

Janus Henderson UK Alpha Fund

Q3 2021

For promotional purposes

Fund Managers Names

Neil Hermon, Indriatti van Hien, ACA, CFA

Macro backdrop

UK equity markets were volatile but ultimately positive in the third quarter. In the UK, while most COVID-19 restrictions were relaxed on "freedom day", rhetoric from the government remained cautious as the Delta variant continued to spread. Global bond yields oscillated during the quarter which resulted in changing factor leadership in equity markets. Bond yields initially fell (prices rose), contradicting the continuing evidence of strong global economic recovery and growth in inflation. Growth stocks strongly outperformed value stocks as a result.

Bond markets remained sanguine in August following the annual Jackson Hole conference where the US Federal Reserve (Fed) reiterated its view that it expected inflation to be transitory and that although tapering was likely, the timeline for tapering and rate increases would be separate. The tone of the Fed became increasingly hawkish in September when it announced that asset purchase tapering may begin soon. This, in conjunction with increasing inflationary pressures caused by supply chain bottlenecks, resulted in bond yields rising sharply.

Tightening monetary conditions alongside weak economic news coming out of China weighed on equity markets as investors debated the global growth outlook. Consequently, value stocks strongly outperformed growth stocks at the end of the quarter. Oil rallied while sterling depreciated. In this environment, the more domestic mid-cap index materially outperformed the more international large-cap index.

Fund performance and activity

The fund returned 4.2% over the period, outperforming the FTSE All-Share Index which returned 2.2%, and the IA UK All Companies peer group which returned 2.7%.

The fund's biggest positive contributors to performance included Watches of Switzerland, Ultra Electronics and Learning Technologies. Shares in Watches of Switzerland performed strongly following the announcement of ambitious long-range plans for accelerated growth in the US and UK, alongside the entry into the European luxury watch market. Shares in Ultra Electronics rose following news of a possible cash offer for the company from Cobham at a material premium to the prevailing share price. Shares in Learning Technologies rallied into and following the news that the company was acquiring GP Strategies, a provider of managed learning services and workforce transformation. The deal is expected to generate substantial revenue and cost synergies over the next few years.

The fund's biggest detractors to performance included TI Fluid Systems, Mitchells and Butlers and Balfour Beatty. Shares in TI Fluid Systems sold off following earnings forecast downgrades caused by supply chain bottlenecks and component shortages which have reduced global automotive production volumes. Shares in Mitchells and Butlers sold off due to falling consumer confidence and the fact that its management flagged that short-term trading continued to be uncertain. Despite a strong set of interim results overall, shares in Balfour Beatty came under pressure following the news that a set of private sector projects in London had become loss making. The company has since said it would no longer bid on fixed price residential projects in London.

Janus Henderson UK Alpha Fund

Trading during the period included initiating positions in Bridgepoint, Revolution Beauty and SigmaRoc. Bridgepoint is an international mid-market focused alternative asset manager. The business is exposed to the structural trend towards increasing allocations to alternative assets and has specific plans to raise new funds and diversify its product offering. We took the opportunity to invest at the initial public offering (IPO) as the valuation being ascribed to the business represented a material discount to its European peers with similar fundamentals. Revolution Beauty has been a fast-growing and innovative value player in the attractive and resilient global beauty market. With less than 1% market share in the UK and 0.1% market share globally, we like the opportunity as legacy brands battle to maintain customer loyalty. SigmaRoc is a specialist construction materials company whose strategy is built around acquiring assets and improving an integrating them. We took the opportunity to invest as part of a large equity raise undertaken to fund the acquisition of Nordkalk at a valuation that represented a significant discount to peers. Nordkalk is the leading limestone provider in Northern Europe with a presence in ten countries. This was a transformational acquisition which both increased the scale of the group as well diversifying it geographically and by end market, taking the group away from pure construction exposure and into the paper and pulp, metals and chemicals, environmental and agricultural markets.

Outlook/strategy

Positive Covid-19 vaccine developments provide hope that the end of the pandemic is near. However, we take a cautious view on both how quickly they can be rolled-out globally and their efficacy against future mutations. To this end we continue to monitor business and consumer confidence indicators alongside unemployment rates. We are encouraged by the fact that governments around the world are continuing to provide fiscal support and that conditions in the corporate sector, balance sheets in particular, are much stronger than when they entered the Global Financial Crisis.

Historic valuations remain attractive and trade well below long-term averages. The extent of recovery in corporate earnings in 2021 remains to be seen. We are positioned for a recovery as the effects of the virus begin to ebb. However, we remain selective as the recovery will likely be uneven. We believe the strength of balance sheets, management teams, franchises and market position will be key determinants of the winners and losers coming out of the pandemic.

Source: Janus Henderson Investors, as at 30 September 2021

Janus Henderson UK Alpha Fund

Fund information

Index FTSE All Share Index
Index usage Comparator

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.

Peer group benchmark IA UK All Companies Equity
Peer group benchmark usage Comparator

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.

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

Performance in (GBP)

Performance %	I (Net)	Index	Peer group	Quartile ranking
1 month	-5.1	-1.0	-1.8	4th
YTD	16.4	13.6	14.7	2nd
1 year	44.0	27.9	32.1	1st
3 years (annualised)	5.1	3.1	4.8	2nd
5 years (annualised)	8.0	5.4	6.7	2nd
10 years (annualised)	9.5	8.2	9.2	2nd
Since inception 09 Nov 2001 (annualised)	7.3	6.1	6.4	-

Source: at 30 Sep 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 %	I (Net)	Index	Peer group
30 Sep 2020 to 30 Sep 2021	44.0	27.9	32.1
30 Sep 2019 to 30 Sep 2020	-15.5	-16.6	-12.8
30 Sep 2018 to 30 Sep 2019	-4.7	2.7	0.0
30 Sep 2017 to 30 Sep 2018	5.8	5.9	5.6
30 Sep 2016 to 30 Sep 2017	19.8	11.9	13.7

Source: at 30 Sep 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.

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 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.

Janus Henderson UK Alpha Fund

Important information

Please read all scheme documents before investing. Before entering into an investment agreement in respect of an investment referred to in this document, you should consult your own professional and/or investment adviser. 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. Tax assumptions and reliefs depend upon an investor's particular circumstances and may change if those circumstances or the law change. If you invest through a third party provider you are advised to consult them directly as charges, performance and terms and conditions may differ materially. Nothing in this document is intended to or should be construed as advice. This document is not a recommendation to sell or purchase any investment. It does not form part of any contract for the sale or purchase of any investment. Any investment application will be made solely on the basis of the information contained in the Prospectus (including all relevant covering documents), which will contain investment restrictions. This document is intended as a summary only and potential investors must read the prospectus, and where relevant, the key investor information document before investing. [We may record telephone calls for our mutual protection, to improve customer service and for regulatory record keeping purposes.]

Issued by Janus Henderson Investors. Janus Henderson Investors is the name under which investment products and services are provided by Janus Capital International Limited (reg no. 3594615), Henderson Global Investors Limited (reg. no. 906355), Henderson Investment Funds Limited (reg. no. 2678531), Henderson Equity Partners Limited (reg. no.2606646), (each registered in England and Wales at 201 Bishopsgate, London EC2M 3AE and regulated by the Financial Conduct Authority) and Henderson Management S.A. (reg no. B22848 at 2 Rue de Bitbourg, L-1273, Luxembourg and regulated by the Commission de Surveillance du Secteur Financier).

[Janus Henderson, Janus, Henderson, Intech, VelocityShares, Knowledge Shared, Knowledge. Shared and Knowledge Labs] are trademarks of Janus Henderson Group plc or one of its subsidiaries. © Janus Henderson Group plc.

D10018