

MARKET GPS

INVESTMENT OUTLOOK 2025

Market GPS blends the thinking of our Investment and Portfolio Construction and Strategy (PCS) teams. The combination of these perspectives can help clients prepare for the route ahead.

WHAT'S INSIDE:

+ MACRO OVERVIEW

Positioning for late-cycle opportunities

+ PORTFOLIO CONSTRUCTION TRENDS

- > EQUITIES
- > FIXED INCOME
- > ALTERNATIVES

Macro Overview

Positioning for late-cycle opportunities

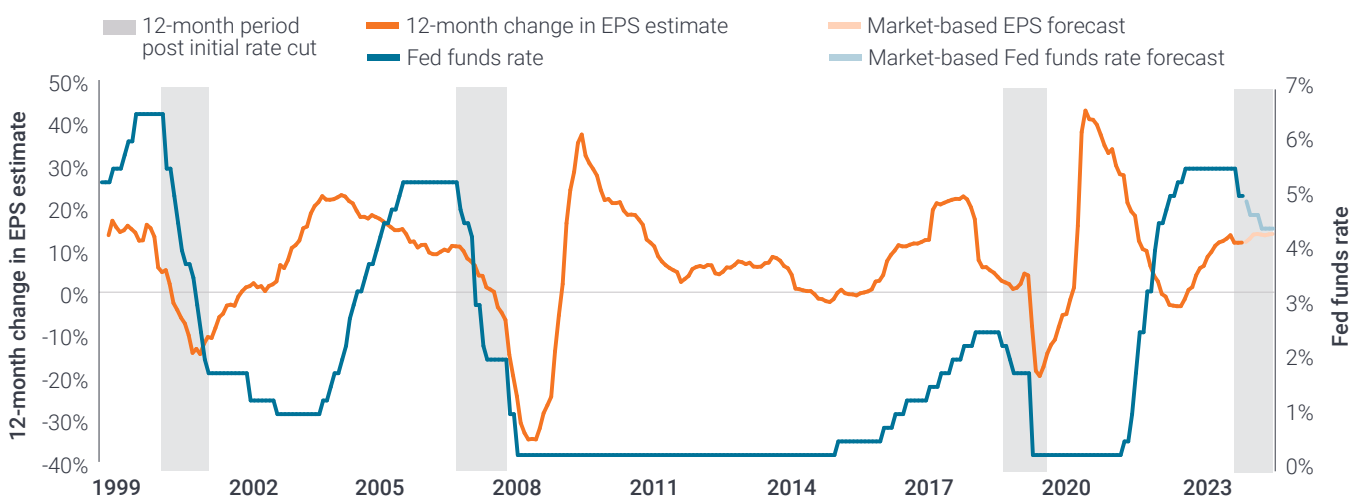
Investors are navigating geopolitical change across regions and adjusting to interest rates that we believe will remain higher compared to most of the last decade. The global economy is somewhat late in the cycle, warranting caution, yet the data continue to defy expectations, and growth is steady.

What does this mean for investors? Our Market GPS outlook helps identify actionable takeaways based on this macro backdrop and highlights six portfolio positioning trends for consideration.

At the highest level, the combination of rate cuts and other potential accommodative policy in the U.S. and stimulus in China should lend support to the global economy. Still, there are forces at play that make it imperative to apply caution when adding risk. Broadly speaking, markets have been quick to price in the cycle's extension, leaving valuations vulnerable to downgrades if risks increase. In the U.S., the benefits of rate cuts and a resilient economy are countered by an uneven labor market, the threat of higher long-term rates, and the policy uncertainty that comes with a new administration. Meanwhile, major economies outside the U.S. struggle to find their footing with a mix of hot and cold data across Europe and Asia.

✦ The market must interpret rate cut expectations in the context of a strong earnings outlook

This cycle is unique given that rate cuts are expected to occur in a still-resilient economy, as evidenced by ambitious earnings estimates into 2025.



Source: Bloomberg, as of 11 November 2024. EPS = earnings per share.

Within **equities**, a broadening of U.S. market performance beyond the Magnificent Seven (Mag 7) may improve the return prospects of innovators outside of technology, and the sanguine economic environment and falling financing costs put small- and mid-cap stocks in a particularly favorable light.

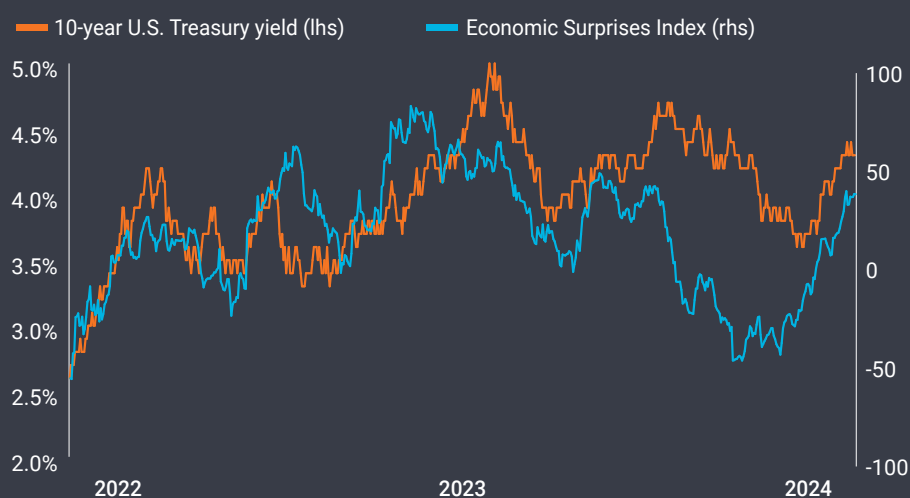
Outside of the U.S., lower premiums and upside potential warrant a second look. China's policy support will need to continue if it is to meet the magnitude of the country's economic challenges. This, in turn, could support select European companies that export to China. Other areas of interest include India, where reforms are helping create a high-growth backdrop, and Japan, where supportive corporate governance reforms are being enacted.

Macro Overview (CONTINUED)

Within **fixed income**, diverging policy in major economies represents an opportunity to reinvest cash, capture excess yield, and diversify returns across geographies. While the 10-year U.S. Treasury yield may see upward pressure from economic strength and potential policy impacts, yields on shorter-dated notes could still fall, although perhaps not as far as in Europe, as policymakers there have more work to do. Historically tight corporate spreads suggest securitized sectors and quality high-yield corporates may be better ways to add risk. Given the stage of the cycle, diversification and quality should be prioritized.

✦ Economic strength could continue to push 10-year U.S. Treasury yields higher

Citigroup Economic Surprises Index vs. 10-year U.S. Treasury yield



Source: Bloomberg, Citigroup, as of 11 November 2024.

While declining inflation may have diminished the need for real assets, inflation may return, and some categories could also benefit from lower rates and serve as a diversifier during a period of heightened geopolitical risk. **Private assets** within credit, equity, and infrastructure offer potential.

As the calendar turns, we think investors can benefit from the combination of a broader opportunity set and careful risk taking. The following **six themes highlight investable opportunities** based on insight from our investment teams and Portfolio Construction and Strategy experts.

EQUITIES

- ✦ **Beyond the giants:**
A favorable small- and mid-cap environment
- ✦ **A broadening U.S. market:**
Opportunities in the “other” 493
- ✦ **Looking outside the U.S.**
for diversification and shareholder value

FIXED INCOME

- ✦ **Moving out of cash:**
Fixed income offers a high-percentage play
- ✦ **Securitized:** A better risk-reward offering?

ALTERNATIVES

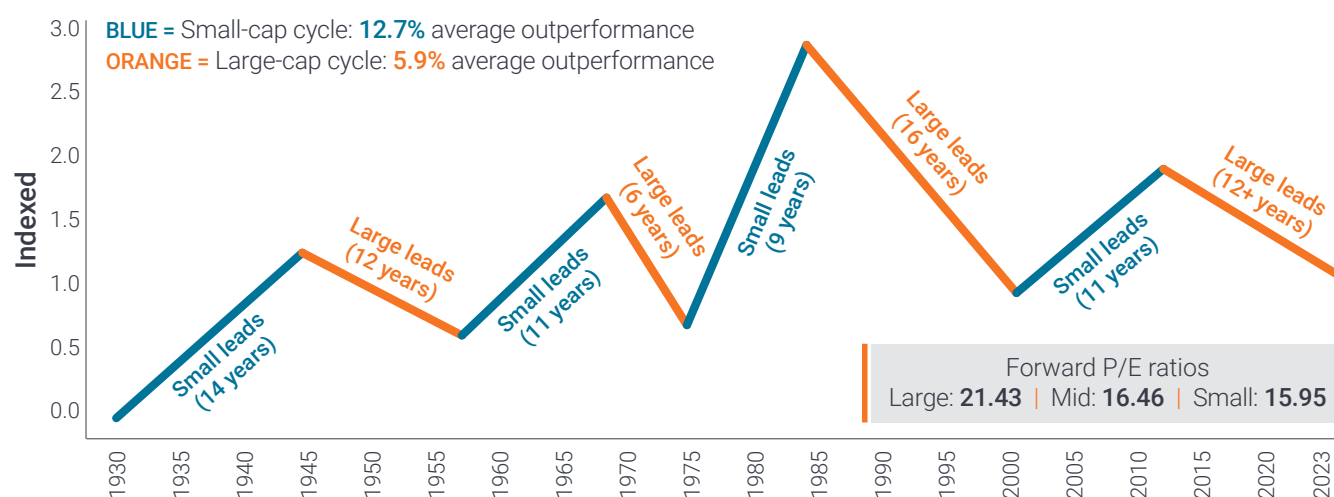
- ✦ **Private asset investing:**
Funding and balancing an allocation

Beyond the giants: A favorable small- and mid-cap environment

The market landscape is notably shifting as small- and mid-cap stocks gain momentum, challenging a 13-year streak of large-cap dominance. A more supportive economic backdrop is causing investors, particularly in the U.S., to begin rotating into smaller-capitalization companies and away from mega-cap technology names. **Smaller companies are trading at lower valuations than large caps globally** (as measured by price-to-earnings (P/E) ratios), and the natural flow of leadership cycles suggests it's time to reconsider allocations to this important part of the opportunity set.

+ Small caps to re-take the lead?

U.S. small-cap returns vs. U.S. large-cap returns (1931-present)



Source: Cycle graphic by Furey Research Partners (FRP), FactSet, Morningstar to 31 December 2023. Cycle performance based on JHI performance analysis of IA SBBI US Large Stock TR USD and IA SBBI US Small Stock TR USD indices, as of 31 October 2024. P/E data from Bloomberg, as of 31 October 2024. "Large" = S&P 500® Index, "Mid" = S&P Mid Cap 400 Index, "Small" = S&P Small Cap 600 Index.

Past performance does not predict future results.

Investor considerations

- Reflecting on past cycles, **U.S. small caps returned 22.5% on average during periods of leadership, outperforming large caps by 12.7%.** The average outperformance of large caps over small caps, on the other hand, has been just 5.9%. This gap, along with today's more attractive valuations, underscores a growth opportunity in U.S. small- and mid- cap equities. This opportunity isn't specific to the U.S. – other global small-cap markets have experienced similar return differentials and present opportunities.
- Smaller stocks have demonstrated outperformance during historical periods of economic expansion and easing monetary policy. **The average small-cap company issues 42% of its debt as floating rate (compared to 6% for S&P 500 companies) therefore, lower interest rates naturally improve profitability.**¹ These macro tailwinds, coupled with supply chain deglobalization, create favorable conditions for U.S.-focused smaller companies.
- Given the wide dispersion of valuations, quality, and growth prospects within the small- and mid-cap universe, active selection is crucial. **Investors should focus on high-quality companies with strong fundamentals, innovative business models, and the ability to execute their growth strategies.**

¹ Furey Research Partners (FRP), as of August 2024.

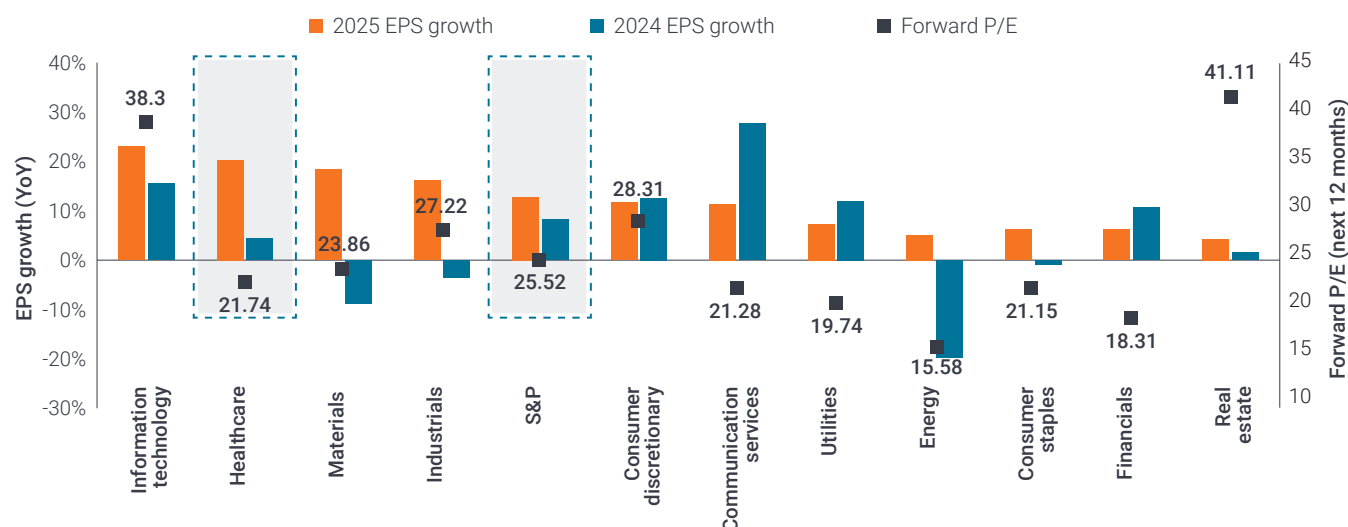
A broadening U.S. market: Opportunities in the “other” 493

The Mag 7 stocks remain market powerhouses, delivering impressive innovation and strong earnings. These technology giants have driven S&P 500® Index performance and now represent about one-third of its market value. For investors concerned about heavy concentration in these stocks, **diversification opportunities exist as U.S. market performance appears set to continue broadening in 2025.**

Analysts are projecting healthy 13% earnings growth for the S&P 500 in 2025 and, notably, the earnings growth gap between the Mag 7 and the other 493 stocks is narrowing.¹ In addition to technology, sectors such as healthcare, materials, and industrials are showing compelling growth estimates for 2025. Multiple expansion in 2024 already reflects some of these expectations. Therefore, success in this environment will depend on companies delivering the earnings necessary to justify their expanded valuations.

+ U.S. earnings growth not just a technology story

S&P 500 annual EPS growth and forward P/E by sector



Source: Bloomberg, as of 11 November 2024. Forward P/E ratios based on 12-month estimated earnings. EPS growth for 2025 are projected.
Past performance does not predict future results.

Investor considerations

- Healthcare, with a particular focus on the biotech subsector, could serve as a cure for **investors seeking to address index concentration while maintaining exposure to innovation.** As shown in the chart above, EPS growth expectations for the sector far outpace the S&P 500 as a whole.
- While the new administration will bring some uncertainty, the sector's strong earnings outlook and dramatic scientific advances at lower valuations than the broader market are compelling. Beyond growth potential, healthcare historically performs well in falling rate environments. Since 1995, **the biotech sector has outperformed the S&P 500 by 16.1% in the year following the first Federal Reserve (Fed) rate cut,** suggesting the sector is well positioned in the changing interest rate regime.
- Biotech exhibits high return dispersion, particularly as we await potential new policy decisions. The **10-year average spread between the top and bottom five biotech stocks is 15.9x versus 4.1x for semiconductors,** for example. Stock selection is therefore crucial when considering an allocation.

¹ Source: Factset, Earnings Insight, 11 November 2024.

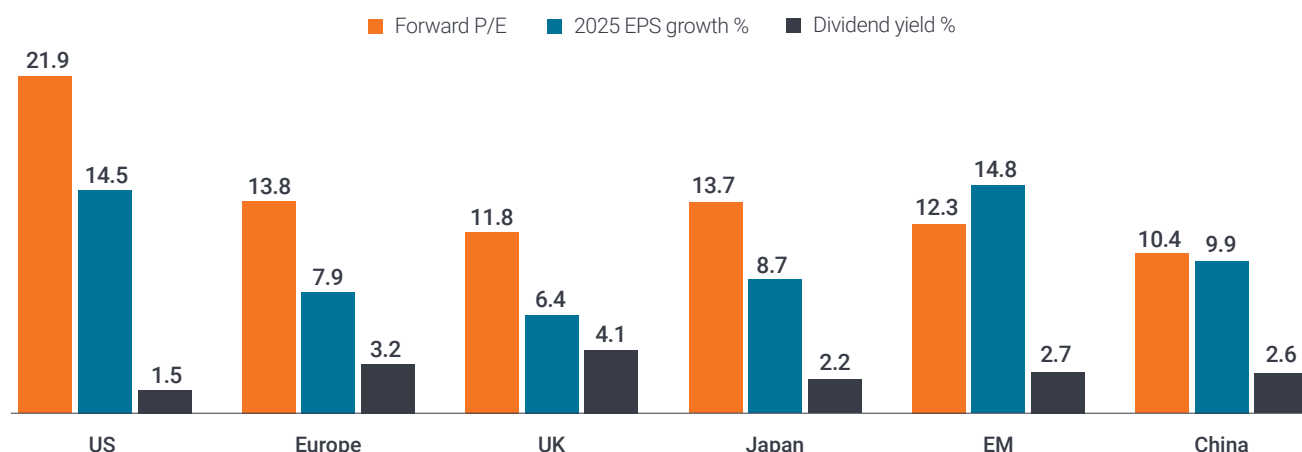
Looking outside the U.S. for diversification and shareholder value

The outperformance of U.S. equities over the past decade has coincided with rising ex-U.S. correlations and therefore reduced diversification benefits. But that's no reason to abandon a global view of equities going forward.

While U.S. benchmarks have outpaced other indices, individual companies tell another story. Each year for the past decade, an average of **82 of the top-100 performing stocks in the MSCI All Country World Index were headquartered outside the U.S.**¹ In the MSCI Europe Index, roughly three-quarters of revenues are now generated outside the Eurozone.² Similarly, nearly 60% of S&P 500 Technology sector revenue is generated in non-U.S. markets.³ In other words, attributes such as market leadership and competitive advantage could matter more than country of origin.

+ Many non-U.S. markets offer compelling yield without demanding valuations

Multiples and valuation metrics by region



As of 31 October 2024. Forward P/E based on 12-month estimated earnings and 2025 projected EPS Growth from LSEG Datastream IBES estimates. Dividend yield from FactSet. US = S&P 500 Index. Europe/UK/Emerging Markets/China = MSCI indices. Japan = TOPIX.

Past performance does not predict future results.

Investor considerations

- U.S. equities trade at a premium, not just at an absolute level but also relative to earnings growth in many cases. For investors with a U.S.-heavy portfolio, **this valuation gap presents an opportunity to add to other markets.** While doing so may not reduce correlation, it could provide other benefits in the form of returns and yield.
- As U.S. markets are more heavily concentrated in growth sectors, like technology, **a U.S.-biased value allocation misses out on a large opportunity set in traditional value sectors that are more present globally,** such as financials and industrials.
- Regions with improving fundamentals, such as emerging markets, or areas where dividend payouts – some double that of the U.S. average – and buybacks are strong (as shown in the chart), could **appeal to income-oriented investors.**

¹ Morningstar. Data for calendar years 2014 to 2024, as of 31 October 2024.

² Morningstar, as of 30 September 2024.

³ FactSet, as of 30 September 2024. The S&P 500 Technology Sector comprises those companies included in the S&P 500 that are classified as members of the GICS® information technology sector.

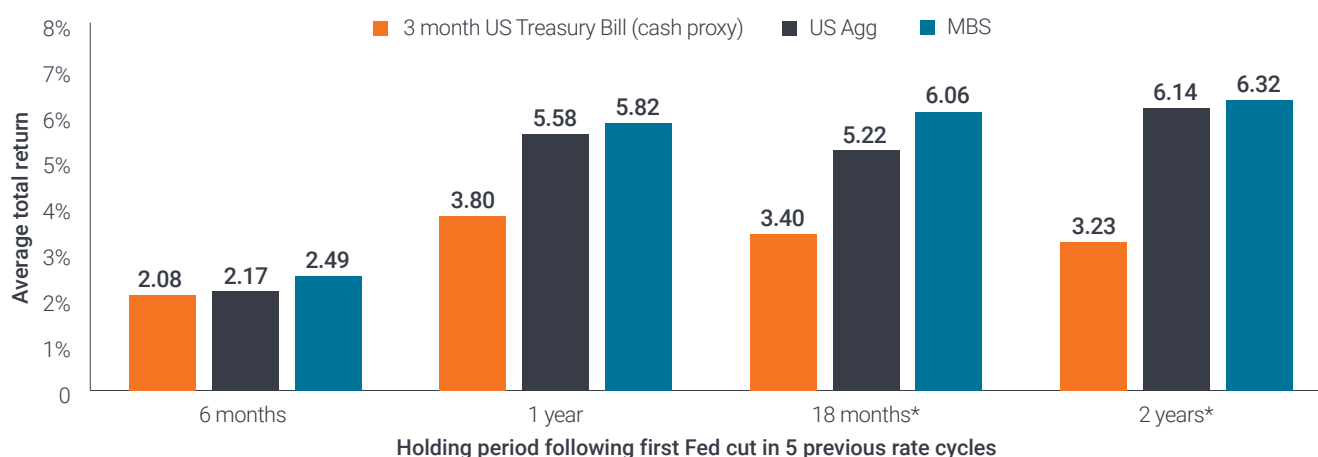
Moving out of cash: Fixed income offers a high-percentage play

There is over US\$10 trillion sitting in money market funds globally. The key drivers of this trend include the excess liquidity injected into the financial system in response to COVID-19 and the higher yields on offer following the rate-hiking cycle.

Cash and money market accounts are currently offering relatively attractive yields with negligible risk. But while the 4%-5% rates are enticing, **investors who are parked in cash may be exposing themselves to some strategic pitfalls** if central banks cut rates as forecast. Core fixed income allocations, including mortgage-backed securities (MBS), present an attractive alternative for those moving back into risk assets.

+ Bonds and MBS have typically outperformed cash following Fed interest rate cuts

Average returns over period starting from first rate cut in the cycle



Source: Bloomberg, 19 December 1995 to 31 July 2021 (first rate cuts in last five cycles were December 1995, September 1998, January 2001, September 2007, July 2019 - we do not include September 2024 as not enough time has elapsed to generate results). Cash proxy = ICE BofA 3 Month US Treasury Bill Index, US Agg = Bloomberg U.S. Aggregate Bond Index, MBS = Bloomberg U.S. Mortgage-Backed Securities Index, total return in US dollars. *Figures beyond 1 year are annualised. **Past performance does not predict future results.**

Investor considerations

- Fixed income assets enable investors to lock in higher yields over time, but with major central banks now in a rate-cutting cycle, cash rates face fresh risks. While rates are unlikely to return to zero, **returns on cash will drop with each rate cut.**
- Fixed-rate bonds experience price appreciation when yields fall, while floating-rate collateralized loan obligations (CLOs) earn an additional credit spread above the risk-free rate, so **even when rates fall, non-cash investors continue to receive a spread return.** In contrast, cash does not provide any type of buffer against falling rates.
- Core fixed income's starting yield to worst has historically provided a reliable measure of forward returns. We believe the **4.5%-5.0% starting yields in U.S. core bonds may provide investors with more predictability in what to expect going forward.** Within the core, given historically tight (or expensive) investment-grade credit spreads, agency MBS are the other major opportunity to generate spreads above Treasuries.

Securitized: A better risk-reward offering?

As the path of inflation and rates remains in question, prioritizing a margin of safety when implementing fixed income decisions is critical.

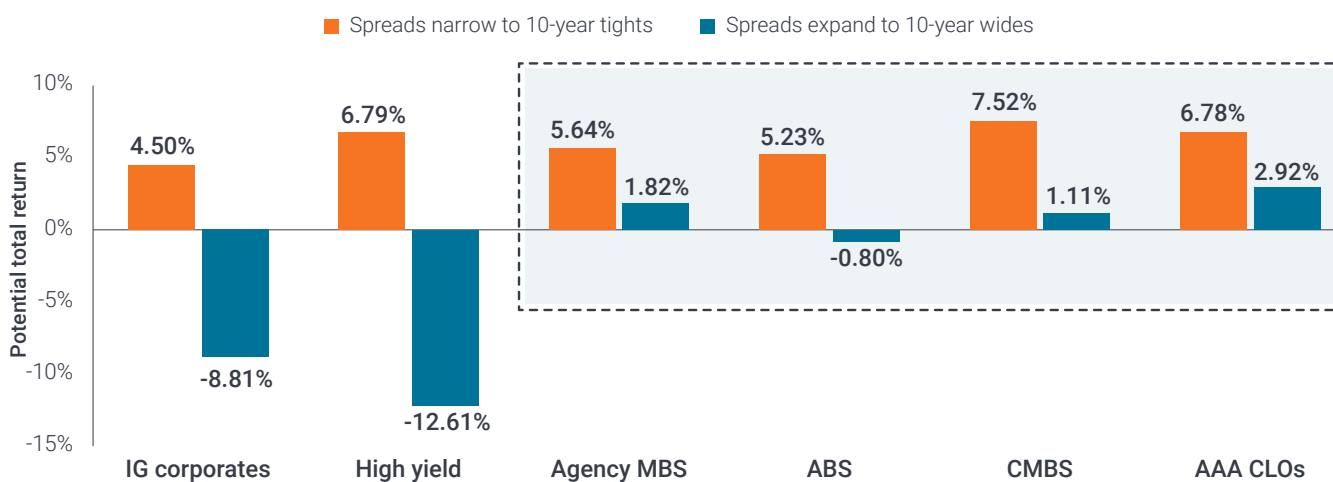
While corporate credit spreads are trading near their all-time tightest levels, most U.S. securitized sectors, which have a combined US\$2.5 trillion under management, are trading cheaper than their 10-year averages. **This pricing disparity may allow securitized investors to experience a more stable path of income and total return.** Should the U.S. economy begin to stall, we believe securitized sectors are likely to hold up better than corporate credit spreads. Conversely, if the soft landing continues to unfold, we believe securitized sectors may outperform, as their spreads have more room to tighten.

Investor considerations

- ▶ Buying securitized sectors at today's spreads offers investors the **potential for higher returns with lower dispersion** versus their pricier corporate counterparts.
- ▶ Due to their attractive valuations and higher coupon income, most securitized sectors would potentially still **register a positive return if spreads widened** to their 10-year extremes in the next year.
- ▶ Securitized investors may earn potentially attractive yields relative to corporates while **also standing to gain should the pricing mismatch shrink**.

✦ U.S. securitized sectors appear strongly positioned vs. corporates

Potential 1-year return should spreads widen or tighten from current levels to 10-year extremes



Source: Morningstar, Bloomberg, as of 31 October 2024. IG corporates = Bloomberg U.S. Corporate Bond Index, High yield = Bloomberg U.S. Corporate High Yield Bond Index, AAA CLOs = J.P. Morgan CLO AAA Index, Agency MBS = Bloomberg U.S. Mortgage-Backed Securities Index, ABS = Bloomberg Asset-Backed Securities Index, CMBS = Bloomberg Commercial Mortgage-Backed Securities Index. One-year forward returns include price return (spread duration) and coupon as of 31 October 2024. Returns do not include duration effects.

Past performance does not predict future returns.

Private asset investing: Funding and balancing an allocation

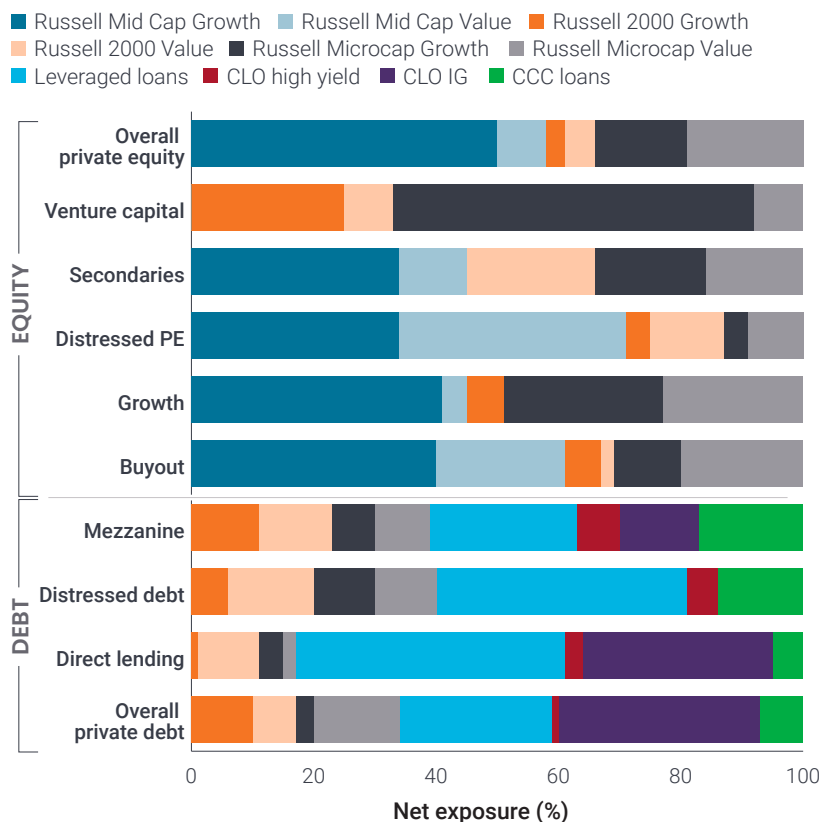
Growing interest in private asset investing raises important questions around how the inclusion of private assets could impact portfolio performance and which public securities should fund the exposure.

To help address these questions, we have worked to **identify the public market equivalent (PME) for each segment of the private asset universe**. This is based on analysis of which indices are most closely aligned in terms of economic exposure.

Risk and return characteristics across private markets vary just as in public markets, and individual liquidity and volatility tolerances vary by investor. Success therefore hinges on holistically gauging a combined public/private portfolio's characteristics to ensure risk, return, and diversification objectives are achieved. Our PME methodology aims to establish **a common ground on which all investments, public or private, are measured**.

+ Funding the private market opportunity set

Public market equivalents to private securities



Source: Janus Henderson Investors. Leveraged loans = Credit Suisse Leveraged Loan Index, CLO high yield = J.P. Morgan Collateralized Loan Obligation High Yield Index, CLO IG = J.P. Morgan Collateralized Loan Obligation Investment Grade Index, CCC loans = Morningstar LSTA US CCC Ratings Loan Index.

Investor considerations

- Within equities, **private assets tend to behave similarly to a range of micro- to mid-cap stocks**. Depending on existing portfolio composition, particularly if public small caps are underrepresented, public large caps could also be considered as a source of private equity funding.
- For fixed income, the **predominance of floating rates within private credit aligns with public securities** that share similar features. As many private borrowers are leveraged, direct private lending could be a suitable substitute for high-yield bonds.
- Private real estate, infrastructure, and natural resources can also serve as **low-volatility diversifiers** to a broad portfolio.

Portfolio Construction and Strategy

Janus Henderson's **Global Portfolio Construction and Strategy Team** has analyzed more than **20,000 model portfolios** based on consultations with **4,900 financial professionals**.

The team's goal is to help investment professionals make sense of what's happening in the market, understand the implications for portfolio construction, and create and adjust portfolios for future success.



Expert perspective

Leveraging Janus Henderson Edge™ proprietary analytics platform, the team offers custom insights and risk-modeling to help analyze portfolios for unintended risks and opportunities.



Genuine partnership

Dedicated strategists work with clients to keep portfolios on track through consultative strategy calls and tailored solutions.



Practical insights

The team's thinking is published on an ongoing basis, providing research-led, actionable insights to better inform asset allocation decisions.

For more information on any of the themes covered in our outlook or to learn more, please contact your Janus Henderson representative or visit janushenderson.com

Definitions, indices and risks

DEFINITIONS

10-Year Treasury Yield is the interest rate on U.S. Treasury bonds that will mature 10 years from the date of purchase.

Asset-backed securities (ABS): A financial security that is 'backed' (or collateralized) with existing assets (such as loans, credit card debts or leases), usually ones that generate some form of income (cash flow) over time.

Beta measures the volatility of a security or portfolio relative to an index. Less than one means lower volatility than the index; more than one means greater volatility.

Buyback yield reflects the percentage of a company's market capitalization returned to common shareholders in the form of stock buybacks.

Collateralized Loan Obligation (CLO): A bundle of generally lower quality leveraged loans to companies that are grouped together into a single security, which generates income (debt payments) from the underlying loans. The regulated nature of the bonds that CLOs hold means that in the event of default, the investor is near the front of the queue to claim on a borrower's assets.

Commercial mortgage-backed securities (CMBS): Fixed-income investment products that are backed by mortgages on commercial properties rather than residential real estate. CMBS can provide liquidity to real estate investors and commercial lenders alike.

Correlation measures the degree to which two variables move in relation to each other. A value of 1.0 implies movement in parallel, -1.0 implies movement in opposite directions, and 0.0 implies no relationship.

Credit spread: The difference in yield between securities with similar maturity but different credit quality, often used to describe the difference in yield between corporate bonds and government bonds. Widening spreads generally indicate a deteriorating creditworthiness of corporate borrowers, while narrowing indicate improving.

Dividend yield is a financial ratio that shows how much a company pays out in dividends each year relative to its stock price.

Duration measures a bond price's sensitivity to changes in interest rates. The longer a bond's duration, the higher its sensitivity to changes in interest rates and vice versa.

Earnings per share (EPS): EPS is the bottom-line measure of a company's profitability, defined as net income (profit after tax) divided by the number of outstanding shares.

A **floating interest rate** refers to a variable interest rate that changes over the duration of the debt obligation based on changes in the benchmark rate to which it is pegged.

High yield bond: Also known as a sub-investment grade bond, or 'junk' bond. These bonds usually carry a higher risk of the issuer defaulting on their payments, so they are typically issued with a higher interest rate (coupon) to compensate for the additional risk.

Investment-grade bond: A bond typically issued by governments or companies perceived to have a relatively low risk of defaulting on their payments, reflected in the higher rating given to them by credit ratings agencies.

Late cycle: Growth slows as the economy reaches its full potential, wages start to rise and inflation begins to pick up, typically leading to lower demand, falling corporate earnings and eventually the fourth stage – recession.

The Magnificent Seven (Mag 7): The stocks of large-cap technology companies Apple, Microsoft, Amazon, Alphabet (Google), Tesla, Meta (Facebook) and Nvidia.

Mortgage-backed security (MBS) A security which is secured (or 'backed') by a collection of mortgages. Investors receive periodic payments derived from the underlying mortgages, similar to the coupon on bonds.

Monetary Policy refers to the policies of a central bank, aimed at influencing the level of inflation and growth in an economy. It includes controlling interest rates and the supply of money. Monetary stimulus refers to a central bank increasing the supply of money and lowering borrowing costs.

Multiple expansion: The change in the multiple of earnings an investor is willing to pay for a particular investment. For example, a stock that trades for \$20 per share that earns \$1 per share would be said to be trading at a multiple of 20x.

Price-to-Earnings (P/E) Ratio measures share price compared to earnings per share for a stock or stocks in a portfolio.

Private assets: Investments that are not publicly traded or listed on a public stock exchange.

Shareholder yield is the sum of a stock's dividend yield and the percentage of net share buybacks over the previous twelve months.

Spread duration: The percentage change in a bond's price for a given change in its credit spread.

Soft landing: A situation in which a central bank succeeds in bringing down inflation without significantly harming employment and economic growth levels.

U.S. Treasury securities are direct debt obligations issued by the U.S. Government. The investor is a creditor of the government. Treasury Bills and U.S. Government Bonds are guaranteed by the full faith and credit of the U.S. government, are generally considered to be free of credit risk and typically carry lower yields than other securities.

Volatility measures risk using the dispersion of returns for a given investment.

Yield: The level of income on a security over a set period, typically expressed as a percentage rate. For equities, a common measure is the dividend yield, which divides recent dividend payments for each share by the share price. For a bond, this is calculated as the coupon payment divided by the current bond price.

Yield-to-worst: The lowest yield a bond with a special feature (such as a call option) can achieve provided the issuer does not default. When used to describe a portfolio, this statistic represents the weighted average across all the underlying bonds held.

INDICES

Bloomberg U.S. Aggregate Bond Index is a broad-based measure of the investment grade, US dollar-denominated, fixed-rate taxable bond market.

Bloomberg US Asset-Backed Securities Index measures the investment grade, US dollar-denominated, fixed-rate taxable bond market.

Bloomberg US Commercial Mortgage-Backed Securities Index measures the market of US Agency and US Non-Agency conduit and fusion CMBS deals.

Bloomberg U.S. Corporate Bond Index measures the investment grade, U.S. dollar-denominated, fixed-rate, taxable corporate bond market.

Bloomberg US Corporate High Yield Index measures the US dollar-denominated, high yield, fixed-rate corporate bond market.

Bloomberg US Mortgage-Backed Securities Index measures the performance of U.S. fixed-rate agency mortgage backed pass-through securities.

Citigroup Economic Surprises Index represents the sum of the difference between official economic results and forecasts. With a sum over 0, its economic performance generally beats market expectations. With a sum below 0, its economic conditions are generally worse than expected.

Credit Suisse Leveraged Loan Index is designed to mirror the investable universe of the U.S. dollar-denominated leveraged loan market.

IA SBBI US Large Stock TR USD Index tracks the monthly returns of the S&P 500.

IA SBBI US Small Stock TR USD Index measures the performance of a broad cross-section of small U.S. companies.

JP Morgan AAA CLO Index tracks the market for AAA-rated U.S.-dollar denominated broadly-syndicated arbitrage CLOs.

JP Morgan Collateralized Loan Obligation High Yield Index is a total return benchmark for broadly-syndicated arbitrage US CLO high yield debt.

JP Morgan Collateralized Loan Obligation Investment Grade Index is a total return benchmark for broadly-syndicated arbitrage US CLO investment grade debt.

MSCI All Country World IndexSM reflects the equity market performance of global developed and emerging markets.

MSCI China Index captures large and mid cap representation across China A shares, H shares, B shares, Red chips, P chips and foreign listings (e.g. ADRs).

MSCI Emerging Markets IndexSM reflects the equity market performance of emerging markets.

MSCI Europe IndexSM reflects the equity market performance of developed markets in Europe.

MSCI United Kingdom Index is designed to measure the performance of the large and mid cap segments of the UK market.

Morningstar LSTA US CCC Ratings Loan Index is a market-value weighted index designed to measure the performance of the US leveraged loan market.

Russell Midcap[®] Growth Index reflects the performance of U.S. mid-cap equities with higher price-to-book ratios and higher forecasted growth values.

Russell Midcap[®] Value Index reflects the performance of U.S. mid-cap equities with lower price-to-book ratios and lower forecasted growth values.

Russell 2000[®] Growth Index reflects the performance of U.S. small-cap equities with higher price-to-book ratios and higher forecasted growth values.

Russell 2000[®] Value Index reflects the performance of U.S. small-cap equities with lower price-to-book ratios and lower forecasted growth values.

Russell Microcap[®] Growth Index reflects the performance of U.S. microcap equities with higher price-to-book ratios and higher forecasted growth values.

Russell Microcap[®] Value Index reflects the performance of U.S. microcap equities with lower price-to-book ratios and lower forecasted growth values.

S&P 500[®] Index reflects U.S. large-cap equity performance and represents broad U.S. equity market performance.

INDICES (CONTINUED)

S&P Mid Cap 400 Index measures the performance of the mid-range sector of the U.S. stock market.

S&P Small Cap 600 Index measures the performance of selected U.S. stocks with a small market capitalization.

Tokyo Stock Price Index (TOPIX) is a capitalization-weighted index of all the companies listed on the First Section of the Tokyo Stock Exchange in Japan.

RISKS

Investing involves market risk; principal loss is possible. Equity and fixed income securities are subject to various risks including, but not limited to, market risk, credit risk and interest rate risk.

Actively managed portfolios may fail to produce the intended results. No investment strategy can ensure a profit or eliminate the risk of loss.

Diversification neither assures a profit nor eliminates the risk of experiencing investment losses.

Financials industries can be significantly affected by extensive government regulation, subject to relatively rapid change due to increasingly blurred distinctions between service segments, and significantly affected by availability and cost of capital funds, changes in interest rates, the rate of corporate and consumer debt defaults, and price competition.

Growth and value investing each have their own unique risks and potential for rewards, and may not be suitable for all investors. Growth stocks are subject to increased risk of loss and price volatility and may not realize their perceived growth potential. Value stocks can continue to be undervalued by the market for long periods of time and may not appreciate to the extent expected.

Health care industries are subject to government regulation and reimbursement rates, as well as government approval of products and services, which could have a significant effect on price and availability, and can be significantly affected by rapid obsolescence and patent expirations.

High-yield or "junk" bonds involve a greater risk of default and price volatility and can experience sudden and sharp price swings.

Industrial industries can be significantly affected by general economic trends, changes in consumer sentiment, commodity prices, government regulation, import controls, and worldwide competition, and can be subject to liability for environmental damage and safety.

Non-U.S. securities are subject to additional risks including currency fluctuations, political and economic uncertainty, increased volatility, lower liquidity and differing financial and information reporting standards, all of which are magnified in emerging markets.

Real estate securities are sensitive to changes in real estate values and rental income, property taxes, interest rates, tax and regulatory requirements, supply and demand, and the management skill and creditworthiness of the company.

Securitized products, such as mortgage- and asset-backed securities, are more sensitive to interest rate changes, have extension and prepayment risk, and are subject to more credit, valuation and liquidity risk than other fixed-income securities.

Smaller capitalization securities may be less stable and more susceptible to adverse developments, and may be more volatile and less liquid than larger capitalization securities.

Janus Henderson

INVESTORS

Important information

The views presented are as of the date published. They are for information purposes only and should not be used or construed as investment, legal or tax advice or as an offer to sell, a solicitation of an offer to buy, or a recommendation to buy, sell or hold any security, investment strategy or market sector. Nothing in this material shall be deemed to be a direct or indirect provision of investment management services specific to any client requirements. Opinions and examples are meant as an illustration of broader themes, are not an indication of trading intent, are subject to change and may not reflect the views of others in the organization. It is not intended to indicate or imply that any illustration/example mentioned is now or was ever held in any portfolio. No forecasts can be guaranteed and there is no guarantee that the information supplied is complete or timely, nor are there any warranties with regard to the results obtained from its use. Janus Henderson Investors is the source of data unless otherwise indicated, and has reasonable belief to rely on information and data sourced from third parties. Past performance does not predict future returns. Investing involves risk, including the possible loss of principal and fluctuation of value.

Not all products or services are available in all jurisdictions. This material or information contained in it may be restricted by law, may not be reproduced or referred to without express written permission or used in any jurisdiction or circumstance in which its use would be unlawful. Janus Henderson is not responsible for any unlawful distribution of this material to any third parties, in whole or in part. The contents of this material have not been approved or endorsed by any regulatory agency.

Janus Henderson Investors is the name under which investment products and services are provided by the entities identified in the following jurisdictions: (a) **Europe** by Janus Henderson Investors International Limited (reg. no. 3594615), Janus Henderson Investors UK Limited (reg. no. 906355), Janus Henderson Fund Management UK Limited (reg. no. 2678531), (each registered in England and Wales at 201 Bishopsgate, London EC2M 3AE and regulated by the Financial Conduct Authority), Tabula Investment Management Limited (reg. no. 11286661 at 10 Norwich Street, London, United Kingdom, EC4A 1BD and regulated by the Financial Conduct Authority) and Janus Henderson Investors Europe S.A. (reg. no. B22848 at 78, Avenue de la Liberté, L-1930 Luxembourg, Luxembourg and regulated by the Commission de Surveillance du Secteur Financier); (b) the **U.S.** by SEC registered investment advisers that are subsidiaries of Janus Henderson Group plc; (c) **Canada** through Janus Henderson Investors US LLC only to institutional investors

in certain jurisdictions; (d) **Singapore** by Janus Henderson Investors (Singapore) Limited (Co. registration no. 199700782N). This advertisement or publication has not been reviewed by Monetary Authority of Singapore; (e) **Hong Kong** by Janus Henderson Investors Hong Kong Limited. This material has not been reviewed by the Securities and Futures Commission of Hong Kong; (f) **South Korea** by Janus Henderson Investors (Singapore) Limited only to Qualified Professional Investors (as defined in the Financial Investment Services and Capital Markets Act and its sub-regulations); (g) **Japan** by Janus Henderson Investors (Japan) Limited, regulated by Financial Services Agency and registered as a Financial Instruments Firm conducting Investment Management Business, Investment Advisory and Agency Business and Type II Financial Instruments Business; (h) **Australia and New Zealand** by Janus Henderson Investors (Australia) Limited (ABN 47 124 279 518) and its related bodies corporate including Janus Henderson Investors (Australia) Institutional Funds Management Limited (ABN 16 165 119 531, AFSL 444266) and Janus Henderson Investors (Australia) Funds Management Limited (ABN 43 164 177 244, AFSL 444268); (i) the **Middle East** by Janus Henderson Investors International Limited, regulated by the Dubai Financial Services Authority as a Representative Office. This document relates to a financial product which is not subject to any form of regulation or approval by the Dubai Financial Services Authority ("DFSA"). The DFSA has no responsibility for reviewing or verifying any prospectus or other documents in connection with this financial product. Accordingly, the DFSA has not approved this document or any other associated documents nor taken any steps to verify the information set out in this document, and has no responsibility for it. The financial product to which this document relates may be illiquid and/or subject to restrictions on its resale. Prospective purchasers should conduct their own due diligence on the financial product. If you do not understand the contents of this document you should consult an authorised financial adviser. No transactions will be concluded in the Middle East and any enquiries should be made to Janus Henderson. We may record telephone calls for our mutual protection, to improve customer service and for regulatory record keeping purposes.

Outside of the U.S., Australia, Singapore, Taiwan, Hong Kong, Europe and UK: For use only by institutional, professional, qualified and sophisticated investors, qualified distributors, wholesale investors and wholesale clients as defined by the applicable jurisdiction. Not for public viewing or distribution. Marketing Communication.

Janus Henderson is a trademark of Janus Henderson Group plc or one of its subsidiaries. © Janus Henderson Group plc.

Marketing communication | Not for onward distribution

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.