

Janus Henderson Core 6 Income & Growth Fund

Q2 2021

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Fund Managers Names

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Macro backdrop

Global equity markets made gains in the second quarter of 2021 with the MSCI World Index up by 7.8% in sterling terms and 7.9% in US dollar terms. This was helped by steady progress in the roll-out of COVID-19 vaccinations, loosening lockdown restrictions and further signs of economic improvement. However, concerns about inflation exerted some downward pressure during the quarter. In June, the US Federal Reserve (Fed) unnerved markets around the world when it signalled that it expected interest rates to start rising in 2023 - a year earlier than previously envisaged - because of worries about increasing prices.

In fixed income, the JPM Global Government Bond Index gained 0.9% in sterling terms and 1.1% in US dollar terms. Yields on core government bond markets - including the US, UK and Japan - generally declined (prices rose, reflecting their inverse relationship) as investors became more comfortable about the prospects for inflation as the quarter progressed.

Fund performance and activity

Against this backdrop the fund returned 3.8% (I income share class).

The constructive trend from the start of the year continued into the second quarter, as improving economic data and vaccine uptake boosted risk appetite.

While developed market equity strength was pretty broad based, with the iShares UK Dividend ETF up 4.6% and the Blackrock Continental Income Fund up 5.9%, it was small-cap focused strategies which enjoyed this market dynamic the most. The Gresham House UK Multi Cap Income Fund gained 10.5% and the Montanaro European Income Fund was up 7.6%. Asia and emerging markets were notably weaker with the Janus Henderson Asian Dividend Income Fund up only 1.7%. Japan was the stand-out loser, with the Nikkei 225 down -1.8%.

Alternatives benefitted from the stabilisation in market up trends, with very strong performance delivered from more cyclical areas such as property and private equity. PRS REIT was up 17.8% while NB Private Equity Partners gained 20.3%. More defensive alternatives still ground out positive returns, with The Renewables Infrastructure Group up 6.5%.

The change to the pattern from the first quarter was that interest rate sensitive assets staged a bit of a comeback. US duration was particularly strong with the iShares USD Corporate Bond ETF rising 3.9% and the iShares Treasury 7-10 Year ETF up 2.3%. High yield continued to grind higher, with the Janus Henderson Global High Yield Bond Fund up 2.4%. Strategic bond funds also participated in this environment and the Janus Henderson Fixed Interest Monthly Income Fund rose 2.7%.

The overall balance between cyclical and defensive regions was broadly maintained over the quarter. The UK was topped up at the margin through the iShares UK Dividend ETF and the RWC Enhanced Income Fund. These were funded by taking some profits from other equity positions that had delivered strong performance, such as Microsoft and Taiwan Semiconductor.

Strong performance and discount tightening presented some opportunities to take profits on PRS REIT and HICL Infrastructure, with proceeds rotated into a new holding in Biopharma Credit.

Overall bond exposure was broadly unchanged. However, we did completely exit the iShares USD Corporate Bond ETF and switched into an identical strategy from Xtrackers at what we saw as a more attractive pricing point.

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Outlook/strategy

Risks are becoming more balanced in markets than they have been for some time. Despite rising Covid-19 vaccination rates in developed markets, the pandemic is not yet over and cases are rising again globally as variants spread, testing vaccine efficacy. One of the twin supports from fiscal and monetary policy has started to turn as the Fed turns more hawkish. At the same time, China is slowing and we are passing peak growth momentum in developed markets. While there are still some clear catalysts for further market upside, this rally has now run a long way without a sustained correction.

Source: Janus Henderson Investors, as at 30 June 2021

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Fund information

Index Not Applicable

The Fund has no target or constraint with reference to a benchmark. Performance assessment may best be made to funds that maintain the same risk rating from the same risk rating body as the Fund. Investors should contact their financial adviser to obtain this information.

Objective To provide a sustainable income return with the prospect for capital growth whilst maintaining a moderately high level of volatility (variation of returns) over the medium to long term (5 years or more).

Performance in (GBP)

Performance %	(Net)
1 month	0.5
YTD	5.7
1 year	16.0
3 years (annualised)	5.8
5 years (annualised)	7.2
10 years (annualised)	-
Since inception 10 May 2013 (annualised)	5.7

Source: at 30 Jun 2021. © 2021 Morningstar. All rights reserved, performance is with gross income reinvested. Performance/performance target related data will display only where relevant to the share class inception date and annualised target time period.

Discrete year performance %	(Net)
30 Jun 2020 to 30 Jun 2021	16.0
30 Jun 2019 to 30 Jun 2020	-3.0
30 Jun 2018 to 30 Jun 2019	5.3
30 Jun 2017 to 30 Jun 2018	2.0
30 Jun 2016 to 30 Jun 2017	17.2

Source: at 30 Jun 2021. © 2021 Morningstar. All rights reserved, performance is with gross income reinvested. Discrete performance data may change due to final dividend information being received after quarter end.

Source for target returns (where applicable) – Janus Henderson. Where quartiles are shown, 1st quartile means the share class is ranked in the top 25% of share classes in its sector.

Please note the performance target is to be achieved over a specific annualised time period. Refer to the performance target wording within the objective.

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Past performance is not a guide to future performance. 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.

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Important information

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