Quarterly commentary | Q1 2024

SHORT DURATION INCOME ETF

VNLA

At a glance

Performance
The Fund returned 1.15% and the FTSE 3-Month U.S. Treasury Bill Index returned 1.37%.

Contributors/detractors
Income generated on the Fund's core of corporate credits was offset by the headwinds presented by rising rates and positioning aimed at dampening interest rate risk.

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

Portfolio management

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Investment environment

- Global bond returns were negative in the first quarter, with corporates, global sovereigns, and U.S. Treasuries all declining. While the U.S. Federal Reserve (Fed) chose to leave rates steady at both policy meetings during the quarter, it does expect to cut rates at some point in 2024.
- Behind negative returns was stickier-than-expected inflation, which caused investors to dial back their expectations for an imminent rate cut.
- The difference between yields on investment-grade and high-yield corporates and those of their risk-free benchmarks ended the quarter tighter as investors increased their risk appetite on hopes of a soft landing.

Portfolio review

The Fund seeks to provide a steady income stream with capital preservation across various market cycles. The Fund seeks to consistently outperform its benchmark by a moderate amount through various market cycles, while at the same time providing low volatility.

The Fund seeks 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 contributor during the period was carry on securities, the benefit of which was partially offset by declining rates.

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

While economic data, especially in the U.S., 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 cutting cycle's initiation in the U.S. 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 raised the portfolio duration from 0.73 years to 1.25 years over the course of the period. We believe this neutral positioning is sufficiently conservative to absorb any additional upside economic surprises while also positioning us for an attractive level of income generation and potential capital appreciation once major central banks begin easing policy.

Manager outlook

Thanks to effective monetary policy, inflation is declining, and recession risk is low in many markets. In such jurisdictions, this scenario is favorable for riskier assets. While a soft landing is most people's base-case scenario, we are undeniably late in the policy cycle. At this stage, we believe quality is of paramount importance.

This setup could incentivize those holding large amounts of cash on the sidelines to consider raising their risk allocations. Typically, the first stop in this reallocation is safer pockets of the market, including sovereigns and investment-grade corporates.

Modestly extending interest rate risk (or duration) should also be considered. Many investors have little to no duration exposure, as they have opted to pile into money market funds, meaning they will have little upside exposure should rates decline. These investors would not have to do much to increase interest rate risk. Focusing on issuance within the one-to-three-year range is a destination worth considering, given the consensus view that the next move in policy rates in the U.S. and most other major markets is down. This could be particularly true for European bonds, as the currency bloc's central bank may be forced to cut before many of its developed market peers.

In the U.S., the upwardly revised inflation and gross domestic product (GDP) estimates indicate that a downward move farther out along the curve could be more limited. Additional upside growth surprises could even see yields rise modestly. With policy rates at their cycle peak, we expect more stability on the front end of the curve, and though the expected early 2024 cuts have been delayed, their near inevitability means that shorter-dated tenors are 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 corporates, and securitized 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.

Short Duration Income ETF (as of 03/31/24)

Performance - USD (%)

Returns	Cumulative 1Q24	Cumulative YTD	Cumulative 1 Yr	Annualized 3 Yr	Annualized 5 Yr	Annualized 10 Yr	Annualized Since Inception (11/17/16)
ETF @ NAV	1.15	1.15	5.97	2.40	2.48	—	2.41
ETF @ Market Price	1.13	1.13	5.90	2.39	2.46	—	2.41
FTSE 3-Month U.S. Treasury Bill Index	1.37	1.37	5.52	2.70	2.07	—	1.86

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 0.23, Net 0.23

Net expense ratios reflect the expense waiver, if any, contractually agreed to through at least February 28, 2025. This contractual waiver may be terminated or modified only at the discretion of the Board of Trustees.

Portfolio

Top Holdings (%)	Fund
Credit Agricole SA 5.13 03/11/2027	1.94
Pay NZD BANK BILL 3MO Receive Fixed 5.44% 5.44 07/27/2025	1.77
Citigroup Inc 5.61 09/29/2026	1.68
Goldman Sachs Bank USA/New York NY 5.28 03/18/2027	1.57
MORGAN STANLEY BANK NA 4.95 01/14/2028	1.46
Macquarie Group Ltd 6.21 11/22/2024	1.38
Janus Henderson AAA CLO ETF	1.30
Pfizer Investment Enterprises Pte Ltd 4.45 05/19/2026	1.25
GE HealthCare Technologies Inc 5.55 11/15/2024	1.19
Total	**13.54**

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Definitions

Monetary policy refers to the policies of a central bank, aimed at influencing the level of inflation and growth in an economy. It includes controlling interest rates and the supply of money.
Quantitative Easing (QE) is a government monetary policy occasionally used to increase the money supply by buying government securities or other securities from the market.
Duration measures a bond price's sensitivity to changes in interest rates. The longer a bond's duration, the higher its sensitivity to changes in interest rates and vice versa.
Securitized products, such as mortgage- and asset-backed securities, are more sensitive to interest rate changes, have extension and prepayment risk, and are subject to more credit, valuation and liquidity risk than other fixed-income securities.
Diversification neither assures a profit nor eliminates the risk of experiencing investment losses.

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 Short Duration Income ETF (VNLA) seeks to provide a steady income stream with capital preservation across various market cycles. The Fund seeks to consistently outperform the FTSE 3-Month U.S. Treasury Bill Index by a moderate amount through various market cycles while at the same time providing low volatility.

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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.

Foreign securities are subject to additional risks including currency fluctuations, political and economic uncertainty, increased volatility, lower liquidity and differing financial and information reporting standards, all of which are magnified in emerging markets.

Fixed income securities are subject to interest rate, inflation, credit and default risk. The bond market is volatile. As interest rates rise, bond prices usually fall, and vice versa. The return of principal is not guaranteed, and prices may decline if an issuer fails to make timely payments or its credit strength weakens.

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.

Environmental, Social, and Governance ("ESG") factors are integrated into the investment process by focusing on those ESG factors considered most likely to have a material impact on the financial performance of the issuers. ESG factors are one of many considerations in the investment decision-making process and may not be determinative in deciding to include or exclude an investment.

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

VNLA is not a money market fund and does not attempt to maintain a stable net asset value.

FTSE 3-Month US Treasury Bill Index reflects the performance of short-term U.S. government debt securities.

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

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