

UK ALPHA FUND

At a glance

Performance*

The Fund returned 8.40%, the Index returned 4.69% and the Peer Group returned 7.19%.

Contributors/detractors

Contributors to performance included Renishaw, Watches of Switzerland and Softcat, while detractors included Serco, Shell and Clarkson.

Outlook

Although uncertainty remains around short-term economic conditions, we believe the portfolio is well positioned to withstand current challenging economic conditions and participate in any upswing as it might occur.

Portfolio management



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Investment environment

- UK equities rose as a ceasefire in the Middle East eased investor concerns about the conflict's economic impact. Gains were strongest early in the quarter, before momentum faded amid some uncertainty about the peace process and concerns about inflation and possible interest rate rises. In June, Prime Minister Keir Starmer announced his resignation, following the Labour Party's substantial losses in May's local elections.
- The 10-year yield on UK gilts fell and the Bank of England (BoE) kept interest rates on hold. It initially warned that it could tighten borrowing conditions, although it subsequently lowered its inflation forecast, reducing concerns about persistent inflation and making further monetary tightening appear less likely.
- Economic data was mixed. Annual inflation quickened to 3.3% in March, before easing to 2.8% in both April and May, marking the lowest level in over a year and, crucially, lower than market expectations. GDP expanded by 0.6% over the first quarter, up from 0.1% over the previous quarter, although it shrank by 0.1% month on month in April.

- Sterling weakened against the US dollar over the quarter, while the price of gold declined. Oil prices slumped, with Brent crude falling over 38%.
- In this environment, the more domestic mid-cap index outperformed the more international large-cap index.

Portfolio review

Key contributors to performance were engineering and technology company Renishaw, luxury watches and jewellery retailer Watches of Switzerland and IT reseller Softcat. Shares in Renishaw rose due to profit upgrades following strong demand from customers in the semiconductor, electronics, manufacturing and equipment sectors. The share price of Watches of Switzerland rose after profit upgrades driven by broad-based strong trading, particularly for luxury watches and jewellery in the US. The acquisition of Texan Rolex stores Deutsch & Deutsch highlighted the continued support from Rolex and the importance of Watches of Switzerland to its distribution channel. Softcat's share price also rose following upgraded profit guidance driven by strong demand for tech hardware from UK SMEs.

The detractors from performance included provider of outsourced public services to governments Serco, oil and gas company Shell and shipping broker Clarkson. Despite confirming that trading is in line with expectations, Serco's shares re-rated due to delays in US Department of

Marketing communication

Past performance does not predict future returns.

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*For benchmark/usage and peer group, if applicable, refer to Fund details on page 3. For relevant descriptions, risks and the Fund's investment policy statement, refer to Additional fund information on page 4.

Defence contract awards and concerns around the change in UK government leading to delayed contract awards and potentially changing policy priorities. Shell's share price fell due to declining oil and gas prices amid optimism around a resolution to the conflict in the Middle East. Following a strong run, the shares in Clarkson sold off during the quarter on concerns that an end to conflict in the Middle East could be negative for its earnings outlook.

In terms of activity, we bought a new holding in Chesnara, a life insurance consolidator that acquires and manages closed-life insurance books across the UK, Sweden and the Netherlands, generating cash flows as these portfolios mature and run off. We invested because its acquisitive, cash-generative business model is being materially enhanced by recent transformational acquisitions, which could increase assets under administration, extend cash generation and support continued dividend growth. Despite offering an attractive dividend yield and generating strong cash returns, the shares traded at over 1x tangible net asset value at the point of entry, which we believe undervalues the quality and sustainability of its future cash flows. We also bought medical device company Convatec following a de-rating in healthcare stocks. Convatec is a global medical technology company that develops products for chronic care, with leading positions in advanced wound care, ostomy care, continence management and infusion devices for diabetes patients. We believe the company can deliver sustained mid-single-digit organic growth while benefiting from several potentially game-changing innovations, including a patch pump platform and a single-use wound therapy system. Despite this attractive growth profile, the shares trade on historically low valuations and, in our opinion, the market is significantly undervaluing the company's long-term earnings potential. We closed the holding in accounting specialists JTC.

Manager outlook

Geopolitics remain challenging with ongoing conflicts in the Middle East and Ukraine and heightened tensions between China and the US. Sticky inflation, which remains above target in both the US and UK, is likely to be exacerbated by the oil and gas supply shock stemming from the latest Gulf conflict. Damage to Middle Eastern energy infrastructure and the continued closure of the Strait of Hormuz have heightened energy price risks. Together, these factors sustain uncertainty over the path of interest rates, leaving central banks with the challenging task of containing second-round inflation amid softening labour markets globally.

In our view, the conflict in the Middle East has delayed, not derailed, the disinflationary narrative. The recent energy price shock is less severe than that experienced following the outbreak of war in Ukraine, while wage inflation is also now more benign. Moreover, with policy rates still restrictive across major economies, central banks may retain scope to support demand should economic conditions deteriorate.

At home, the Government faces the challenge of reviving economic growth while walking a fiscal tightrope. There are signs that the Government understands the need to rebuild confidence with the private sector and attract foreign investment; the resetting of the UK's trading relationship with Europe, deregulation of financial services and planning reform represent positive developments. However, Keir Starmer's legacy is offering markets a case study in why a large parliamentary majority is not always an advantage. Internal division has made fiscal policy choices harder and obstructed efforts to place growth at the centre of policy agendas. With a change in Prime Minister underway, we see near-term fiscal uncertainty and a risk to business confidence.

Away from politics, investors continue to grapple with the AI mega theme. We believe AI will change the way economies operate, but markets have been quick to punish perceived "AI losers" and overzealous in rewarding perceived winners. We are re-examining the franchises and business models of our portfolio companies through this new lens. Characteristics such as recurring revenues now require fresh scrutiny, as we assess whether AI could automate processes, weaken pricing power or reshape revenue models.

Corporates and consumers are dealing with elevated uncertainty. This has increased savings rates and deterred investment. Trading among our portfolio companies has been robust and both corporate and consumer balance sheets are healthier than ahead of the Global Financial Crisis in 2008-2009. We assume the next budget will come with tax rises, but if accompanied by a credible growth agenda this could improve sentiment, which we do not see reflected in consensus.

After a lost decade in UK small and mid-sized companies, starting with uncertainty about the EU referendum vote, we see reasons why fortunes could change. History shows that small and mid-sized companies can perform best after periods of economic dislocation. We believe UK equity valuations sit well below their long-term averages, while earnings forecasts are stabilising after a sharp adjustment in economic activity following the move to higher interest rates seen in the last three years. In our opinion, valuations also remain low versus other developed markets, even when adjusting for sectors. The persistent inbound merger and acquisition (M&A) activity the market is experiencing suggests that market participants have noticed. Political and fiscal stability in the UK could prove an important catalyst.

We believe our investment process, centred around cash-generative growth businesses run by experienced teams, has built a portfolio that we believe is well-positioned to withstand challenging economic conditions and participate in any upswing. We remain confident in our ability to create long-term value through a consistent, rigorous investment process that has performed powerfully over time.

Performance (%)

Returns	Cumulative				Annualised			
	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Since inception (09/11/01)
I Acc (Net)	-0.04	8.40	5.65	14.20	13.08	3.36	6.52	6.37
Index	0.69	4.69	7.22	21.89	15.25	10.92	8.68	7.02
Peer Group	0.56	7.19	5.03	12.51	11.24	5.95	7.07	6.23

12 month rolling

	Jun 2025-Jun 2026	Jun 2024-Jun 2025	Jun 2023-Jun 2024	Jun 2022-Jun 2023	Jun 2021-Jun 2022
I Acc (Net)	14.20	6.36	19.06	1.86	-19.92
Index	21.89	11.16	12.98	7.89	1.64
Peer Group	12.51	8.61	12.67	6.07	-8.58

Performance is on a net of fees basis, with gross income reinvested. Source: at 30/06/26. © 2026 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.

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 objective

The Fund aims to provide capital growth over the long term (5 years or more).

For the fund's investment policy, refer to the Additional fund information on page 4.

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Fund details

Inception date	21 November 2001
Total net assets	285.40m
Asset class	Equities
Domicile	United Kingdom
Structure	OEIC
Base currency	GBP
Index	FTSE All-Share Index
Peer group	IA UK All Companies Equity

For benchmark/usage description, refer to Additional fund information on page 4.

Additional fund information

Tax assumptions and reliefs depend upon an investor's particular circumstances and may be subject to change. 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. From 30 September 2025, Neil Hermon no longer manages this fund. From 30 November 2025, Cassie Herlihy now co-manages this fund. These are the views of the author at the time of publication and may differ from the views of other individuals/teams at Janus Henderson Investors. Any securities, funds, sectors or indices mentioned within this article do not constitute or form part of any offer or solicitation to buy or sell them. The information in this commentary does not qualify as an investment recommendation. Investment into the fund will acquire units/shares of the fund itself and not the underlying assets owned by the fund. Cash balances and exposures are based on settled and unsettled trades as at the reporting date.

The FTSE All Share Index is a measure of the combined performance of a large number of the companies listed on the London Stock Exchange and includes large, medium and smaller companies. It 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 a concentrated portfolio of shares (also known as equities) of companies, of any size, in any industry, in the UK. Companies will be incorporated, headquartered, or deriving significant revenue from, the UK. The portfolio may be concentrated in terms of its number of holdings and/or the size of its largest holdings. The Fund may also invest in other assets including other shares, bonds (including convertible bonds), preference shares, cash and money market instruments. The Investment Manager may use derivatives (complex financial instruments) to reduce risk or to manage the Fund more efficiently. The Fund is actively managed with reference to the FTSE All Share Index, which is broadly representative of the companies in which it may invest, as this can provide a useful comparator for assessing the Fund's performance. 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 All Companies sector average, which is based on a peer group of broadly similar funds, may also provide a useful comparator.

Investment strategy

The Investment Manager seeks to identify high quality, cash generative growth companies that may be mispriced by the market. The fund focuses on companies that have attractive market positions, healthy balance sheets, and demonstrate robust and growing levels of cash flow. Close attention is also paid to management's ability and willingness to invest capital in a sensible and consistent manner. The fund invests in small, medium and large companies with the flexibility to have a significant bias towards medium or smaller-sized companies and away from the very largest companies. These companies will typically operate in markets that the Investment Manager believes to offer sustainably high levels of growth at a reasonable price. The reference to Alpha in the Fund's name reflects the managers active approach to investment.

Fund specific risks

Shares can lose value rapidly, and typically involve higher risks than bonds or money market instruments. The value of your investment may fall as a result. Shares of small and mid-size companies can be more volatile than shares of larger companies, and at times it may be difficult to value or to sell shares at desired times and prices, increasing the risk of losses. The Fund follows a growth investment style that creates a bias towards certain types of companies. This may result in the Fund significantly underperforming or outperforming the wider market. High exposure to a particular country or geographical region carries a higher level of risk than a more broadly diversified portfolio. When a portfolio is concentrated (has a significant portion of its assets invested in a limited number of holdings), an adverse event impacting even a small number of holdings could create significant volatility or losses. Derivatives may be used with the aim of reducing risk or managing the portfolio more efficiently. However, this introduces other risks, in particular, that a derivative counterparty may not meet its contractual obligations. Securities 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. Losses could be incurred if a counterparty became 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.

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Source: Janus Henderson Investors, as at 30 June 2026, unless otherwise noted.

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