

Janus Henderson UK Property PAIF

December 2020

For promotional purposes

Fund manager names

Ainslie McLennan & Marcus Langlands Pearse

Macro backdrop

Notification of dealing suspension

On 17 March 2020, the Board of Henderson Investment Funds Limited was advised by CBRE, the appointed independent valuer of the Janus Henderson UK Property PAIF (the Fund), that with immediate effect they had material uncertainty around the valuation of UK physical properties across the market, and therefore by inference the assets in the portfolio, due to the COVID-19 pandemic.

This material uncertainty extended across all UK property fund valuations issued by CBRE and was agreed to by all independent fund valuers. Given this uncertainty, the Board of Henderson Investment Funds Limited (the Board), which is the authorised corporate director (ACD) for the Fund, decided to temporarily suspend dealings in the Fund and its associated Janus Henderson UK Property PAIF Feeder Fund to protect the interests of all investors. This decision is consistent with the new rules issued by the Financial Conduct Authority (FCA).

Dealing requests received since the 12 noon valuation point on 16 March 2020 will not be accepted during the suspension period. The decision to suspend dealing was taken in agreement with the Funds' Depositary and the FCA has been informed.

Suspension update

The dealing suspension has allowed the valuer time to better understand the impact that the coronavirus crisis is having on direct property market valuations. During September 2020 CBRE advised that the material uncertainty clause would be removed from all properties held by the Fund. Despite this, the Board agreed with the Fund's depositary that the Fund (and its Feeder Fund) should remain suspended to allow for the raising of additional liquidity (cash).

The investment team have been able to complete property sales during the period of suspension. Further property sales are ongoing, and we are continuing to monitor their progress closely to ensure the broad balance of the portfolio and the Fund credentials remain. The investment team are working hard to ensure they achieve the best price possible on behalf of investors.

Two sales completed in December (an office in Moorgate within the City of London and a retail warehouse park in Crayford, South East London). A pipeline of properties under offer to sell is in place and exchange and completion dates are being negotiated with prospective buyers. As we said in our last update, the property transaction market remains challenging compared to prior to the pandemic and there are still chances of delays or withdrawals from transactions, especially with a further national lockdown. Property sales are spread across a number of sectors and tenant profiles to maintain the characteristics of the Fund, thereby balancing the interests of investors who wish to remain invested in the Fund (or its Feeder) and those who want to redeem.

The Board of Henderson Investment Funds Limited again formally reviewed the dealing suspension at the end of December. The Board agreed with the Fund's depositary that the UK Property PAIF (and its Feeder Fund) should remain suspended while the outstanding property disposals conclude. The dealing suspension, therefore, remains in place until further notice. The situation and progress on property sales continue to be the main area of focus of the ACD and the investment team to ensure the funds are well placed to meet redemption requests on reopening and that the characteristics of the Fund are maintained. A further update will be provided within the next 28 days (with effect from 31 December 2020), or sooner should the situation change, on the progress and our plans for the Fund in the first quarter of 2021.

Janus Henderson UK Property PAIF

FCA consults on potential solutions to liquidity mismatch in open-ended property funds

On 3 August 2020 the FCA announced that it was issuing a [consultation](#) paper in relation to redemption terms for open-ended property funds. We welcomed this and believe it is an opportunity to find the best solution for investors given the challenges faced by open-ended property funds in recent years. We hope that by having engaged on this consultation with key stakeholders across the distribution chain, we can work together to enhance the investor experience while continuing to deliver the benefits of direct property investment. The consultation closed to responses on 3 November 2020. The FCA is considering all feedback and will seek to publish a policy statement as soon as possible in 2021.

Fund performance and activity

Our approach of owning high quality properties, seeking robust tenants on long leases in good locations - where in many cases we feel they could benefit from long-term structural shifts in the market - has not changed.

There were no purchases and two sales over the month, comprising an office asset in London and a retail warehouse asset in Crayford, South East London. Further assets are under offer for sale. During 2020 assets totalling more than £269 million were sold across all sectors. Almost £115 million was sold from the retail sector, approximately £100 million from offices, just under £34 million from industrials and £21 million from alternatives.

Asset management in December included completing a new lease renewal on a logistics unit in Corby delivering rental growth, completing a new lease at a multi-let industrial estate in Thame near Oxford, a new lease and a lease renewal at an outlet mall in Durham, and a lease renewal at a sports and social club in Cambridge. This latter project involves developing a new social club facility and residential units to the rear of Capital Park. On completion – targeting March/April 2021 – the existing social club facility at the entrance of the park will be sold to a care home developer. The latter agreement has already been exchanged. Finally, we completed a lease renewal on two units at a multi-let industrial estate in Luton.

To help manage the economic effects from the COVID-19 pandemic, we continue to work with all tenants and offered all to move to monthly rents to assist with their cash flow, should this be something they wished to do. Approximately 37% of tenants are paying rent monthly and some of these tenants are subject to rent deferrals. In some situations, this is leading to conversations about extending leases as a trade-off for rent deferrals. A vacant unit at a multi-let industrial premises in Luton continues to be used by the local council for emergency distribution purposes. There is no rent but rate payments are being mitigated for the time being.

Fund rent collection

As mentioned above, all tenants in the Fund were offered support by way of the opportunity to pay rent monthly instead of the usual quarterly payment in advance. As at 31 December 2020, the quarter-to-date rent collection percentage for the Fund covering October, November and December was 87.7%. The alternatives sector (excluding leisure and student accommodation), which includes assets such as a data centre and care homes, had a 100% rent collection rate, as did the supermarkets owned by the Fund. Payments from tenants at industrial assets and student housing followed closely at approximately 94% and 83% respectively. Retail rent collection was around 72%, while assets owned by the Fund within the leisure sector have fared the worst with around 46% of rents collected for the quarter to date. It is worth noting that the leisure sector represents just 8% of total portfolio income.

As at 31 December, a value equating to just 0.3% of rents demanded has been written off owing tenant defaults, where three of those are COVID-19 related. Total rent collected for the month of December is approximately 84%, which reflects the diversity and strength of the underlying tenant base. While further rental payments are expected following month end, we should highlight that the Fund's distribution levels are likely to be impacted over time by reduced collection rates.

We believe it is important to support tenants through this challenging time rather than have lots of vacant properties when the crisis is over. Communicating with tenants has also allowed for in-depth conversations on how the investment team can work with occupiers on sustainability matters and energy efficiencies, and potentially taking longer leases as a trade-off for any rental breaks.

Tenant strength

One of the Fund's key investment criteria has always been a focus on the strength and resilience of the underlying tenant as well as the diversification across sectors. COVID-19 has, in many, ways accelerated the market shifts that we have been anticipating.

Industrial and logistics are sectors we have liked for several years because they are beneficiaries from the rise in ecommerce, which the lockdown has only encouraged. Several years ago, we started to respond to emerging structural change by diversifying away from traditional areas of the retail market. We also expect retail warehousing to become more robust as the size of the units easily allows for social distancing. Supermarkets have been a beneficiary of the lockdown and those tenants occupying properties owned by the Fund continued to trade well.

Social distancing measures and greater working from home is likely to continue to affect offices. Those offices that we do own are not high-rise and, therefore, should be easier to accommodate staff when they start to return.

Janus Henderson UK Property PAIF

Fund positioning

The Fund's cash balance at the end of December totalled 27.1% of the Fund's value. The remaining 72.9% of the Fund was invested in bricks and mortar-based assets. The geographical focus remains biased towards the South East (57.0%), while the sector breakdown is as follows: industrials 25.1%, offices 13.4%, alternatives 14.6%, retail warehouses 8.8%, standard retail 1.6%, supermarkets 5.8% and outlet malls 3.5%.

The weighted average unexpired lease term across the Fund is 9.4 years (including student accommodation) versus a peer group average of 6.3 years*, while the Fund's vacancy rate stands at 4.8% against a peer group average vacancy rate of 9.3%*.

*MSCI Fund Benchmark Report, Sept 2020 (latest available data)

Source: Janus Henderson Investors, as at 31 December 2020

The Janus Henderson UK Property PAIF invests in assets that may at times be hard to sell. This means that there may be occasions when you experience a delay or receive less than you might otherwise expect when selling your investment. For more information on risks see the prospectus and key investor information document.

Janus Henderson UK Property PAIF

Fund information

| | |
|----------------------------|-----------------------|
| Peer group benchmark | IA UK Direct Property |
| 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 a high and increasing level of income as well as capital growth over the long term (5 years or more). The Fund will be a Property Authorised Investment Fund (PAIF) for tax purposes at all times.

Performance in (GBP)

| Performance % | I (Net) | Peer group |
|--|---------|------------|
| 1 month | 0.3 | 0.0 |
| YTD | -2.1 | -3.8 |
| 1 year | -2.1 | -3.8 |
| 3 years (annualised) | 1.6 | -0.6 |
| 5 years (annualised) | 1.7 | 0.7 |
| 10 years (annualised) | 4.2 | 3.4 |
| Since inception 14 Jun 1999 (annualised) | 4.5 | - |

Source: at 31 Dec 2020. © 2021 Morningstar. All rights reserved, on a bid to bid pricing basis, 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) | Peer group |
|-----------------------------|---------|------------|
| 31 Dec 2019 to 31 Dec 2020 | -2.1 | -3.8 |
| 31 Dec 2018 to 31 Dec 2019 | 2.8 | -0.8 |
| 31 Dec 2017 to 31 Dec 2018 | 4.1 | 2.9 |
| 31 Dec 2016 to 31 Dec 2017 | 8.7 | 7.6 |
| 31 Dec 2015 to 31 Dec 2016 | -4.3 | -2.0 |

Source: at 31 Dec 2020. © 2020 Morningstar. All rights reserved, on a bid to bid pricing basis, 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 Property PAIF

Important 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. 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) and KIID, which will contain investment restrictions, risks and fees. 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. The Janus Henderson UK Property PAIF is a Janus Henderson Investors' product but its management is outsourced and its sub-investment manager is Nuveen Real Estate.

The Janus Henderson UK Property PAIF invests in assets that may at times be hard to sell. This means that there may be occasions when you experience a delay or receive less than you might otherwise expect when selling your investment. For more information on risks see the prospectus and key investor information document.

Due to the specialist nature of property investment, in certain circumstances there may be constraints on the redemption or switching of units/shares in the fund(s). The funds invest in a specialist sector that may be less liquid and produce more volatile performance than an investment in other investment sectors. The value of capital and income will fluctuate as property values and rental income rise and fall. The valuation of property is generally a matter of valuer's opinion rather than fact. The amount raised when a property is sold may be less than the valuation.

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, Perkins, 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.