

JANUS HENDERSON CAPITAL FUNDS PLC – JANUS HENDERSON BALANCED FUND

A2 USD ISIN IE0004445015

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



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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 bookings to bypass traditional platforms weighed on

Marketing communication

Past performance does not predict future returns.

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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	
A2 USD (Net) with sales charge	-6.65	-5.65	-2.59	-1.34	11.06	4.73	8.04	
Index	-1.25	-0.05	6.39	8.56	14.81	7.62	9.17	
Sector	-1.93	-0.46	5.08	7.36	10.84	4.27	5.11	
A2 USD (Net)	-1.74	-0.68	2.53	3.85	12.97	5.81	8.60	

Calendar year	YTD at Q3					
	2026	2025	2024	2023	2022	2021
A2 USD (Net)	2.53	13.41	13.66	13.61	-17.57	15.45
Index	6.39	13.70	14.25	16.62	-15.52	14.32
Sector	5.08	12.57	7.23	10.30	-13.96	7.17

Performance is on a net of fees basis, with gross income reinvested. Source: at 30/09/26. © 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. 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.**

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.

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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.

Investment objective

The Fund aims to seek long-term capital growth, consistent with preservation of capital and balanced by current income. The Fund invests between 35%-70% of its net asset value in equities, and between 30%-65% of its net asset value in debt securities, loan participations or cash. At least 80% of its net asset value is invested in US companies and US issuers selected mainly for their income potential.

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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