COMMENTARY

Janus Henderson Balanced Fund

September 2020 **For promotional purpose**

Fund managers

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Marco backdrop

Equity markets were down in September, giving back some of the gains experienced since the initial falls induced by the start of the COVID-19 pandemic. Economic data largely showed that the US continues down a path of moderate recovery, spurred by tremendous monetary and fiscal stimulus. However, uncertainty weighed on markets as the US election season approaches and investors considered the possibilities of divided or unified presidential and legislative branches, the resultant policy implications and potential delays in additional fiscal aid. An uptick in coronavirus cases and expectations for a larger spike in the winter flu season also tempered optimism.

Similar to equities, fixed income volatility spiked during the month. Corporate credit generated negative returns as spreads (yields over Treasuries) widened. High yield bonds underperformed investment grade. US Treasuries saw modest gains, but yields were relatively unchanged.

Fund performance and activity

The fund returned -2.1% while the Balanced Index, a blended benchmark of the S&P 500® Index (55%) and the Bloomberg Barclays US Aggregate Bond Index (45%), returned -2.1%.

The fund's equity holdings outperformed the S&P 500 Index. Stock selection drove relative outperformance, particularly in the consumer discretionary sector. Positions in Nike and McDonald's were the top individual relative contributors. The fund's zero weighting in energy was another meaningful relative contributor given the sector fell approximately 15% during the month. However, other positioning detracted. Utilities and materials were the only two benchmark sectors to generate positive performance, and our underweight allocations weighed on relative results. Positions in Alphabet and Microsoft also detracted from incremental returns.

The fund's fixed income holdings underperformed the Bloomberg Barclays US Aggregate Bond Index. As spreads widened, our overweight position to corporate credit, which includes an out-of-index allocation to high yield, detracted from relative results. The underweight position to US Treasuries further weighed on performance as the asset class was among the top-performing benchmark constituents. However, our positioning in securitised bonds, including mortgage-backed securities, asset-backed securities and commercial mortgage backed-securities, contributed positively to relative performance.

Outlook/strategy

We expect the modest economic recovery to continue, led largely by the US Federal Reserve (Fed)'s commitment to keep interest rates low. Fiscal policy around the globe has also been supportive, and we are hopeful for another fiscal stimulus package in the US. The summer's bounce in equity prices and strength in home values have created a positive wealth impact for many consumers, which we expect to support spending. Additionally, the increasing likelihood that treatments and vaccines in development for COVID-19 will be brought to fruition globally in the next nine to 18 months offers optimism to some of the sectors most challenged by the pandemic. Still, we know that uncertainties will remain high and volatility could spike at any time.

We do expect politic-driven volatility to rise as the US elections approach. While we will continue to monitor for potential changes to the regulatory and tax landscapes in which our holdings operate, we do not believe the outcomes of the elections will have overly binary consequences for capital markets in the near term. We are focused on populating both equity and bond holdings with business models we think can thrive regardless of political outcomes.

Equity valuations have increased and are concerning in select parts of the market but, we are comfortable with our overweight position, believing that, in aggregate, equity valuations remain favourable - particularly amid the modest recovery and low interest-rate environment. In equities, we remain focused on high quality growth companies with strong balance sheets and significant free cash flow that can return value to shareholders. We remain positioned with considerable exposure to secular trends that are gaining momentum as the pandemic lingers, including cloud services, Software as a Service (SaaS) and health care innovation.

In fixed income we are most constructive on corporate credit, and equally focused on companies exhibiting strength across balance sheets, cash flows and long-term competitive advantages. As the recovery takes hold, we expect corporate fundamentals to improve as companies work through balance sheet repair, and the resulting decline in credit risk should be favourable for valuations in our view. Further, we anticipate low yields broadly will encourage both foreign (given lower hedged costs) and domestic investors to seek returns from higher-yielding securities and asset classes.

As always, we will dynamically adjust the fund's asset allocation based on market conditions and the investment opportunities our equity and fixed income teams identify through their bottom-up, fundamental research.

Source: Janus Henderson Investors, as at 30 September 2020

Janus Henderson Balanced Fund

Fund information

Index Balanced Index (55% S&P 500 / 45% BB US Agg Bond)

Objective The Fund aims to provide a return, from a combination of capital growth and income.

Performance in (USD)

Annualised performance %	A2	A2 (with sales charge)^	Benchmark
1 month	-2.1	-7.0	-2.1
3 months	6.5	1.2	5.2
1 year	10.7	5.2	12.1
3 years (p.a)	9.6	7.7	9.5
5 years (p.a)	9.3	8.2	9.9
Since inception (p.a)	5.9	0.6	6.3

Source: at 30 Sep 2020. performance is net of fees, with gross income reinvested. Performance figures of less than 1 year are not annualized. 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.

^Performance with sales charge assume 5.00% initial sales charge/front-end load (FEL) applied.

Past performance is not a guide to future performance.

Note: Reference to any specific company or stock is for information purposes only and should not be construed as a recommendation to buy or sell the same.

Janus Henderson Balanced Fund

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

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