Janus Henderson INVESTORS

JANUS HENDERSON CAPITAL FUNDS PLC - JANUS HENDERSON BALANCED FUND

A2 USD ISIN IE0004445015

At a glance

Performance
The Fund returned 0.29%, the Index returned 0.45% and the Sector returned −0.44%.

Contributors/detractors
Stock selection in equities contributed to performance, while asset allocation and security selection in fixed income detracted.

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

Portfolio management



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Investment environment

- US large-cap equities fell in October. The technology sector and other stocks linked to the AI build-out sold off as investors increasingly questioned whether the huge sums being invested in AI infrastructure would generate sufficient returns.
- Rising oil prices and concerns about inflation, as Houthi attacks on Saudi Arabia broadened the Middle East conflict, also weighed on investor sentiment. However, anticipation of another strong corporate earnings season supported sentiment.
- US bond markets rebounded sharply as demand for safe-haven Treasuries grew in the wake of the technology-sector sell-off, although inflation worries capped gains. Treasuries outperformed corporate bonds and most securitised credit sectors, aside from mortgage-backed securities (MBS).
- US economic data was mixed. September's non-farm payrolls added a weaker-than-expected 29,000 jobs, with the unemployment rate ticking up to 4.2%. The annual headline inflation rate accelerated to 3.7%. Third-quarter GDP came in stronger than expected.
- The 10-year Treasury yield fell 35 basis points (bps) to 4.94%, while the 2-year yield fell 32 bps to 4.56%. Investment grade corporate bond spreads widened 10 bps to 90 bps, while high yield bond spreads widened 29 bps to 340 bps, amid concerns over the sustainability of the AI investment boom.

Portfolio review

Asset allocation positioning detracted from performance relative to the Balanced Index. An overweight position in equities and corresponding underweight position in fixed income were both unhelpful as fixed income returns outpaced the equity market.

The portfolio's equity allocation modestly outperformed the S&P 500 Index. Stock selection in the financials and communication services sectors contributed to relative performance, although selections in industrials and information technology (IT) detracted.

In terms of individual stock performance, Mastercard was a leading contributor. Shares in the global payment processor initially rose amid hopes of increased access to the Chinese domestic market after the issue was raised during bilateral US-China trade talks. Shares rallied again at the end of the month following the firm's third-quarter earnings release, which beat expectations thanks to resilient consumer spending.

Eli Lilly also had a favourable impact on relative performance. The firm's quarterly revenues and earnings both surpassed forecasts, while its management also

Marketing communication
Past performance does not predict future returns.
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raised the firm's full-year guidance (forecasts). In addition, shares rose on the back of news that Eli Lilly's experimental weight-loss drug retatrutide outperformed Ozempic in recent trials.

Conversely, Lam Research detracted as shares in the supplier of wafer fabrication equipment for the semiconductor industry fell alongside other AI-related stocks in October. Lam Research posted largely strong quarterly results, but some supply-chain constraints and concern about weaker sales in China in the coming months also contributed to the downturn.

KLA, which specialises in process control and defect inspection for the semiconductor industry, also underperformed amid the wider sector downturn.

In fixed income, overall yield curve positioning detracted. While we had moved to a moderate overweight duration position in September, a steepening bias proved unhelpful in October as curves flattened.

Our overall credit spread risk position detracted. The overweight allocation and security selection within asset-backed securities (ABS) detracted, as did an off-benchmark allocation to private collateralised-mortgage obligations (CMO). The underweight position in Treasuries was also unhelpful as they outperformed most credit sectors. More positively, the underweight exposure to investment grade corporates contributed to relative returns, although this was partially offset by unfavourable security selection. The lack of exposure to government-related debt also contributed.

We slightly increased duration in October (after adding to it in September). Aside from the additional income offered, we believe a modest amount of extra duration provides increasingly attractive portfolio insurance against a potential slowdown in economic growth or other risk-off events that could prompt a flight to quality and lead to lower Treasury yields.

That said, we believe the risks to longer-maturity yields are likely to persist. As such, we remain cautious and continue to favour a less volatile position that maximises income per unit of risk by emphasising carry, while limiting drawdown risks and exposure to the most rate-sensitive assets.

We moderately increased spread risk during the month as spreads widened, selectively adding to corporate bonds while trimming the underweight Treasuries position. Despite these changes, our allocation to investment grade corporate bonds remains close to its lowest cyclical weighting. We added to agency mortgage-backed securities (MBS) to move to a slight overweight position. We also trimmed CMOs and collateralised loan obligations (CLOs), although we continue to favour securitised credit and retain a large overweight position that is diversified across private-label CMOs, CLOs, commercial mortgage-backed securities (CMBS) and asset-backed securities (ABS).

Manager outlook

Despite the recent uncertainty, we believe that substantial technology infrastructure investment and AI-driven productivity gains are likely to continue. Combined with stable consumer fundamentals, this could help sustain a favourable economic backdrop.

AI infrastructure spending continues to have an outsized effect on the economy. Because this spending matters so much to the economy, we are closely watching whether companies are earning appropriate returns. It is still early and we recognise the recent concerns, but so far we believe the returns justify the investment. Hyperscalers saw cloud revenue growth accelerate in the latest earnings season, and prices continued to rise 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 continue growing earnings faster.

In fixed income, Treasury yields have been volatile and spreads have 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%. Although expectations for Fed monetary policy tightening eased in October, the futures market is still anticipating as many as two 25 bps hikes over the next six months. 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 could 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 1 Month	3 Month	YTD	1 Year	Annualised 3 Year	5 Year	10 Year
A2 USD (Net) with sales charge	-4.73	-5.11	-2.32	-2.54	11.84	3.85	8.18
Index	0.45	0.97	6.88	7.28	15.71	6.91	9.37
Sector	-0.44	-0.51	4.62	5.44	11.49	3.81	5.18
A2 USD (Net)	0.29	-0.11	2.82	2.59	13.77	4.92	8.74

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	5.09	12.57	7.23	10.30	-13.96	7.17

Performance is on a net of fees basis, with gross income reinvested. Source: at 31/10/26. © 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	$11.17bn
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. The sustainability approach applied may exclude potential investments which do not meet certain criteria (e.g. non-financial criteria such as ESG screens). This may cause differences in performance compared to similar products that are permitted to invest in those investments.

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