

Janus Henderson Absolute Return Fund

October 2022

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

Fund Managers Names

Ben Wallace, Luke Newman

Investment Environment

October was a strong month for equities despite inflation expectations staying elevated and interest rates rising further. The message from central banks has remained consistently hawkish, but real yields plummeted as mounting evidence of slowing economic activity builds, and with it expectations over the coming months of a pivot in monetary policy. Politics were yet again an important driver of asset performance through the month, with major elections or developments in China, Brazil and the UK. Most pertinently for the UK, a new Prime Minister and cabinet reversed many aspects of September's ill-fated 'mini' budget, providing some much-needed stability for domestic capital markets.

Portfolio Review

Following an especially weak third quarter, we had positioned for what we felt were technically oversold equity markets, with the fund subsequently performing well through October. Contributions within the long book included financials and consumer-facing businesses which confirmed through third quarter earnings reports that underlying economies were generally stronger than the scenario that had been factored into equity valuations.

The long position in building materials supplier CRH was a strong performer thanks to its dollar-earning tailwind and exposure to increased infrastructure spending on both sides of the Atlantic. Advertiser Publicis also performed well following a strong results announcement, and continued to outperform its peers due to its higher US exposure, resilient digital advertising revenues and a more flexible business model with regards to margin management. Core long holdings in insurers Legal & General and Allianz were also up over the month having reported healthy solvency positions and - unlike many banking business models - relative insulation from any forthcoming bad debt cycle.

While the excessive valuation anomaly of many US technology and tech-enabled companies may have already been addressed in 2022 as discount rates have risen, continued weakness in many technology share prices provided some modest positive returns within the short book during October. The market is now beginning to scrutinise the degree of cyclical within these businesses, looking for evidence of saturated demand patterns, cost base inflation and declining advertising revenues. Where we identify these pressures, we are maintaining short positions in the fund.

A key focus for the fund continues to centre around identifying those businesses we think are able to pass on price rises to consumers and/or the ability to grow sales volumes despite a more challenging macroeconomic backdrop. In October this included reinstating a tactical long position in Coca Cola, where despite the headwind of a stronger dollar for its substantial international revenues, the company continued to demonstrate increased sales volumes and price rises that saw the shares perform strongly on results. Conversely, we initiated a short position in a UK-listed alcoholic beverage company, where top line growth has been driven more by price than volume, and more of a reliance on economically sensitive high price point luxury drinks. Customers increasingly trading-down to supermarket own-label goods also saw we reinstated a long position in UK supermarket Tesco, where our meeting with its CEO confirmed that the company is guiding effectively for the current environment, producing strong free cash flow, and reaffirmed a commitment to its share buyback program.

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Manager Outlook

After the weakness of most asset classes over the summer, and a lowered bar for third quarter earnings, our positioning for a rebound in October proved timely. However, a sustainable bull case for equities still centres on some relief in the energy crisis, a de-escalation in Ukraine and further evidence of inflation peaking. While it seems logical that as macro data continues to soften, interest rate expectations peak and risk assets such as equities can find some further mild upside relief as bond yields decline (even into a mild economic slowdown), the outlook statements for 2023 when delivered by corporates over the coming months are generally likely to be downbeat. We think consumer and corporate demand patterns will likely come under pressure into the new year, with ongoing elevated cost inflation - particularly for labour heavy and unionised sectors - and higher refinancing costs all presenting opportunities for the short book. We also need to carefully manage risk in the long book in what seems likely to be an unconventional investment landscape.

Source: Janus Henderson Investors, as at 31 October 2022

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Fund information (Investment policy is on the next page)

Index	UK Base Interest Rate
Morningstar sector	Europe OE Alt - Long/Short Equity - UK
Objective	The Fund aims to achieve a positive (absolute) return, regardless of market conditions, over any 12-month period. A positive return is not guaranteed over this or any time period and, particularly over the shorter term, the Fund may experience periods of negative returns. Consequently, your capital is at risk.
Performance target	To outperform the Bank of England Base Rate, after the deduction of charges, over any 3 year period.

Performance in (GBP)

Performance %	A2 (Net)	Index
1 month	1.4	0.2
YTD	-2.8	1.0
1 year	-2.7	1.0
3 years (annualised)	1.5	0.5
5 years (annualised)	0.5	0.5
10 years (annualised)	3.7	0.5

Source: at 31 Oct 2022. © 2022 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
2022 to 30 Sep 2022	-4.2	0.8
2021	3.5	0.1
2020	2.2	0.2
2019	3.5	0.7
2018	-3.3	0.6
2017	2.9	0.3
2016	1.2	0.4
2015	7.0	0.5
2014	4.4	0.5
2013	16.6	0.5
2012	4.3	0.5

Source: at 30 Sep 2022. © 2022 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. 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 3 August 2015 the Fund changed its investment policy. Past performance shown before 3 August 2015 was achieved under circumstances that no longer apply

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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.

Performance fees are charged separately as a way of rewarding the investment manager for superior returns or for outperforming specified targets. A Performance Fee is accrued where the NAV outperforms the relevant Hurdle NAV (subject to a High Water Mark). For further explanation of the performance fee calculation methodology please see the relevant prospectus, available at <http://www.janushenderson.com>.

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What are the risks specific to this fund?

- When the Fund, or a hedged share/unit class, seeks to mitigate exchange rate movements of a currency relative to the base currency, the hedging strategy itself may create a positive or negative impact to 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.
- 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 towards the aim of achieving its investment objective. This can result in 'leverage', which can magnify an investment outcome and gains or losses to the Fund may 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'), 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.
- The Fund involves a high level of buying and selling activity and as such will incur a higher level of transaction costs than a fund that trades less frequently. These transaction costs are in addition to the Fund's Ongoing Charges.

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 in shares and makes extensive use of derivatives (complex financial instruments) to take both 'long' and 'short' positions in companies the investment manager believes will either rise in value (long positions) or fall in value (short positions) meaning that the Fund may benefit from either scenario.

The Fund will hold a significant proportion of its assets in cash and money market instruments as a result of holding derivatives and for when the investment manager wishes to take a defensive stance. Conversely, the Fund may also employ 'leverage' (so that the Fund can invest a greater amount than its actual value) when the investment manager has greater confidence in the opportunities available.

Typically, at least 60% of the exposure to the long and short positions (in aggregate) will be to companies of any size, in any industry, in the UK. Companies may be incorporated or headquartered in the UK, deriving significant revenue from the UK, or listed on the London Stock Exchange. Up to 40% of the long and short exposure may be to non-UK companies. The Fund may also invest at the Investment Manager's discretion in other Transferable Securities, derivative instruments and collective investment schemes.

The investment manager may also use derivatives (complex financial instruments) to reduce risk or to manage the Fund more efficiently.

The Fund is actively managed with reference to the Bank of England Base Rate as this forms the basis of the Fund's performance target and the level above which performance fees may be charged (if applicable). For currency hedged Share Classes, the central bank rate that corresponds with the relevant Share Class currency is used as the basis of the performance comparison and for calculating performance fees. The investment manager has complete discretion to choose investments for the Fund and is not constrained by a benchmark

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

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Important information

In accordance with the Sustainable Finance Disclosure Regulation, the Fund is classified as Article 8 and promotes, among other characteristics, environmental and social characteristics.

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