MONTHLY COMMENTARY | as at 31 March 2024

MULTI-SECTOR INCOME FUND

At a glance

Performance*
The Fund returned 1.29%, the Index returned 0.92% and the Sector returned 0.94%.

Contributors/detractors
Overall spread risk positioning contributed positively, while the fund's yield curve positioning detracted.

Outlook
In our view, the combination of declining inflation and a dovish central bank, coupled with a resilient economy, sets the stage for a favourable outlook for fixed income.

Portfolio management

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Investment environment

- The US fixed income market posted a positive return in March, with the Bloomberg US Aggregate Bond Index rising 0.9%. Investment grade corporate bonds outperformed high yield bonds and US Treasuries.
- Markets benefited as the US Federal Reserve (Fed) took a slightly more dovish tone at its March meeting. While it chose to leave rates steady at 5.25% - 5.50%, the Fed's dot plot now indicates three rate cuts in 2024.
- The February jobs report was somewhat mixed as new jobs added exceeded expectations (+275,000 actual versus +190,000 consensus), but the unemployment rate of 3.9% exceeded expectations of 3.7%. The February inflation reading of 3.2% was consistent with expectations and a modest uptick from the 3.1% January reading.
- The yield on the 10-year US Treasury ended the month at 4.20% relative to 4.25% at the end of February. Corporate investment grade credit spreads tightened 6 basis points (bps) to 90 bps, while high yield bond spreads tightened 13 bps to 299 bps as investors increased their risk appetite due to a more positive economic outlook.

Portfolio review

The key driver of outperformance during the month was the fund's general overweight position to spread risk. This overweight reflects the continued attractiveness of securitised spreads and the higher probability of an economic 'soft landing'. Economic data continues to be strong and supports our base case of a 'soft landing', but we acknowledge that we are yet to fully realise the effects of one the most aggressive Fed rate-hiking cycles on record.

Our strategic underweight position to US Treasuries and the overweight position to high yield corporate bonds and securitised credit were the main positive contributors.

While high yield bonds have continued to deliver strong excess returns, we have maintained the fund's weighting to the sector near to historical lows due to their very tight spread levels and what we see as limited additional potential. We have started switching some of our corporate credit position into loans as they offer attractive value to us relative to corporate bonds.

In our view, emerging market debt is also trading at attractive levels relative to corporate credit, while many developing economies are ahead of the Fed in their rate easing cycles. Therefore, we have maintained the fund's allocation to emerging markets. We are focused on a diversified group of best ideas from our emerging markets

*For benchmark and sector, 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.

team that reflects countries with improving fundamentals and ratings potential. We are also concentrated in the portion of the emerging market index that sits below investment grade.

Our rates positioning continues to balance a more accommodative Fed, improving rate-spread correlations, and a lower (but reasonable) probability of a recession.

In our view, the fund is well balanced and well positioned for multiple economic scenarios. If the economy enters a recession, we expect the defensive duration position to counter any spread widening, while the spread risk exposure is predominantly in securitised sectors where spread levels already reflect the risk of recession. On the other hand, if the Fed has engineered a 'soft landing', we would expect securitised spreads to narrow meaningfully and result in outperformance versus corporate-heavy benchmarks and peers.

We consider the 'hard' or 'soft landing' to be the two most likely scenarios. But in the less likely event that we see a resurgence in inflation and a rise in rates, we believe the fund's high distribution yield should help soften any price effects from rising yields, while the underweight position to corporate debt should be a net positive as we would expect corporate spreads to widen meaningfully in this scenario.

Manager outlook

What a difference a year can make. At the start of 2023, inflation was running at 6.5%, predictions of a recession were rife, and the Fed was maintaining its hawkish stance. The central bank would hike another four times in the first half of 2023. Fast forward to the first quarter of 2024 and inflation has declined to 3.2%, the Fed is forecasting three rate cuts in 2024, and it has signalled its intent to taper its quantitative tightening program. Economic growth, jobs growth and corporate earnings have continued to surprise positively. In our view, this is all broadly positive for fixed income markets.

More recently, market participants have grappled with questions of when, and by how much, the Fed will cut rates. This has resulted in some rate volatility and an uptick in yields as the market reprices to align rate-cut expectations with the Fed's own projections. Notwithstanding the tug-of-war taking place in rates markets in the short term, we believe the current monetary and economic environment bodes well for a favourable multi-year outlook for fixed income.

We expect the recent strong demand for the fixed income asset class to continue - and potentially accelerate once the Fed starts cutting rates - as investors aim to lock in attractive yields and benefit from the diversification that bonds may bring to multi-asset portfolios.

While the outlook has continued to improve and the 'soft landing' appears to be the most likely outcome, we do expect the economy to gradually slow to below-trend growth. Yet, we take comfort that the Fed's dual mandate is coming back into balance, enabling it to react to any unexpected economic weakness with aggressive stimulative measures, because inflation has moderated.

We believe the strategy is well positioned. This is due to its distribution yield which is currently in the high single-digits, the conservative duration position at the short end of the curve, and the potential for spreads to tighten further within the overweight allocation to securitised sectors.

Performance (%)

Returns	Cumulative 1 Month	3 Month	YTD	1 Year	Annualised 3 Year	5 Year	10 Year	Since inception (04/12/19)
A2 USD (Net)	1.29	1.09	1.09	7.12	-0.86	—	—	0.53
Index	0.92	-0.78	-0.78	1.70	-2.45	—	—	-0.85
Sector	0.94	0.77	0.77	5.30	-0.76	—	—	0.92

12 month rolling	Mar 2023-Mar 2024	Mar 2022-Mar 2023	Mar 2021-Mar 2022	Mar 2020-Mar 2021	Mar 2019-Mar 2020
A2 USD (Net)	7.12	-5.91	-3.33	18.51	—
Index	1.70	-4.78	-4.15	0.71	—
Sector	5.30	-3.75	-3.56	13.57	—

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.

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 with the potential for some capital growth over the long term. Performance target: To outperform the Bloomberg US Aggregate Bond Index by 1.25% per annum, before 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	04 December 2019
Total net assets	332.67m
Asset class	Fixed Income
Domicile	Ireland
Structure	Irish Investment Company
Base currency	USD
Index	Bloomberg US Aggregate Bond Index
Morningstar sector	USD Flexible Bond
SFDR category	Article 8

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.

Additional fund information

Tax assumptions and reliefs depend upon an investor's particular circumstances and may be subject to change. 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/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 and/or financial adviser if you have any queries. This is an Irish Investment Company regulated by the Central Bank of Ireland. A short-term trading fee may be applied upon exiting the fund as per the prospectus. 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.

Investment policy

The Fund invests at least 70% of its assets in a multi-sector portfolio of US bonds of any quality, including high yield (non-investment grade) bonds and asset-backed and mortgage-backed securities, issued by governments, companies or any other type of issuer. The Fund may also hold other assets including bonds of other types from any issuer, cash and money market instruments. The Sub-Investment Adviser may use derivatives (complex financial instruments), including total return swaps, to reduce risk, to manage the Fund more efficiently, or to generate additional capital or income for the Fund. The Fund is actively managed with reference to the Bloomberg US Aggregate Bond Index, which is broadly representative of the bonds in which it may invest, as this forms the basis of the Fund's performance target. The Sub-Investment Adviser has discretion to choose investments for the Fund with weightings different to the index or not in the index, but at times the Fund may hold investments similar to the index.

Investment strategy

The Sub-Investment Adviser seeks to identify future winners and losers to express their high-conviction views. A 'bottom-up' fundamentally driven investment process focused on companies around the world committed to transforming and improving their balance sheets, free cash flow generation, quality of management and security valuation drive security selection. A dynamic 'top down' (market and economic analysis) framework enables the Sub-Investment Adviser to make active sector allocation decisions based upon assessment of the stage of credit cycle, form views on market outlook, identify opportunities and take an appropriate amount of risk.

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 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. 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. 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. Some bonds (callable bonds) allow their issuers the right to repay capital early 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. If a Fund has a high exposure to a particular country or geographical region it carries a higher level of risk than a Fund which is more broadly diversified. 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. The Fund may incur a higher level of transaction costs as a result of investing in less actively traded or less developed markets compared to a fund that invests in more active/developed markets.

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

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