruments. The investment manager may use derivatives (complex financial instruments) to reduce risk or to manage the Fund more efficiently. The Fund is actively managed with reference to the 50% FTSE All Share + 50% ICE Bank of America Sterling Non Gilt Index, which is broadly representative of the securities in which it may invest, as this forms the basis of the Fund's performance target. The investment manager has a high degree of freedom to choose individual investments for the Fund. As an additional means of assessing the performance of the Fund, the IA Mixed Investment 20-60% Shares sector average, which is based on a peer group of broadly similar funds, may also provide a useful comparator. Investors should note that many funds in the sector peer group have a more global focus than the Fund. The Fund invests in shares (also known as equities) and bonds of governments, companies or any other type of issuer, in any country. At all times the investment in equities will be limited to a maximum of 60% of the value of the Fund's portfolio and the Fund will normally have a strong bias towards UK companies and bonds. Companies and bond issuers may be of any size, in any industry. The Fund may also invest in other assets including cash and money market instruments. The Investment Manager may use derivatives (complex financial instruments) to reduce risk or to manage the Fund more efficiently. The Fund is actively managed with reference to the 50% FTSE All Share + 50% ICE Bank of America Sterling Non Gilt Index, which is broadly representative of the securities in which it may invest, as this forms the basis of the Fund's performance target. The Investment Manager has a high degree of freedom to choose individual investments for the Fund. As an additional means of assessing the performance of the Fund, the IA Mixed Investment 20-60% Shares sector average, which is based on a peer group of broadly similar funds, may also provide a useful comparator. Investors should note that many funds in the sector peer group have a more global focus than the Fund.

Investment strategy

The investment manager looks to balance the long-term growth and income potential of equities with the more stable returns offered by bonds and cash. The strategy has the flexibility to adjust to changing market conditions by altering the level of exposure to the different asset classes. In managing the equity portion of the portfolio, the investment manager will typically follow a value investment style, seeking companies it believes to be undervalued by the market that may be more resilient in periods of economic uncertainty. The Investment Manager looks to balance the long-term growth and income potential of equities with the more stable returns offered by bonds and cash. The strategy has the flexibility to adjust to changing market conditions by altering the level of exposure to the different asset classes. In managing the equity portion of the portfolio, the Investment Manager will typically follow a value investment style, seeking companies it believes to be undervalued by the market that may be more resilient in periods of economic uncertainty.

Fund specific risks

When the Fund, or a share/unit class, seeks to mitigate exchange rate movements of a currency relative to the base currency (hedge), the hedging strategy itself may positively or negatively impact the value of the Fund due to differences in short-term interest rates between the currencies. In respect of the equities portfolio within the Fund, this follows a value investment style that creates a bias towards certain types of companies. This may result in the Fund significantly underperforming or outperforming the wider market. The Fund could lose money if a counterparty with which the Fund trades becomes unwilling or unable to meet its obligations, or as a result of failure or delay in operational processes or the failure of a third party provider. Shares/Units can lose value rapidly, and typically involve higher risks than bonds or money market instruments. The value of your investment may fall as a result. An issuer of a bond (or money market instrument) may become unable or unwilling to pay interest or repay capital to the Fund. If this happens or the market perceives this may happen, the value of the bond will fall. When interest rates rise (or fall), the prices of different securities will be affected differently. In particular, bond values generally fall when interest rates rise (or are expected to rise). This risk is typically greater the longer the maturity of a bond investment. If a Fund has a high exposure to a particular country or geographical region it carries a higher level of risk than a Fund which is more broadly diversified. The Fund may use derivatives with the aim of reducing risk or managing the portfolio more efficiently. However this introduces other risks, in particular, that a derivative counterparty may not meet its contractual obligations. Securities within the Fund could become hard to value or to sell at a desired time and price, especially in extreme market conditions when asset prices may be falling, increasing the risk of investment losses. Some or all of the ongoing charges may be taken from capital, which may erode capital or reduce potential for capital growth.

Source: Janus Henderson Investors, as at 31 January 2024, unless otherwise noted.