

Janus Henderson United Kingdom Absolute Return Fund

Quarter 4 2019

Fund Managers Names: Ben Wallace & Luke Newman

Macro backdrop

Developed equity markets had a strong quarter. UK equities rallied strongly towards the end of the year as the general election gave the incumbent Conservative Party an unexpectedly strong majority. Domestic-focused sectors rallied, while a modest reaction in sterling also gave support to a number of UK-listed international-earning companies. US and European indices also rose on broadly supportive earnings, positive rhetoric around a US-China trade deal, and the US Federal Reserve (Fed) cutting interest rates.

Fund performance and activity

The fund returned 1.2% during the quarter. The long position in Bellway was the largest single contributor to returns, with the housebuilding sector being one of the key beneficiaries of the election result. Other domestic-focused names within the consumer discretionary and industrials sectors were also positive contributors, including constructor Balfour Beatty and outsourcer Capita. The strong rally in markets meant the short book detracted from overall fund returns.

The decisive election result gave us the opportunity to take profits in some long domestic positions where operational trading risks outweigh the benefits of reduced political risks, such as our position in outsourcer Capita. Conversely, long positions in domestic-focused names anticipated to be beneficiaries of the forthcoming budget and positive UK sentiment were sized-up. This included the core long positions in housebuilders, property developers, financials and utilities. Continued strong operational performance and deleveraging programme meant we increased the fund's long position in WPP. In anticipation of a weaker-than-expected quarter, we tactically reduced the long position in Oracle before scaling it back up after a soft set of results. We took profits in Airbus based on concerns over US sanctions and an increasing pension deficit.

Having adjusted positioning to benefit from the likelihood of a Conservative Party win in the run-up to the general election, trading activity within the fund was more restrained compared to other elections or referendums in recent years. A degree of more political certainty and money flows back into the UK equity market meant we closed or reversed a number of short positions in banks. We trimmed the long position in Coca-Cola following a period of strong share price performance and the position approaching its target price. Technical flows created by inclusion/exclusion from ESG-related indices continued to create opportunities, most notably within traditional US-listed oil majors (where the fund is short) versus more progressive European-listed energy companies growing their renewable and clean energy divisions (where the fund has a long position).

Janus Henderson United Kingdom Absolute Return Fund

Outlook/strategy

With the spectre of a hard left government resoundingly rejected by voters, this has given the opportunity to size-up UK-listed Core long holdings anticipated to be beneficiaries of the forthcoming March budget and positive UK sentiment. Furthermore, the modest reaction in sterling should continue to prove beneficial for a number of UK-listed international-earning companies as - thanks to a no deal Brexit still remaining on the negotiating table - a materially stronger sterling has (so far) failed to materialise, which would have acted as a headwind to repatriated profits.

The unexpectedly strong majority for the Conservative Party should allow the newly-elected government to deliver on its Brexit strategy and wider domestic agenda, potentially turning the UK into a test case for greater fiscal stimulus. Globally, deteriorating economic data combined with limited monetary firepower has resulted in governments and central banks touting fiscally expansive policies with inflationary outcomes. Combined with stretched valuations within more growth-orientated sectors, this explains the rotations we saw in 2019 towards more value-orientated sectors of equity markets globally. Comparatively depressed valuations combined with increased government spending makes the UK market a value proxy, further supporting our decision to increase the fund's long domestic bias.

At the wider fund level, prospects for gross exposure continues to tick higher, as our conviction levels remain elevated and stock dispersion levels within sectors remains favourable. This creates opportunity for both the long and short book. That said, with the government's negotiating tactics on leaving the EU remaining opaque - and with it the prospect of an agreed exit deal or 'hard' Brexit - on top of elevated geopolitical risk (including recent events in the Middle East), our focus on flexibility and capital preservation remains paramount.

Source: Janus Henderson Investors, as at 31 December 2019

Janus Henderson United Kingdom Absolute Return Fund

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

Benelux

Janus Henderson Investors
Tel: +31 20 675 0146
Fax: +31 20 675 7197
Email: info.nederlands@janushenderson.com

France/Monaco/Geneva

Janus Henderson Investors
Tel: +33 1 53 05 41 30
Fax: +33 1 44 51 94 22
Email: info.europe.francophone@janushenderson.com

Germany/Austria

Janus Henderson Investors
Tel: +49 69 86 003 0
Fax: +49 69 86 003 355
Email: info.germany@janushenderson.com

Dubai

Janus Henderson Investors
Tel: +9714 401 9565
Fax: +9714 401 9564
Email: JanusHenderson-MEACA@janushenderson.com

Hong Kong

Janus Henderson Investors
Tel: +852 2905 5188
Fax: +852 2905 5138
Email: marketing.asia@janushenderson.com

Italy

Janus Henderson Investors
Tel: +39 02 72 14 731
Fax: +39 02 72 14 7350
Email: info.italy@janushenderson.com

Latin America

Janus Henderson Investors
Tel: +44 20 7818 6458
Fax: +44 20 7818 7458
Email: sales.support@janushenderson.com

Nordics

Janus Henderson Investors
United Kingdom
Tel: +44 20 7818 4397
Fax: +44 20 7818 1819
Email: sales.support@janushenderson.com

Singapore

Janus Henderson Investors
Tel: +65 6836 3900
Fax: +65 6221 0039
Email: marketing.asia@janushenderson.com

Spain/Portugal/Andorra

Janus Henderson Investors
Tel: +34 91 562 6172
Fax: +34 91 564 6225
Email: info.iberia@janushenderson.com

Switzerland (Germanic)

Janus Henderson Investors
Tel: +41 43 888 6262
Fax: +41 43 888 6263
Email: info.switzerland@janushenderson.com

United Kingdom

Janus Henderson Investors
Tel: +44 20 7818 1818
Fax: +44 20 7818 1819
Email: sales.support@janushenderson.com

Important Information

This document is intended solely for the use of professionals and is not for general public distribution. Any investment application will be made solely on the basis of the information contained in the Fund's prospectus (including all relevant covering documents), which will contain investment restrictions. This document is intended as a summary only and potential investors must read the Fund's prospectus and key investor information document before investing. Nothing in this document is intended to or should be construed as advice. This document is not a recommendation to sell or purchase any investment. It does not form part of any contract for the sale or purchase of any investment. Past performance is not a guide to future performance. The performance data does not take into account the commissions and costs incurred on the issue and redemption of units. 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. Tax assumptions and reliefs depend upon an investor's particular circumstances and may change if those circumstances or the law change. If you invest through a third party provider you are advised to consult them directly as charges, performance and terms and conditions may differ materially. The Fund is a recognised collective investment scheme for the purpose of promotion into the United Kingdom. Potential investors in the United Kingdom are advised that all, or most, of the protections afforded by the United Kingdom regulatory system will not apply to an investment in the Fund and that compensation will not be available under the United Kingdom Financial Services Compensation Scheme. Please note that Isle of Man investors will not be protected by statutory compensation arrangements in respect of the Janus Henderson Fund. We may record telephone calls for our mutual protection, to improve customer service and for regulatory record keeping purposes.

The Janus Henderson Fund (the "Fund") is a Luxembourg SICAV incorporated on 26 September 2000, managed by Henderson Management S.A. A copy of the Fund's prospectus and key investor information document can be obtained from Henderson Global Investors Limited in its capacity as Investment Manager and Distributor. Issued in Europe by Janus Henderson Investors. Janus Henderson Investors is the name under which investment products and services are provided by Janus Capital International Limited (reg no. 3594615), Henderson Global Investors Limited (reg. no. 906355), Henderson Investment Funds Limited (reg. no. 2678531), AlphaGen Capital Limited (reg. no. 962757), Henderson Equity Partners Limited (reg. no. 2606646), (each registered in England and Wales at 201 Bishopsgate, London EC2M 3AE and regulated by the Financial Conduct Authority) and Henderson Management S.A. (reg no. B22848 at 2 Rue de Bitbourg, L-1273, Luxembourg and regulated by the Commission de Surveillance du Secteur Financier). A copy of the Fund's prospectus, key investor information document, articles of incorporation, annual and semi-annual reports can be obtained free of cost from the Fund's registered office in Luxembourg: 2 Rue de Bitbourg, L-1273 Luxembourg, in Germany: Janus Henderson Investors, Tower 185, Friedrich-Ebert-Anlage 35-37, 60327 Frankfurt am Main, in Austria: UniCredit Bank Austria, Schottengasse 6-8, 1010 Wien, in Spain: offices of the Spanish distributors, a list of which may be obtained at www.cnmv.es (Janus Henderson Fund is registered with the CNMV under number 259. The Custodian in Spain is BNP PARIBAS SECURITIES SERVICES S.C.A.); in Belgium: Belgian Financial Service Provider CACEIS Belgium S.A., Avenue du Port 86 C b320, B-1000 Brussels; in Singapore: Singapore Representative: Janus Henderson Investors (Singapore) Limited, 138 Market Street, #34-03/04 CapitaGreen, Singapore 048946; and in Switzerland from the Swiss representative: BNP Paribas Securities Services, Paris, succursale de Zurich, Selnaustrasse 16, CH-8002 Zurich who are also the Swiss Paying Agent. [Janus Henderson, Janus, Henderson, Perkins, Intech, Alphagen, VelocityShares, Knowledge, Shared and Knowledge Labs] are trademarks of Janus Henderson Group plc or one of its subsidiaries. © Janus Henderson Group plc.