

Janus Henderson Absolute Return Fund

Q3 2022

Marketing communication - For professional investors only
Past performance does not predict future returns

Fund Managers Names

Ben Wallace, Luke Newman

Investment Environment

Equity markets started the quarter strongly with the corporate sector announcing earnings which were broadly better than valuations were implying. However, equities, bonds and commodities took a sharp risk-off turn midway through August, and with it there was a marked increase in volatility and US dollar strength. Central banks were the main catalyst, cautioning higher-for-longer inflation, with the prospect of a deepening winter energy crisis also plaguing investors' fears. An escalation in the Ukraine/Russia war saw capital markets continue to fall through September. The UK market had a particularly weak end to the quarter, with the mini-budget announcement from the new government of unfunded tax cuts sending sterling and gilts into freefall, before the Bank of England stepped in with asset purchases.

Portfolio Review

Overall the long book was negative, while the short book was positive. A rising interest rate environment resulted in strong dispersion in performance across sectors within both the long and short book. Among the largest detractor to returns was the long position in UK-listed REIT Land Securities, due to rising interest rates and UK market weakness. Long positions in German real estate company Vonovia and UK housebuilder Taylor Wimpey also detracted for similar reasons. However, performance within housebuilders was overall positive thanks to the fund's net neutral positioning in the sector and strong stock selection. Also within the long book, the position in Triam Investors was accretive due to the spread to its underlying holding as it continued to narrow, while constructor Balfour Beatty also performed strongly due to the potential for increased infrastructure spending.

In the absence of certainty in the short-term regarding the energy crisis or the timing of a peaking in core inflation, the Core book continued to scale-up long positions in quality defensive growth stocks that were felt have the potential to grow revenues in a more challenging environment, strong balance sheets and valuations which reflected a higher discount rate going forward. Despite the negative share price impact of the UK's mini-budget, we think rising interest rates should be further supportive of insurer's solvency ratios and business models (and therefore the security of their high and growing dividend yields). Accordingly, we added to Legal & General and a number of insurers listed in Europe.

Within the Tactical book, having provided protection against the wider fall in markets, profits were taken across a number of developed market index hedges. We also tactically re-established a long position in the energy sector to reflect the tight supply dynamics at play and also to act as a proxy hedge against any deterioration in the geopolitical environment. More generally, currency volatility provided some tactical long trading opportunities for UK and European-listed companies with high US dollar earnings.

Manager Outlook

September's volatility demonstrated that policy makers are ready and willing to intervene in financial markets when needed. Firstly, the Bank of Japan's decision to prop up the yen for the first time since 1998, and then the Bank of England temporarily recommencing its quantitative easing programme in an effort to calm debt markets. While the long-term outlook for markets remains uncertain, and to form a constructive longer-term case would require clarity on inflation and the situation in Ukraine, in the very short-term we are more optimistic about the direction of risk assets. Economic indicators continued to suggest a cooling of core inflation, which we believe should set the foundations for an easing in hawkish rhetoric from central banks if wage rises also ease, and equity markets appear technically oversold with interest rate rises and recessionary risks more than priced into company valuations it seems.

Source: Janus Henderson Investors, as at 30 September 2022

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Fund information (Investment policy is on the next page)

Index	UK Base Interest Rate
Morningstar sector	Europe OE Alt - Long/Short Equity - UK
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.

Performance in (GBP)

Performance %	A2 (Net)	Index
1 month	-1.4	0.2
YTD	-4.2	0.8
1 year	-3.8	0.8
3 years (annualised)	0.9	0.4
5 years (annualised)	0.5	0.5
10 years (annualised)	3.6	0.5

Source: at 30 Sep 2022. © 2022 Morningstar. All rights reserved, performance is with gross income reinvested. Performance/performance target related data will display only where relevant to the share class inception date and annualised target time period.

Calendar year returns %	A2 (Net)	Index
2022 to 30 Sep 2022	-4.2	0.8
2021	3.5	0.1
2020	2.2	0.2
2019	3.5	0.7
2018	-3.3	0.6
2017	2.9	0.3
2016	1.2	0.4
2015	7.0	0.5
2014	4.4	0.5
2013	16.6	0.5
2012	4.3	0.5

Source: at 30 Sep 2022. © 2022 Morningstar. All rights reserved, performance is with gross income reinvested. Discrete performance data may change due to final dividend information being received after quarter end.

Investment into the fund will acquire units/shares of the fund itself and not the underlying assets owned by the fund.

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.

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 <http://www.janushenderson.com>.

Source for target returns (where applicable) – Janus Henderson. 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 3 August 2015 the Fund changed its investment policy. Past performance shown before 3 August 2015 was achieved under circumstances that no longer apply

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Past performance does not predict future returns. 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.

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 <http://www.janushenderson.com>.

Janus Henderson Absolute Return Fund

What are the risks specific to this fund?

- When the Fund, or a hedged share/unit class, seeks to mitigate exchange rate movements of a currency relative to the base currency, the hedging strategy itself may create a positive or negative impact to 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 towards the aim of achieving its investment objective. This can result in 'leverage', which can magnify an investment outcome and gains or losses to the Fund may 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'), 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.

General risks

- Past performance does not predict future returns.
- 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.
- Tax assumptions and reliefs depend upon an investor's particular circumstances and may be subject to change.

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 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.

Janus Henderson Absolute Return Fund

For further information on the Luxembourg-domiciled Janus Henderson fund range please contact your local sales office or visit our website: www.janushenderson.com.

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Important information

In accordance with the Sustainable Finance Disclosure Regulation, the Fund is classified as Article 8 and promotes, among other characteristics, environmental and social characteristics.

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