

# OPPORTUNISTIC ALPHA MANAGED ACCOUNT

## At a glance

### Performance

The Portfolio returned 12.03% (gross) and the S&P 500® Index returned 11.69%.

### Contributors/detractors

Stock selection in the health care and financials sectors contributed to relative performance. Stock selection in the consumer staples and consumer discretionary sector detracted.

### Outlook

Moderating inflation and the Federal Reserve's pivot toward a more accommodating monetary policy has created conditions for a broadening of market returns.

## Portfolio management



Nick Schommer, CFA

## Investment environment

- The S&P 500 Index posted a gain for the quarter. In October, the index declined before rallying strongly in November and December, as investor expectations shifted from fears of additional interest hikes to hopes that moderating inflation might persuade the Federal Reserve (Fed) to reduce rates in 2024. As a result, the 10-year Treasury yield fell below 4% by quarter-end after reaching nearly 5% in mid-October.
- Economic data released during the quarter was largely positive, helping alleviate inflation concerns and underpinning investor hopes that the U.S. could avoid an economic downturn. Unexpectedly, gross domestic product (GDP) grew strongly in the third quarter by an annualized 4.9%, driven by consumer spending and up sharply from the second quarter's expansion of 2.1%. Annual inflation eased to 3.1% in November – a five-month low – down from 3.7% in September, while job growth remained solid, and the unemployment rate remained fairly steady.
- Corporate earnings remained relatively strong, aided by reduced input prices.

## Portfolio review

Teleflex, a medical device company, was a top quarterly relative contributor after reporting strong third-quarter results. Investor sentiment was boosted by the company's continued

durability of top-line and bottom-line growth. Additionally, although Teleflex has minimal exposure to GLP-1 headwinds, the stock recovered as the overall medical device space rebounded due to moderating fears around GLP-1 headwinds.

Advanced Micro Devices (AMD), a semiconductor manufacturer, was also among the top relative contributors. AMD reported better-than-expected revenue growth for the third quarter of 2023, reflecting strong demand for its products from data centers, and indicated a solid revenue outlook for 2024. Investors are particularly excited about AMD's new opportunities tied to artificial intelligence (AI). The company's recent launch of its new MI300x GPU accelerator has demonstrated broad customer momentum and favorable performance metrics.

The BeautyHealth Company was among the top relative detractors. The medical aesthetic company missed third-quarter estimates and lowered guidance while experiencing operational challenges rolling out its HydraFacial Syndeo product. Near term, we are monitoring management's execution of the machine recall, but longer term we remain confident in the consumable nature of the product and end-customer's satisfaction.

Equipment manufacturer Chart Industries was also among top relative detractors to performance during the quarter. The company missed third-quarter earnings and revenue estimates while lowering full-year guidance. The company has experienced operational challenges in meeting customer

orders but remains excited about the potential of its Howden acquisition and end-market demand for its energy transition products.

### Manager outlook

Top-heavy market leadership was the dominant narrative in U.S. equities for 2023. In 2024, we see market conditions that could lead to a broadening of market returns.

Just seven mega-cap tech stocks dominated returns in 2023. The so-called “Magnificent Seven” (Mag 7) generated a 107% total return as measured by the Bloomberg Mag 7 Total Return Index compared to 24% for the S&P 500 Index. The Mag 7 includes seven of the most valuable companies trading in the U.S.: Alphabet Inc., Apple Inc., Amazon.com, Meta Platforms, Microsoft, Nvidia, and Tesla Corp. The S&P 500 Equal Weight Index returned just 11.6%, further illustrating mega-caps’ outsized influence.

Understandably, investors gravitated toward stocks with durable, strong earnings during a period of more restrictive monetary policy and greater economic uncertainty. Also, these tech giants have capitalized on momentum in AI, cloud computing, and cutting-edge hardware and software. However, in bidding up Mag 7 stocks, we believe investors overlooked value in other areas of the market, particularly given the Fed’s monetary policy pivot.

In December, the Fed shifted from combating inflation to steering a soft landing. This dovish turn triggered a rally and market rotation to out-of-favor sectors. With the market gaining confidence in an economic soft landing and expectations for a more accommodating monetary policy

taking hold, we expect to see this broadening of returns continue.

For example, many cyclical stocks that had already priced in a recession rallied toward the end of the year. And with cheaper funding costs and companies gaining more access to the capital markets, as evidenced by January’s expected record high-yield bond issuance, we anticipate small- and mid-cap stocks, as well as companies with financial leverage, to perform relatively well.

It is not just cyclicals recovering. Defensive sectors like healthcare and utilities underperformed as the Fed aggressively raised rates, but they offer resilient earnings regardless of the economic backdrop and their cost of capital is declining as monetary policy eases. For utilities, we are also positive on the generational transformation in power consumption that is currently underway, along with its associated capital expenditure.

We’ll highlight two risks that we continue to monitor. First, a reacceleration of inflation, which we do not expect, partly because we believe the housing component remains below reported numbers. Second, a hard recession scenario. However, we believe a strong consumer backdrop and lean business inventories reduce that threat.

Overall, our process seeks returns independent of indices. For investors concerned about index concentration and narrow mega-cap dominance, our investment strategy can provide more diverse return drivers across segments, sizes, and styles outside of the very narrow market leadership of 2023.

## Opportunistic Alpha Managed Account (as of 12/31/23)

### Performance - USD (%)

Returns	Cumulative			Annualized			
	4Q23	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception (04/01/00)
Composite (pure gross*)	12.03	21.50	21.50	5.34	17.02	10.18	8.91
Composite (net)	11.24	18.00	18.00	2.27	13.64	6.99	5.74
S&P 500® Index	11.69	26.29	26.29	10.01	15.69	12.03	7.01

**Past performance cannot guarantee future results.** Investing involves risk, including the possible loss of principal and fluctuation of value. Returns greater than one year are annualized. Returns are expressed in U.S. dollars. All returns reflect the reinvestment of dividends and other earnings.

\*Pure gross performance results do not reflect the deduction of any trading costs, fees or expenses and returns will be reduced by such advisory fee and other contractual expenses as described in the individual contract and Form ADV Part 2A. Pure gross returns are supplemental to net returns.

Net returns are calculated by subtracting the highest applicable Managed Account fee (3.00% annually, or 0.25% monthly) from the pure gross or gross composite return. The Managed Account fee includes all charges for trading costs, portfolio management, custody and other administrative fees. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. The fees are available on request and may be found in Form ADV Part 2A.

### Representative Portfolio

Top Contributors (%)	Average Weight	Relative Contribution	Top Detractors (%)	Average Weight	Relative Contribution
Advanced Micro Devic	3.84	0.94	Vesper Healthcare Acquisition	1.13	-1.08
Teleflex Inc	5.57	0.84	Chart Inds Inc	2.64	-0.92
Madrigal Pharmaceutical	1.64	0.65	Occidental Pete Corp	4.15	-0.84
Western Alliance Ban	1.70	0.56	Catalent Inc	4.03	-0.62
Immunogen Inc	0.29	0.48	Caesars Entertainment I	5.58	-0.60

The holdings identified in this table, in compliance with Janus Henderson policy, do not represent all of the securities purchased, held or sold during the period. To obtain a list showing every holding as a percentage of the portfolio at the end of the most recent publicly available disclosure period, contact 800.668.0434 or visit [janushenderson.com/info](http://janushenderson.com/info).

Relative contribution reflects how the portfolio's holdings impacted return relative to the benchmark. Cash and securities not held in the portfolio are not shown.

Top Holdings (%)	Rep Acct
Teleflex Inc	6.04
Caesars Entertainment Inc	5.00
Crown Holdings Inc	4.87
Howmet Aerospace Inc	4.53
Advanced Micro Devices Inc	3.93
Catalent Inc	3.88
Sempra	3.80
Occidental Petroleum Corp	3.64
PNC Financial Services Group Inc	3.53
Marvell Technology Inc	3.41
<b>Total</b>	<b>42.63</b>

## Opportunistic Alpha Managed Account (as of 12/31/23)

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INVESTORS

### Definitions

Diversification neither assures a profit nor eliminates the risk of experiencing investment losses.

10-Year Treasury Yield is the interest rate on U.S. Treasury bonds that will mature 10 years from the date of purchase.

Monetary Policy refers to the policies of a central bank, aimed at influencing the level of inflation and growth in an economy. It includes controlling interest rates and the supply of money.

The S&P 500® Equal Weight Index (EWI) is the equal-weight version of the widely-used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance.

The Bloomberg Magnificent 7 Total Return Index is an equal-dollar weighted equity benchmark consisting of a fixed basket of 7 widely-traded companies classified in the United States and representing the Communications, Consumer Discretionary and Technology sectors as defined by Bloomberg Industry Classification System (BICS).

To receive a complete list and description of composites and/or a presentation that complies with the requirements of the GIPS® standards, please contact Janus Henderson at 800.668.0434. The opinions are as of 12/31/23, are subject to change and may not reflect the views of others in the organization. Janus Henderson may have a business relationship with certain entities discussed. The comments should not be construed as a recommendation of individual holdings or market sectors, but as an illustration of broader themes.

Opportunistic Alpha Managed Account Composite, benchmarked to the S&P 500 Index, includes portfolios that seek to invest in under-valued companies with improving return on invested capital and an asymmetrical risk/reward profile. The portfolios may have exposure to foreign securities through ADRs. A typical portfolio invests in 35 to 55 equity securities. Prior to June 1, 2007 returns for the composite are for the Institutional Opportunistic Alpha Composite, which consisted of separately managed institutional accounts as well as sub-advised pooled funds. The composite was created in June 2007.

Information relating to portfolio holdings is based on the representative account in the composite, which reflects the typical portfolio management style of the investment strategy. Other accounts in the strategy may vary due to asset size, client guidelines and other factors.

Portfolio holdings are as of the date indicated, and are subject to change. This material should not be construed as recommendation to buy or sell any security.

Holdings are subject to change without notice.

For equity portfolios, relative contribution compares the performance of a security in the portfolio to the benchmark's total return, factoring in the difference in weight of that security in the benchmark. Returns are calculated using daily returns and previous day ending weights rolled up by ticker, gross of advisory fees, may exclude certain derivatives and does not represent actual performance.

**There is no assurance the stated objective(s) will be met.**

**Investing involves risk, including the possible loss of principal and fluctuation of value.**

Discussion is based on performance gross of fees and expenses.

**Smaller capitalization securities** may be less stable and more susceptible to adverse developments, and may be more volatile and less liquid than larger capitalization securities.

**Growth stocks** are subject to increased risk of loss and price volatility and may not realize their perceived growth potential.

**Value stocks** can continue to be undervalued by the market for long periods of time and may not appreciate to the extent expected.

**Funds classified as "nondiversified"** can take larger positions in a smaller number of issuers than "diversified" funds, which could lead to greater volatility.

**Investing in overlooked or underappreciated companies** presents special risks. Stocks can continue to be undervalued by the market for long periods of time and may not appreciate to the extent expected.

**Actively managed portfolios** may fail to produce the intended results. No investment strategy can ensure a profit or eliminate the risk of loss.

**Actively managed investment portfolios** are subject to the risk that the investment strategies and research process employed may fail to produce the intended results. Accordingly, a portfolio may underperform its benchmark index or other investment products with similar investment objectives.

**S&P 500® Index** reflects U.S. large-cap equity performance and represents broad U.S. equity market performance.

**Index** returns are provided to represent the investment environment existing during the periods shown. The index is fully invested, including the reinvestment of dividends and capital gains.

Index returns do not include any transaction costs, management fees or other costs, and are gross of non-reclaimable withholding taxes, if any and unless otherwise noted.

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