ABSOLUTE RETURN INCOME FUND

At a glance

Performance*
The Fund returned 0.53%, the Index returned 0.46% and the Sector returned 1.02%.

Contributors/detractors
Falling rates and the income generated on the fund's core resulted in positive performance. Positioning aimed at hedging interest rate risk detracted.

Outlook
While uncertainty is not an investor's friend, the resetting of yields back to their historical range means that bonds can once again serve as a diversifier to a broader portfolio.

Portfolio management

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Investment environment

- Global bond returns were positive in March with corporates, global sovereigns and US Treasuries all generating positive returns. The yield on the 10-year Treasury declined. While the US Federal Reserve (Fed) chose to leave rates steady at 5.25%-5.50%, it still expects to cut rates at some point in 2024.
- The US February jobs report was somewhat mixed as new jobs added exceeded expectations but the unemployment rate of 3.9% also climbed. The February inflation reading of 3.2% was a modest uptick from the 3.1% January reading.
- Investment grade and high yield credit spreads ended the month tighter, as investors increased their risk appetite due to hopes that rate cuts in the US and Europe are on the horizon.

Portfolio review

We seek to generate consistent returns by focusing on higher-quality, shorter-dated credits that tend to offer attractive income generation - or carry - as they near maturity. The primary positive contributors during the month were carry on securities and the added tailwind of declining rates.

Given continued interest rate volatility, we deployed securities intended to dampen the impact of future rate swings, which generated negative returns during the month.

While economic data, especially in the US, has proven resilient, we believe that with each passing month we are nearing the point where policy rates will inevitably tick lower. Stickier-than-expected inflation may push back the rate-cutting cycle in the US. However, countries facing an acute economic slowdown may have to turn dovish more quickly than the Fed. With this eventual turn of the cycle in mind, we maintained the fund's portfolio duration in a neutral range, finishing the month at 1.22 years.

Manager outlook

Thanks to effective monetary policy, inflation is declining and recession risk is now much lower in many markets. In such jurisdictions, this scenario is favourable for riskier assets. While an economic 'soft landing' is most people's base-case scenario, we are undeniably late in the policy

*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.

cycle. At this stage, we believe quality is of paramount importance. This set-up could incentivise those holding large amounts of cash on the side-lines to consider raising their risk allocations. Typically, the first stop in this reallocation is safer pockets of the market, including sovereign and investment grade corporate bonds.

Many investors have little to no duration exposure as they have opted to pile into money market funds. Here, extending interest rate risk (or duration) might be an option and we are attracted to issuance within the one-to-three-year range, given the consensus view that the next move in policy rates in the US and most other major markets is down. We believe this could be particularly true for European bonds, as the European Central Bank (ECB) may be forced to cut rates before many of its developed market peers.

In the US, the upwardly revised inflation and gross domestic product (GDP) estimates indicate that a downward move further out along the curve could be more limited.

Additional upside growth surprises could even see yields rise modestly. With policy rates seemingly at their cycle peak, we expect more stability on the front end of the curve. Although the expected early 2024 cuts have been delayed, their near inevitability means that shorter-dated tenors could be positioned for capital appreciation as central banks move away from restrictive stances.

Geopolitical tensions remain high, with conflict impacting energy and agricultural flows. Additionally, a series of consequential elections will take place throughout the year.

While uncertainty is not an investor's friend, the resetting of bond yields back to their historical range means that a mix of sovereign bonds, high-quality corporate bonds and securitised products can once again serve as a diversifier to a broader portfolio in the event of a sell-off in riskier assets, while at the same time generating attractive levels of income.

Performance (%)

Returns	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Since inception (04/05/16)
	Cumulative				Annualised			
A2 USD (Net)	0.53	1.07	1.07	5.38	1.60	1.70	—	1.63
Index	0.46	1.37	1.37	5.52	2.70	2.07	—	1.75
Sector	1.02	1.14	1.14	7.37	0.25	2.19	—	2.66
A2 USD (Gross)	—	—	—	—	—	2.69	—	2.71
Target	—	—	—	—	—	4.11	—	3.78

Calendar year	YTD at Q1 2024	2023	2022	2021	2020	2019	2018	2017	2016 from 04 May
A2 USD (Net)	1.07	5.24	-1.02	-0.83	1.97	3.89	0.79	1.70	0.20
Index	1.37	5.26	1.50	0.05	0.58	2.25	1.86	0.84	0.19
Sector	1.14	8.01	-8.56	0.11	5.59	9.48	-1.53	5.26	2.70

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 positive, consistent returns (although not guaranteed) above those that would be earned on cash equivalents. Performance target: To outperform the FTSE 3-Month US Treasury Bill Index by at least 2% 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 May 2016
Total net assets	112.23m
Asset class	Fixed Income
Domicile	Ireland
Structure	Irish Investment Company
Base currency	USD
Index	FTSE 3-Month US Treasury Bill Index
Morningstar sector	Global Flexible Bond - USD Hedged

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. From 01 March 2024, Jason England no longer manages this fund, Addison Maier now co-manages this fund. From 30 November 2018, the benchmark changed from 3-Month LIBOR to FTSE 3-Month US Treasury Bill Index. Past performance shown before 30 November 2018 was achieved under circumstances that no longer apply. From 16 March 2023 the Fund changed its investment strategy. Past performance shown before this date was achieved under circumstances that no longer apply. 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. Ongoing charge represents the ongoing costs to the fund, which includes the AMC and other charges for services such as keeping a register of investors, calculating the price of the fund's units or shares and keeping the fund's assets safe. 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. The ongoing charge is calculated using the PRIIP methodology. The PRIIP methodology differs to the UCITS ongoing charge methodology, as the PRIIP methodology captures additional recurring charges, including but not limited to: Interest paid on borrowing (e.g. bank interest); Any fees incurred in relation to stock-lending activity (i.e. the fee paid to the lending agent); Any costs associated with holding closed-ended vehicles. Cash balances and exposures are based on settled and unsettled trades as at the reporting date.

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 and asset-backed and mortgage-backed securities, issued by governments or companies. The Fund may invest directly or via derivatives (complex financial instruments). The Fund may also invest in other assets including bonds of other types from any issuer, 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 Fund will not invest more than 15% of its assets in high yield (non-investment grade) bonds and will never invest in bonds rated lower than B- or B3 (credit agency ratings), or if unrated deemed to be of a comparable quality by the Sub-Investment Adviser. The Sub-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 FTSE 3-Month US Treasury Bill Index as this forms the basis of the Fund's performance target. The Sub-Investment Adviser has a high degree of freedom to choose individual investments for the Fund.

Investment strategy

The Sub-Investment Adviser manages the Fund, aiming to provide consistent positive absolute returns in excess of cash with low volatility and capital stability across economic and credit cycles. Exposure to shorter maturity investment grade bonds across global fixed income markets creates steady income generation which is balanced with tactical trades that aim to dampen overall volatility and take advantage of any market mispricing and dislocations. The Fund is benchmark agnostic seeking the best risk adjusted opportunities across sectors and countries.

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. 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. 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.

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