Janus Henderson INVESTORS

CORE 4 INCOME FUND

At a glance

Performance*
The Fund returned 6.13%.

Contributors/detractors
The main positive contributions came from holdings in real assets, while the main detractor was alternative strategies.

Outlook
We remain somewhat cautious and well-diversified, as valuations look stretched to us to a degree.

Portfolio management



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Investment environment

- Global equities ended 2023 strongly. The MSCI All Country World Index gained 6.3% in sterling terms and 11.0% in US dollar terms as the latter weakened.
- All of the major developed equity regions ended higher in local currency terms. The S&P 500 Index led the way with an 11.7% gain and the MSCI Europe ex UK Index returned 7.7%. Elsewhere, the FTSE All-Share Index rose 3.2%, Japan's TOPIX Index was up 2.0%, and the MSCI Emerging Markets Index finished 7.9% higher in US dollar terms.
- As investor risk appetite improved, growth-style shares outperformed value-style shares. Within the global benchmark, technology, real estate and industrials stocks performed especially well and the energy sector was the only sector to end lower.
- Fixed income assets were also up. Yields on core 10-year sovereign bonds fell sharply (prices rose, reflecting the inverse correlation) as markets grew increasingly confident that interest rates have peaked. 10-year US Treasury yields fell 69 basis points (bps) while 10-year UK gilt and German bund yields fell 90 bps and 81 bps respectively.
- The fall in corporate bond yields was even more pronounced and returns were boosted further by credit spreads (the difference in yield between equivalent government bonds) tightening across the board.
- Elsewhere, the US dollar weakened and commodity prices were mixed. Gold prices rallied by over 11% due to lower interest rate expectations and increased geopolitical concerns. By contrast, Brent crude oil prices shed around 19% and natural gas prices fell 14%.
- Inflation data in the US and Europe continued to trend downwards. In the US, November's Consumer Price Index (CPI) estimated a 3.1% increase in prices year-on-year, down from 3.7% in August. Over the same period, eurozone CPI fell from 5.2% to 2.4%, and UK CPI fell from 6.7% to 3.9%.
- In the US and eurozone especially, this left headline inflation rates relatively close to central bank targets. As a result, markets moved from expecting “higher for longer” interest rates to pricing in rate cuts during 2024. Late in the period, the US Federal Reserve (Fed) added further weight to this view by featuring multiple rate cuts in its projections for 2024.
- As investors rushed to lock in higher yields, bonds rallied strongly and managed to avoid a third successive annual loss. Meanwhile, gold - which had lost over 12% from its peak following March's banking crisis - recouped these losses and prices returned above the $2000/oz level. Gold prices also benefited from higher demand for so-called 'safe haven' assets after the breakout of war between Israel and Hamas in October.

Marketing communication
This document is for use with financial advisors only.
Past performance does not predict future returns.
*For benchmark/usage and peer group, 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.

Portfolio review

Positive contributions came from across all asset classes, led by fixed income. Expectations for a fall in interest rates in the last quarter of the year helped lift interest-rate sensitive assets such as government bonds. On an absolute basis, alternatives saw the strongest performance, led by the real estate sector which benefited from expectations of lower rates.

Within equities, the biggest positive contributing regions were Asia ex Japan and the UK. The Gresham House UK Multi Cap Income Fund and the iShares UK Dividend ETF were notable as they returned around 9.5% and 9.2% for the quarter respectively. Outside of the UK, the Janus Henderson Asian Dividend Income Fund, and single share holdings such as Microsoft (IT, US), Crown Castle (real estate, US), Schneider Electric (industrial, Europe), and Samsung electronics (IT, South Korea) were the best performers. The biggest detractors were the short positions in S&P 500 Index and Euro Stoxx 50 Index futures. Holdings in Cisco Systems (IT, US), Air Products & Chemicals (materials, US) and Sanofi (health care, Europe) were also significant detractors over the quarter.

In fixed income, one of the biggest positive contributors was the longer duration 2039 expiry UK Gilt bond, which benefited from expectations for a fall in interest rates in the UK. US Treasury bonds, on the other hand, had modest to negative returns, as the US economy showed no signs of slowing down. On the credit side, the Janus Henderson Horizon Emerging Market Debt Hard Currency Fund was the most notable positive contributor, with the Janus Henderson Global High Yield Bond Fund in second place, returning 9.8% and 7.3% respectively.

There was a broadly positive contribution from alternatives. Real assets, which includes infrastructure and real estate names, were very strong over the quarter. From the real estate sub-sectors, the PRS REIT Plc (UK residential property) and Tritax Eurobox (European logistics) were among the most positive contributors in the portfolio, returning 29% and 22% respectively. From the infrastructure sub-sector, HICL Infrastructure led the way, returning 16% over the quarter. Private equity was also a positive contributor, with the position in 3i Group returning 21%. Alternative strategy Biopharma Credit was a detractor as it fell 2.3%.

Trading activity saw a marginal increase from last quarter. Equities exposure was untouched, although we shifted the fund's marginal exposure from the US to Europe. We opened new positions in Rio Tinto (materials, UK), Bank of America (financials, US), Honeywell International (industrials, US) and Shell (energy, UK/Europe). We exited positions in Anglo American (materials, UK) and Pioneer Natural Resources (energy, US).

Trading in fixed income and alternatives saw more activity. We reduced the fund's higher credit risk positions, including the Janus Henderson Multi-Sector Income Fund, the Janus Henderson Global High Yield Bond Fund and the Janus Henderson High Yield Bond Funds, while we opened a lower credit risk position with the Xtrackers USD Corporate Bond ETF. Elsewhere, we exited real asset positions in Bluefield Solar Income and Vonovia, while we added a new position in Renewables Infrastructure Group.

Manager outlook

Following the surge in equities in the late stages of 2023, we believe that markets look somewhat stretched as we enter 2024. Sentiment and positioning indicators suggest high levels of optimism among investors and a degree of overextension in many moves. A lot of the enthusiasm appears to be based on the increasingly dovish outlook for interest rates, with both the Fed and the European Central Bank (ECB) expected to start cutting rates in the second quarter. Inflation is expected to drop below 3% by then, further reducing the pressure on central banks to keep policy as restrictive as it is now.

Perhaps the most important issue remains around economic resilience. Growth is expected to slow in 2024, with the US economy expected to expand by less than 1% and the eurozone less than 0.5%. While the eurozone continues to show worrying signs, the US economy has remained relatively durable in the face of significant and rapid increases in interest rates. With markets already expecting a very dovish outcome, it is increasingly difficult to see where positive catalysts are likely to come from in the near term. Better-than-expected growth outcomes may delay interest rate cuts and weigh on valuations, but weaker data may raise the spectre of an economic 'hard landing' (recession) than has yet to be definitively averted. As a result, the fund remains somewhat cautious and well-diversified, as we continue to look out for better entry points for new investment opportunities.

Performance (%)

Returns	Cumulative				Annualised			
	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Since inception (10/05/13)
I Acc (Net)	3.81	6.13	4.71	4.71	0.56	2.82	3.06	2.74

12 month rolling	Dec 2022-Dec 2023	Dec 2021-Dec 2022	Dec 2020-Dec 2021	Dec 2019-Dec 2020	Dec 2018-Dec 2019
I Acc (Net)	4.71	-9.00	6.71	1.23	11.63

Performance is on a net of fees basis, with gross income reinvested. Source: at 31/12/23. © 2024 Morningstar, Inc. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. **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.

Investment objective

The Fund aims to provide a sustainably high income return with the prospect for some capital growth whilst maintaining a moderate to moderately low level of volatility (variation of returns) over the medium to long term (5 years or more). Maintaining the volatility of the Fund within defined limits, while not guaranteed, is prioritised over the generation of income.

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	10 May 2013
Total net assets	27.36m
Asset class	Mixed Asset
Domicile	United Kingdom
Structure	OEIC
Base currency	GBP
Index	Not Applicable

For benchmark/usage description, refer to Additional fund information on page 4.

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 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 07 July 2023, Paul O'Connor no longer manages this fund, James de Bunsen and Peter Webster now co-manage this fund. This fund should be bought in conjunction with an attitude to risk tool as part of the financial advice process and is therefore designed to be bought by advised clients only. Suitability: This fund is designed to be bought by advised investors only, whose financial adviser uses a relevant 'attitude to risk' tool as part of the advice process. It is intended for investors with a medium to long term investment horizon (at least 5 years). 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 into the fund will acquire units/shares of the fund itself and not the underlying assets owned by the fund. References made to individual securities do not constitute a recommendation to buy, sell or hold any security, investment strategy or market sector, and should not be assumed to be profitable. Janus Henderson Investors, its affiliated advisor, or its employees, may have a position in the securities mentioned.
The Fund has no target or constraint with reference to a benchmark. Performance assessment may best be made to funds that maintain the same risk rating from the same risk rating body as the Fund. Investors should contact their financial adviser to obtain this information.

Investment policy

The Fund invests in Collective Investment Schemes (other funds including those managed by Janus Henderson and Exchange Traded Funds) to provide diversified global exposure to a range of assets including bonds issued by companies and governments, company shares (equities), and to a lesser extent, alternative assets such as property and commodities. The Fund may invest directly in other assets including shares (equities), bonds, cash and money market instruments. The investment manager may use derivatives (complex financial instruments) with the aim of making investment gains in line with the Fund's objective, to reduce risk or to manage the Fund more efficiently. The Fund is actively managed with reference to Distribution Technology (an independent risk rating body) risk profile level '4' as referenced in the Fund's name, as this relates to the target risk profile of the Fund. The investment manager has a high degree of freedom to choose individual investments for the Fund.

Investment strategy

The investment manager believes that by building a genuinely multi asset portfolio with an active approach to asset allocation and instrument selection, it is possible to generate an attractive combination of risk and return characteristics, while targeting the generation of regular natural income. This philosophy is put to work for this fund, which seeks to generate attractive total returns while remaining within clearly-defined risk parameters. The investment process combines both internal and external research to construct a view on the outlook for different asset classes, an assessment of the most suitable income generating assets to meet the Fund's objective, and a robust risk management framework.

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. 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 other funds (including exchange-traded funds and investment trusts/companies). This may introduce more risky assets, derivative usage and other risks associated with the underlying funds, as well as contributing to a higher level of ongoing charges. 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 aims to stay within predetermined volatility parameters over a rolling period of at least 5 years. However, the Fund may move outside these parameters if considered beneficial to investment performance or with the aim of preserving capital. Managing volatility will be prioritised over income generation. 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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INVESTORS

Source: Janus Henderson Investors, as at 31 December 2023, unless otherwise noted.

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