COMMENTARY

Janus Henderson Horizon Total Return Bond Fund

August 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

Yields on 10-year US Treasuries were up 15 basis points (bps) in August to reach highs of 4.36%, before settling at 4.11%. The Treasury yield curve steepened notably following Fitch's downgrade of the US's sovereign credit rating, supply concerns and the US economy's continued resilience. In the UK, 10-year bond yields rose 5 bps to 4.36%, while 10-year German bunds edged down 3 bps to 2.47%. China's local currency government debt performed well on the back of the People's Bank of China lowering interest rates, but the currency weakened. The Bank of England (BoE) hiked interest rates by 25 bps, while Chair Jerome Powell left the door open for further rate hikes at the US Federal Reserve (Fed)'s Jackson Hole meeting.

Portfolio review

The fund posted a negative return in August.

The negative performance was largely driven by the fund's overweight position to US duration (interest rate sensitivity), and the general steepening of yield curves, given our overweight stance to Treasuries and gilts (which underperformed).

Within credit, we maintain a defensive stance given the late-cycle environment. Investment grade corporate bonds saw weaker returns due to their higher sensitivity to interest rates. The allocation to floating rate asset and mortgage-backed securities within the fund was beneficial.

Manager outlook

Typically, sovereign bonds have tended to perform as central banks reach peak/terminal rates (ie. stop hiking interest rates), as the long and variable lags of monetary policy slow the economy down. Rates are restrictive with 10-year US real yields close to 2%. In the US, there has been unequivocal improvement on inflation by whatever metric you use, with 3-month annualised core inflation now at 3%. This will eventually feed into the Fed's real rate framework, prompting the central bank to consider cutting rates next year just to keep policy as restrictive as it is today. Corporate credit markets appear to not be pricing in a recession, be it shallow or severe, with credit spreads below historical averages and out of sync with key macroeconomic cycle indicators. We continue to position the portfolio with long duration and remain defensive from a credit standpoint.

Source: Janus Henderson Investors, as at 31 August 2023

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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	-0.3	0.3	-0.3	-	-
YTD	-0.5	2.0	1.6	-	-
1 year	-3.4	2.3	0.6	-	-
3 years (annualised)	-4.3	0.4	-2.4	-	-
5 years (annualised)	-1.2	0.1	-0.5	0.0	2.6
10 years (annualised)	-0.3	-0.1	0.5	0.9	2.4

Source: at 31 Aug 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.

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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 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.

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

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