

AAA CLO ETF

JAAA

At a glance

Performance

The Fund returned 2.24% and the J.P. Morgan CLO AAA Index returned 2.18%.

Contributors/detractors

Our overweight allocation to the highest-quality collateralized loan obligations (CLO) managers contributed, as spreads tightened during the quarter.

Outlook

In our view, the key takeaway from the Fed's dovish policy shift is that it should result in a favorable multiyear outlook for fixed income returns.

Portfolio management



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Investment environment

- U.S. fixed income markets posted strong quarterly returns, driven primarily by the decline in interest rates across the yield curve, and secondarily by the narrowing in corporate and securitized spreads.
- Markets benefited from the Federal Reserve's (Fed) dovish pivot at its December meeting. The central bank held rates steady and guided toward the potential for rate cuts in 2024. With still relatively robust gross domestic product (GDP) growth and low unemployment, the Fed now expects a soft-landing scenario for the U.S. economy.
- November jobs growth exceeded expectations (199,000 versus 190,000 estimate) and the unemployment rate ticked back down to 3.7%. November annualized inflation of 3.1% was down 0.1%, generally in line with expectations..
- Spreads on AAA CLOs ended the quarter 16 basis points (bps) tighter at 1.53%, as investors priced in the end of the rate tightening cycle.

Portfolio review

Spread levels narrowed during the quarter, particularly following the Fed's December meeting in which it signaled the end of its rate hiking cycle. The market perceived the

Fed's dovish pivot as positive for the economy and for credit risk, resulting in a rally in spreads.

Strong demand for AAA CLOs, coupled with lower supply going into year-end, provided further support for CLO spreads during the quarter. Offshore banking institutions – especially Japanese regional banks – continued to be active in the market, further underpinning demand. In 2024, we anticipate robust demand for AAA CLOs as more banking institutions, both locally and offshore, re-enter the market. Supply remains another positive for the CLO market, as we anticipate around \$120 billion of net new issue in 2024.

While we have started to witness an uptick in loan default rates, we think investors can be well served in the highest rated tranches of CLOs, where there is the maximum degree of credit enhancement. Additionally, we continue to favor adding CLOs from the highest rated CLO managers.

While rate cuts may now be on the cards for 2024, it's worth noting that the federal funds rate remains north of 5%, and we believe it is unlikely the Fed's benchmark rate will fall below 4% in 2024. As such, we believe AAA CLOs should continue to offer attractive income to investors. Additionally, investors should keep in mind that the certainty, timing, and extent of projected rate cuts remain highly uncertain. Therefore, we like the diversification benefits that floating-rate AAA CLOs bring to fixed income portfolios.

Manager outlook

Following two years of tough talk and aggressive rate hikes, the Fed delivered some holiday cheer by way of a dovish pivot at its December meeting. Inflation has made a sustained move back toward target and has allowed the central bank to signal its intent to transition from a 24-month tightening campaign to an easing cycle. This is broadly positive for the economy and fixed income markets.

Looser financial conditions and lower interest rates should bring some welcome relief for consumers and corporations. We also expect the Fed's dual mandate to shift back into balance. With inflation far too high in 2022 and 2023, the central bank was focused only on one side of its mandate – namely, stable prices. But recently the Fed, given its increased confidence that inflation will move back to its 2% target, highlighted the need to also focus on the other side of its mandate – full employment.

In our view, the key takeaway from this policy shift is that it should result in a favorable multiyear outlook for fixed income returns. We anticipate demand for the fixed income asset class to increase, as investors can access attractive

yields and benefit from the diversification that bonds may bring to multi-asset portfolios.

While the outlook has continued to improve, we must also acknowledge the risks. We believe we are yet to feel the full cumulative impacts of prior rate hikes. Monetary policy works in long and variable lags, and while the most intense headwinds of rising rates may be behind us, we should not discount the effect on the economy of a federal funds rate that is 525 bps above where it was a couple of years ago.

We believe high-quality floating-rate exposure remains a key component of a strategy to navigate the uncertain economic and monetary environment, and taking advantage of the yield available at the front end of the yield curve through AAA CLOs remains one of the most attractive spots in fixed income. Furthermore, we believe spreads on CLOs will continue to trade cheaply relative to corporate bonds, providing investors with an opportunity to outperform on a relative basis. In our view, AAA CLOs remain an attractive addition to portfolios due to their diversification benefits, low interest rate volatility, attractive yield levels, and strong credit ratings.

AAA CLO ETF (as of 12/31/23)

Performance - USD (%)

Returns	Cumulative			Annualized			
	4Q23	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception (10/17/20)
ETF @ NAV	2.24	8.58	8.58	3.41	—	—	3.45
ETF @ Market Price	2.20	8.59	8.59	3.47	—	—	3.50
J.P. Morgan CLO AAA Index	2.18	8.68	8.68	3.66	—	—	3.72

Shares of ETFs are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Market returns are based upon the midpoint of the bid/ask spread at 4:00 p.m. Eastern time (when NAV is normally determined for most ETFs), and do not represent the returns you would receive if you traded shares at other times. Ordinary brokerage commissions apply and will reduce returns.

Returns quoted are past performance and do not guarantee future results; current performance may be lower or higher. Investment returns and principal value will vary; there may be a gain or loss when shares are sold. For the most recent month-end performance call 800.668.0434 or visit janushenderson.com/performance.

Expense Ratios (% as of most recent prospectus)

Gross 0.24, Net 0.22

Portfolio

Top Holdings (%)	Fund
OHA Credit Funding 3 LTD 6.82 07/02/2035	2.08
Madison Park Funding XXI Ltd 6.74 10/15/2032	1.78
Signal Peak CLO 12 Ltd 6.94 07/18/2034	1.52
Symphony CLO XVIII Ltd 6.77 07/23/2033	1.52
KKR CLO 43 Ltd 7.09 01/15/2036	1.49
AGL Core CLO 15 Ltd 6.83 01/20/2035	1.44
Cific Funding 2014-IV-R Ltd 6.83 01/17/2035	1.33
Zais Clo 13 Ltd 7.15 07/15/2032	1.32
Octagon Investment Partners 29 Ltd 6.84 01/24/2033	1.31
CARLYLE US CLO 2021-1 LTD 6.80 04/15/2034	1.25
Total	15.04

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INVESTORS

Definitions

Basis point (bp) equals 1/100 of a percentage point. 1 bp = 0.01%, 100 bps = 1%.

Collateralized Loan Obligations (CLOs) are debt securities issued in different tranches, with varying degrees of risk, and backed by an underlying portfolio consisting primarily of below investment grade corporate loans. The return of principal is not guaranteed, and prices may decline if payments are not made timely or credit strength weakens. CLOs are subject to liquidity risk, interest rate risk, credit risk, call risk and the risk of default of the underlying assets.

Credit quality ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest).

Credit spread is the difference in yield between securities with similar maturity but different credit quality. Widening spreads generally indicate deteriorating creditworthiness of corporate borrowers, and narrowing indicate improving.

A yield curve plots the yields (interest rate) of bonds with equal credit quality but differing maturity dates. Typically bonds with longer maturities have higher yields.

An inverted yield curve occurs when short-term yields are higher than long-term yields.

Please consider the charges, risks, expenses and investment objectives carefully before investing. For a prospectus or, if available, a summary prospectus containing this and other information, please call Janus Henderson at 800.668.0434 or download the file from janushenderson.com/info. Read it carefully before you invest or send money.

Returns include reinvestment of dividends and capital gains.

OBJECTIVE: Janus Henderson AAA CLO ETF (JAAA) seeks capital preservation and current income by seeking to deliver floating-rate exposure to high quality AAA-rated collateralized loan obligations ("CLOs").

The opinions are as of 12/31/23, are subject to change and may not reflect the views of others in the organization. Janus Henderson may have a business relationship with certain entities discussed. The comments should not be construed as a recommendation of individual holdings or market sectors, but as an illustration of broader themes.

Holdings are subject to change without notice.

There is no assurance the stated objective(s) will be met.

Investing involves risk, including the possible loss of principal and fluctuation of value.

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Derivatives can be more volatile and sensitive to economic or market changes than other investments, which could result in losses exceeding the original investment and magnified by leverage.

Concentrated investments in a single sector, industry or region will be more susceptible to factors affecting that group and may be more volatile than less concentrated investments or the market as a whole.

Actively managed portfolios may fail to produce the intended results. No investment strategy can ensure a profit or eliminate the risk of loss.

Index performance does not reflect the expenses of managing a portfolio as an index is unmanaged and not available for direct investment.

J.P. Morgan CLO AAA Index is designed to track the AAA-rated components of the USD-denominated, broadly syndicated CLO market.

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