

Janus Henderson US Small-Mid Cap Value Fund

Q2 2023

Marketing communication - For professional investors only
Past performance does not predict future returns

Fund Manager Name

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Investment environment

Stocks rallied during the second quarter due to signs of resilient economic growth. Moderating inflation raised hopes that the US Federal Reserve (Fed) might be nearing the end of its monetary tightening policy. The Fed raised rates by 25 basis points (bps) in May but paused in June. The rally was relatively narrow and often characterised by a disconnect between stock fundamentals and valuation. Investors often favoured more speculative stocks, as well as investments they expected to benefit from advancements in artificial intelligence (AI). Among small- and mid-cap stocks in the index, investments in the industrials sector outperformed with strong positive returns. Stocks in the utilities sector lagged the market with negative performance.

Portfolio review

The fund (class A2 US dollar shares) underperformed its benchmark, the Russell 2500 Value Index, for the quarter.

Stock selection in the industrials and energy sectors was positive for relative performance, while selection in the financials and consumer discretionary sectors detracted.

On an individual stock basis, relative performance was hindered by our investments in Embecta, a manufacturer of medical devices for diabetes. Embecta faced questions over new product development costs. Dental equipment maker Envista was another detractor as it experienced weaker business trends in China. Despite near-term uncertainty, we continued to see long-term potential for both companies. First Interstate BancSystem was another notable detractor. The Montana-based regional bank reported weaker-than-expected first quarter results and declining deposits. It also faced increased scrutiny over its credit exposure and some unrealised losses in its security portfolio. We continue to focus on high-quality banks with healthy balance sheets, diversified deposit bases and disciplined lending practices. Burlington Stores weighed on relative returns after outperforming in the first quarter. While the discount retailer delivered strong revenue growth, it missed its earnings targets due to margin pressures. We have maintained an underweight position in the consumer discretionary sector given the increasing pressures on household finances.

Individual positive contributors to relative performance included Gulfport Energy, a cost-disciplined energy producer that continued to execute well despite headwinds for natural gas prices. The company's capital spending management led to stronger returns, while it returned more cash to shareholders. Several of our investments also benefited from a revival in housing construction, as the tight supply of existing homes on the market boosted demand for new construction. This led homebuilder Toll Brothers, which reported strong revenue growth, and Fortune Brands, a supplier of doors, plumbing fixtures, and other house-related accessories to contribute positively to relative performance. Lastly, health care services company Cardinal Health aided returns. The firm provides pharmaceutical and medical products distribution to health care providers, a business that has historically delivered stable returns and strong free cash flow.

The fund ended the quarter with an overweight position in health care, information technology, energy, materials, industrials and consumer staples. It had an underweight position in financials, real estate, utilities, communication services and consumer discretionary.

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Manager outlook

We have been pleased and somewhat surprised with the resiliency of the US economy and the health of corporate earnings. At the same time, we recognise we have yet to see the full impact of Fed interest rate hikes, and we believe there is more work for policymakers to do in combating inflation, including on the wage front. We also see potential future headwinds from the tightening of bank lending and credit standards, which could act as a further brake on the economy. There remains a decent risk that further slowing in economic growth and earnings estimates could lead to market volatility. That said, we have positioned the portfolio to benefit from strong markets and provide protection in challenging market environments. We continue to believe small caps look very attractive relative to large caps for the long term. As always, we will look for new opportunities to use market volatility to our advantage as we identify attractive reward/risks for companies with strong balance sheets, consistent free cash flow and stable earnings profiles.

Source: Janus Henderson Investors, as at 30 June 2023

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Fund information (Investment policy is on the next page)

Index	Russell 2500 Value Index
Morningstar sector	Europe OE US Flex-Cap Equity
Objective	The Fund aims to provide capital growth over the long term.
Performance target	To outperform the Russell 2500 Value Index by at least 2.5% per annum, before the deduction of charges, over any 5 year period.

Performance in (USD)

Performance %	A2 (Net)	Index	Sector	A2 (Gross)	Target (Gross)
1 month	9.4	8.9	7.0	-	-
YTD	5.4	5.8	12.0	-	-
1 year	13.4	10.4	14.4	-	-
3 years (annualised)	10.3	12.1	8.9	-	-
5 years (annualised)	5.9	6.5	6.7	8.0	9.2
10 years (annualised)	7.0	8.4	8.3	9.2	11.1

Source: at 30 Jun 2023. © 2023 Morningstar. All rights reserved, performance is with gross income reinvested. Performance/performance target related data will display only where relevant to the share class inception date and annualised target time period.

Calendar year returns %	A2 (Net)	Index	Sector
2023 to 30 Jun 2023	5.4	5.8	12.0
2022	-10.3	-13.1	-22.7
2021	19.9	24.0	18.8
2020	2.8	2.9	20.0
2019	26.0	26.3	26.7
2018	-9.2	-8.6	-8.9
2017	12.3	13.2	19.0
2016	14.5	18.4	8.4
2015	-4.3	-4.1	-4.0
2014	7.9	12.7	7.1
2013	24.6	32.7	32.4

Source: at 30 Jun 2023. © 2023 Morningstar. All rights reserved, performance is with gross income reinvested. Discrete performance data may change due to final dividend information being received after quarter end.

Investment into the fund will acquire units/shares of the fund itself and not the underlying assets owned by the fund.

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.

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 <http://www.janushenderson.com>.

Source for target returns (where applicable) – Janus Henderson. 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 if you have any further queries.

As of 30th September 2021, the Fund name changed from Janus Henderson US Strategic Value Fund to Janus Henderson US Small-Mid Value Fund. The benchmark also changed from Russell 3000® Value Index to Russell 2500® Value Index. The Fund's investment objective and performance target also changed.

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Past performance does not predict future returns. 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.

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What are the risks specific to this fund?

- 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.
- 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.
- Shares of small and mid-size companies can be more volatile than shares of larger companies, and at times it may be difficult to value or to sell shares at desired times and prices, increasing the risk of losses.
- 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 invests in real estate investment trusts (REITs) and other companies or funds engaged in property investment, which involve risks above those associated with investing directly in property. In particular, REITs may be subject to less strict regulation than the Fund itself and may experience greater volatility than their underlying assets.
- 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.
- If the Fund holds assets in currencies other than the base currency of the Fund, or you invest in a share/unit class of a different currency to the Fund (unless hedged, i.e. mitigated by taking an offsetting position in a related security), the value of your investment may be impacted by changes in exchange rates.
- 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.

General risks

- Past performance does not predict future returns.
- 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.
- Tax assumptions and reliefs depend upon an investor's particular circumstances and may be subject to change.

Investment policy

The Fund invests at least 80% of its assets in a concentrated portfolio of shares (also known as equities) of small and medium sized companies in any industry, in the United States. Companies will be incorporated, headquartered, listed on an exchange in, or deriving significant revenue from, the United States.

The Fund may also invest in other assets including companies outside the United States, 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 Russell 2500 Value Index, which is broadly representative of the companies in which it may invest, as this forms the basis of the Fund's performance target. The investment manager has discretion to choose individual investments for the Fund with weightings different to the index or not in the index, but at times the Fund may hold investments similar to the index.

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For further information on the Janus Henderson fund range please contact your local sales office or visit our website:
www.janushenderson.com.

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