MONTHLY COMMENTARY | as at 31 March 2024

FIXED INTEREST MONTHLY INCOME FUND

At a glance

Performance*
The Fund returned 1.75%, the Peer Group returned 1.57%

Contributors/detractors
The top positive contributors to performance included credit positioning, with financials being the outperforming sector. There were no significant detractors.

Outlook
We remain focused on holding companies we think have resilient business models. We believe current spreads are quite tight and therefore remain prudent in our credit selection.

Portfolio management

John Pattullo

Jenna Barnard, CFA

Nicholas Ware

Investment environment

- March saw a broad-based rally, with equities, commodities and bond prices all appreciating in tandem. Economic conditions are showing signs of resilience, with central banks around the world seemingly about to embark on monetary policy easing. We believe this environment remains favourable for riskier assets.
- In March, the US 10-year Treasury yield experienced a 5 basis point (bps) decline, contradicting expectations that the bond markets would respond hawkishly to a resilient economy and higher-than-expected January and February US Consumer Price Index (CPI) inflation readings.
- This was reinforced by Federal Reserve (Fed) Chair Jerome Powell's more dovish stance, as it was stated that there is some seasonality in these inflation readings.
- Another notable development was the Bank of Japan (BoJ)'s decision to raise interest rates for the first time in nearly two decades, marking a significant shift in monetary policy. The BoJ abolished its negative interest rate policy and adjusted its yield curve control program.
- In a surprising move that caught market participants unaware, the Swiss National Bank became the first major central bank to cut rates.
- The market seems to have priced in a lot of good news with falling inflation, dovish central banks and a resilient macroeconomic cycle. The reality is that aside from the US the macroeconomic environment is still in a soft place, with Europe and the UK mired in recessionary conditions.
- Japan's economic growth has underwhelmed, while China continues to grapple with macroeconomic turmoil.

*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.

Portfolio review

Credit spreads (the difference in yield between corporate bonds and their equivalent government bonds) generally tightened during the month. The exception was European high yield bonds, which saw several individual large-cap lower-rated companies with approaching maturities appoint advisors in the month. This led to a widening in the spreads of B-rated and CCC-rated indices. European investment grade bond spreads tightened by 9 bps to deliver 1.2%, while US investment grade bond spreads tightened 7 bps to deliver 1.2%. European high yield bond spreads tightened by 6 bps to deliver 0.4% and US high yield bond spreads tightened 17 bps to deliver 1.2%.

In terms of primary activity, there was significant supply during the month in both investment grade and high yield bonds. We were busy adding high yield bonds to the fund, switching out of tight-trading investment grade bonds to fund this.

It was a low month in terms of distressed debt in the US with just two defaults and two distressed exchanges, with the default rate falling to 2.59%. In Europe we had no defaults during the month, albeit there was lots of noise around a number of stressed names with the February default rate decreasing to 2.64%. We expect defaults to rise through the year given the tighter financial conditions and headwinds to corporate fundamentals.

We made some relative value switches away from US duration (sensitivity to interest rates) into Europe (+0.3), the UK (+0.4), Australia (+0.04) and Canada (+0.3) among other areas. Given similar pricing of future cuts but less growth and inflation risk outside the US market, this seems a good risk-adjusted trade in our view.

We also added credit (corporate bond) risk to the portfolio during the month as we consider the credit environment to be favourable. Here, we bought good value quality businesses with good management teams and free cash flow.

Manager outlook

We remain fully invested in "reason to exist" large-cap credit which we think can withstand softer economic growth. The focus on providing a relatively consistent and attractive income stream to investors means that the investments are naturally skewed to lower-rated and riskier corporate bonds.

Performance (%)

Returns	Cumulative 1 Month	3 Month	YTD	1 Year	Annualised 3 Year	5 Year	10 Year	Since inception (30/04/79)
I Inc (Net)	1.75	-0.34	-0.34	4.34	-3.26	0.70	2.74	6.56
Peer Group	1.57	0.97	0.97	7.27	-0.60	1.67	2.51	5.82

12 month rolling	Mar 2023-Mar 2024	Mar 2022-Mar 2023	Mar 2021-Mar 2022	Mar 2020-Mar 2021	Mar 2019-Mar 2020
I Inc (Net)	4.34	-10.92	-2.61	15.98	-1.36
Peer Group	7.27	-6.20	-2.39	13.04	-2.13

Performance is on a net of fees basis, with gross income reinvested. Source: at 31/03/24. **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.

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 a high income. Performance target: To outperform the IA Sterling Strategic Bond sector average, after the deduction of charges, over any 5 year period.

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	28 March 1979
Total net assets	1.12bn
Asset class	Fixed Income
Domicile	United Kingdom
Structure	Unit Trust
Base currency	GBP
Peer group	IA Sterling Strategic Bond sector

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. From 18 March 2021, the Janus Henderson Preference & Bond Fund merged into the Janus Henderson Fixed Interest Monthly Income Fund. 100% of the Annual Management Charge is taken from capital. 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 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) forms the basis of the Fund's performance target and 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 global portfolio of bonds of any quality, including high yield (non-investment grade) bonds, issued by governments, companies or any other type of issuer. Where investments are made in assets in currencies other than Sterling, the Fund will seek to hedge at least 80% of those assets back to Sterling to largely remove the risk of currency exchange rate movements. The Fund may also hold other assets including preference shares, cash and money market instruments. In certain market conditions, the Fund may invest more than 35% of its assets in government bonds issued by any one body. The Investment Adviser may use derivatives (complex financial instruments), including total return swaps, with the aim of making investment gains in line with the Fund's objective, to reduce risk or to manage the Fund more efficiently. The Fund is actively managed with reference to the IA Sterling Strategic Bond sector average, which is based on a peer group of broadly similar funds, as this forms the basis of the Fund's performance target. The Investment Adviser has complete freedom to choose individual investments for the Fund and to vary allocations between different types of bonds.

Investment strategy

The Investment Adviser aims to build a diverse portfolio of high yielding fixed interest securities to provide a reliable monthly income over the long term with an acceptable level of risk. With no formal index benchmark to follow, but with a strong focus on income generation, the portfolio managers actively respond to economic and market conditions and alter the portfolio to benefit from the best available sources of income in the developed fixed income markets through careful macroeconomic research and company analysis.

Fund specific risks

When the Fund, or a share/unit class, seeks to mitigate exchange rate movements of a currency relative to the base currency (hedge), the hedging strategy itself may positively or negatively impact the value of the Fund due to differences in short-term interest rates between the currencies. 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. CoCos can fall sharply in value if the financial strength of an issuer weakens and a predetermined trigger event causes the bonds to be converted into shares/units of the issuer or to be partly or wholly written off. An issuer of a bond (or money market instrument) may become unable or unwilling to pay interest or repay capital to the Fund. If this happens or the market perceives this may happen, the value of the bond will fall. When interest rates rise (or fall), the prices of different securities will be affected differently. In particular, bond values generally fall when interest rates rise (or are expected to rise). This risk is typically greater the longer the maturity of a bond investment. The Fund invests in high yield (non-investment grade) bonds and while these generally offer higher rates of interest than investment grade bonds, they are more speculative and more sensitive to adverse changes in market conditions. The Fund may use derivatives to help achieve its investment objective. This can result in leverage (higher levels of debt), which can magnify an investment outcome. Gains or losses to the Fund may therefore be greater than the cost of the derivative. Derivatives also introduce 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. Some or all of the ongoing charges may be taken from capital, which may erode capital or reduce potential for capital growth.

FOR MORE INFORMATION PLEASE VISIT **JANUSHENDERSON.COM**

Janus Henderson INVESTORS

Source: Janus Henderson Investors, as at 31 March 2024, unless otherwise noted.