

Janus Henderson Absolute Return Income Opportunities Fund

October 2022

Marketing communication - For professional investors only
Past performance does not predict future returns

Fund Managers Names

Jason England, Daniel Siluk, Dylan Bourke

Investment Environment

Global bonds lost ground in October as the march toward higher interest rates kept upward pressure on yields. Even as signals emerged that economies in both the US and other regions may be beginning to slow, yields rose as the market appeared to fully price in a 75 basis point (bps) rate hike by the US Federal Reserve (Fed) at its November meeting. And while the US central bank's rhetoric indicated it remained steadfast in its focus on lowering prices, futures markets wagered that the pace of interest rate increases may slow by as early as December. Meanwhile, other central banks - notably those of Australia and Canada - appeared to have stepped away from maximum hawkishness. By the end of the period, the yield on the 2-year US Treasury had risen to as high as 4.61% and that of the 10-year to 4.24%. After widening earlier, the difference between yields on corporate credits and those of their risk-free benchmarks narrowed as investors' appetite for riskier assets returned.

Portfolio Review

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

We seek to generate consistent returns by focusing on higher-quality, shorter-dated credits that tend to offer attractive carry as they near maturity. Given the risk posed by persistent inflation and signs of a slowing global economy, we have taken a more cautious stance with our positioning. As yields on the benchmark are considerably higher than they were at the beginning of the policy-tightening cycle, this level of conservatism - that we believe is merited given the current array of risk - can lead to periodic underperformance.

Contributing to performance was the income generation (the "carry") of the fund's cash-based core. This year's resetting of yields has once again enabled carry to become a consistent contributor to returns. Also contributing was our positioning aimed at dampening the effects of a large rise in interest rates.

We maintained a relatively consistent level of duration after having increased this measure earlier in the year once interest rates had materially risen. By the period end, portfolio duration was 0.99 years, a level we believe provides opportunity to generate income while still sufficiently cautious given our view that monetary tightening will continue into 2023.

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Manager Outlook

The outlook for the global economy has become more challenged. Driving our view is synchronised - albeit not coordinated - policy tightening across nearly all major economies as central banks fight to stave off the worst effects of elevated inflation. In regions where the post-pandemic recovery never fully blossomed, policy makers face the daunting scenario of stagflation. As evidenced by the bond market's reaction to the UK's government's fiscal proposal, countries that run persistent deficits are at acute risk as the cost of financing these imbalances increases.

Rising real interest rates likely harken the closing chapter of the decade-long run of financial repression where borrowers could feast on cheap and readily available debt financing. Looking forward, we believe both corporations and governments will be scrutinised more closely with respect to their ability to sufficiently cover their debt obligations. While the path to this destination is proving rocky, in our view the end result will likely be a more efficient capital transmission mechanism where investors will be fairly compensated for the risks they choose to bear when participating in financial markets.

When the economic history books on the early part of the 21st century are written, we think an undeniable conclusion will be that over a decade's worth of quantitative easing failed to stimulate inflation and robust economic growth. Rather, it was the fiscal blowout accompanying the pandemic that finally caused prices to accelerate. But now policymakers are facing the unintended consequences of their largesse. This is especially true in regions that must continue to hike interest rates even as stagflation risks rise and, in the US, where we believe the Fed's laser-focus on backward-looking labour market data is likely to result in recession at some point in the near future.

Still, this year's resetting of interest rates at considerably higher levels has given bond investors the opportunity to again benefit from the characteristics that have historically been the hallmark of a fixed income allocation: steady income, diversification from riskier asset classes, and depending upon how effectively the market has priced in future upward moves in interest rates, capital preservation. We believe the first two tenets have arrived but are more circumspect on the latter as we believe that central banks have more work to do in taming inflation. We expect slowing growth and cooling inflation to be uneven, and this should create opportunities to increase allocations to geographies where policymakers are able to hit the pause button on monetary tightening.

Source: Janus Henderson Investors, as at 31 October 2022

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Fund information (Investment policy is on the next page)

Index	FTSE 3-Month US Treasury Bill Index
Morningstar sector	Europe OE Alt - Long/Short Debt
Objective	The Fund aims to provide a return, from a combination of income and capital growth, while seeking to limit losses to capital (although not guaranteed).
Performance target	To outperform the FTSE 3-Month US Treasury Bill Index by at least 3% per annum, before the deduction of charges, over any 5 year period.

Performance in (USD)

Performance %	A2 (Net)	Index	Sector	A2 (Gross)	Target (Gross)
1 month	0.2	0.2	0.5	-	-
YTD	-3.3	0.9	-16.8	-	-
1 year	-3.3	0.9	-17.4	-	-
3 years (annualised)	-0.3	0.6	-4.1	-	-
5 years (annualised)	-0.4	1.2	-2.5	1.0	4.2
10 years (annualised)	-	-	-	-	-
Since inception 29 Sep 2014 (annualised)	0.1	0.8	-0.9	1.8	3.9

Source: at 31 Oct 2022. © 2022 Morningstar. All rights reserved, performance is with gross income reinvested. Performance/performance target related data will display only where relevant to the share class inception date and annualised target time period.

Discrete year performance %	A2 (Net)	Index	Sector	A2 (Gross)	Target (Gross)
30 Sep 2021 to 30 Sep 2022	-4.0	0.6	-18.2	-3.0	3.7
30 Sep 2020 to 30 Sep 2021	0.6	0.1	3.5	1.6	3.1
30 Sep 2019 to 30 Sep 2020	2.5	1.0	4.9	3.7	4.1
30 Sep 2018 to 30 Sep 2019	2.3	2.4	1.1	4.2	5.4
30 Sep 2017 to 30 Sep 2018	-3.6	1.6	-2.8	-1.6	4.6

Source: at 30 Sep 2022. © 2022 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.

Investment into the fund will acquire units/shares of the fund itself and not the underlying assets owned by the fund.

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.

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 <http://www.janushenderson.com>.

Source for target returns (where applicable) – Janus Henderson. Please note the performance target is to be achieved over a specific annualised time period. Refer to the performance target wording within the objective. 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.

As of 18 February 2020, the benchmark changed from 3 Month Libor to FTSE 3-Month US Treasury Bill Index. Bond credit quality ratings provided by S&P. Effective 1st March 2019, the Janus Henderson Global Unconstrained Bond Fund has been renamed to the Janus Henderson Absolute Return Income Opportunities Fund. Effective 15 June 2021, Daniel Siluk and Dylan Bourke also manage the fund.

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Past performance does not predict future returns. 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.

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What are the risks specific to this fund?

- 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. High yielding (non-investment grade) bonds are more speculative and more sensitive to adverse changes in market conditions.
- When the Fund, or a hedged share/unit class, seeks to mitigate exchange rate movements of a currency relative to the base currency, the hedging strategy itself may create a positive or negative impact to 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.
- In addition to income, this share class may distribute realised and unrealised capital gains and original capital invested. Fees, charges and expenses are also deducted from capital. Both factors may result in capital erosion and reduced potential for capital growth. Investors should also note that distributions of this nature may be treated (and taxable) as income depending on local tax legislation.
- The Fund invests in Asset-Backed Securities (ABS) and other forms of securitised investments, which may be subject to greater credit/default, liquidity, interest rate and prepayment and extension risks, compared to other investments such as government or corporate issued bonds and this may negatively impact the realised return on investment in the securities.
- 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. This risk is generally greater the longer the maturity of a bond investment.
- Callable debt securities, such as some asset-backed or mortgage-backed securities (ABS/MBS), give issuers the right to repay capital before the maturity date or to extend the maturity. Issuers may exercise these rights when favourable to them and as a result the value of the fund may be impacted.
- Emerging markets expose the Fund to higher volatility and greater risk of loss than developed markets; they are susceptible to adverse political and economic events, and may be less well regulated with less robust custody and settlement procedures.
- The Fund may use derivatives towards the aim of achieving its investment objective. This can result in 'leverage', which can magnify an investment outcome and gains or losses to the Fund may 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.
- If the Fund holds assets in currencies other than the base currency of the Fund or you invest in a share/unit class of a different currency to the Fund (unless 'hedged'), the value of your investment may be impacted by changes in exchange rates.
- 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.
- The Fund involves a high level of buying and selling activity and as such will incur a higher level of transaction costs than a fund that trades less frequently. These transaction costs are in addition to the Fund's Ongoing Charges.

General risks

- Past performance does not predict future returns.
- 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.
- Tax assumptions and reliefs depend upon an investor's particular circumstances and may be subject to change.

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 and unrated bonds, issued by companies or governments, asset-backed and mortgage backed securities.

The Fund may also invest in other assets including 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 manager makes extensive use of 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 FTSE 3-Month US Treasury Bill Index as this forms the basis of the Fund's performance target. The investment manager has a high degree of freedom to choose individual investments for the Fund.

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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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