COMMENTARY

Janus Henderson Horizon Total Return Bond Fund

Q2 2023

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

Fund Managers Names

Helen Anthony, CFA, John Pattullo, Jenna Barnard, CFA

Investment environment

The quarter was characterised by higher bond yields, although the increase was not universal across developed markets. Yields on US 10-year Treasuries rose by 37 basis points (bps) over the quarter to 3.84%. German bund 10-year yields also rose, albeit by a marginal 10 bps to 2.39%. In the UK, yields rose 90 bps on 10-year gilts to 4.39%, hitting highs not seen since the market turmoil in October 2022. In credit markets, spreads tightened significantly over the quarter, particularly in high yield bonds.

Headline inflation fell in the UK, although its fall was slower than anticipated. The latest reading for May showed headline inflation at 8.7% versus 10.1% in March, while core inflation continued to rise, hitting 7.1% in May. In the eurozone, the second quarter heralded easing inflation, with the headline figure falling from 6.9% in March to 5.5% in June thanks to lower energy prices, while core inflation fell from 5.7% in March to 5.4% in June. Downwards-revised first-quarter figures showed that the bloc had slipped into a technical recession. In the US, headline inflation has also declined, dropping from 5% in March to 4% in May, while core inflation fell to 5.3% in May from March's 5.6%. The US also revised its first quarter GDP growth reading upwards from 1.3% to 2%.

The European Central Bank (ECB) and the Bank of England (BoE) both hiked interest rates in April and May, with the BoE hiking by a larger-than-expected 50 bps at the end of the quarter. The US Federal Reserve (Fed) enacted one rate hike in May and made no further changes at its June meeting, although the consensus is that further rate hikes are inevitable.

Portfolio review

The main detractor was our overweight position to government bond duration (interest rate sensitivity) in developed markets. Government bond yields rose significantly over the quarter as resilient labour market data in the US suggested that central banks would need to contemplate further interest rate hikes. The UK gilt market was especially weak following higher-than-expected core inflation readings, diverging from other developed markets. The position in Australian duration also dragged on performance after the Reserve Bank of Australia enacted rate hikes of 25 bps in both May and June after pausing in April, which surprised markets. During the quarter, we added to US duration, and added a small amount to UK duration in June.

Credit spreads tightened over the quarter, which was beneficial for corporate credit performance. Within the fund, our exposure to sterling-based corporate bonds detracted, and we did not benefit from the outperformance of higher beta areas of fixed income markets such as high yield corporate debt and emerging markets, given our cautious view on the cycle.

The main positive contributor was the allocation to high-quality floating rate asset-backed and mortgage-backed securities (ABS/MBS), primarily in Europe.

Manager outlook

Bonds are a reflexive asset class. The more central banks hike interest rates, the tougher the medicine, and the bigger the potential cost in terms of lost output and unemployment. Some commentators suggest we have only seen around one third of the effect of the rate hikes so far. The key issue for central banks is how quickly core inflation can be squeezed out of the system. The US seems well advanced towards lowering core inflation, while the situation is tentative in Europe and the UK is an outlier.

Central banks in most markets are contemplating what are expected to be the last few rate hikes in the cycle. We added European duration towards the end

of the period due to expectations that we will see a rapid fall in both core and

headline inflation towards the end of the year. We continue to favour sovereign bonds and investment grade bonds, due to the expectation that corporate credit spreads will come under pressure from an impending economic downturn.

Source: Janus Henderson Investors, as at 30 June 2023

Janus Henderson INVESTORS

Janus Henderson Horizon Total Return Bond Fund

Past performance does not predict future returns

Fund information (Investment policy is on the next page)

Index	Euro Short-Term Rate
Morningstar sector	Europe OE Global Flexible Bond - EUR Hedged
Objective	The Fund aims to provide income and capital growth, exceeding that of cash, over a rolling 3-year period.
Performance target	To outperform the Euro Short-Term Rate by at least 2.5% per annum, before the deduction of charges, over any 5 year period.

Performance in (EUR)

Performance %	A2 (Net)	Index	Sector	A2 (Gross)	Target (Gross)
1 month	-1.0	0.3	0.0	-	-
YTD	-0.6	1.3	1.1	-	-
1 year	-3.5	1.6	1.0	-	-
3 years (annualised)	-3.9	0.2	-1.9	-	-
5 years (annualised)	-1.3	-0.1	-0.6	-0.2	2.4
10 years (annualised)	-0.3	-0.1	0.5	0.9	2.4

Source: at 30 Jun 2023. © 2023 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.

Calendar year returns %	A2 (Net)	Index	Sector
2023 to 30 Jun 2023	-0.6	1.3	1.1
2022	-12.7	0.0	-10.6
2021	-1.8	-0.6	-0.5
2020	6.9	-0.6	3.2
2019	4.8	-0.4	6.4
2018	-4.7	-0.4	-4.3
2017	2.8	-0.3	2.7
2016	2.2	-0.3	3.9
2015	0.7	-0.1	-1.2
2014	-0.2	0.1	2.9
2013	0.4	0.1	1.0

Source: at 30 Jun 2023. © 2023 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. With effect from 1 January 2023, the Key Investor Information document (KIID) changed to the Key Information Document (KID), except in the UK where investors should continue to refer to the KIID. Availability of share classes shown may be limited by law in certain jurisdictions. Performance records/scenarios are detailed within the fund's specific KIID/KID, fees and charges, and the respective risk rating may vary. Further information can be found in the fund's prospectus and KIID/KID which must be reviewed before investing. Please consult your local sales representative if you have any further queries.

From 01 November 2022, John Pattullo and Jenna Barnard also co-manage this fund. From 29 January 2023 Andrew Mulliner no longer manages this fund.

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.

Janus Henderson
INVESTORS

Janus Henderson Horizon Total Return Bond Fund

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 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 may invest in onshore bonds via Bond Connect. This may introduce additional risks including operational, regulatory, liquidity and settlement risks.
- 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.
- 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.
- The Fund may invest in contingent convertible bonds (CoCos), which 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 of the issuer or to be partly or wholly written off.
- 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.
- 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 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.
- 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, i.e. mitigated by taking an offsetting position in a related security), 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.
- Some or all of the ongoing charges may be taken from capital, which may erode capital or reduce potential for capital growth.

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 in bonds of any quality, including high yield (non-investment grade) bonds and distressed debt, of governments, companies or any other type of issuer in any country. The Fund may invest up to 30% of its assets in asset-backed and mortgage-backed securities (ABS/MBS), including up to 10% of which may be high yield (non-investment grade, equivalent to BB+ rated or lower). The Fund may invest up to 20% of its assets in China onshore bonds traded through Bond Connect. The Fund may invest up to 50% of its net assets in total return swaps.

Where investments are made in assets in currencies other than the base currency of the Fund, the Fund will seek to hedge those assets back to the base currency to remove the risk of currency exchange rate movements.

The Fund may also invest in other assets including contingent convertible bonds (CoCos), perpetual bonds, cash and money market instruments.

The Fund 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 Euro Short-Term Rate, as this forms the basis of the Fund's performance target. For currency hedged Share Classes, the rate that corresponds with the relevant Share Class currency is used as the basis of the performance comparison. The investment manager has complete discretion to choose investments for the Fund and is not constrained by a benchmark.

Janus Henderson Horizon Total Return Bond Fund

For further information on the Luxembourg-domiciled Janus Henderson fund range please contact your local sales office or visit our website: www.janushenderson.com.

Benelux
Janus Henderson Investors
Tel: +31 20 675 0146
Fax: +31 20 675 7197
Email: info.nederlands@janushenderson.com

France/Monaco
Janus Henderson Investors
Tel: +33 1 53 05 41 30
Fax: +33 1 44 51 94 22
Email: info.europe.francophone@janushenderson.com

Germany/Austria
Janus Henderson Investors
Tel: +49 69 86 003 0
Fax: +49 69 86 003 355
Email: info.germany@janushenderson.com

Dubai
Janus Henderson Investors
Tel: +9714 401 9565
Fax: +9714 401 9564
Email: JanusHenderson-MEACA@janushenderson.com

Hong Kong
Janus Henderson Investors
Tel: +852 3121 7000
Fax: +852 3121 7100
Email: marketing.asia@janushenderson.com

Italy
Janus Henderson Investors
Tel: +39 02 72 14 731
Fax: +39 02 72 14 7350
Email: info.italy@janushenderson.com

Latin America
Janus Henderson Investors
Tel: +44 20 7818 6458
Fax: +44 20 7818 7458
Email: sales.support@janushenderson.com

Nordics
Janus Henderson Investors
United Kingdom
Tel: +44 20 7818 4397
Fax: +44 20 7818 1819
Email: sales.support@janushenderson.com

Singapore
Janus Henderson Investors
Tel: +65 6836 3900
Fax: +65 6221 0039
Email: marketing.asia@janushenderson.com

Spain/Portugal/Andorra
Janus Henderson Investors
Tel: +34 91 903 35 62
Email: iberia@janushenderson.com

Switzerland
Janus Henderson Investors
Tel: +41 43 888 62 62 (Zurich office)
Tel: +41 22 810 82 89 (Geneva office)
Email: info.switzerland@janushenderson.com

United Kingdom
Janus Henderson Investors
Tel: +44 20 7818 1818
Fax: +44 20 7818 1819
Email: sales.support@janushenderson.com

Janus Henderson
INVESTORS

Janus Henderson Horizon Total Return Bond Fund

Important information

In accordance with the Sustainable Finance Disclosure Regulation, the Fund is classified as Article 8 and promotes, among other characteristics, environmental and/or social characteristics, and invests in companies with good governance practices.

D10003

Janus Henderson
INVESTORS