QUARTERLY COMMENTARY | Q4 2023

Janus Henderson INVESTORS

BALANCED FUND

At a glance

Performance*
The Fund returned 9.10%, the Index returned 9.50% and the Sector returned 7.45%.

Contributors/detractors
The equity allocation underperformed the S&P 500 Index and the fixed income allocation outperformed the Bloomberg US Aggregate Bond Index.

Outlook
We are optimistic about equities and fixed income, as moderating inflation allowed the Fed to signal an important pivot toward a rate-cutting cycle.

Portfolio management

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Investment environment

- The S&P 500 Index and the Bloomberg US Aggregate Bond Index posted gains during the quarter. Markets benefited from the Federal Reserve (Fed)'s dovish pivot in December. The Fed held rates steady following its last hike in July and guided towards the potential for multiple cuts in 2024. With still relatively robust gross domestic product (GDP) growth and low unemployment, the Fed now expects a 'soft landing' scenario for the US economy.
- For November, jobs growth exceeded expectations, the unemployment rate ticked back down to 3.7%, and annualised inflation fell 0.1% to 3.1%, continuing to move toward the Fed's target.
- The quarter saw a sharp decline in interest rates across the yield curve and a narrowing of corporate and securitised spreads. The yield on the 10-year US Treasury ended December at 3.88%, versus 4.57% at the end of September. Corporate investment grade credit spreads tightened 22 basis points (bps) to 99 bps as investors priced in the end of the rate-tightening cycle.
- Corporate earnings remained relatively strong, aided by reduced input prices.

Portfolio review

Asset allocation positioning benefited relative performance, with an overweight position to equities and a corresponding underweight to fixed income aiding results as equities advanced sharply and outgained returns from fixed income. We trimmed the fund's equity allocation near the end of the quarter to bring positioning more in line with where it started. The portfolio closed December with roughly 61% in equities, 38% in fixed income, and a small portion in cash.

The equity allocation underperformed the S&P 500 Index. More conservative positioning relative to the benchmark detracted amid the risk-on environment. The Fed's dovish pivot sparked a rally and rotation into cyclical areas of the market.

Cable company Comcast was a top detractor, due to a slowing broadband market with tough competition from fixed wireless providers. ConocoPhillips, an integrated oil and gas company, also detracted as its share price declined alongside falling oil prices. Lower crude oil prices can be attributed to demand concerns and higher inventory levels (especially in the US) despite OPEC+ maintaining supply cuts.

Semiconductor manufacturing equipment company Lam Research contributed positively to relative performance. There is industry optimism for a recovery in wafer fabrication equipment in 2025, and capital expenditure in memory chips is expected to have a sharp recovery. American Express also contributed positively, its shares benefiting from robust consumer spending, particularly in the travel and entertainment categories. Contrary to prior

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*For benchmark and sector, 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.

concerns, the travel segment of American Express' business remained strong.

The fixed income allocation outperformed the Bloomberg US Aggregate Bond Index. The fund's duration overweight and an overweight allocation to credit spread risk contributed positively to relative results.

The fund entered October with a significant duration overweight position and we continued to add interest rate risk early in the quarter. This positioning proved to be a key positive contributor as rates began to rally in November, and then rallied sharply in December with the Fed's pivot. We reduced duration as rates rallied but retained an overweight position.

The fund entered the period with more spread risk than the benchmark, which supported results - particularly in investment grade corporate bonds - as spreads narrowed on the view that chances for a 'soft landing' had increased. On an industry basis, the fall in rates benefited the banking sector, and the overweight position there contributed to relative returns. We modestly trimmed the corporate positions as the sector outperformed. We increased the overweight allocation to securitised sectors through selective purchases of high-quality commercial mortgage-backed securities (MBS)

Manager outlook

Following two years of tough talk and aggressive rate hikes, the Fed delivered some holiday cheer by way of a dovish pivot at its December meeting. Inflation made a sustained move back toward target, allowing the central bank to signal its intent to transition from a 24-month tightening campaign to an easing cycle. This is broadly positive for the economy.

Looser financial conditions and lower interest rates should bring some welcome relief for consumers and corporations. We also expect the Fed's dual mandate to shift back into balance: In 2022 and 2023, with inflation far too high, the central bank was focused only on one side of its mandate - namely, stable prices. But given increased confidence that inflation will move back toward 2%, the Fed highlighted the need also to focus on full employment.

We believe the key result of this policy shift will be a favourable multi-year outlook for fixed income returns. We expect demand for the asset class to increase, as investors have the potential to lock in attractive yields and benefit from the diversification that bonds can bring to multi-asset portfolios.

Regarding equities, we are cautiously optimistic and anticipate earnings growth to resume in 2024 after modest declines in 2023. There are positive factors supporting our moderate earnings growth forecast, but also risks. Our base case view anticipates modest real GDP growth, resilient yet decelerating consumer spending, steady labour force conditions, profit margin improvement, and growth from key secular trends like artificial intelligence (AI) and weight-loss therapies. From a corporate perspective, third-quarter earnings margins held up well in manufacturing and other economic sectors. Declining raw material and transportation costs are finally flowing through to lower cost of goods sold, while new inventories are replacing pricier items built on 2022's high input costs - a benefit that emerged late in 2023 and should persist into 2024.

While the outlook has continued to improve, we must also acknowledge the risks. We believe we are yet to feel the full cumulative impacts of prior rate hikes. Monetary policy works in long and variable lags, and while the most intense headwinds of rising rates may be behind us, we should not discount the effect on the economy of a federal funds rate that is 525 bps above where it was a few years ago. For example, higher rates may negatively impact long-cycle capital spending, as multi-year projects that boosted 2023 growth fade and replacement spending lags. However, short-cycle industries like personal computers, semiconductors and life-sciences equipment - all of which endured recession in 2023 - could recover to normal levels in 2024. We are monitoring this potential transition from long- to short-cycle economic and earnings growth drivers. We think a slowdown in growth is likely, but the extent thereof remains an open question. Nonetheless, it bodes well that the Fed is now in a stronger position to lower rates if the economy shows signs of weakness.

In 2024, our focus will be on the health of the consumer, the job market outlook, and how corporations fare through this environment. As always, we will dynamically adjust individual equity and fixed income holdings, as well as the fund's overall mix between equities and fixed income, as we analyse the risks and opportunities in each market.

Performance (%)

Returns	Cumulative 1 Month	3 Month	YTD	1 Year	Annualised 3 Year	5 Year	10 Year
A2 USD (Net)	3.86	9.10	13.61	13.61	2.64	7.89	6.07
Index	4.22	9.50	16.62	16.62	4.05	9.26	7.59
Sector	3.94	7.45	10.36	10.36	0.58	4.54	3.01
A2 USD (Gross)	—	—	—	—	—	9.92	8.11
Target	—	—	—	—	—	10.90	9.20

Calendar year	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A2 USD (Net)	13.61	-17.57	15.45	12.60	20.08	-0.95	16.43	3.01	-0.56	4.39
Index	16.62	-15.52	14.32	14.20	21.03	-2.12	13.29	7.84	1.25	10.23
Sector	10.36	-13.96	7.17	6.75	14.92	-6.45	11.52	4.09	-2.66	1.98

Performance is on a net of fees basis, with gross income reinvested. Source: at 31/12/23. **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.

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.

Investment objective

The Fund aims to provide a return, from a combination of capital growth and income, while seeking to limit losses to capital (although not guaranteed). Performance target: To outperform the `Balanced´ Index (55% S&P 500 + 45% Bloomberg US Aggregate Bond) 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	24 December 1998
Total net assets	7.18bn
Asset class	Asset Allocation
Domicile	Ireland
Structure	Irish Investment Company
Base currency	USD
Index	Balanced Index (55% S&P 500 / 45% BB US Agg Bond)
Morningstar sector	USD Moderate Allocation
SFDR category	Article 8

In accordance with the Sustainable Finance Disclosure Regulation, the Fund is classified as Article 8 and promotes, among other characteristics, environmental and/or social characteristics, and invests in companies with good governance practices.

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. With effect from 1 January 2023, the Key Investor Information document (KIID) changed to the Key Information Document (KID), except in the UK where investors should continue to refer to the KIID. Availability of share classes shown may be limited by law in certain jurisdictions. Performance records/scenarios are detailed within the fund's specific KIID/KID; fees and charges, and the respective risk rating may vary. Further information can be found in the fund's prospectus and KIID/KID, which must be reviewed before investing. Please consult your local sales representative and/or financial adviser if you have any queries. 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 into the fund will acquire units/shares of the fund itself and not the underlying assets owned by the fund. The ongoing charge is calculated using the PRIIP methodology. The PRIIP methodology differs to the UCITS ongoing charge methodology, as the PRIIP methodology captures additional recurring charges, including but not limited to: Interest paid on borrowing (e.g. bank interest); Any fees incurred in relation to stock-lending activity (i.e. the fee paid to the lending agent); Any costs associated with holding closed-ended vehicles. 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.

Investment policy

The Fund invests 35%-65% of its assets in shares (equities), and 35%-65% of its assets in fixed income (debt) securities and loans. At least 80% of its assets are invested in US Companies and US Issuers. The aggregate amount of the Fund which may be invested in securities traded on the developing markets is 10%. Of the 35%-65% portion of the Fund's assets that are invested in fixed income (debt) securities and loans, up to 35% of that portion of the assets may be rated below investment grade. The Fund may also invest in other assets including companies and bonds outside the US, cash and money market instruments. The investment manager may use derivatives (complex financial instruments) to reduce risk, to manage the Fund more efficiently, or to generate additional capital or income for the Fund. The Fund is actively managed with reference to the `Balanced´ Index (55% S&P 500 + 45% Bloomberg US Aggregate Bond), which is broadly representative of the companies and bonds 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.

Investment strategy

The investment manager follows an actively-managed approach which blends mainly US equities and bonds, with the ability to position defensively when market volatility is anticipated. The Fund has the flexibility to migrate between 35% and 65% exposure to equities, depending on where the managers are finding the best opportunities in each asset class, as well as their assessment of broader economic conditions. The equity side of the portfolio seeks long-term growth, while the fixed income portion seeks to provide ballast as required.

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. 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. In addition to income, this share class may distribute realised and unrealised capital gains and original capital invested. Fees, charges and expenses are also deducted from capital. Both factors may result in capital erosion and reduced potential for capital growth. Investors should also note that distributions of this nature may be treated (and taxable) as income depending on local tax legislation. 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. The Fund invests in high yield (non-investment grade) bonds and while these generally offer higher rates of interest than investment grade bonds, they are more speculative and more sensitive to adverse changes in market conditions. 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 to help achieve its investment objective. This can result in leverage (higher levels of debt), which can magnify an investment outcome. Gains or losses to the Fund may therefore be greater than the cost of the derivative. Derivatives also introduce 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.

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Source: Janus Henderson Investors, as at 31 December 2023, unless otherwise noted.

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