Janus Henderson INVESTORS

An Investor's Guide to Navigating the Markets

Agenda

- Markets and volatility
- Time, not timing
- Strategies and tactics to consider for today and tomorrow

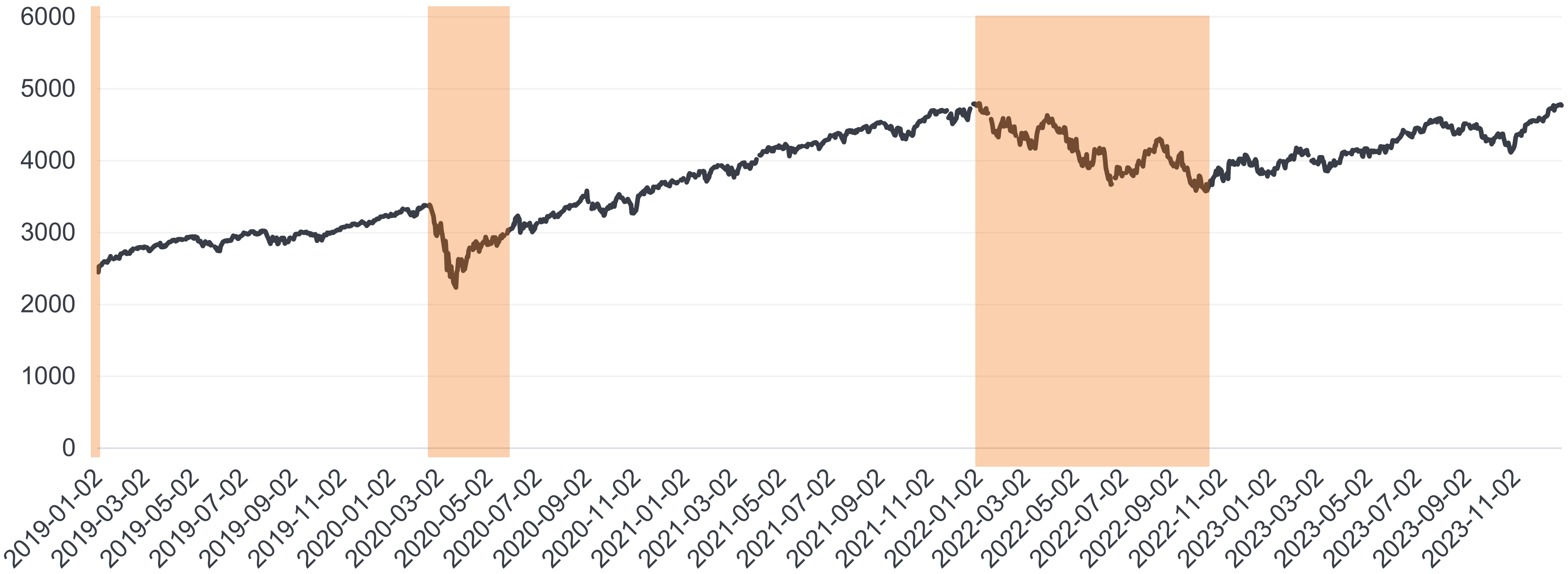
Markets and volatility

A new decade of investing

Stock market performance

S&P 500 Index Daily Closing

January 2019 – December 2023



Source: Federal Reserve Economic Data, fred.stlouisfed.org. Data reflects January 2, 2019 – December 29, 2023.
Shaded areas reflect market corrections and bear markets.

Volatility

Market correction v. bear market

Market Correction

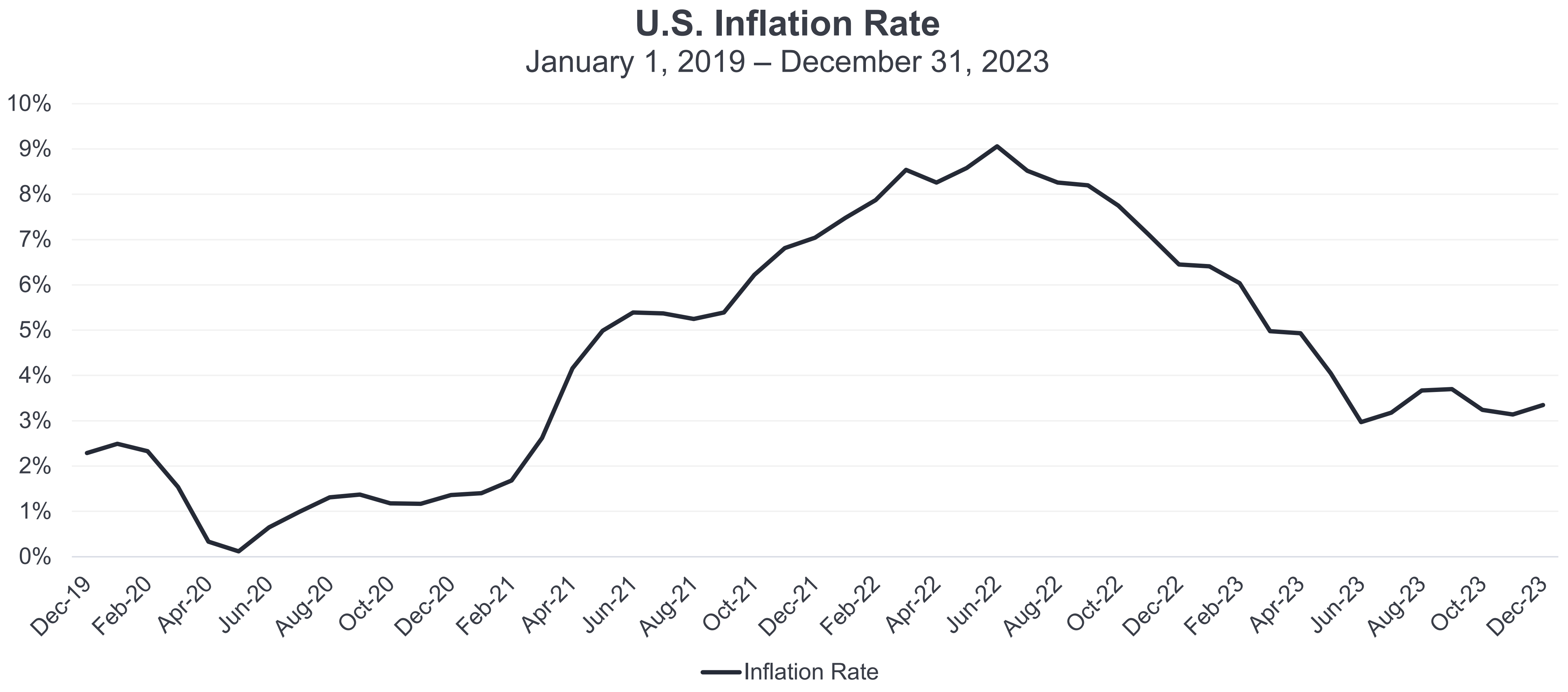
- Drop in stock prices of **10%** or greater from their most recent peak
  - 31 market corrections since World War II
  - Average decline: 14.3%
  - Average time to recover: 4.1 months
  - Most recent: September 2018 to December 2018

Bear Market

- Drop in stock prices by **20%** or more
  - 13 bear markets since World War II
  - Average decline: 32.9%
  - Average length: approximately 18.6 months
  - Most recent: January 2022 to October 2022

Source: Giles, Margaret. What's the Difference Between a Bear Market and a Correction? Morningstar, Inc. May 2022.

Volatility: Inflation



Source: Bloomberg, as of December 31, 2023. and Rateinflation.com

Volatility: Interest rates

Source: US Department of the Treasury; Data reflects January 2, 2019 – December 29, 2023.

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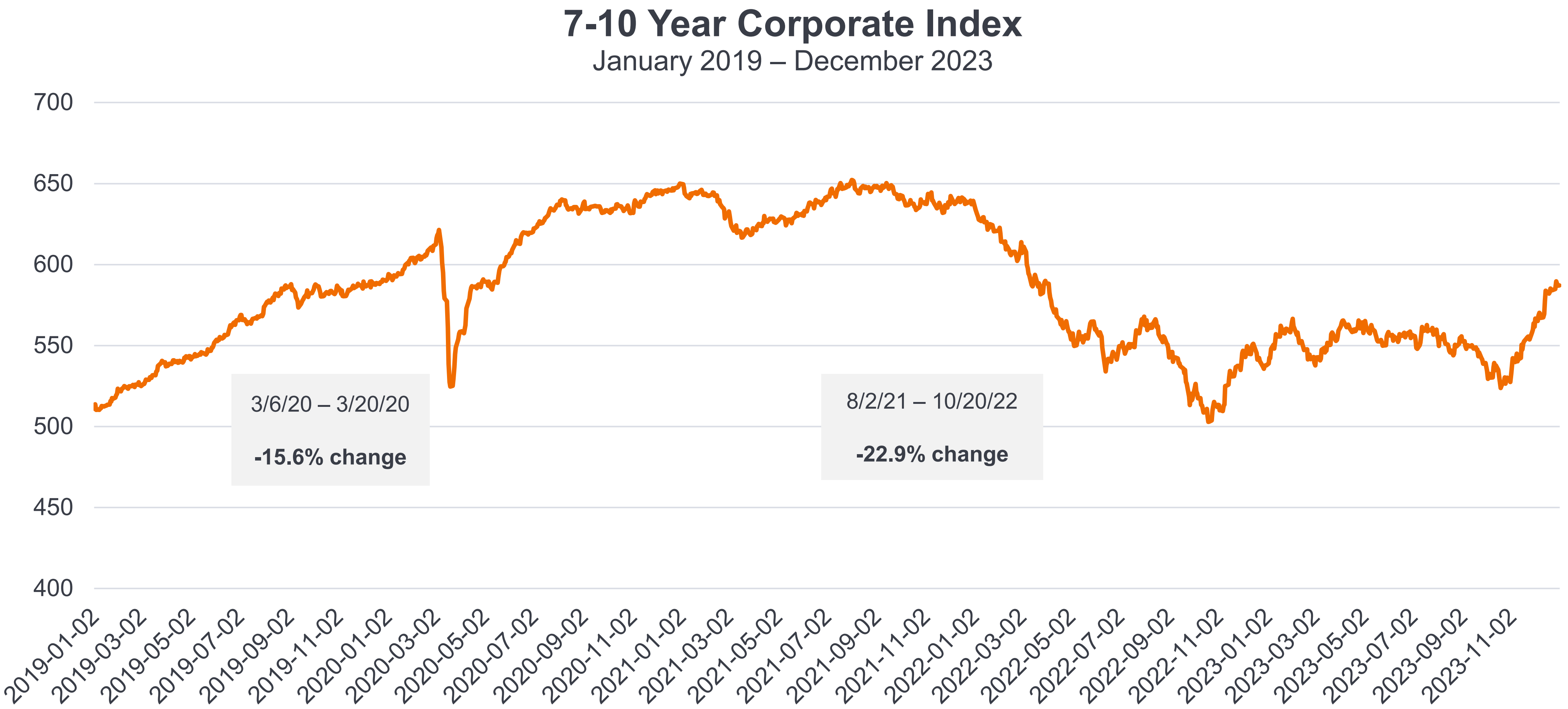
Volatility: Bond market performance

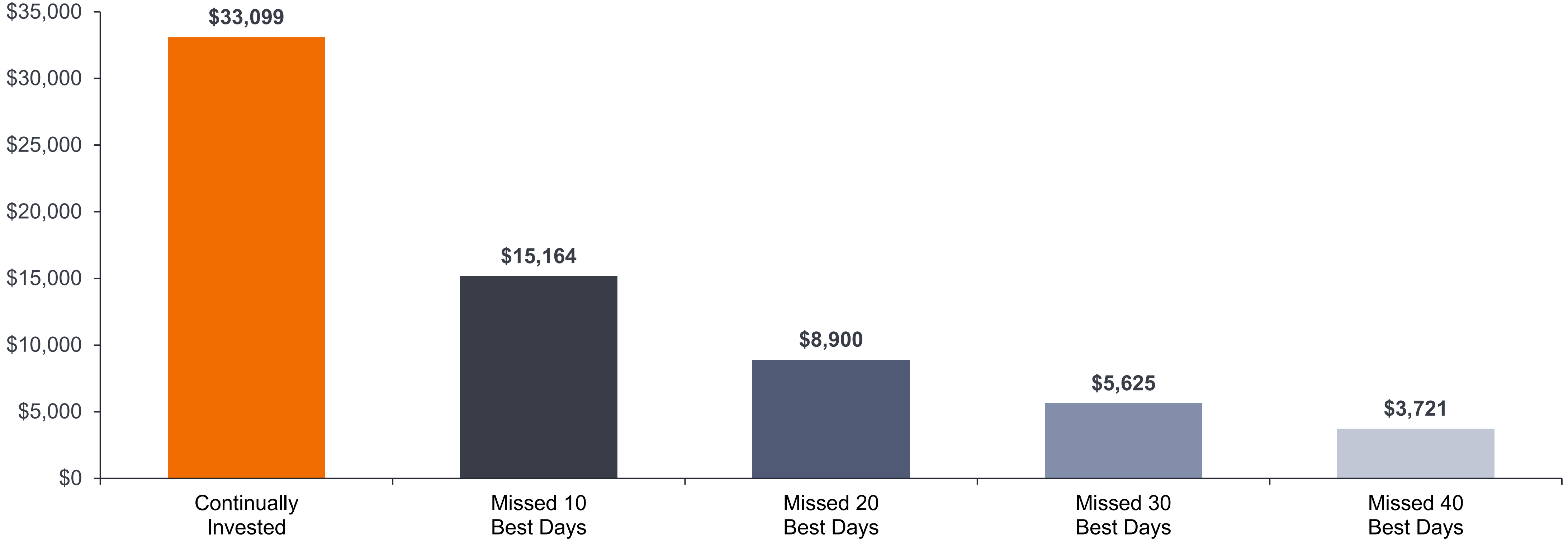


Source: Federal Reserve Economic Data, fred.stlouisfed.org. Data reflects time period: January 1, 2019 – December 31, 2023

Time, not timing

Time in the market, not timing the market

Value of a hypothetical $10,000 investment in the S&P 500® index from 1999 – 2022



Note: **Past performance is no guarantee of future results.**

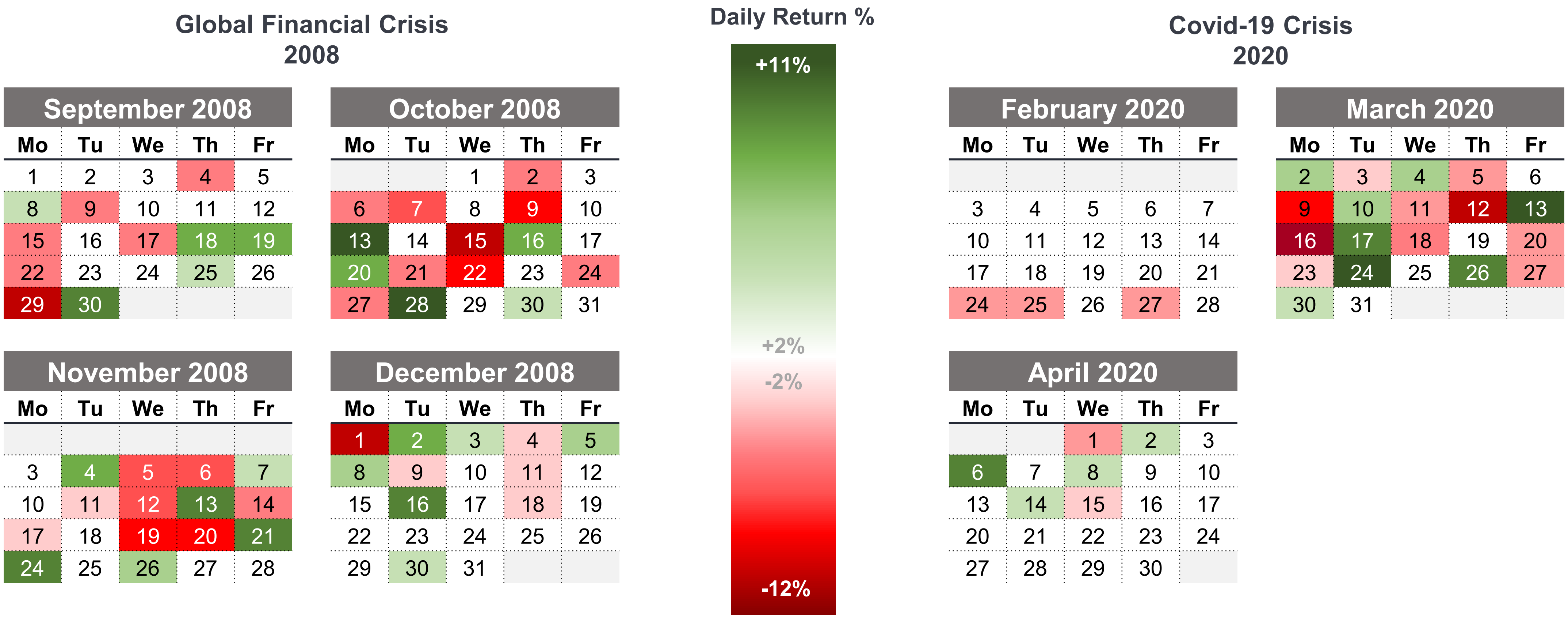
Investing involves risk, including the possible loss of principal and fluctuation of value.

S&P 500® Index reflects U.S. large-cap equity performance and represents broad U.S. equity market performance. Index performance does not reflect the expenses of managing a portfolio as an index is unmanaged and not available for direct investment.

Source: FactSet Research Systems, Inc. from 1/1/99 - 12/31/22. The example provided is hypothetical and used for illustration purposes only. It does not represent the returns of any particular investment.

S&P 500's best days often come near the worst

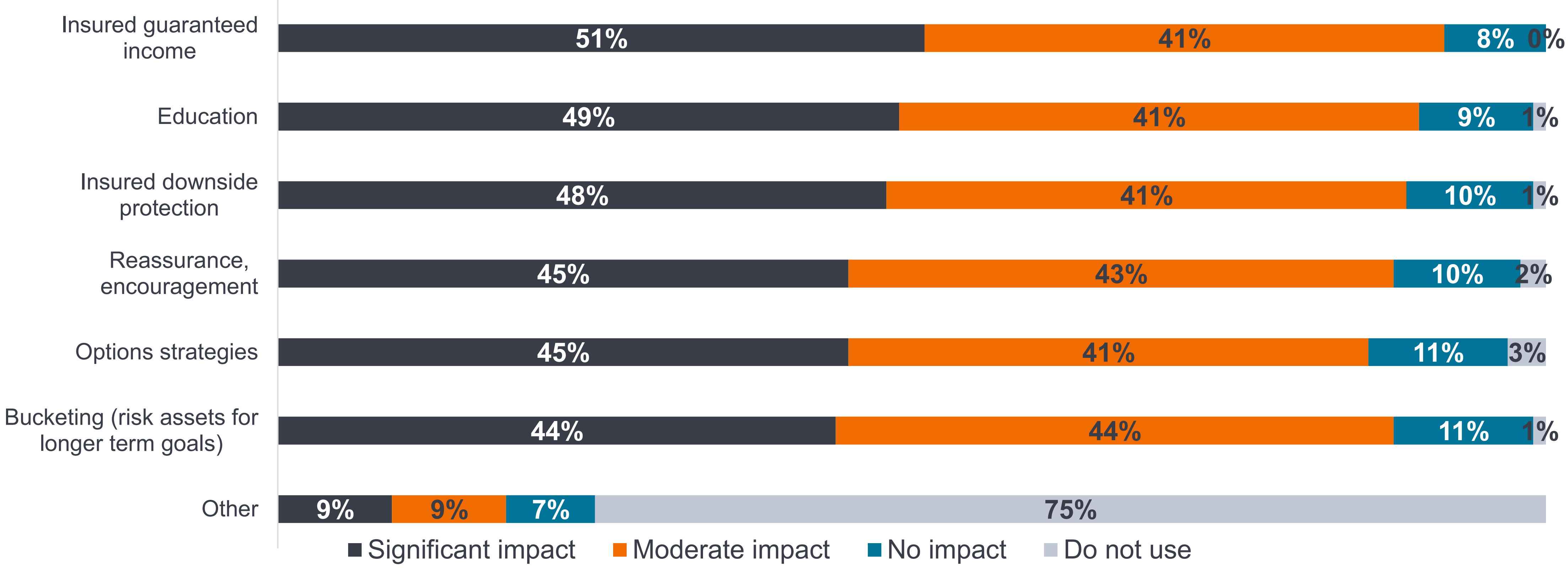
A majority of the best and worst days happened during the same time period



Source: Bloomberg, as of 7 January 2022.
Notes: S&P 500 Total Return Index, daily returns.
Past performance is no guarantee of future results.

Staying invested during volatile times

What has the impact of each of the following been on the likelihood that your clients will remain invested in a portfolio allocation that aligns with their financial goals?

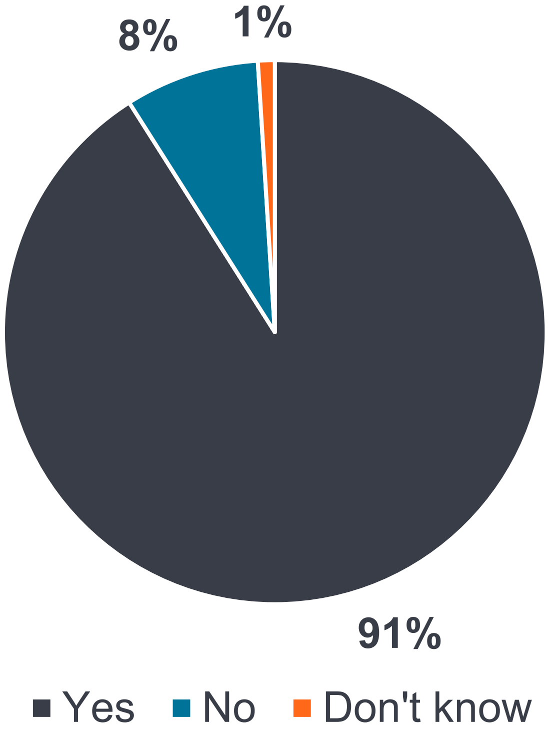


Source: 2023 Financial Advisor Survey – Retirement and Annuities: Product, Perceptions and Practices. Insured Retirement Institute.

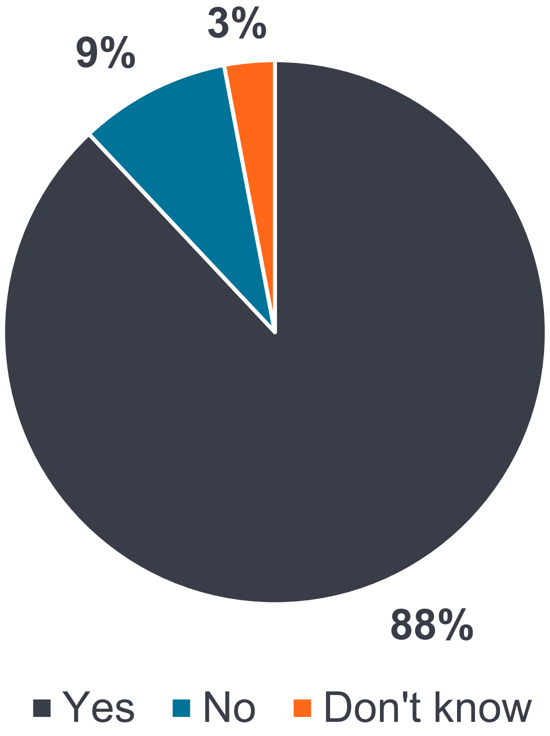
Strategies and tactics to consider for today and tomorrow

Discussing and owning annuities

Are your clients generally more open to discussing annuities now as compared to when you first became a financial advisor?



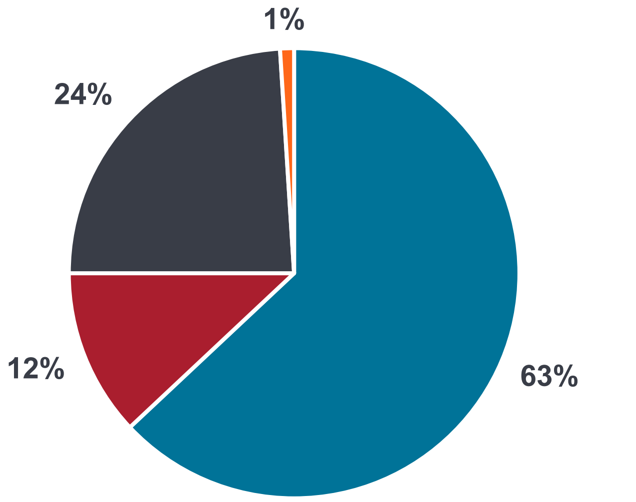
Do you believe your clients who have owned annuities for five years or longer are financially better off for having invested in annuities?



Source: 2023 Financial Advisor Survey – Retirement and Annuities: Product, Perceptions and Practices. Insured Retirement Institute.
"Trends in Retirement Income Practices, Products and Perceptions – 2015 Financial Advisor Survey," (IRI, 2015)

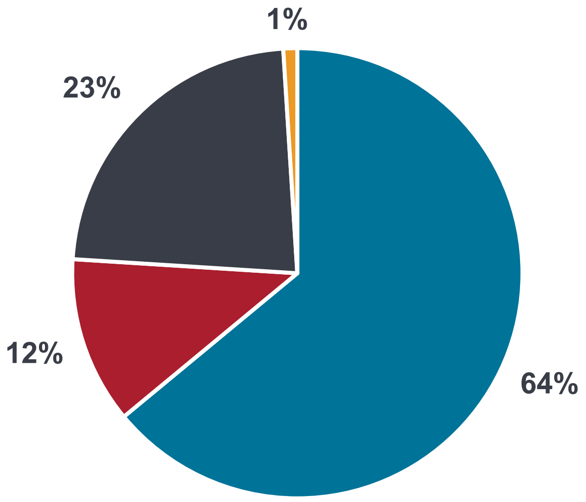
Discussing and owning annuities

Are you more likely or less likely to use downside protection with annuities now versus when you started in this business?



■ More likely ■ Less likely
■ No change, have always used ■ No change, do not use

Are you more likely or less likely to use guarantee income from annuities now versus when you started in this business?



■ More likely ■ Less likely
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Source: 2023 Financial Advisor Survey – Retirement and Annuities: Product, Perceptions and Practices. Insured Retirement Institute.
”Trends in Retirement Income Practices, Products and Perceptions – 2015 Financial Advisor Survey,” (IRI, 2015)

Themes and select findings

Advisors and Annuities

Advisor attitudes toward/use of annuities

91% Believe their clients are more open to annuities than when they began working as advisors.

70%+ View variable, fixed, and fixed indexed annuities favorably.

64% Are more likely to use annuities for lifetime income than when they began working as advisors.

63% Are more likely to use annuities for downside protection than when they began working as advisors.

Clients and Annuities

Impact of annuities on clients

92% Believe guaranteed lifetime income has helped their clients maintain their investment allocations through volatile periods.

89% Believe downside protection has helped their clients maintain their investment allocations through volatile periods.

88% Believe their clients who own annuities for five or more years are financially better off.

51% Believe their clients who own annuities are more comfortable spending money in retirement.

Growth Opportunities

Factors that can drive growth in annuities

84% Say more generous free withdrawals (e.g., 10% versus interest only) would increase their use of fixed and fixed indexed annuities.

82% Say more generous living benefits and simpler products would increase variable annuity sales.

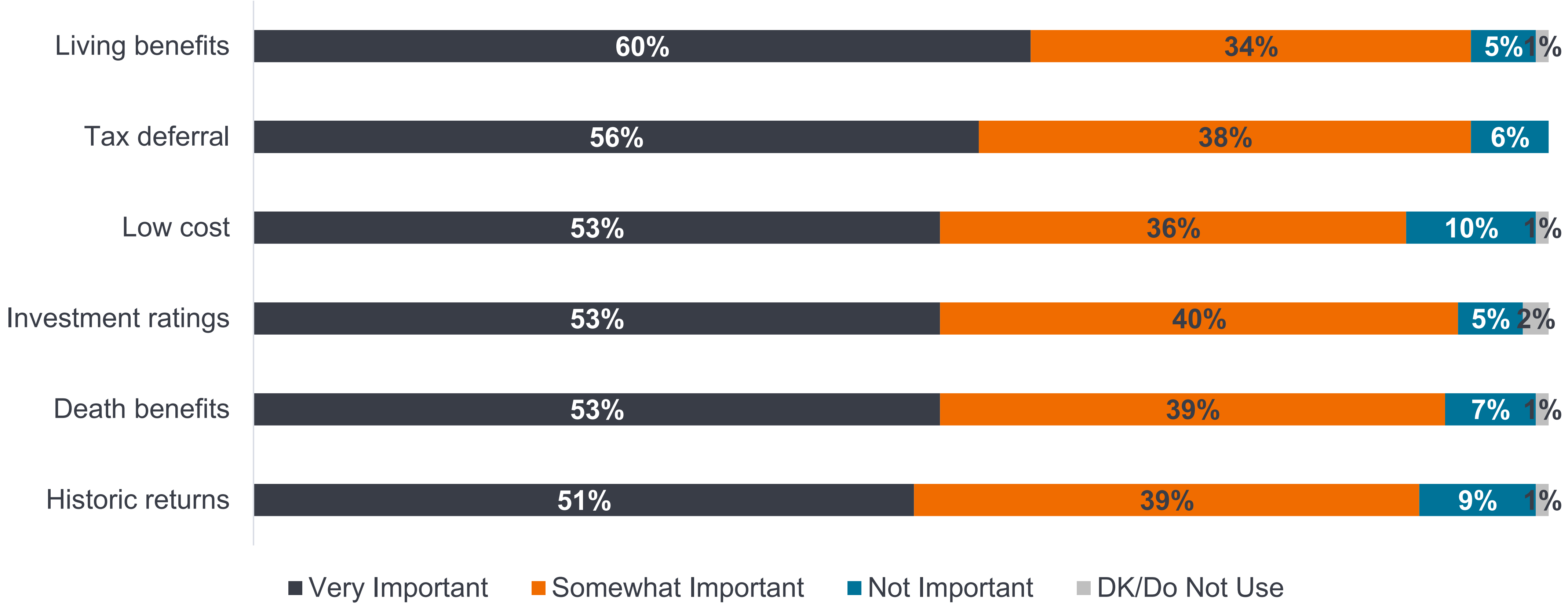
82% Say an easier purchasing experience would increase their use of fee-based annuities.

81% Say the addition of lifetime income benefits would increase their use of RILAs.

Source: 2023 Financial Advisor Survey – Retirement and Annuities: Product, Perceptions and Practices. Insured Retirement Institute.

Important aspects of variable annuities

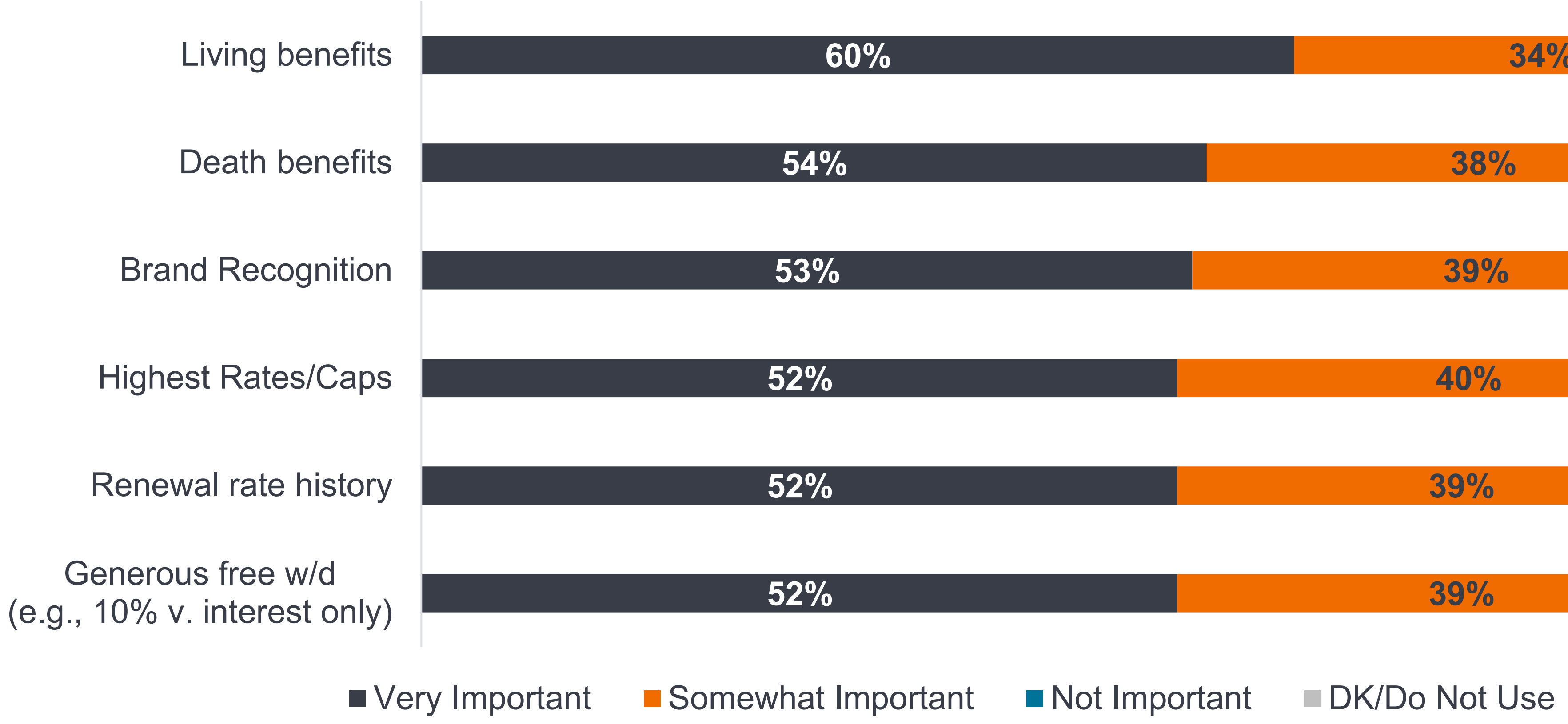
How important are each of the following characteristics of variable annuities for your clients?



Source: 2023 Financial Advisor Survey – Retirement and Annuities: Product, Perceptions and Practices. Insured Retirement Institute.

Important aspects of FIA and fixed annuities

How important are each of the following characteristics of fixed and fixed indexed annuities (FIA) for your clients?



Source: 2023 Financial Advisor Survey – Retirement and Annuities: Product, Perceptions and Practices. Insured Retirement Institute.

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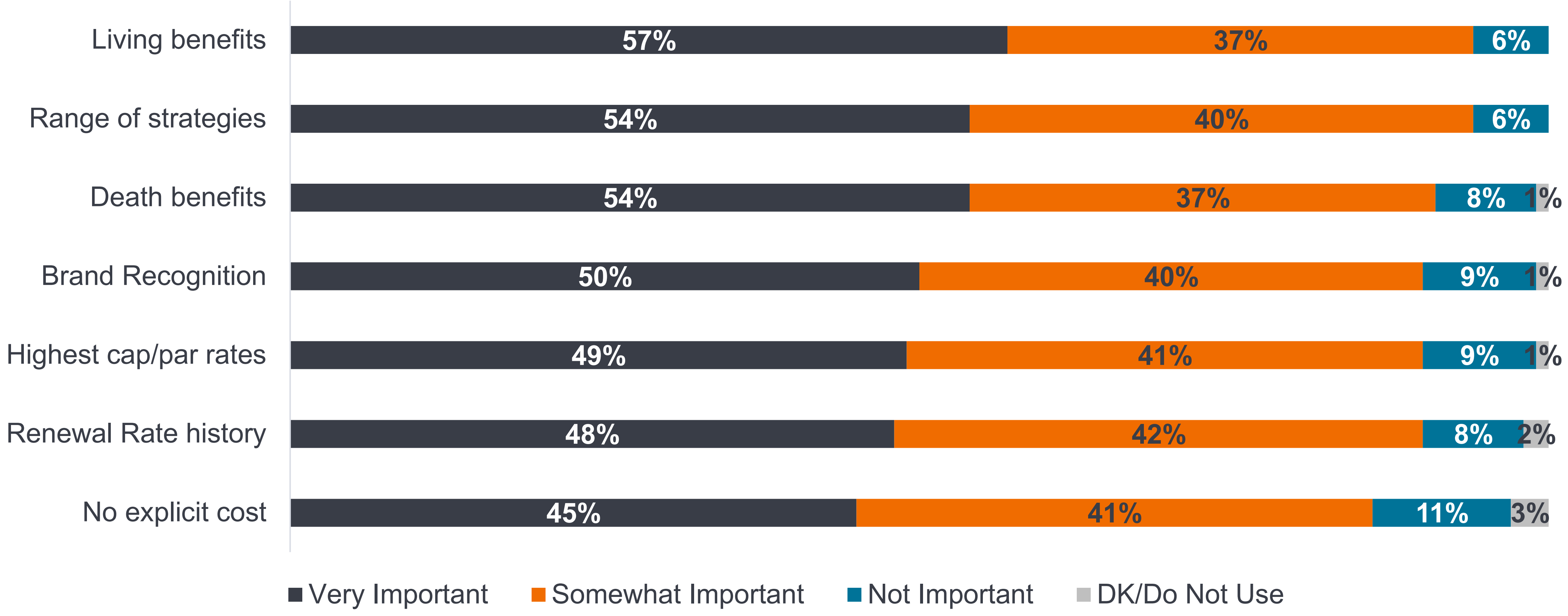
Important aspects of RILAs

How important are each of the following characteristics of registered index-linked annuities (RILAs) for your clients?



Source: 2023 Financial Advisor Survey – Retirement and Annuities: Product, Perceptions and Practices. Insured Retirement Institute.

Re-evaluation of the 4% spending rule

Historical context

- A 4% starting withdrawal rate, with annual adjustments for inflation, has long been considered a good "rule of thumb" to help set expectations about generating retirement income
- In 2021, researchers from Morningstar conducted an analysis to determine forward-looking sustainable withdrawal rates
- Using a Monte Carlo success rate of 90%, the researchers concluded that the rule of thumb should be adjusted downward to 3.3%
- In 2022, Morningstar revised their analysis to account for lower market valuations and concluded that a safe withdrawal rate is 3.8%

Source: Benz, C., Ptak, J., & Rekenthaler, J. "The state of retirement income." Morningstar, December 12, 2022.

Safe withdrawal rate research from Morningstar

Projected starting safe withdrawal rates, by asset allocation and time horizon

Equity weighting %	10 years	15 years	20 years	25 years	30 years	35 years	40 years
100	8.5	5.9	4.7	3.9	3.5	3.3	3.1
90	8.7	6.1	4.9	4.0	3.6	3.3	3.1
80	8.9	6.2	4.9	4.1	3.7	3.3	3.1
70	9.1	6.3	5.1	4.2	3.7	3.4	3.2
60	9.3	6.5	5.2	4.3	3.8	3.4	3.2
50	9.5	6.6	5.2	4.3	3.8	3.4	3.2
40	9.6	6.7	5.3	4.4	3.8	3.4	3.2
30	9.7	6.7	5.3	4.3	3.8	3.4	3.1
20	9.7	6.7	5.2	4.3	3.7	3.3	3.0
10	9.7	6.6	5.1	4.1	3.5	3.1	2.8
0	9.4	6.4	4.8	3.9	3.3	2.9	2.6

Source: Benz, C., Ptak, J., & Rekenthaler, J. "The state of retirement income." Morningstar, December 12, 2022.

Re-evaluation of the 4% spending rule

Higher withdrawal rates may be possible using a flexible approach

In addition to a base-case scenario, five other methods were analyzed

01 **Forgo inflation adjustments:** no inflation adjustments following years in which the portfolio declined in value

02 **Required minimum distribution (RMD):** annual distributions using life expectancy tables

03 **Guardrails method:** using the rules suggested by Jonathon Guyton and William Klinger, withdrawals are adjusted upwards following good years and downwards following bad years

04 **Spending reduction following losing years:** withdrawals are reduced by 10% following down years, and return to previous levels once the portfolio generates a positive return

05 **Inflation haircut:** Inflation adjustments are 1% less than the actual inflation rate

Source: Benz, C., Ptak, J., & Rekenthaler, J. "The state of retirement income." Morningstar, December 12, 2022.

Safe withdrawal rate research from Morningstar

Flexible withdrawal rate summary using a 50% stock/50% bond portfolio

Method	Starting safe withdrawal rate	Lifetime withdrawal rate	Year 30 cash flow standard deviation %	Median year 30 ending value ($M)
Best case – no flexibility	3.8	3.8	0.0	1.9
Forgoing inflation adjustment	4.4	4.0	6.4	1.6
RMD	4.4	5.4	50.0	0.2
Guardrails method	5.3	4.8	35.2	0.8
Spending reduction following losing years	4.0	3.9	6.9	1.8
Inflation haircut	4.3	3.7	0.0	1.9

Source: Benz, C., Ptak, J., & Rekenthaler, J. "The state of retirement income." Morningstar, December 12, 2022.

Capital market assumptions

- Consider using two sets of capital market assumptions:
  - One for shorter-term periods that addresses the current market environment (i.e., years one through 10)
  - One for longer-term periods (i.e., years 10 and beyond)

- Ensure the capital market assumptions reflect arithmetic returns and not geometric returns

- To ensure the analysis is net of fees, reduce the capital market return assumptions as appropriate

Source: Blanchett, D. *Into the unknown: Rethinking retirement return assumption*. ThinkAdvisor, December 21, 2021.

Life expectancy assumptions

- While the gender life expectancy gap can be as high as five years at birth, men who survive to age 65 have a life expectancy that is only about 2.5 years shorter than 65-year-old women

- The life expectancy gender gap also shrinks as income rises; men in the top 5th percentile of lifetime income have a life expectancy that is about 1.5 years shorter compared to high-income women at age 65

Source: Blanchett, D., & Finke, M. *About that 5-year gender longevity gap*. ThinkAdvisor, September 30, 2022.

Financial planning strategies

Review and update your goals

- To be better off than my peers
- To pay for personal self-improvement (e.g., go back to school)
- To experience the excitement of investing
- To start a new business
- To buy a house
- To help pay my kids' college education
- To stop working and do something I love
- To go on a dream vacation
- To relocate in retirement
- To care for my aging parents
- To give to charity or other causes I care about
- To feel secure about my finances in retirement
- To feel secure about my finances now
- To leave an inheritance to my loved ones
- To retire early
- To pay for future medical expenses
- To not be a financial burden to my family as I grow older

Source: Morningstar, Inc.

Financial planning strategies

Dollar cost averaging

Lump Sum Investment – $12,000 Invested One Time

Month	Amount Invested	Cost Per Share	Number of Shares Purchased
1	$12,000	$68	176.5

Total amount invested ($12,000)
÷ Total number of shares purchased (176.5)

Average cost per share= $67.99

Dollar-Cost Averaging – $1,000 Invested Each Month Over 12 Months

Month	Cost Per Share	Number of Shares Purchased
1	$68	14.7
2	$70	14.3
3	$63	15.9
4	$57	17.5
5	$51	19.6
6	$52	19.2
7	$58	17.2
8	$55	18.2
9	$60	16.7
10	$68	14.7
11	$73	13.7
12	$71	14.1

Total amount invested ($12,000)
÷ Total number of shares purchased (195.8)

Average cost per share = $61.29

This hypothetical example is for illustrative and educational purposes only and does not represent the performance of any particular investment. Fees and expenses that apply to continued investments are excluded.

A program of regular investing does not assure a profit or protect against depreciation in a declining market. Since a consistent investing program involves continuous investment in securities regardless of fluctuating prices, you should consider your financial ability to continue purchases through periods of various price levels.

Financial regrets

Top financial regrets and what we can learn from them

57% of respondents regretted not having saved more

40% regretted not buying long term care insurance

33% regretted not having purchased lifetime income payments

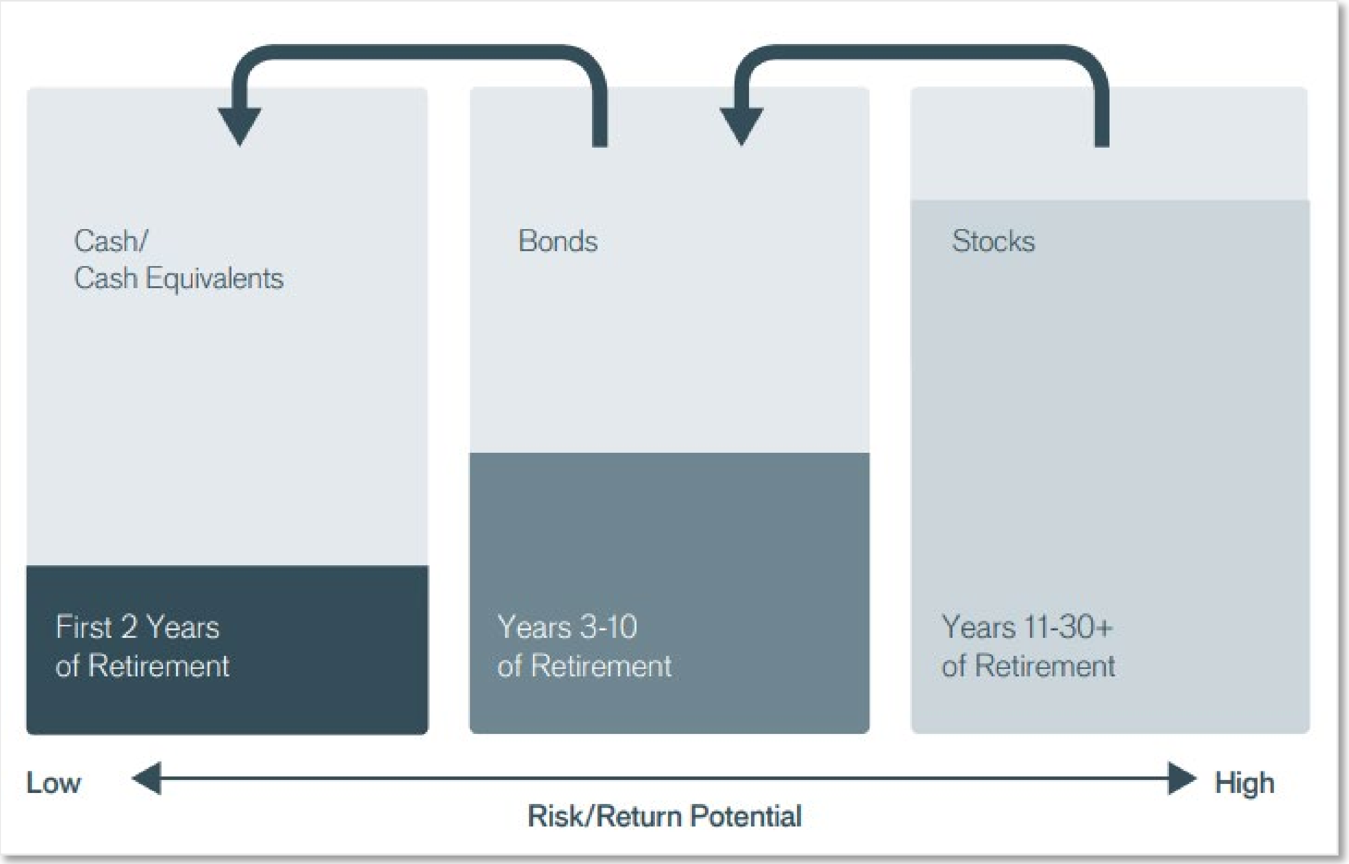
75% of respondents who do not have a plan report high negative stress

2X Regret increased by 2x when given information about longevity

Source: Financial Regret at Older Ages and Longevity Awareness, Hurwitz, A., Mitchell, O. December 2022

Financial planning strategies

If close to retirement, investors might use a bucket approach to help prepare for market shocks



The example provided is hypothetical and used for illustrative purposes only.

Thank You

"We don't have to be smarter than the rest, we have to be more disciplined than the rest."

– Warren Buffett

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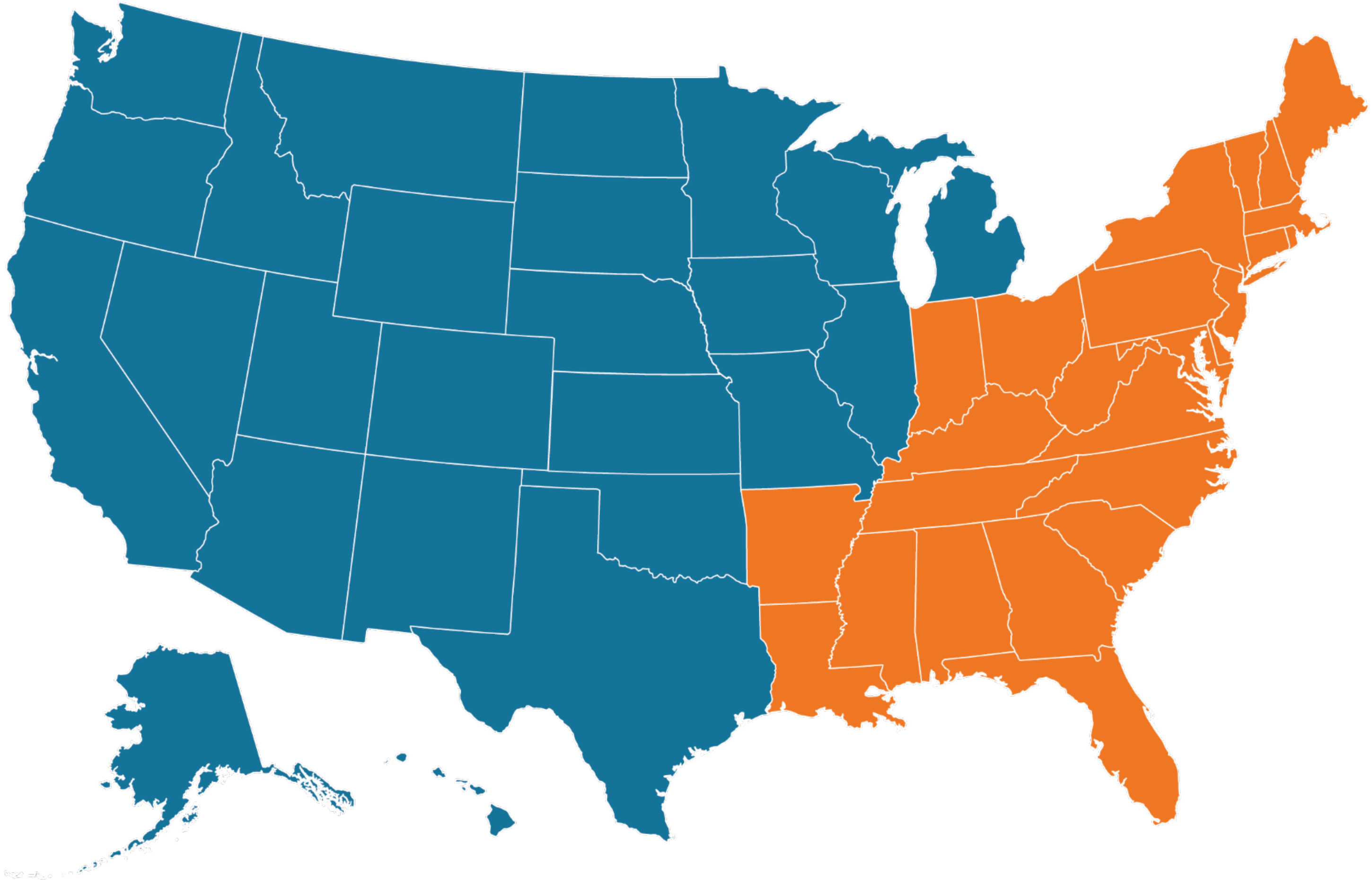

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Annuities are long-term investment vehicles designed to accumulate money on a tax-deferred basis for retirement purposes. They limit access to the investment as a result of a surrender charges and are subject to a 10% tax penalty on certain withdrawals. Riders are generally available for an additional charge. Variable annuities are subject to investment risk, and investment return and principal value will fluctuate.

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

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

Basis point (bp) equals 1/100 of a percentage point. 1 bp = 0.01%, 100 bps = 1%.

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

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

Standard Deviation measures historical volatility. Higher standard deviation implies greater volatility.

Index performance does not reflect the expenses of managing a portfolio as an index is unmanaged and not available for direct investment.

A retirement account should be considered a long-term investment. Retirement accounts generally have expenses and account fees, which may impact the value of the account. Non-qualified withdrawals may be subject to taxes and penalties. For more detailed information about taxes, consult a tax attorney or accountant for advice. Tax information contained herein is not intended or written to be used, and it cannot be used by taxpayers for the purposes of avoiding penalties that may be imposed on taxpayers. Such tax information and any estate planning information is general in nature, is provided for informational purposes only, and should not be construed as legal or tax advice.

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