

Janus Henderson Balanced Fund

November 2021

For promotional purpose

Fund managers

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Marco backdrop

US equities closed the month down after experiencing volatility at month end as the emergence of the new COVID-19 Omicron variant added to uncertainty around the economic recovery. Cases of the variant were detected around the world and investors worried that the new strain could worsen the supply-chain issues that have led to a surge in inflation this year. However, vaccination rates stood at levels significantly higher than earlier in the year, likely moderating the health risk. Economic data released during the month also indicated increased consumer spending and a sharp decline in unemployment claims, adding to optimism for an acceleration in economic growth heading into the end of the year.

The US fixed income market generated a positive return as the US Treasury yield curve flattened. Omicron concerns caused longer-maturity yields to rally while shorter-dated yields rose on expectations that the US Federal Reserve (Fed) would nevertheless be raising interest rates in the year ahead. Mortgage-backed securities (MBS) weighed on the benchmark's returns. Investment grade corporate bonds generated a modest return, largely due to their higher interest rate sensitivity, but saw significant spread widening on the back of increased supply, expectations of interest rate hikes and the arrival of the Omicron variant.

Fund performance and activity

The fund returned -0.2% while the Balanced Index, a blended benchmark of the S&P 500® Index (55%) and the Bloomberg US Aggregate Bond Index (45%), returned -0.2%.

Stock selection and an overweight position in the strong-performing technology sector aided relative results, with positions in Lam Research and Nvidia leading individual contributors. Stock selection in consumer staples was also positive as a position in Costco performed particularly well. Gains were partially offset by stock selection in health care and communication services. On a single-name basis, positions in American Express, Activision Blizzard and Merck & Co weighed on relative returns.

An overweight position in Treasuries and underweight exposure to both investment grade corporate bonds and MBS proving beneficial. The fund's positioning relative to the US Treasury yield curve detracted from relative returns. Our out-of-index exposure to high yield corporate bonds also weighed on results given the asset class underperformed index constituents during the month.

Outlook/strategy

We maintain a constructive outlook for equity markets and the potential for capital appreciation through future corporate earnings growth. A high level of individual savings, the appreciation in asset levels, and stronger employment growth should continue to drive strong consumer spending in the upcoming quarters in our view. Increased Covid-19 vaccination rates and the development of additional medical advancements to treat COVID-19 should gradually result in more people re-joining the workforce and help alleviate current supply chain constraints. Further, we expect the shift toward a more digital economy to continue to result in large productivity gains for companies that will help offset cost inflation and improve margins over time.

However, we are monitoring an array of risks that could negatively affect our outlook for equities, including the Omicron variant. Supply chain disruptions and labour shortages have already persisted for longer than we, and most investors, expected. This, coupled with the potential for continued elevation in energy and raw materials prices, forces us to be mindful of the potential for more persistent inflation and, subsequently, more hawkish monetary policy. Lastly, political developments around the infrastructure bill, debt ceiling, and tax reform require a watchful eye to determine whether our current positioning could need adjustment. As we navigate these concerns, we continue to believe in the importance of finding companies that are providing meaningful economic value to their customers while generating consistent free cash flow and allocating capital successfully. We think these companies will be better positioned for long-term growth regardless of any shorter-term changes in the investment environment.

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In the fund's fixed income allocation, we are mindful that surprises can happen. Thus, maintaining interest rate exposure, even at low yields, could prove to help smooth the returns of an investor's overall portfolio. While 2022 may sound like a particularly tricky year for bond investing (if only because navigating surging inflation and a rate-hiking cycle are never easy) we think bonds will continue to offer opportunities to add value while maintaining their traditional role as a diversifier in volatile times. In fact, we think 2022 may play to the active manager's strengths. If a shock - such as from the rapid spread of the Omicron variant - spurs volatility, active management becomes critical. And insofar as volatility proves transitory, added value is more likely to come from relative-value opportunities and more nuanced sector and security selection.

As always, we will dynamically adjust individual holdings as well as the fund's overall mix between equities and fixed income as we analyse the risks and opportunities in each market.

Source: Janus Henderson Investors, as at 30 November 2021

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	-0.2	-5.2	-0.2
3 months	0.5	-4.5	0.5
1 year	15.1	9.4	14.1
3 years (p.a)	13.2	11.3	14.0
5 years (p.a)	12.1	11.0	11.6
Since inception (p.a)	6.4	6.2	6.8

Source: at 30 Nov 2021. © 2021 Morningstar. All rights reserved, 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.

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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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