Janus Henderson INVESTORS

# ABSOLUTE RETURN FUND

## At a glance

**Performance***
The Fund returned −0.26%, the Index returned 0.32%

**Contributors/detractors**
Positive long positions included Convatec, while IG Group and Barclays detracted. Short positions in an aerospace company and a diversified mining company contributed.

**Outlook**
We believe a strategy targeting a consistent real return regardless of market direction, with the potential to generate positive returns in weaker periods, serves an important purpose in this environment.

## Portfolio management



**Ben Wallace**



**Luke Newman**

## Investment environment

- October was a challenging month for global equity markets, as investors reassessed the outlook for the artificial intelligence (AI) investment theme. Concerns about the scale of capital expenditure (capex) and whether this investment would ultimately generate sufficient returns weighed particularly on technology and communication services stocks. Rising oil prices, amid escalating tensions in the Middle East and renewed concerns about inflation, added to the uncertainty.
- This contributed to a notable shift in market leadership. Technology and communication services were among the weakest sectors, while value-style stocks outperformed growth-style stocks and investors shifted towards more defensive areas of the market. Energy was the best-performing sector as oil prices rose sharply, while healthcare and consumer staples also proved resilient.
- The weaker risk environment also increased demand for perceived safe-haven assets, helping global government bonds recover some of the previous months' losses. More broadly, October represented a continuation of themes that have characterised much of the year, reinforcing the importance of a flexible and adaptive investment approach in a persistently uncertain investment environment.

## Portfolio review

In the long book, shares in Convatec performed well as investors became more confident in the company's medium-term growth and margin outlook. We continue to have confidence in its management's ability to deliver on targets, although following the strength in the shares, the valuation moved closer to our assessment of fair value and we reduced the position. Shares in Severn Trent also performed well as concerns around any potential nationalisation of UK water companies eased, which supported the recovery of its share price.

The primary detractors in the long book included IG Group and Barclays. IG Group issued a profit warning following lower trading activity and weaker revenue retention. While disappointing, we believe this reflected shorter-term fluctuations in profitability, driven by trading volatility rather than a change to the medium-term investment thesis. We continue to see IG Group as a growth business, supported by its ability to attract more customers to the platform and potentially retain a greater share of trading revenues over time. Shares in Barclays were weaker as more subdued investment banking activity led to earnings downgrades, while concerns around a potential UK bank tax also weighed on the shares. We continue to see considerable value in the business, particularly given the potential for improving returns and meaningful capital distributions through dividends and share buybacks.

**Marketing communication**
**Past performance does not predict future returns.**
References made to individual securities do not constitute a recommendation to buy, sell or hold any security, investment strategy or market sector, and should not be assumed to be profitable. Janus Henderson Investors, its affiliated advisor, or its employees, may have a position in the securities mentioned. There is no guarantee that past trends will continue, or forecasts will be realised.
*For benchmark/usage and peer group, 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.

The short book detracted from performance overall, driven in part by select short positions across the utilities, materials, and consumer staples sectors. Despite this, there were positive contributions from several positions within the short book. A short position in an aerospace company contributed positively, where we believe the valuation does not adequately reflect the potential impact of weaker air traffic growth and the retirement risk of older narrow-body aircraft. Elsewhere, a short position in a diversified mining company also contributed positively. We thought the company's valuation continued to look high relative to other large-cap miners, particularly given its exposure to iron ore and that significant capex could be required to grow its copper and potash businesses.

In terms of portfolio activity, we reduced a short position in a UK-listed property company following a capital raise to fund an acquisition, which we viewed as a sensible use of shareholder capital. Elsewhere, we initiated a long position in BT. We believe the competitive strength of incumbent operators in the UK telecom industry is improving, due to increasing financial pressures on alternative network providers. At the same time, we believe BT is approaching peak investment in its UK fibre rollout, and this might support a material improvement in free cash flow as capex moderates, which could lead to an increase in distributions to shareholders.

## Manager outlook

Financial markets have contended with significant volatility and uncertainty this year, underscoring what we believe is a structural shift towards a regime where both geopolitical and economic disruption have become the norm. We think this backdrop increases the appeal of strategies that offer true diversification and differentiated drivers of returns, particularly while equity-bond correlations remain unstable. In our view, portfolio resilience in this environment hinges on adaptability – that is, the ability to shift exposures dynamically, capture opportunities on both sides of the book, and thrive amid volatility and dispersion.

Ultimately, we believe a strategy targeting a consistent real return regardless of market direction, with the potential to generate positive returns in weaker periods, can serve an important purpose in navigating the current investment landscape.

## Performance (%)

| Returns | Cumulative | | | | Annualised | | | |
|---|---|---|---|---|---|---|---|---|
| | 1 Month | 3 Month | YTD | 1 Year | 3 Year | 5 Year | 10 Year | Since inception (29/04/09) |
| I Acc (Net) | -0.26 | 0.40 | 2.99 | 3.79 | 6.52 | 4.87 | 3.58 | 4.81 |
| Index | 0.32 | 0.95 | 3.17 | 3.86 | 4.61 | 3.85 | 2.11 | 1.41 |

| 12 month rolling | Sep 2025-Sep 2026 | Sep 2024-Sep 2025 | Sep 2023-Sep 2024 | Sep 2022-Sep 2023 | Sep 2021-Sep 2022 |
|---|---|---|---|---|---|
| I Acc (Net) | 4.92 | 6.78 | 8.47 | 8.75 | -3.79 |
| Index | 3.89 | 4.64 | 5.44 | 4.21 | 0.80 |

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.**
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. This is a representative share class for the fund, other share classes are available and may be more suitable for your investment needs.

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.

Performance fees may be charged before the Fund's outperformance target is reached.

Performance fees are charged separately as a way of rewarding the investment manager for superior returns or for outperforming specified targets. A Performance Fee is accrued where the NAV outperforms the relevant Hurdle NAV (subject to a High Water Mark). For further explanation of the performance fee calculation methodology please see the relevant prospectus, available at www.janushenderson.com.

## Investment objective

The Fund aims to provide a positive (absolute) return, regardless of market conditions, over any 12 month period. A positive return is not guaranteed over this or any other time period, and particularly over the shorter term the Fund may experience periods of negative returns. Consequently your capital is at risk. Performance target: To outperform the UK Base Interest Rate, after the deduction of charges, over any 3 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** | 14 April 2009 |
| **Total net assets** | 1.56bn |
| **Asset class** | Alternatives |
| **Domicile** | United Kingdom |
| **Structure** | OEIC |
| **Base currency** | GBP |
| **Index** | UK Base Interest Rate |

For benchmark/usage description, refer to Additional fund information on page 4.

# Additional fund information

Tax assumptions and reliefs depend upon an investor's particular circumstances and may be subject to change. Availability of share classes shown may be limited by law in certain jurisdictions. Performance records are detailed on the specific KIID, fees and charges may vary and further information can be found in the fund's prospectus and KIID which must be reviewed before investing. Please consult your local sales representative if you have any further queries. From 06 April 2021, the Janus Henderson UK Absolute Return Fund changed its name to become the Janus Henderson Absolute Return Fund. 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.
The UK Base Interest Rate is the interest rate set by the Bank of England. It is the performance target of the Fund and it provides a useful comparison against which the Fund's performance can be assessed over time.

## Investment policy

The Fund invests in shares and makes extensive use of derivatives (complex financial instruments) to take both 'long' and 'short' positions in companies the Investment Manager believes will either rise in value (long positions) or fall in value (short positions) meaning that the Fund may benefit from either scenario. The Fund will hold a significant proportion of its assets in cash and money market instruments as a result of holding derivatives and for when the Investment Manager wishes to take a defensive stance. Conversely, the Fund may also employ 'leverage' (so that the Fund can invest a greater amount than its actual value) when the Investment Manager has greater confidence in the opportunities available. Typically, at least 60% of the exposure to the long and short positions (in aggregate) will be to companies of any size, in any industry, in the UK. Companies may be incorporated or headquartered in the UK, deriving significant revenue from the UK, or constituents of the FTSE All Share Index. Up to 40% of the long and short exposure may be to non-UK companies. The Fund may also hold other assets including Collective Investment Schemes (including those managed by Janus Henderson). The Investment Manager may also use derivatives (complex financial instruments) to reduce risk or to manage the Fund more efficiently. The Fund is actively managed and makes reference to the UK Base Interest Rate as this forms the basis of the Fund's performance target and the calculation of performance fees (if applicable). The Investment Manager has complete discretion to choose investments for the Fund and is not constrained by a benchmark.

## Investment strategy

The Investment Manager blends core long term and tactical short term ideas to construct the portfolio. Ideas come from a variety of sources including proprietary research, external research and other Janus Henderson investment teams, with the intention of taking long positions in companies with unexpected earnings growth or value creation potential, and short positions in companies where earnings are priced in or where long term value is impaired.

## 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. High exposure to a particular country or geographical region carries a higher level of risk than a more broadly diversified portfolio. If the Fund holds assets in currencies other than the base currency of the Fund, or you invest in a share/unit class of a different currency to the Fund (unless hedged, i.e. seeks to mitigate exchange rate movements between the share/unit class currency and the base currency of the Fund), the value of your investment may be impacted by changes in exchange rates. 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. 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. 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.

FOR MORE INFORMATION PLEASE VISIT **JANUSHENDERSON.COM**

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Source: Janus Henderson Investors, as at 31 October 2026, unless otherwise noted.

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