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Janus Henderson Investors

Swing Pricing Policy

October 2019

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1 Overview

1.1 Policy Statement

Janus Henderson Investors ("JHI") is entrusted with the assets of our clients for investment purposes. The Swing Pricing Policy (hereafter, "the Policy") is in place to ensure the fair treatment of all investors in the event of large subscription and redemption requests to or from a fund.

1.2 Introduction

The funds in scope for swing pricing are single priced, whereby the valuation of assets for the Net Asset Value (NAV) calculation are based on a single, usually mid-market price. This single price takes no account of spreads or dealing costs.

When there are subscriptions and redemptions in or out of a fund, the fund manager may need to buy or sell underlying investments in the fund to allocate the subscription monies or to raise redemption proceeds. The underlying security transactions will be traded at prices other than the mid-market prices, i.e. bid or offer prices, and may also incur explicit dealing costs, for example commissions and transaction taxes. The costs incurred in these transactions may have a dilutive impact on the fund and would impact the performance of the fund for existing shareholders. In order to mitigate this dilutive impact, a swing factor may be applied to the NAV to protect existing shareholders from the impact of these costs of dealing resulting from subscription and redemption activities of other shareholders.

This Policy details the mechanisms and triggers used to mitigate the impacts of dilution for the JHI funds in scope.

Swing pricing is also known as dilution adjustment.

1.3 Scope

This Policy sets out the rules and procedures used to mitigate the impacts of dilution for the below fund ranges managed by Janus Henderson Investors:

- UK Domiciled Open Ended Funds
- Luxembourg Domiciled Funds – Janus Henderson Horizon Fund, Janus Henderson Fund
- Ireland Domiciled Funds – Janus Henderson Capital Funds

2 Definitions

Dilution

The reduction in the NAV of a fund that occurs due to the fund manager being required to buy or sell underlying securities as a result of investor dealing activity in the fund. The dilution would occur due to transaction costs incurred as a result of this trading.

Full Swing

Where a fund has a full swing policy in place, the NAV will swing to either a bid or offer basis at any dealing point when there is investor activity, irrespective of its size. The direction of the swing is determined by the net dealing activity for the day.

Partial Swing

Where a fund has a partial swing policy in place, the NAV will only swing when a predetermined threshold (the swing threshold) is exceeded at each dealing day. The direction of the swing is determined by the net dealing activity on the day.

Swing Threshold

The level of net dealing activity, usually expressed as a % of NAV, which is required to be exceeded in order to trigger a price swing.

Swing Factor

The swing factor is the % adjustment that is applied to the NAV per share of a fund in order to swing the fund to either a bid or offer basis. This % factor is an estimate of the transaction costs that will be incurred in relation to the fund manager being required to trade in underlying securities of a fund due to investor dealing activity.

Pricing Basis

At each dealing point, a fund can be priced at a mid, bid or offer basis:

Mid Basis – where there is no requirement to swing due to the net investor dealing being below the swing threshold, the fund NAVs will be released on a mid-priced basis

Bid Basis – where there are net redemptions over the swing threshold, the NAV per share is reduced by the bid swing factor and the NAVs will be released on a bid basis

Offer Basis – where there are net subscriptions over the swing threshold, the NAV per share is increased by the offer swing factor and the NAVs will be released on an offer basis

3 Policy Requirements

3.1 Mechanics Of Swing Pricing

The funds in scope operate a mechanical dilution adjustment, either full or partial swing dependent on fund type. A dilution adjustment is automatically applied on net dealing on any dealing day when the threshold for the fund is exceeded.

If the net dealing on any dealing day is greater than the swing threshold, which is set as a % of total fund NAV, the NAV will swing up or down dependent on whether the net dealing is positive or negative. The same adjustment is applied to all share classes within a fund, therefore all transacting investors in the fund, whether subscribing or redeeming, will be affected by the NAV adjustment:

- A fund's NAV per share is adjusted upwards, swings to an "offer" basis, in the case of net inflows over the threshold. The % adjustment is an estimate of the costs that will be incurred, both the mid/offer spread and dealing charges, due to the fund manager buying underlying securities in relation to the subscription.
- A fund's NAV per share is adjusted downwards, swings to a "bid" basis, in the case of net outflows over the threshold. The % adjustment is an estimate of the costs that will be incurred, both the mid/bid spread and dealing charges, due to the fund manager selling underlying securities to meet the redemption proceeds.

The value recovered from transacting investors due to the application of the dilution adjustment will be posted to the fund, as part of the total subscription and redemption values, and will mitigate the costs incurred by the fund manager being required to trade securities. The value is also known as anti-dilution levy (ADL).

3.2 Swing Thresholds

In order to mitigate the impact to non-transacting investors of other investors subscribing or redeeming to or from the fund, an appropriate threshold must be in place. In determining the swing threshold the following considerations should be taken into account:

a) A threshold that is set at too low a level may result in volatility in performance of the fund and may not be appropriate given that the fund manager may not be required to transact in the underlying securities at lower net flow values. There may be the risk of an over recovery of anti-dilution levy in these circumstances.

b) A threshold that is set at too high a level may result in the fund having a swing adjustment applied so infrequently that the objective of providing protection for investors from dilution may not be achieved.

c) A 0% threshold, i.e. full swing, is more appropriate for index tracker type funds where the fund manager will trade at even low levels of net investor dealing to ensure the fund is fully invested and retains the required portfolio composition in line with the relevant benchmark.

The swing thresholds are recorded separately to the policy and are confidential. The thresholds are only disclosed to those administering the Policy and will not be disclosed externally.

3.3 New Funds

To ensure similar protection for investors in newly launched funds, the mechanical swing thresholds will also apply to these funds.

3.4 Swing Factors

The swing factor is determined by assessing the costs of dealing in the underlying securities held by each fund. The components of the swing factor for each fund are detailed below:

a) Bid/Offer spreads for the underlying securities held within each portfolio, as the NAV will be valued at mid and transactions will be dealt at bid/offer

b) Broker commissions paid by the fund on a historic basis

c) Transaction taxes e.g. stamp duty and sales taxes applied to trades in the underlying securities

d) Other costs may be included where there is an impact e.g. the costs of trading in restricted currencies

For each fund both a bid and an offer swing factor is calculated. The bid and offer swing factors may be different for a fund as the explicit dealing costs may be different depending on whether securities are being bought or sold. For instance, there is a 0.50% stamp duty on purchase of UK equities which will be accounted for in the offer swing factor for any funds which invest in UK equities.

The swing factors are calculated by JHI's Third Party Administrators and reviewed by the appropriate teams at JHI.

3.5 Discretion to the Mechanical Process

The Prospectus for each fund range allows for discretion to be applied to the mechanical process where it is considered in the best interests of investors to do so. Discretion may be applied to the swing decision and also to the swing factor. Some examples of circumstances where discretion may be applied are detailed below:

a) When a trend is identified whereby there is an increased volume of redemptions from a fund over a period of time. In these circumstances there may be a requirement to reduce the swing threshold or move the impacted fund onto a full swing basis for net outflows to ensure that the ongoing investors in the fund are not impacted by the transaction costs incurred as a result of an increase in volume and value of redemptions.

b) Linked trading – where an investor decides to redeem or subscribe over a number of dealing days, each individual trade may be under the swing threshold and therefore not trigger a swing, however, the total value of the trades may exceed the swing threshold. In such circumstances it may be appropriate to swing the fund on each day that the client trades in order to minimise impact on the ongoing investors in the fund.

c) In specie transfer of assets – where an investor subscribes or redeems in specie, rather than pay or receive cash into or out of the fund, a transfer of securities will take place. This may result in the fund manager not being required to trade in the underlying securities of the fund so no transaction costs will be incurred. However, there may still be a requirement to apply a swing factor to the investor trade if the in specie is not executed on a pro rata basis and the fund manager is still required to trade a portion of the portfolio. In this case, the swing factor is likely to be reduced to cover the lower costs incurred.

Where discretion is applied to the Policy, approval will be required from the appropriate JHI Committee.