

# INSTITUTIONAL UK GILT FUND

## At a glance

### Performance\*

The Fund returned 8.65%, the Index returned 8.11% and the Peer Group returned 8.22%.

### Contributors/detractors

The fund's above-benchmark duration position (sensitivity to interest rates) was positive for relative performance.

### Outlook

We expect this environment to be supportive for sovereign bonds, which so far are still lagging historical moves lower in yields as central banks shift to easing mode.

## Portfolio management



Helen Anthony, CFA

## Investment environment

- Global bonds enjoyed a remarkable rally over the latter two months of the quarter, dragging fixed income markets out of a potential third consecutive year of declines. Investors took heart from meaningful falls in inflation data and the growing belief that terminal interest rates had been reached. Expectations that interest rate cuts would come sooner than originally predicted were further compounded following the US Federal Reserve (Fed)'s December meeting, where policymakers signalled rate cuts of 75 basis points (bps) in 2024.
- The Bank of England (BoE) left rates unchanged over the quarter, and we expect that August was the last hike for this cycle. Another huge surprise fall in inflation in December left the BoE's November quarterly forecasts looking as stale as the Fed's. The BoE had expected Consumer Price Index (CPI) inflation in November to print at 4.6% (consensus 4.3%), but instead it recorded a 3.9% rise with the undershoot particularly pronounced in the core inflation components. UK core inflation is converging to that of the rest of the world. After a first estimate of no economic growth, UK third quarter growth was revised down to a contraction of -0.1%.

- The UK 10-year gilt yield fell 90 bps to 3.54%, while the 10-year Treasury yield fell 69 bps to 3.88% and the German 10-year yield fell 82 bps to 2.02%.

## Portfolio review

The fund's outperformance came mainly from its long duration position. The overweight interest rate risk exposure in the US, Germany, Australia and the UK contributed positively to relative performance. The catalyst for this bond rally has been a growing realisation that terminal rates occurred months ago, driven by continued strong progress in core disinflation and a softening in employment markets. In our view, it seems unfeasible that the lags from earlier monetary tightening do not weigh on economic growth. We still see a high probability of a US downturn in 2024, while the UK and Germany are already flirting with recession, which we believe will continue to favour a long duration stance.

## Manager outlook

We expect this environment to be supportive for sovereign bonds, which so far are still lagging historical moves lower in yields as central banks shift to easing mode. A downwards turn in employment is normally the fundamental catalyst for a more risk-off environment and for a repricing in credit/equities.

## Marketing communication

### Past performance does not predict future returns.

\*For benchmark/usage and peer group, if applicable, refer to Fund details on page 2. For relevant descriptions, risks and the Fund's investment policy statement, refer to Additional fund information on page 3.

## Performance (%)

Returns	Cumulative				Annualised			
	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Since inception (04/09/00)
I Acc (Net)	5.28	8.65	3.36	3.36	-10.03	-3.08	0.40	2.45
Index	5.41	8.11	3.69	3.69	-9.19	-2.82	1.13	3.48
Peer Group	5.14	8.22	3.58	3.58	-9.46	-2.81	1.10	2.66
I Acc (Gross)	—	—	—	—	—	-2.64	0.89	2.98
Target	—	—	—	—	—	-2.09	1.89	4.26

## 12 month rolling

	Dec 2022- Dec 2023	Dec 2021- Dec 2022	Dec 2020- Dec 2021	Dec 2019- Dec 2020	Dec 2018- Dec 2019
I Acc (Net)	3.36	-24.56	-6.59	9.44	7.28
Index	3.69	-23.83	-5.16	8.27	6.90
Peer Group	3.58	-24.31	-5.31	8.98	7.19

Performance is on a net of fees basis, with gross income reinvested. Source: at 31/12/23. © 2024 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](http://www.janushenderson.com).

## Investment objective

The Fund aims to provide an income with the potential for capital growth over the long term. Performance target: To outperform the FTSE Actuaries All Stocks Gilt Index by 0.75% 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 3.

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

## Fund details

<b>Inception date</b>	08 February 2000
<b>Total net assets</b>	70.63m
<b>Asset class</b>	Fixed Income
<b>Domicile</b>	United Kingdom
<b>Structure</b>	OEIC
<b>Base currency</b>	GBP
<b>Index</b>	FTSE Actuaries All Stocks Gilt Index
<b>Peer group</b>	IA UK Gilts

For benchmark/usage description, refer to Additional fund information on page 3.

## 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 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. 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 into the fund will acquire units/shares of the fund itself and not the underlying assets owned by the fund. 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.

The FTSE Actuaries All Stock Gilt Index is a measure of the combined performance of conventional bonds issued by the British government. It forms the basis of the Fund's performance target and provides a useful comparison against which the Fund's performance can be assessed over time. The Investment Association (IA) groups funds with similar geographic and/or investment remit into sectors. The Fund's ranking within the sector (as calculated by a number of data providers) can be a useful performance comparison against other funds with similar aims.

### Investment policy

The Fund invests at least 80% of its assets in UK government bonds (also known as gilts) of any maturity. The Fund may also hold other assets including bonds of other types from any issuer, Collective Investment Schemes (including those managed by Janus Henderson), cash and money market instruments. The investment manager may use derivatives (complex financial instruments) with the aim of making investment gains in line with the Fund's objective, to reduce risk or to manage the Fund more efficiently. The Fund is actively managed with reference to the FTSE Actuaries All Stocks Gilt Index, which is broadly representative of the bonds in which it may invest, as this forms the basis of the Fund's performance target. The investment manager has discretion to choose investments for the Fund with weightings different to the index or not in the index. As an additional means of assessing the performance of the Fund, the IA UK Gilts sector average, which is based on a peer group of broadly similar funds, may also provide a useful comparator.

### Investment strategy

The investment manager aims to provide a return in excess of the benchmark by investing primarily in UK government bonds, including inflation-linked gilts and floating rate assets. The managers can also invest in other global fixed income securities with a focus on G10 government bond markets and associated fixed income derivatives, with the aim of providing diversification in the portfolio, as well as looking to enhance returns and/or manage risk.

### Fund specific risks

The Fund could lose money if a counterparty with which the Fund trades becomes 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. An issuer of a bond (or money market instrument) may become unable or unwilling to pay interest or repay capital to the Fund. 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. If a Fund has a high exposure to a particular country or geographical region it carries a higher level of risk than a Fund which is more broadly diversified. The Fund may use derivatives to help achieve its investment objective. This can result in leverage (higher levels of debt), which can magnify an investment outcome. Gains or losses to the Fund 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 within the Fund 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.

**Janus Henderson**  
INVESTORS

FOR MORE INFORMATION PLEASE VISIT [JANUSHENDERSON.COM](http://JANUSHENDERSON.COM)

Source: Janus Henderson Investors, as at 31 December 2023, unless otherwise noted.

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