

## UK ALPHA FUND

### At a glance

#### Performance\*

The Fund returned -0.23%, the Index returned 0.19% and the Peer Group returned -0.11%.

#### Contributors/detractors

The fund's biggest positive contributors to performance included CRH, Renishaw and Intermediate Capital. Biggest detractors included Bytes Technology, OSB Group and Paragon Banking.

#### Outlook

We believe the economy is in a better position to weather a downturn. With UK equity market valuations at the lower end of historic ranges, we see good long-term opportunities.

### Portfolio management



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### Investment environment

- In February, UK equities displayed diverging performance with large-cap stocks modestly advancing while small-caps saw gentle declines. Data confirmed that the UK economy entered technical recession after fourth quarter GDP growth fell 0.3%. However, January saw a deceleration in inflation in UK stores to its lowest rate since March 2022. This inflationary trend, coupled with the UK's possible emergence from recession, indicates a potential pivot in economic conditions, enabling the Bank of England (BoE) to act ahead of its counterparts. Moreover, BoE Governor Andrew Bailey indicated a willingness to consider interest rate cuts even before inflation hits the 2% target.
- In the US, consumer prices (month-over-month) jumped at the start of the year, tempering hopes for a continued drop in inflation and likely delaying any Federal Reserve (Fed) interest rate cuts. Oil prices rose over ongoing Middle East tensions and the pound fell slightly against the US dollar. In this environment the more international large-cap index outperformed the more domestic mid-cap index.

included CRH, Renishaw and Intermediate Capital. Shares in CRH rallied following the announcement of a strong set of annual results driven by robust spending on infrastructure projects in the US and a positive outlook statement which precipitated further earnings upgrades.

Shares in Renishaw rose following higher-than-expected earnings guidance provided alongside the company's annual report, which suggested that end-market demand was inflecting. Shares in Intermediate Capital continued to rally following a positive broker initiation and a company presentation showcasing its track record in "scaling out" its investment strategies over time.

The fund's biggest detractors from performance included Bytes Technology, OSB Group and Paragon Banking. Shares in Bytes Technology sold off following the surprise resignation of the CEO. Having engaged with the Chairman, we view the circumstances of the CEO's departure as being separate to the operations and outlook for this business.

Shares in OSB Group underperformed alongside rising bond yields and swap rates, which will likely create tighter credit conditions in the mortgage market. After a strong run, shares in Paragon Banking fell due to concerns around the company's exposure to the motor finance review. The company had a low market share in this market and has a

### Portfolio review

The fund's biggest positive contributors to performance

#### 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.

strong balance sheet should any provisions need to be made.

Trading during the month included initiating a position in Telecom Plus and trimming holdings in Bellway, CRH and Intermediate Capital. Telecom Plus is a multi-service provider of utilities, insurance and cash-back cards to nearly one million customers in the UK. The company's unique route to market (a partner referral model) and differentiated product offering (bundled services) has historically led to low customer churn.

We took the opportunity to initiate a position in the stock - which was trading on multi-year valuation lows - following market and regulatory changes which have reduced competition in the energy market. Following the announcement of the Barratt Developments/Redrow merger and the subsequent re-rating of the housebuilding sector, we trimmed the position in Bellway. Similarly, following a strong run in CRH and Intermediate Capital, we trimmed these positions as part of regular capital recycling.

### Manager outlook

While core inflation has peaked globally, we expect central

bankers to remain hawkish, primarily because they have to be right up until the moment they don't. We believe that the campaign of monetary tightening is now complete and expect rate cuts in the year ahead. Notwithstanding this, businesses, consumers, governments, and investors are still experiencing a period of adjustment following a year of an unprecedented pace of monetary tightening. Our view is that the lagged impact of restrictive monetary will continue to impact the growth prospects of our portfolio companies.

Consequently, while we expect macroeconomic news flow to remain gloomy, from a micro perspective both corporates and consumers should be better able to weather the storm as they enter this downturn with much healthier finances than they did the last.

We believe that the sharp de-rating of stock market valuations in the last two years already reflect the weaker economic outlook and that a troughing of earnings forecast in the year ahead, in conjunction with falling bond yields, could herald a re-rating of UK growth stocks which now sit at the lower end of their historic ranges. We continue to see good long-term opportunities in the UK equity market.

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)	-0.23	7.63	-1.12	0.97	-0.72	1.34	4.09	5.70
Index	0.19	3.33	-1.13	0.57	7.78	5.02	5.00	5.93
Peer Group	-0.11	4.40	-0.99	0.08	3.51	3.91	4.09	5.58

12 month rolling

	Dec 2022- Dec 2023	Dec 2021- Dec 2022	Dec 2020- Dec 2021	Dec 2019- Dec 2020	Dec 2018- Dec 2019
I Acc (Net)	10.23	-23.95	19.35	-4.95	23.36
Index	7.92	0.34	18.32	-9.82	19.17
Peer Group	7.35	-9.23	17.15	-6.17	22.37

Performance is on a net of fees basis, with gross income reinvested. Source: at 29/02/24. © 2024 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](http://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.

**Past performance does not predict future returns.**

Fund details

Inception date	21 November 2001
Total net assets	271.42m
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. 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. The reference to Alpha in the Fund's name reflects the managers active approach to investment.

### Fund specific risks

The Fund could lose money if a counterparty with which the Fund trades becomes 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. Shares/Units 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. If a Fund has a high exposure to a particular country or geographical region it carries a higher level of risk than a Fund which is more broadly diversified. This Fund may have a particularly concentrated portfolio relative to its investment universe or other funds in its sector. An adverse event impacting even a small number of holdings could create significant volatility or losses for the Fund. The Fund may use derivatives 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 within the Fund 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.

**Janus Henderson**  
INVESTORS

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Source: Janus Henderson Investors, as at 29 February 2024, unless otherwise noted.

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