

Janus Henderson Absolute Return Income Fund

June 2020

For promotional purposes
For professional investors only

Fund manager names: Nick Maroutsos and Jason England

Investment Environment

Global bond markets gained ground in June, driven largely by the narrowing of spreads between the yields on corporate credits and those on their risk-free benchmarks. The interest rates on government bonds stayed within a narrow – and low – range given the overt commitment of policy makers to maintain zero or negative interest-rate policy for the foreseeable future.

Performance Summary

The fund outperformed its benchmark, the FTSE 3-month US Treasury Bill Index.

Portfolio Discussion

Returns were driven almost exclusively by the income generated by, and the narrowing of interest rates on, investment grade corporate credits and those on their risk-free benchmark. Also contributing was a position constructed to capitalise on the movement of a basket of currencies relative to the US dollar. Slightly detracting from performance were hedges aimed at lowering credit and duration risk. Over the past several months we have taken aggressive steps to increase the quality of the fund's corporate credit holdings. While we recognise that the carry generated by corporate credits will account for an increasing role in overall fixed income performance, our cautious view on a return to steady economic growth in the absence of a COVID-19 vaccine or effective antiviral therapies is causing us to avoid what we consider to be the riskier segments of credit markets. The sectors of the market that we are avoiding – many of which are tied to travel and leisure and others with elevated leverage – we believe could be at risk of a material sell-off should growth flounder even more.

We remain concerned of further market turmoil and have acted to limit exposure to riskier securities. We are therefore maintaining a conservative fund duration of between 1.15 and 1.20 years.

Manager Outlook

Our concern over longer-term economic growth, corporate profitability and the lingering effects of the global shutdown cause us to continue with more conservative positioning. A large amount of headline data released during June pointed to a cautious tone. Among these were the continued rise in COVID-19 cases and deaths, an increase in US-China tensions - not only with respect to trade but also the pandemic and human rights issues - and a marked uptick in bankruptcies, including a pioneer in the US fracking industry. Collectively, these have the potential to weigh on supply chains, global growth and, ultimately, the prospects for risky assets.

We remain concerned over further market turmoil and expect to maintain conservative risk exposures. Penalty rates for holding cash have become too painful and we have begun to invest our excess cash into short-term commercial paper with what we consider to be attractive yields. While we doubt these securities will benefit from price increases, we expect the portfolio yield to remain attractive and their inclusion could help insulate the portfolio against additional market volatility. We still consider it necessary to maintain a degree of credit default protection and we are keeping duration in the 1.25-year range. We also remain concerned that a longer-than-anticipated lockdown could stress corporate solvencies even further. We will await further information before materially increasing risk positions.

While we remain biased toward lower short-term rates, they have largely been priced in and we have little conviction in the overall direction of rates from where we stand today. Market conjecture of negative US rates, in our view, is premature, but low short-term rates seem a given for the next 12 to 18 months. We are not believers in the consensus view of a steeper yield curve driven by massive deficits and record Treasury bond issuance. Lessons from Japan and Europe demonstrate that longer-term deflation risks combined with central bank purchases override supply concerns.

Bond market liquidity continues to improve. We remain 100% investment grade, biased toward shorter-dated issues. We continue to avoid more volatile or higher-beta sectors (such as commodities energy, gaming, tourism and airlines) as well as the regions most affected by the pandemic. We maintain only a modest exposure to China (and only in US dollar-denominated quasi-sovereign issuers) and otherwise nothing in emerging markets. Despite our cautious outlook, we have no greater concern with default risk than we did before the turmoil began. Our main goal is to buttress the portfolio against a renewed sell-off in risk assets.

Source: Janus Henderson Investors, as at 30 June 2020

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Fund information

Index FTSE 3-Month US Treasury Bill Index

Objective The Fund aims to provide positive, consistent returns (although not guaranteed) above those that would be earned on cash deposits over time.

Performance target To outperform the FTSE 3 Month-US Treasury bill Index by at least 2% per annum, before the deduction of charges, over any 5 year period.

Performance %	I Acc (Net)	Index	I Acc (Gross)	Target (Gross)
1 month	0.5	-0.0	-	-
YTD	0.1	-0.2	-	-
1 year	-0.3	-0.4	-	-
3 years (annualised)	-	-	-	-
5 years (annualised)	-	-	-	-
10 years (annualised)	-	-	-	-
Since inception (annualised)	0.6	-0.4	-	-

Source: at 30 June 2020. © 2020 Morningstar. All rights reserved, performance is with gross income reinvested.

Discrete year performance %	I Acc (Net)	Index	I Acc (Gross)	Target (Gross)
30 Jun 2019 to 30 Jun 2020	-0.3	-0.4	0.3	1.6
30 Jun 2018 to 30 Jun 2019	-	-	-	-
30 Jun 2017 to 30 Jun 2018	-	-	-	-
30 Jun 2016 to 30 Jun 2017	-	-	-	-
30 Jun 2015 to 30 Jun 2016	-	-	-	-

Source: at 30 June 2020. © 2020 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.

Performance/performance target related data will display only where relevant to the share class inception date and annualised target time period.

Please note the performance target is to be achieved over a specific annualised time period. Refer to the performance target wording within the objective.

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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 Absolute Return Income Fund

For further information on the Janus Henderson fund range please contact your local sales office or visit our website:

www.janushenderson.com

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Please note that as of 30 September 2018, Jason England also manages the fund. With effect from 30 November 2018, the benchmark changed from 3-Month LIBOR to FTSE 3-Month US Treasury Bill Index