Janus Henderson INVESTORS

BALANCED FUND

At a glance

Performance*
The Fund returned 1.99%, the Index returned 2.19% and the Sector returned 2.14%.

Contributors/detractors
Asset allocation positioning and fixed income security selection was beneficial to relative performance, while equity security selection detracted.

Outlook
We have a favourable outlook for equities and fixed income given the combination of declining inflation and a dovish central bank, coupled with a resilient economy and jobs market.

Portfolio management

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Investment environment

- Both US equities and fixed income posted positive returns in March.
- Markets benefited as the Federal Reserve (Fed) took a slightly more dovish tone at its March meeting. While the central bank chose to leave rates steady at 5.25% - 5.50%, the Fed's dot plot now indicates three rate cuts in 2024.
- The February jobs report was somewhat mixed as new jobs added exceeded expectations (+275,000 actual versus +190,000 consensus), but the unemployment rate of 3.9% exceeded expectations of 3.7%. The February inflation reading of 3.2% was consistent with expectations and a modest uptick from the 3.1% January reading.
- Meanwhile, robust corporate results, particularly from some mega-cap US information technology companies, reignited investor interest in artificial intelligence (AI) and helped fuel the broader stock market advance.
- The yield on the 10-year US Treasury ended the month at 4.20% relative to 4.25% at the end of February. Corporate investment grade credit spreads tightened 6 basis points (bps) to 90 bps, while high yield bond spreads tightened 13 bps to 299 bps, as investors increased their risk appetite given the more positive outlook.

Portfolio review

We seek to provide more consistent returns over time by allocating across the spectrum of fixed income and equity securities. In March, asset allocation positioning was beneficial to performance relative to the Balanced Index. An overweight position to equities and corresponding underweight position to fixed income helped performance as equities outgained returns from the fixed income market.

The fund's equity allocation underperformed the S&P 500 Index. Stock selection in the information technology and consumer discretionary sectors contributed positively to relative performance, while stock selection in the health care sector detracted from relative performance.

Deer & Company, a manufacturer of agricultural equipment, was among the top positive contributors to relative performance. The stock's performance in March benefited from positive sentiment around the company's launch of four agricultural products and an increase in the stock's quarterly dividend. Insurance company Progressive Corporation was also among the top relative contributors. The company surpassed analyst expectations with strong earnings and revenue growth. Market share gains, along with an improvement in underwriting profitability and reserve development, also boosted investor enthusiasm.

*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.

Conversely, Nike was a top detractor. The company faced concerns over weak demand and excess inventory in the apparel and footwear sectors in the US and Europe. On a positive note, inventories are now at healthier levels. Abbott Laboratories, a medical device and diagnostics manufacturer, also detracted from relative performance. Its shares declined after an Illinois jury ordered Mead Johnson to pay $60 million over a baby's death linked to its Enfamil formula. The verdict raised concerns about Abbott's potential legal liabilities and financial exposure amid similar lawsuits regarding its instant formula.

The fixed income allocation outperformed the Bloomberg US Aggregate Bond Index. The key driver of our outperformance during the period was the overweight position to investment grade corporate bonds, which outperformed due to economic resilience and good news on the labour market front. The allocation to agency mortgage-backed securities (MBS) detracted.

We maintained a duration overweight position during the period. We believe rates are likely to fall in 2024 due to a dovish Fed and declining inflation. We also like the defensive characteristics of higher-duration exposure in the event the economy cools more quickly than expected.

As credit spread products have continued to deliver strong excess returns, valuations seem to have priced in a lot of the more favourable outlook. Nevertheless, we continue to believe the yields and carry available across fixed income look attractive and may continue to support investor demand.

Manager outlook

What a difference a year can make. At the start of 2023, the Consumer Price Index (CPI) inflation gauge was running at 6.5% year-over-year, predictions of a recession were rife, and the Fed was maintaining its hawkish stance. The central bank would hike another four times in the first half 2023. Fast forward to the first quarter of 2024 and inflation has declined to 3.2%, the Fed is forecasting three rate cuts in 2024, and it has signalled its intent to taper its quantitative tightening program. Economic growth, jobs growth and corporate earnings have continued to surprise positively. In our view, this is all broadly positive for equity and fixed income markets.

Market participants have been grappling with questions of when, and by how much, the Fed will cut rates. This has resulted in some rate volatility and an uptick in yields as the market reprices to align rate-cut expectations with the Fed's own projections. Notwithstanding the tug-of-war taking place in rates markets in the short term, we believe the current monetary and economic environment sets up well for a favourable multi-year outlook for fixed income returns. We expect the recent strong demand for fixed income to continue - and potentially accelerate once the Fed starts cutting rates - as investors aim to lock in attractive yields and benefit from the diversification that bonds may bring to multi-asset portfolios.

In the fixed income portion of the portfolio, we favour an overweight position to both credit spread risk and interest rate risk, as the economy remains resilient, and as the Fed has firmly established its dovish stance. Further, we continue to favour securitised sectors for their relative value, as well as higher-rated assets for their defensiveness, in case we witness economic softening.

Regarding equities, we are closely tracking secular growth trends that are providing significant tailwinds for earnings growth in areas such as AI and weight-loss therapies. In technology, big cloud companies (known as hyperscalers) have aggressively raised capital expenditures, especially in generative AI (gen AI). This spending has benefitted graphic processing unit (GPU) makers like Nvidia, but we expect opportunities to broaden as gen AI adoption continues to surge. In health care, GLP-1 appetite suppression drugs also have the potential to drive growth and disruption. The outlook is tracking ahead of original demand expectations, especially internationally, where companies are making notable advances in manufacturing and therapy coverage.

While the outlook has continued to improve and the 'soft landing' appears to be the most likely outcome, we do expect the economy to gradually slow. The dampening effect of high interest rates also remains a risk. As such, we continue to monitor certain areas of the economy that may be exposed to a downturn in long-cycle capital spending like construction. Still, we take comfort that the Fed's dual mandate is coming back into balance, enabling it to react to any unexpected economic weakness with aggressive stimulative measures, because inflation has moderated.

We maintain our focus 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 the equity and fixed income asset classes, 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)	1.99	6.63	6.63	15.63	4.40	7.61	6.63
Index	2.19	5.37	5.37	16.54	5.24	8.56	7.95
Sector	2.14	3.36	3.36	10.19	1.19	3.83	3.25
A2 USD (Gross)	—	—	—	—	—	9.64	8.67
Target	—	—	—	—	—	10.19	9.57

Calendar year	YTD at Q1 2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A2 USD (Net)	6.63	13.61	-17.57	15.45	12.60	20.08	-0.95	16.43	3.01	-0.56	4.39
Index	5.37	16.62	-15.52	14.32	14.20	21.03	-2.12	13.29	7.84	1.25	10.23
Sector	3.36	10.30	-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 31/03/24. **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.

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	7.62bn
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. 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 an Irish Investment Company regulated by the Central Bank of Ireland. A short-term trading fee may be applied upon exiting the fund as per the prospectus. 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. 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. Cash balances and exposures are based on settled and unsettled trades as at the reporting date.

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 Sub-Investment Adviser 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 Sub-Investment Adviser has a high degree of freedom to choose individual investments for the Fund.

Investment strategy

The Sub-Investment Adviser 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.

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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