Janus Henderson INVESTORS

# BALANCED FUND

## At a glance

**Performance***
The Fund returned 13.41%, the Index returned 13.70% and the Sector returned 12.57%.

**Contributors/detractors**
Asset allocation positioning in addition to security selection in the equity and fixed income asset classes were beneficial to relative fund performance.

**Outlook**
We believe substantial technology infrastructure investment, artificial intelligence (AI)-driven productivity gains, and supportive monetary and fiscal policy create a favourable economic backdrop.

## Portfolio management

**Jeremiah Buckley, CFA**

**Greg Wilensky, CFA**

**Michael Keough**

## Investment environment

- The S&P 500 Index rose 17.9%, while the Bloomberg US Aggregate Bond Index returned 7.3%.
- Overall, the US economy was largely resilient although there were some signs of labour market weakness. Annual consumer price rises cooled from 3.0% in January to 2.7% in November, staying above the Federal Reserve (Fed)'s 2% target. The US dollar declined against a basket of other currencies, weighed down by trade uncertainty and easier borrowing conditions.
- The Fed was cautious for most of the year due to uncertainty about the economy and inflation. However, it cited a softening jobs market as it announced a 25 basis points (bps) rate cut in September and followed this with two additional 25 bps reductions, lowering interest rates to 3.75%.
- US equities benefited from interest-rate cuts, positive expectations about artificial intelligence (AI), and reduced trade tariff uncertainty. Bouts of anxiety about AI-related valuations and worsening global trade relations in the first few months of 2025 hurt sentiment.
- In fixed income, the 10-year US Treasury yield fell as improved global trade relations and looser monetary policy offset initial fears about tighter-for-longer borrowing conditions and April's tariff-induced volatility. High yield corporate bonds, investment grade corporate bonds, and securitised assets outperformed US Treasuries.

## Portfolio review

The fund entered the year with roughly 63% in equities and 37% in fixed income. It ended the year with roughly 64% in equities and 36% in fixed income. We actively allocated between equity and fixed income during the period to express our market and economic views, and later in the period we modestly increased the equity allocation to reflect our positive earnings growth and equity outlook.

Asset allocation positioning was beneficial to relative fund performance. An overweight position to equities versus the Balanced Index, and corresponding underweight to fixed income, aided results as equities outgained bonds. In addition, the equity and fixed income portfolios outperformed their respective asset class benchmarks and contributed to the fund's overall relative performance.

The fund's equity allocation was well positioned from a sector perspective given the market environment. Notably, the portfolio was overweight more growth-style sectors including information technology (IT) and communication services, which outperformed the broader market. It was underweight the consumer staples and real estate sectors, which lagged.

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*For benchmark and sector, 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.

Positive stock selection in the financials sector, highlighted by Morgan Stanley and Goldman Sachs, helped relative performance. The global financial services companies were supported by increased trading volumes, a rebound in investment banking activity, and growth in wealth management assets. Stock selection in the IT sector was also positive, highlighted by Lam Research and KLA. The semiconductor manufacturing equipment companies benefited from growing optimism around AI infrastructure spending and wafer fabrication equipment demand.

Conversely, overweight allocations to the healthcare and consumer discretionary sectors detracted from relative performance. Also, stock selection in the real estate sector, highlighted by Prologis, hurt performance.

In the fixed income allocation, sector allocation and security selection decisions helped relative performance. Specifically, overweight allocations to non-agency mortgages, loans, and high yield corporate bonds, as well as an underweight position to US Treasuries, contributed positively. Also, security selection within investment grade corporate bonds was a primary driver of outperformance. The overweight position to asset-backed securities (ABS) and underweight allocation to government-related securities detracted, somewhat offsetting relative performance.

The fund's overall interest-rate risk positioning helped on a relative basis. We actively managed interest-rate exposure during the period, but an overweight to duration contributed positively early in the period as US Treasury yields declined.

## Manager outlook

We maintain an optimistic outlook on continued economic growth, supported by a robust capital-spending environment and productivity gains as well as interest rate and tax cuts.

AI infrastructure spending, driven primarily by data-centre build-outs, is creating outsized economic impact, and we see potential for continued momentum. We also are beginning to see benefits from tax policy that is encouraging capital expenditures beyond AI-related projects. This broad-based investment activity is a constructive signal for sustained economic growth. Given the importance of AI infrastructure investment to the economy, we are closely monitoring to ensure that companies are achieving appropriate returns, backlogs are being executed, and revenue supports those backlogs.

Consumer spending continues to look favourable. Holiday spending at the end of 2025 was positive, which typically serves as an indicator for the first half of the following year. Next year, consumer spending could get an additional boost from tax reform passed over the summer as filers see better refunds during tax season.

We also are encouraged by the productivity gains emerging from companies that have adopted AI. These organisations have lowered operating expenses or reduced the growth rate of those expenses through technology adoption. We expect this trend to drive continued margin expansion in 2026.

Beyond the macro picture, we continue to identify attractive pockets of innovation across equity sectors. In healthcare, both biotech and medical devices have delivered value for customers. Financial services companies are innovating with new trading platforms and hedging strategies, while wealth management businesses are benefiting from three consecutive years of strong market gains and are seeing strong client engagement with new product offerings. In industrials, companies are using research and development to innovate products and services that reduce raw material costs for customers and also enhance the reliability and operating capacity of their manufactured equipment.

In fixed income, key themes within the portfolio include our continued bullishness on credit spread carry amid robust corporate fundamentals and expected continued economic growth. In addition, the Fed's decision to start growing its balance sheet again should help provide more liquidity, which supports our allocation to fixed income spread sectors. Finally, attractive valuations and strong credit quality within securitised assets relative to corporate bonds support our overweight position to securitised sectors.

In terms of yield curve positioning, we continue to favour an overweight position to the short end of the curve as a hedge against any potential weakening in the economy, as the Fed could appropriately and aggressively cut policy rates. This is being paired with an underweight position to the long end of the yield curve, in case there is a rise in term premiums due to potential concerns surrounding Fed independence and continued fiscal deficit spending. If the new Fed leadership were to push rate cuts in spite of inflation, the curve could steepen dramatically.

As always, we will dynamically adjust individual equity and fixed income holdings, as well as the portfolio's overall mix between equities and fixed income, as we analyse the risks and opportunities in each market.

## Performance (%)

| Returns | Cumulative | | | | Annualised | | |
|---|---|---|---|---|---|---|---|
| | 1 Month | 3 Month | YTD | 1 Year | 3 Year | 5 Year | 10 Year |
| A2 USD (Net) | -0.29 | 1.28 | 13.41 | 13.41 | 13.56 | 6.87 | 8.39 |
| Index | -0.02 | 2.03 | 13.70 | 13.70 | 14.85 | 7.91 | 9.23 |
| Sector | 0.72 | 2.17 | 12.57 | 12.57 | 10.01 | 4.19 | 5.04 |
| A2 USD (Gross) | — | — | — | — | — | 8.87 | 10.46 |
| Target | — | — | — | — | — | 9.53 | 10.87 |

| Calendar year | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| A2 USD (Net) | 13.41 | 13.66 | 13.61 | -17.57 | 15.45 | 12.60 | 20.08 | -0.95 | 16.43 | 3.01 |
| Index | 13.70 | 14.25 | 16.62 | -15.52 | 14.32 | 14.20 | 21.03 | -2.12 | 13.29 | 7.84 |
| Sector | 12.57 | 7.23 | 10.30 | -13.96 | 7.17 | 6.75 | 14.92 | -6.45 | 11.52 | 4.09 |

Performance is on a net of fees basis, with gross income reinvested. Source: at 31/12/25. © 2026 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.

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.

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 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 (60% S&P 500 + 40% Bloomberg US Aggregate Bond) by 1.5% per annum, before the deduction of charges, over any 5 year period.

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** | 24 December 1998 |
| **Total net assets** | 11.07bn |
| **Asset class** | Asset Allocation |
| **Domicile** | Ireland |
| **Structure** | Irish Investment Company |
| **Base currency** | USD |
| **Index** | Balanced Index (60% S&P 500 / 40% BB US Agg Bond) |
| **Morningstar sector** | USD Moderate Allocation |
| **SFDR category** | Article 8 |

In accordance with the Sustainable Finance Disclosure Regulation, the Fund is classified as Article 8 and promotes, among other characteristics, environmental and/or social characteristics, and invests in companies with good governance practices.

# Additional fund information

Tax assumptions and reliefs depend upon an investor's particular circumstances and may be subject to change. 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/scenarios are detailed within the fund's specific KIID/KID; fees and charges, and the respective risk rating may vary. Further information can be found in the fund's prospectus and KIID/KID, which must be reviewed before investing. Please consult your local sales representative and/or financial adviser if you have any queries. From 21 November 2025, the Fund's investment policy changed. Effective 31 July 2024, the benchmark of the Janus Henderson Balanced Fund was changed from 55% S&P 500® / 45% Bloomberg US Aggregate Bond to 60% S&P 500® / 40% Bloomberg US Aggregate Bond. Janus Henderson Balanced Fund's investment policy and performance target was changed effective 31 July 2024. Past performance shown before this date was achieved under circumstances that no longer apply. This is an Irish Investment Company regulated by the Central Bank of Ireland. A short-term trading fee may be applied upon exiting the fund as per the prospectus. Ongoing charge represents the ongoing costs to the fund, which includes the AMC and other charges for services such as keeping a register of investors, calculating the price of the fund's units or shares and keeping the fund's assets safe. These are the views of the author at the time of publication and may differ from the views of other individuals/teams at Janus Henderson Investors. Any securities, funds, sectors or indices mentioned within this article do not constitute or form part of any offer or solicitation to buy or sell them. The information in this commentary does not qualify as an investment recommendation. Investment into the fund will acquire units/shares of the fund itself and not the underlying assets owned by the fund. The ongoing charge is calculated using the PRIIP methodology. The PRIIP methodology differs to the UCITS ongoing charge methodology, as the PRIIP methodology captures additional recurring charges, including but not limited to: Interest paid on borrowing (e.g. bank interest); Any fees incurred in relation to stock-lending activity (i.e. the fee paid to the lending agent); Any costs associated with holding closed-ended vehicles. Cash balances and exposures are based on settled and unsettled trades as at the reporting date.

## Investment policy

The Fund invests 35%-70% of its assets in shares (equities), and 30%-65% of its assets in fixed income (debt) securities, loans or cash. Holdings in cash may result from profits due to share class hedging against the base currency, which shall only be held on a temporary basis until such holding is reinvested. At least 80% of its assets are invested in US Companies and US Issuers. The aggregate amount of the Fund which may be invested in securities traded on the developing markets is 10%. Of the 30%-65% portion of the Fund's assets that are invested in fixed income (debt) securities, loans or cash, up to 35% of that portion of the assets may be rated below investment grade. The Fund may also invest in other assets including companies and bonds outside the US, cash and money market instruments. The Sub-Investment Adviser may use derivatives (complex financial instruments) to reduce risk, to manage the Fund more efficiently, or to generate additional capital or income for the Fund. The Fund is actively managed with reference to the `Balanced´ Index (60% S&P 500 + 40% Bloomberg US Aggregate Bond), which is broadly representative of the companies and bonds in which it may invest, as this forms the basis of the Fund's performance target. The Sub-Investment Adviser has a high degree of freedom to choose individual investments for the Fund.

## Investment strategy

The Sub-Investment Adviser follows an actively-managed approach which blends mainly US equities and bonds, with the ability to position defensively when market volatility is anticipated. The Fund has the flexibility to migrate between 35% and 70% exposure to equities, depending on where the managers are finding the best opportunities in each asset class, as well as their assessment of broader economic conditions. The equity side of the portfolio seeks long-term growth, while the fixed income portion seeks to provide ballast as required.

## Fund specific risks

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. 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 high yield (non-investment grade) bonds and while these generally offer higher rates of interest than investment grade bonds, they are more speculative and more sensitive to adverse changes in market conditions. 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 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. 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. 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. Some or all of the ongoing charges may be taken from capital, which may erode capital or reduce potential for capital growth. In addition to income, this share class may distribute realised and unrealised capital gains and original capital invested. Fees, charges and expenses are also deducted from capital. Both factors may result in capital erosion and reduced potential for capital growth. Investors should also note that distributions of this nature may be treated (and taxable) as income depending on local tax legislation. 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.

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