COMMENTARY

Janus Henderson Balanced Fund

June 2020

For promotional purposes
For professional investors only

Fund manager names: Marc Pinto, CFA, Jeremiah Buckley, CFA, Greg Wilensky, Michael Keough

Investment Environment

Equities were volatile during June as the US continued the process of reopening, but the S&P 500 Index® ultimately generated a positive return. In general, investor optimism around a V-shaped economic recovery and the potential for a successful COVID-19 vaccine supported equity valuations. A rebound in consumer spending provided some assurance, but spending was still below pre-lockdown levels and overall unemployment remained extremely high. As states began easing restrictions, hot spots for COVID-19 emerged towards the end of the month, particularly in the Southern and Western regions of the country. The spike in cases illustrated the significant challenges in restarting the economy amid an ongoing pandemic.

The Federal Reserve (Fed)'s aggressive support toward financial markets and corporations continued to bolster liquidity conditions and a successful new issuance calendar. Corporate credit outperformed Treasuries and agency mortgage-backed securities (MBS). Investment grade corporate bonds outperformed their high yield counterparts. US Treasury yields were relatively stable, in part due to the significant expansion of the Fed's balance sheet as it purchased Treasury securities. The yield on the 10-year note ended June at 0.66%, in line with where it began the period.

Portfolio Attribution

The fund (I US dollar accumulation share class) returned 2.0% while the Balanced Index, a blended benchmark of the S&P 500 Index (55%) and the Bloomberg Barclays US Aggregate Bond Index (45%), returned 1.4%. The S&P 500 Index returned 2.0% while the Bloomberg Barclays US Aggregate Bond Index returned 0.6%.

The fund's equity holdings outperformed the S&P 500 Index. Information technology was the strongest performing index sector, and our overweight allocation and strong stock selection in the sector benefited relative performance. Positions in semiconductor manufacturer LAM Research, as well as Adobe and Microsoft, continued to benefit as the COVID-19 pandemic has radically accelerated the digital transformation. Companies offering services and products relevant to this shift in technology and capital spending continued to be rewarded by the market. Elsewhere in the portfolio, our consumer discretionary holdings lagged the broad sector. On a single holding basis, CME Group, the world's largest derivative exchange, weighed on relative returns as trading volumes continued to cool. Positions in United Health Group and Mastercard also detracted.

Our fixed income holdings outperformed the Bloomberg Barclays US Aggregate Bond Index. Asset allocation decisions, including a corporate credit overweight position and an underweight position in agency MBS and US Treasuries, drove relative outperformance. At the issuer level, food services company Sysco was among our top individual contributors. Gains were partially offset by our minimal out-of-index exposure to high yield corporate credit, which underperformed investment grade bonds. A position in HCA Healthcare was one of the detractors in this space.

Market Outlook & Investment Approach

Monetary and fiscal stimulus measures have had substantial positive impact on capital markets and we expect that to continue in the near term – though we are mindful of the potential longer-term repercussions. With this support and the pent-up demand that was created from shelter-in-place orders, we are optimistic that US economic growth will accelerate off its lows in the quarters ahead.

Such a prominent backstop does not yet exist in regard to the health care crisis, creating a delicate balancing act. Uncertainty will remain high as social distancing restrictions are reduced and rebounds in infection numbers and the advent of the fall/winter flu season will surely contribute to the pace at which the economy can reopen. However, an effective vaccine that can be produced at scale could materially speed up the recovery in the economy and positively impact markets.

We also have an eye on the upcoming US elections. We expect political related volatility to pick up as November approaches and will be monitoring proposed policies that could affect the regulatory and tax landscape of the companies in which we invest.

Janus Henderson Balanced Fund

Within equities, our approach remains focused on high quality growth companies with strong balance sheets and significant free cash flow that could enable companies to evolve with a rapidly changing economy and return value to shareholders. In fixed income, we expect bonds across most spread sectors to remain in demand, driven by Fed support and the additional yield available over very low policy rates. While we think investment grade companies have the strength to better weather a slow growth environment, we remain focused on valuations and are diligent in identifying attractive risk-adjusted returns across the ratings spectrum. We are also maintaining our exposure in securitised credit with a focus on higher quality structures that we believe can withstand the elevated economic uncertainty, believing the Fed's aggressive actions should support the liquidity and underlying fundamental performance of these securities. As always, we will dynamically adjust the portfolio based on market conditions and the investment opportunities our equity and fixed income teams identify through their bottom-up, fundamental research.

Source: Janus Henderson Investors, as at 30 June 2020

Janus Henderson Balanced Fund

Fund information

Index Balanced Index (55% S&P 500 / 45% BB US Agg Bond)
Morningstar sector Morningstar Europe OE USD Moderate Allocation
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 Barclays US Aggregate Bond) by 1.5% per annum, before the deduction of charges, over any 5 year period.

Performance %	I Acc (Net)	Index	Sector	Quartile ranking	I Acc (Gross)	Target (Gross)
1 month	2.0	1.4	1.7	2nd	-	-
YTD	-0.4	1.5	-4.5	1st	-	-
1 year	7.7	8.7	0.2	1st	-	-
3 years (annualised)	9.5	8.7	2.6	1st	-	-
5 years (annualised)	8.1	8.1	2.8	1st	9.2	9.7
10 years (annualised)	8.8	9.6	4.4	1st	9.9	11.2
Since inception (annualised)	5.8	5.8	3.1	-	6.9	7.4

Source: at 30 June 2020. © 2020 Morningstar. All rights reserved, performance is with gross income reinvested.

Discrete year performance %	I Acc (Net)	Index	Sector	I Acc (Gross)	Target (Gross)
30 Jun 2019 to 30 Jun 2020	7.7	8.7	0.2	8.8	10.3
30 Jun 2018 to 30 Jun 2019	9.1	9.8	3.8	10.2	11.4
30 Jun 2017 to 30 Jun 2018	11.7	7.6	3.9	12.9	9.2
30 Jun 2016 to 30 Jun 2017	13.2	9.4	9.0	14.4	11.0
30 Jun 2015 to 30 Jun 2016	-0.7	5.1	-2.7	0.3	6.7

Source: at 30 June 2020. © 2020 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.

Source for target returns (where applicable) - Janus Henderson. Where quartiles are shown, 1st quartile means the share class is ranked in the top 25% of share classes in its sector.

Performance/performance target related data will display only where relevant to the share class inception date and annualised target time period.

Please note the performance target is to be achieved over a specific annualised time period. Refer to the performance target wording within the objective.

Past performance is not a guide to future performance. 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.

Janus Henderson Balanced Fund

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

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INVESTORS

Janus Henderson Balanced Fund

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