Janus Henderson INVESTORS

ABSOLUTE RETURN FUND

At a glance

Performance*
The Fund returned 1.10%, the Index returned 0.45%

Contributors/detractors
Overall, the long book generated alpha but was partially offset by the short book. Weir Group was a key long contributor while Smith & Nephew was a detractor.

Outlook
The fund's gross exposure is set to rise as our stock-picking conviction levels increase. Meanwhile, net exposure will remain dynamically managed with respect to bottom-up opportunities.

Portfolio management

Ben Wallace

Luke Newman

Investment environment

- Equity markets made further progress in March due to increased confidence that major central banks would soon loosen monetary policy, despite investors scaling back their expectations for the number of interest rate cuts in 2024. That said, concerns about sticker-than-expected inflation, notably in the US, exerted some downward pressure on stocks during the month.
- At the sector level, energy, materials, utilities and financials stocks outperformed while consumer discretionary, consumer staples and health care stocks underperformed.

Portfolio review

The core long position in Weir Group contributed positively. The mining equipment business announced full-year results ahead of guidance, coupled with an encouraging outlook, as the mining majors continued to highlight increases in production. A number of UK financial firms also generated alpha. These included insurance provider Aviva, after the group reported earnings ahead of expectations, upgraded guidance and announced a new share buyback, sending its share price higher.

Conversely, medical equipment manufacturer Smith & Nephew detracted as company management communicated they expect a softer first quarter driven by tough comps in the US following elevated surgery volumes in 2023. In our view, the strength of this business is not fully reflected in the valuation, hence we maintained the position.

In the short book, several tactical positions contributed positively, including a US-listed electric vehicle manufacturer, amid declining volumes and pressure from Chinese competition. Meanwhile, as part of the fund's risk control framework, short exposure to index futures partially offset gains given the general strength in equity markets. On a single stock basis, a Dutch multinational banking

*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.

group detracted as its share price advanced during the period.

In terms of activity, takeover activity within the UK market - with two competing offers for paper and packaging firm DS Smith - presented an opportunity in the tactical book to capitalise on both sides of the transaction. We initiated a long position in the target company following an initial bid from UK-listed group Mondi, given our expectation for greater potential synergies than preliminary disclosures suggested. This proved profitable as a rival bid landed later in the month. A short position was subsequently initiated in the US-listed rival bidder, in anticipation of a potential bidding war.

Manager outlook

The return of the cost of capital thanks to higher interest rates has led to a dramatic change in market conditions, characterised by elevated levels of individual stock dispersion. The drivers of performance have shifted from large-scale macroeconomic factors to more stock-specific risks, which favours active stock pickers - and in particular absolute return investors - that can take advantage of opportunities on both the long and the short side.

While we expect interest rates to come down from current levels, we believe policymakers in the West are keen to permanently move away from the era of cheap borrowing that we have emerged from. We therefore expect greater, more rational dispersion between assets - particularly along valuation lines consistent with our experience of higher discount rates - to persist as we look forward.

Accordingly, the fund's gross exposure is set to rise as stock-picking conviction levels increase. Meanwhile, net exposure will remain dynamically managed with respect to bottom-up opportunities.

Performance (%)

Returns	Cumulative 1 Month	3 Month	YTD	1 Year	Annualised 3 Year	5 Year	10 Year
A2 GBP (Net)	1.10	2.33	2.33	7.55	3.37	3.12	2.88
Index	0.45	1.34	1.34	5.24	2.58	1.70	1.09

Calendar year	YTD at Q1 2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A2 GBP (Net)	2.33	6.98	-0.98	3.53	2.23	3.55	-3.28	2.86	1.22	6.96	4.44
Index	1.34	4.86	1.49	0.11	0.23	0.75	0.60	0.29	0.40	0.50	0.50

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.

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.

Performance fees may be charged before the Fund's outperformance target is reached.

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 www.janushenderson.com.

Investment 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.

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 March 2005
Total net assets	1.78bn
Asset class	Alternatives
Domicile	Luxembourg
Structure	SICAV
Base currency	GBP
Index	Bank of England Base Rate
Morningstar sector	Long/Short Equity - UK
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. 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. This is a Luxembourg SICAV Fund, regulated by the Commission de Surveillance du Secteur Financier (CSSF). 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.

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.

Investment strategy

The Investment Manager blends core long term and tactical short term ideas to construct the portfolio. Ideas come from a variety of sources including proprietary research, external research and other Janus Henderson investment teams, with the intention of taking long positions in companies with unexpected earnings growth or value creation potential, and short positions in companies where earnings are priced in or where long term value is impaired.

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. 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 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. 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.

FOR MORE INFORMATION PLEASE VISIT **JANUSHENDERSON.COM**

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

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