Janus Henderson INVESTORS

# BALANCED FUND

## At a glance

**Performance***
The Fund returned −1.74%, the Index returned −1.25% and the Sector returned −1.93%.

**Contributors/detractors**
Asset allocation positioning and security selection in fixed income were beneficial to relative performance, while stock selection in equities detracted.

**Outlook**
We believe substantial technology infrastructure investment, artificial intelligence (AI)-driven productivity gains, and stable consumer fundamentals create a favourable economic backdrop.

## Portfolio management


**Jeremiah Buckley, CFA**


**Greg Wilensky, CFA**


**Michael Keough**

## Investment environment

- US large-cap equities were volatile in September as geopolitical uncertainty, rising oil prices, and higher bond yields weighed on investor sentiment.
- Despite the market fall, corporate earnings remained strong, especially for companies benefiting from continued artificial intelligence (AI)-related investment.
- US fixed income markets fell. This was due to higher yields after the Federal Reserve (Fed) hiked interest rates given a resilient economy, rising oil prices following the collapse of a fragile US-Iran ceasefire, and increased private-sector debt issuance. Securitised credit sectors outperformed Treasuries and investment grade corporate bonds.
- The US economy added a higher-than-expected 162,000 jobs in August, with unemployment unchanged at 4.1% and July's previously reported job losses revised to a gain of 21,000. Annual US inflation held at 3.4% in August and remains stubbornly high.
- The 10-year US Treasury yield ended the month 54 bps higher at 5.29%, while the 2-year yield also ended 54 bps higher at 4.88%. Investment grade corporate bond spreads widened 2 bps to 80 bps, while high yield bond spreads widened 50 bps to 311 bps.

## Portfolio review

Asset allocation positioning contributed to performance relative to the Balanced Index. An overweight position in equities and corresponding underweight to fixed income helped performance as fixed income returns trailed the equity market.

The portfolio's equity allocation underperformed the S&P 500 Index. Stock selection in the information technology (IT) and communication services sectors detracted from relative performance, while stock selection in the industrials and consumer discretionary sectors contributed.

In terms of individual stock performance, Stryker Corp, a medical device and equipment maker, was a top detractor from relative performance. The company issued a negative update highlighting ongoing manufacturing challenges in its peripheral vascular business and weaker-than-expected demand in the orthopaedic market, especially in Europe and the US. Management cited coverage losses and weakening consumer sentiment as key reasons for procedure softness, making full-year growth targets harder to achieve.

Relative performance was also hindered by online travel agency Booking Holdings. Rising concerns over agentic disruption in travel booking and the potential for direct

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*For benchmark and sector, if applicable, refer to Fund details on page 4. For relevant descriptions, risks and the Fund's investment policy statement, refer to Additional fund information on page 5.

bookings to bypass traditional platforms weighed on shares. While loyalty programs and internal technology investments offer some defence, management acknowledged the complexity of future growth with evolving consumer behaviour and rising direct competition.

KLA was a relative contributor as its shares regained ground after a fall earlier in the third quarter. KLA is a leading supplier of semiconductor capital equipment and is expected to benefit as AI drives increased demand for high-speed working memory, long-term data storage, and advanced packaging products. Against this backdrop, the company has increased its full-year 2026 outlook, while signalling the potential for significant growth in 2027.

Another relative contributor, Seagate Technology Holdings, supplies data storage solutions such as hard disk drives (HDDs) and solid state drives (SSDs). Seagate is one of two leading companies in the global market for HDDs, which provide a cost-effective, high-capacity, long-term data storage alternative to SSDs. The combination of surging hyperscaler demand and limited capacity additions in this market has led to better pricing dynamics, along with opportunities for margin expansion. Seagate reported strong second-quarter results, with both revenues and earnings exceeding expectations.

In fixed income, our overall credit risk position and resulting underweight position to Treasuries detracted modestly as credit sectors underperformed comparable maturity Treasuries. This was partially offset by our strong preference for securitised credit sectors, including private-label collateralised mortgage obligations (CMO), collateralised loan obligations (CLO), commercial mortgage-backed securities (CMBS) and asset-backed securities (ABS), which contributed as these sectors outperformed corporates. The off-benchmark allocation to loans also helped. Security selection in agency mortgage-backed securities (MBS) detracted.

We added spread risk as spreads widened, although our overall credit risk level is neutral to our long-term strategic asset allocation risk level. While we added selectively to corporate bonds and trimmed the underweight Treasuries position, our allocation to investment grade corporate bonds remains near its cyclical low weighting. We also added to agency MBS after the asset class had sold off, but remain modestly underweight, having previously cut the position.

Yield curve positioning contributed as we held an underweight duration position for much of the period as yields rose. However, the overall composition of our position across the curve, including our underweight to longer-maturity securities, detracted as yields rose by less compared with the middle of the curve and as the yield curve flattened.

In September, we moved a modest duration underweight position to a moderate overweight, as higher yields have improved the risk-reward profile of interest rate exposure and longer duration may provide diversification if growth disappoints or an unexpected shock occurs.

## Manager outlook

We believe substantial technology infrastructure investment, AI-driven productivity gains, and stable consumer fundamentals create a favourable economic backdrop.

AI infrastructure spending continues to have an outsized effect on the economy, and visibility into that investment keeps extending further into the future. Because this spending matters so much to the economy, we are closely watching whether companies are earning appropriate returns. It is still early, but so far we believe the returns justify the investment. Hyperscalers saw cloud revenue growth accelerate in the latest earnings season, and prices kept rising for components in critical areas of AI infrastructure, which we view as a positive sign of demand. Early productivity gains at companies using AI also support the durability of the cycle.

Earnings growth has broadened this year. The benefits of the AI build-out have spread to industrial companies tied to data centre construction and other areas, such as capital markets firms that help fund the spending through debt and equity issuance. The continued digitalisation of the economy and past technology spending also support strong revenue growth and operating margin expansion across sectors.

Inflation and higher interest rates are economic headwinds to watch. Higher energy prices are a modest drag on consumers and on companies facing higher transportation and material costs. Even so, we believe the US consumer remains fundamentally healthy. Spending grew robustly before oil prices returned to $100 per barrel. Also, consumers with substantial cash savings may benefit from higher interest rates, and the wealth effect from financial market gains may continue to support spending.

We believe equity valuations are attractive, as the market's multiple has contracted meaningfully alongside strong earnings growth. In particular, the valuations of growth-style stocks have fallen more than the overall market, while value-style stock multiples have risen. The gap between the two is among the narrowest in a couple of years, although we expect growth-style companies to keep growing earnings faster.

In fixed income, yields have risen sharply as Treasury yields climbed and spreads widened. This comes in the wake of continued US economic strength and heavy borrowing by the government and by companies driving investment in AI. It also follows a fresh jump in oil prices and the Fed’s renewed focus on bringing inflation down to its target of 2%. The futures market points to as many as four 25 bps Fed hikes over the next 12 to 15 months, although we expect fewer. Meanwhile, markets already have priced in substantial Fed monetary policy tightening, lifting benchmark bond yields and real yields to multi-decade highs.

For all the turmoil seen in rates markets, however, the underlying credit fundamentals remain sound, providing a base from which we might consider selectively adding fixed income risk now that valuations have become more attractive. Elevated yields and strong fundamentals support attractive income generation and long-term return potential. However, spreads remain below longer-term averages even after recent widening, so our overall risk positioning is moderate.

We continue to favour securitised credit over corporate credit from a valuation and technical perspective, as securitised sectors offer a more compelling combination of high-quality carry with limited risk. In contrast, we remain cautious on investment grade corporate bonds due to unfavourable market technicals—namely, the expected headwind of further new supply, with AI-related borrowing potentially exceeding $1 trillion next year.

As always, we aim to dynamically adjust the individual equity and fixed income holdings, and the overall mix between the asset classes, 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 | Since inception (24/12/98) |
| A2 USD (Net) | -1.74 | -0.68 | 2.53 | 3.85 | 12.97 | 5.81 | 8.60 | 6.16 |
| Index | -1.25 | -0.05 | 6.39 | 8.56 | 14.81 | 7.62 | 9.17 | 6.80 |
| Sector | -1.93 | -0.46 | 5.08 | 7.36 | 10.84 | 4.27 | 5.11 | 4.12 |
| A2 USD (Gross) | — | — | — | — | — | 7.81 | 10.66 | 8.31 |
| Target | — | — | — | — | — | 9.23 | 10.81 | 8.40 |

| 12 month rolling | Sep 2025-Sep 2026 | Sep 2024-Sep 2025 | Sep 2023-Sep 2024 | Sep 2022-Sep 2023 | Sep 2021-Sep 2022 |
|---|---|---|---|---|---|
| A2 USD (Net) | 3.85 | 11.61 | 24.41 | 9.58 | -16.05 |
| Index | 8.56 | 11.67 | 24.84 | 11.95 | -14.79 |
| Sector | 7.36 | 8.06 | 17.41 | 7.95 | -16.18 |

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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 5.
**Past performance does not predict future returns.**

## Fund details

| | |
|---|---|
| **Inception date** | 24 December 1998 |
| **Total net assets** | 11.26bn |
| **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. 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. 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, loan participations 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, loan participations 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 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. 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. While high yield (non-investment grade) bonds generally offer higher rates of interest than investment grade bonds, they are more speculative and more sensitive to adverse changes in market conditions. High exposure to a particular country or geographical region carries a higher level of risk than a more broadly diversified portfolio. Derivatives may be used to help achieve the investment objective. This can result in leverage (higher levels of debt), which can magnify an investment outcome. Gains or losses 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 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 and other costs of the Fund 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. Losses could be incurred if a counterparty became 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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