

UK ALPHA FUND

At a glance

Performance*

The Fund returned 10.93%, the Index returned 3.23% and the Peer Group returned 4.50%.

Contributors/detractors

Positive contributors to performance included Paragon Banking Group, Ascential and OSB Group. The biggest detractors included Rentokil, Team 17 and Future.

Outlook

We believe the economy is in a better position to weather the downturn. With UK equity market valuations at the lower end of historic ranges, we see good long-term opportunities.

Portfolio management



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Investment environment

The quarter started with investors in a risk-off mood given the prospect of stubbornly high inflation leading to interest rates remaining higher for longer. However, from late-October onwards, there was a strong rally in UK equities and risk assets more broadly as declining inflation led investors to grow increasingly optimistic about a 'soft landing' for the global economy.

In the UK, headline inflation reached a two-year low, allowing the Bank of England (BoE) to hold interest rates. This resulted in strong returns for the retail and housebuilding sectors, which had been among the hardest hit during the rate-hiking cycle. Oil prices fell following a strong run at the end of the summer, despite the conflict in the Middle East heightening geopolitical risks. Sterling rose against the US dollar, bringing it close to the post-Brexit vote average of \$1.29. In this environment, more domestic mid-cap stocks generally outperformed the more internationally-exposed large-cap stocks.

Portfolio review

The fund's biggest positive contributors to performance included Paragon Banking Group, Ascential and OSB Group. Shares in Paragon Banking Group rose following the announcement of new share buy-back, alongside a strong set of results which beat both earnings and returns expectations. Shares in Ascential performed strongly following the announcement that its board had agreed

sales of both its digital commerce and trend forecasting (WGSN) businesses, alongside news of a substantial cash return to shareholders. This brought the planned managed separation close to conclusion. Shares in OSB Group rallied following the announcement of a reassuring set of results following the profit-warning in the summer, and optimism that falling bond yields would improve the outlook for mortgage loans.

The fund's biggest detractors included Rentokil, Team 17 and Future. Shares in Rentokil came under pressure following a trading update which highlighted further weakening in the company's sales into the US pest market at a time when peers were reporting robust market trends. The move reflected investor uncertainty around the disruption to trading and market share being caused by the group's integration of Terminix. Despite reporting strong revenue growth, shares in Team 17 suffered following material earnings downgrades caused by poor cost control and non-cash write-downs of underperforming games.

While full-year results for Future proved consistent with expectations, the shares reacted negatively to the increased cost investment announced by the new CEO. Sentiment was further dampened by the news that the long-standing and well-respected CFO was stepping down.

Trading during the period included adding to the positions in Ascential, RS Group and Serco, reducing the position in RELX, and exiting the positions in Ergomed and RWS. We added to the position in Ascential as we believe that following the divestments of WGSN and the Digital

Marketing communication

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.

Commerce business, the implied valuation of the events business was not properly reflecting the brand strength of the Cannes Lions and Morny20/20 shows - especially in light of reported interest in the business from third parties.

We increased the position size in RS Group due to the belief that the market was valuing the company's trough earnings on a trough multiple. Finally, we increased the position in Serco as we believed the valuation at the time of purchase was not reflecting the potential for further cash returns or how well positioned the company is to become a partner to governments facing growing budget deficits. Following a strong run, we top sliced the position in RELX as part of normal capital recycling. We sold the shares in Ergomed following a recommended bid for the business by Permira. Elsewhere, we exited the position in RWS given concerns that the business was suffering from both structural and cyclical pressures.

Manager outlook

While core inflation has peaked globally, we expect central bankers to remain hawkish, primarily because they have to be right up until the moment they don't. We believe that

the campaign of monetary tightening is now complete and expect interest rate cuts in the year ahead.

Notwithstanding this, businesses, consumers, governments and investors are still experiencing a period of adjustment following a year of an unprecedented pace of monetary tightening. Our view is that the lagged impact of restrictive monetary will continue to impact the growth prospects of our portfolio companies.

Consequently, while we expect macroeconomic news flow to remain gloomy, from a micro perspective we think both corporates and consumers should be better able to weather the storm as they enter this downturn with typically much healthier finances than they did the last. We believe that the sharp de-rating of stock market valuations in the last two years already reflect the weaker economic outlook and that a troughing of earnings forecast in the year ahead, in conjunction with falling bond yields, could herald a re-rating of UK growth stocks which now sit at the lower end of their historic ranges. We continue to see good long-term opportunities in the UK equity market.

Performance (%)

Returns	Cumulative				Annualised			
	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Since inception (09/11/01)
I Acc (Net)	8.85	10.93	10.23	10.23	0.02	3.25	4.53	5.79
Index	4.52	3.23	7.92	7.92	8.62	6.61	5.34	6.03
Peer Group	5.44	4.50	7.36	7.36	4.52	5.56	4.51	5.67

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)	10.23	-23.95	19.35	-4.95	23.36
Index	7.92	0.34	18.32	-9.82	19.17
Peer Group	7.36	-9.23	17.15	-6.17	22.37

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 capital growth over the long term (5 years or more).

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	21 November 2001
Total net assets	279.62m
Asset class	Equities
Domicile	United Kingdom
Structure	OEIC
Base currency	GBP
Index	FTSE All-Share Index
Peer group	IA UK All Companies Equity

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. 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 FTSE All Share Index is a measure of the combined performance of a large number of the companies listed on the London Stock Exchange and includes large, medium and smaller companies. It 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 at least 80% of its assets in a concentrated portfolio of shares (also known as equities) of companies, of any size, in any industry, in the UK. Companies will be incorporated, headquartered, or deriving significant revenue from, the UK. The portfolio may be concentrated in terms of its number of holdings and/or the size of its largest holdings. The Fund may also invest in other assets including other shares, bonds (including convertible bonds), preference shares, 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 FTSE All Share Index, which is broadly representative of the companies in which it may invest, as this can provide a useful comparator for assessing the Fund's performance. The investment manager has discretion to choose investments for the Fund with weightings different to the index or not in the index. As an additional means of assessing the performance of the Fund, the IA UK All Companies sector average, which is based on a peer group of broadly similar funds, may also provide a useful comparator.

Investment strategy

The investment manager seeks to identify high quality, cash generative growth companies that may be mispriced by the market. The fund focuses on companies that have attractive market positions, healthy balance sheets, and demonstrate robust and growing levels of cash flow. Close attention is also paid to management's ability and willingness to invest capital in a sensible and consistent manner. The fund invests in small, medium and large companies with the flexibility to have a significant bias towards medium or smaller-sized companies. The reference to Alpha in the Fund's name reflects the managers active approach to investment.

Fund specific risks

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. Shares of small and mid-size companies can be more volatile than shares of larger companies, and at times it may be difficult to value or to sell shares at desired times and prices, increasing the risk of losses. 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. This Fund may have a particularly concentrated portfolio relative to its investment universe or other funds in its sector. An adverse event impacting even a small number of holdings could create significant volatility or losses for the Fund. 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.

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

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