MONTHLY COMMENTARY | as at 31 March 2024

CAUTIOUS MANAGED FUND

At a glance

Performance*
The Fund returned 2.89%, the Index returned 3.17% and the Peer Group returned 2.38%.

Contributors/detractors
The equity portfolio detracted over the month, while the fund's fixed income portfolio contributed positively.

Outlook
With inflation continuing to moderate, we remain cautiously optimistic about the outlook for the economy but continue to focus on high-quality, well-capitalised and resilient companies.

Portfolio management

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Investment environment

- Global equities delivered solid gains in March. Continued resilient data from the US, combined with falls in annual inflation numbers in both the eurozone and the UK, fuelled hopes that global central banks have managed to engineer an economic 'soft landing'.
- Performance in UK equities was relatively strong, helped by both the sector make-up of the market and inflation increasing at a markedly slower rate of 3.4% in February (down from 4.0% in January).
- As expected, major global central banks left interest rate on hold, with the Bank of England (BoE) signalling that it expects to implement at least three interest rate cuts this year.
- With the exception of the technology sector, which posted a small negative return, the main UK equity sectors delivered positive performance. Basic materials was particularly strong, buoyed by positive comments from the BoE around the outlook for economic growth and advances in various metal prices. The typically more interest rate-sensitive real estate sector benefited from the BoE's rhetoric around rate cuts, while the energy sector was supported by strong oil prices, which were pushed up by planned production cuts.
- Conversely, the technology sector took a bit of a breather after a number of months of good performance, while consumer staples was overlooked as investors turned their attention to more economically-sensitive industries.
- Bond markets also delivered positive returns. Government bond prices rose (yields fell) due to optimism about potential interest rates cuts. The 10-year gilt yield fell 19 basis points (bps) to 3.93% (meaning prices rose), while the yield on 10-year US Treasuries fell by 5 bps to 4.20%.
- UK investment grade credit also delivered positive returns, outperforming government bonds. Credit spreads (the difference between the yield of a corporate bond over the equivalent government bond) tightened given signs that UK economic activity is picking up, as well as continued strength in US economic data. Sub-investment grade bonds outperformed investment grade issuance.
- Within sterling investment grade credit, financials outperformed non-financials and subordinated credit spreads tightened ahead of senior issuance.
- Within financials, banks and insurance produced similar returns while financial services and real estate lagged. Within non-financials, consumer goods was

*For benchmark/usage and peer group, if applicable, refer to Fund details on page 4. For relevant descriptions, risks and the Fund's investment policy statement, refer to Additional fund information on page 5.

one of the best-performing sectors, with technology being the key laggard.

Portfolio review

The fund's equity exposure delivered a positive return in March but underperformed the FTSE All-Share Index due to negative contributions from both sector allocation and stock selection. The fund's underweight position to basic materials was the biggest negative for relative returns, while an overweight position in consumer staples also weighed on performance. In contrast, the fund's below-market position in consumer discretionary contributed positively to relative returns as the sector proved one of the weaker areas (even though it was still positive).

At a stock level, an overweight position in Capita detracted from performance as the government outsourcing group reported a bigger-than-expected loss of profits for its last financial year, partly due to costs arising from a series of cyber-attacks. Elsewhere, having no holding in mining company Glencore worked against the fund as its share price rallied along with the broader sector due to optimism about a global economic recovery.

Conversely, an overweight position in Just Group, a pensions specialist, contributed positively to performance following strong corporate earnings results. The off-benchmark position in Wisdom Tree Physical Silver, an exchange-traded commodity (ETC) that tracks the price of silver, was also one of the top contributors due to a good month for precious metal prices.

The fund's fixed income allocation also recorded a positive return, finishing ahead of its ICE BofA Sterling Non-Gilt Index benchmark. The fund's long position to interest rate risk (duration) relative to the benchmark was the main performance driver, as UK government bond yields fell following the relatively dovish tone struck by the BoE.

Additionally, the fund's small overweight position to credit beta relative to the benchmark added to returns as credit spreads tightened. Meanwhile, sector allocation was also positive. The overweight position in banks and below-market allocation to housing association bonds provided some value. An overweight position to telecommunications and an underweight position to insurance detracted, although security selection in both sectors was positive.

Overall, security selection was positive for relative returns. Security selection was a strong contributor in utilities, with holdings in France's Engie and the UK's Southern Water Services both contributing positively despite weakness in the sector. Noteworthy contributions from selections in the real estate sector came from Castellum Helsinki and a newly established position CBRE IM, a European real estate investment trust (REIT).

Both companies were supported by improving fundamentals in the property sector. By contrast, the position in Thames Water debt detracted following further negative news headlines and continued investor concerns about the company's ability to service its debt stack. As such, we trimmed the position.

We reacted swiftly to the negative news from Reckitt Benckiser about litigation risk around its infant formula business, selling out of the position completely. This was partly re-invested into another defensive position in water company Pennon Group, with the stock trading at a rare discount to its regulatory asset base.

Earlier in the month we bought into ITV, where the valuation was compelling to us and where there are signs of the advertising environment improving. Rio Tinto, the mining company, fell to a level where we assessed it was time to begin reducing the fund's underweight position to the sector, as iron-ore prices seemed to be finding a base.

We bought into attractive new issues over the month including European REIT CBRE IM (mentioned above) as well as new issues in Land Securities and Virgin Money. We also made additions in the secondary market, with UK REIT Tritax Big Box, which invests in “Big Box” distribution centres, as well as a new Tier 2 position in Lloyds bank.

Over the month, we trimmed some of the fund's bank positions that had performed well, as we saw better valuations elsewhere - including Deutsche Bank, Bank of America and Goldman Sachs. We took profit on the position in Oxford University, exiting at a level materially tighter than where we had initiated the position via the Bank of England Corporate Bond Purchase Scheme run-off.

Manager outlook

Concerns over a hard economic landing have continued to dissipate due to the relative strength of the US economy. However, the macroeconomic picture is far from clear. Geopolitical risks remain elevated, with conflicts such as Russia's invasion of Ukraine, looking more likely to escalate than deescalate in the near future.

The political risk fuelled by general elections is high on our watch list as nearly 60% of the world's democratic population - including the US and the UK - goes to the polls in 2024. In spite of this uncertainty, and the likely uptick in volatility, we remain cautiously optimistic around the outlook for both equities and investment grade corporate bonds as inflation continues to moderate, allowing central banks to start cutting interest rates.

As a result, we remain comfortable with the fund's moderate overweight duration position (sensitivity to interest rates), while being cautious around excessive credit risk given tight spreads. In terms of sectors, we continue to favour relative value opportunities in banks. We have also been building the position in the typically more interest rate-sensitive real estate sector, which has been benefiting from improving fundamentals in the property sector.

On the equity side of the portfolio, we are mindful of the risk of earnings downgrades from companies given the tough economic backdrop. However, in the UK market the technical recession had seemingly 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 and the credit market).

We are in effect, paid to take on risk in the equity market, in contrast to the credit market at present. Thus, our approach is to discriminate on stock selection, focusing on high-quality companies in typically more resilient sectors, while selectively beginning to dip our toe in more cyclical waters. We are conscious of potentially exceptional value opportunities on offer in the UK for the longer term, given current trading levels.

Performance (%)

Returns	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Since inception (03/02/03)
	Cumulative				Annualised			
I Acc (Net)	2.89	-0.11	-0.11	4.60	2.09	3.04	3.21	5.64
Index	3.17	1.80	1.80	7.34	2.31	2.65	4.35	6.33
Peer Group	2.38	2.51	2.51	7.80	1.40	3.05	3.74	4.95
I Acc (Gross)	—	—	—	—	—	3.79	3.95	6.39
Target	—	—	—	—	—	4.18	5.91	7.92

12 month rolling	Mar 2023-Mar 2024	Mar 2022-Mar 2023	Mar 2021-Mar 2022	Mar 2020-Mar 2021	Mar 2019-Mar 2020
I Acc (Net)	4.60	-2.36	4.18	20.75	-9.59
Index	7.34	-3.78	3.69	16.69	-8.82
Peer Group	7.80	-4.97	1.79	20.05	-7.14

Performance is on a net of fees basis, with gross income reinvested. Source: at 31/03/24. **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.

For the fund's investment policy, refer to the Additional fund information on page 5.
Past performance does not predict future returns.

Fund details

Inception date	01 February 2003
Total net assets	765.52m
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 5.

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 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 America Sterling Non Gilt Index. Past performance before 1 July 2020 is shown for the previous benchmark. 100% of the Annual Management Charge is taken from capital. These are the views of the author at the time of publication and may differ from the views of other individuals/teams at Janus Henderson Investors. Any securities, funds, sectors or indices mentioned within this article do not constitute or form part of any offer or solicitation to buy or sell them. The information in this commentary does not qualify as an investment recommendation. Investment into the fund will acquire units/shares of the fund itself and not the underlying assets owned by the fund. Cash balances and exposures are based on settled and unsettled trades as at the reporting date.
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.

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.

Fund specific risks

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. 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. 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.

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