GLOBAL MULTI-SECTOR FIXED INCOME STRATEGY

At a glance

Performance
The Portfolio returned -4.67% (gross) and the Bloomberg Global Aggregate Bond Index returned -3.59%.

Contributors/detractors
An overweight position in government bond duration was the primary detractor for the quarter.

Outlook
We think a tipping point is in view, as the existing tightening in monetary policy from central banks will soon begin to bite.

Portfolio management

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Investment environment

- U.S. Treasury yields moved higher over the quarter, particularly in September when they broke through a range that had held for over a year. The yield moves were driven by growing expectations that interest rates would stay higher for longer, at a time when government bond supply/budget deficits remain elevated. Treasury yields underperformed, with the 10-year yield rising 73 basis points (bps) to reach a 16-year high of 4.57% and the yield curve steepening. The German 10-year yield rose by 45 bps to 2.84%, while in the UK, the 10-year yield rose just five bps to 4.44%. In credit markets, spreads generally tightened but gave back some of those gains toward quarter-end.
- The European Central Bank enacted two rate hikes of 25 bps in July and September, bringing the overall deposit rate to a record 4%. The Bank of England enacted one interest rate hike of 25 bps in August. The U.S. Federal Reserve hiked in July, increasing rates by 25 bps, but paused its rate-hiking cycle in September.
- In the UK, annual inflation dropped to 6.7% in August versus 7.9% in June. Core inflation (which excludes energy, food, alcohol, and tobacco) fell to 6.2% in August, down from June's 6.9%. Eurozone inflation reached 4.3% year-on-year in September, down from 5.3% in July, while gross domestic product (GDP) growth was weak at 0.1% over both the first and second quarters. In the U.S., annual inflation moved higher over the quarter, although core inflation continued to ease. The unemployment rate rose to 3.8% in August from 3.5% in July.

Portfolio review

The primary detractor over the quarter resulted mainly from the overweight position in government bond duration (duration is a measure of a bond's interest rate sensitivity). In particular, the overweight duration stance to the U.S. was detrimental as yields increased significantly across the quarter. Performance was further affected by the steepening of the yield curve. U.S. economic data has been more resilient, while data from Europe, the UK, and China was weaker in the third quarter. In September, we switched some of our U.S. duration overweight into Europe.

The overweight position in agency mortgage-backed securities (MBS) detracted from returns. The rise in government bond yields and elevated rates volatility were negative for our holdings in AAA rated agency mortgages, which saw spreads widen.

Manager outlook

We are currently positioned with interest rate duration higher than the benchmark. In terms of sector allocation, we are biased toward sovereign bonds and agency MBS, and have a small underweight position to investment grade credit.

Typically, sovereign bonds have tended to perform well as central banks reach peak/terminal rates – in other words, as the banks stop hiking interest rates. Bond yields, however, are a combination of expected short-term policy rates and a term premium; the latter has moved higher as governments issue more debt to finance budget deficits. Bond markets are reflexive, and moves higher in real yields (and the U.S. dollar) act to restrict economic activity at a time when growth is at stall speed.

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. We think a tipping point is in view, as the existing tightening in monetary policy from central banks will soon begin to bite.

Global Multi-Sector Fixed Income Strategy (as of 09/30/23)

Performance - USD (%)

Returns	Cumulative			Annualized			
	3Q23	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception (02/01/11)
Class Composite_Gross Shares	-4.67	-3.42	0.96	-7.15	-1.26	0.38	1.29
Class Composite_NET Shares	-4.78	-3.74	0.51	-7.57	-1.71	-0.04	0.89
Bloomberg Global Aggregate Bond Index	-3.59	-2.21	2.24	-6.94	-1.62	-0.44	0.23

Past performance cannot guarantee future results. Investing involves risk, including the possible loss of principal and fluctuation of value. Returns greater than one year are annualized. Returns are expressed in U.S. dollars unless otherwise stated. Composite returns are net of transaction costs and gross of non-reclaimable withholding taxes (if any and unless otherwise noted), and reflect the reinvestment of dividends and other earnings.

Portfolio

Top Holdings (%)	Fund
Japan Government Ten Year Bond 0.10 06/20/2029	4.02
China Government Bond 2.68 05/21/2030	3.33
China Government Bond 2.00 06/15/2025	3.22
Japan Government Ten Year Bond 0.40 06/20/2025	2.88
China Government Bond 3.29 05/23/2029	2.74
Bundesrepublik Deutschland Bundesanleihe 1.70 08/15/2032	2.52
Italy Buoni Poliennali Del Tesoro 1.85 07/01/2025	2.46
United States Treasury Note/Bond 2.88 05/15/2032	2.41
Japan Government Ten Year Bond 0.10 06/20/2031	2.40
Total	**25.98**

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Definitions

10-Year Treasury Yield is the interest rate on U.S. Treasury bonds that will mature 10 years from the date of purchase.
Basis point (bp) equals 1/100 of a percentage point. 1 bp = 0.01%, 100 bps = 1%.
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 indicates improving.
Credit spread sectors/spread sectors, credit spread risk/spread risk: exposure to nongovernment fixed income investments with typically higher yields and greater risk than government investments, including investment-grade and high-yield corporate bonds as well as securitized assets such as mortgage-backed and asset-backed securities.
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.
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.
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.
Monetary tightening refers to central bank activity aimed at curbing inflation and slowing down growth in the economy by raising interest rates and reducing the supply of money.

To receive a complete list and description of composites and/or a presentation that complies with the requirements of the GIPS® standards, please visit janushenderson.com/us-institutional to contact a Janus Henderson institutional team representative.

The gross performance results presented do not reflect the deduction of investment advisory fees. Returns will be reduced by such advisory fees and other expenses as described in the individual contract and, where applicable, Form ADV Part 2A.

Net performance results do not reflect the deduction of investment advisory fees actually charged to the accounts in the composite but do reflect the deduction of model investment advisory fees based on the maximum fee rate in effect for the respective time period, adjusted for performance-based fees where applicable. Actual advisory fees may vary among clients invested in the strategy and may be higher or lower than model fees. Returns for each client will be reduced by such fees and expenses as described in the individual contract and, where applicable, in Form ADV Part 2A.

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Global Multi-Sector Bond Composite, benchmarked to the Bloomberg Global Aggregate Bond Index, includes portfolios that pursue maximum total return through current income and capital appreciation by investing in intermediate-term global fixed income securities. The portfolios invest in US and non-US securities issued in both foreign currency and US dollars. Under normal market conditions, emerging market debt is permitted up to 30% and high yield debt to 35%. Total return is expected to result from a combination of current income and capital appreciation, with income normally being the dominant component of total return. Prior to September 2013 the composite was known as the Global Core Plus Bond Composite. The composite was created in February 2011.

Information relating to portfolio holdings is based on the representative account in the composite, which reflects the typical portfolio management style of the investment strategy. Other accounts in the strategy may vary due to asset size, client guidelines and other factors.

Portfolio holdings are as of the date indicated, and are subject to change. This material should not be construed as recommendation to buy or sell any security.

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

Discussion is based on performance gross of fees.

Bloomberg Global Aggregate Bond Index is a broad-based measure of the global investment grade fixed-rate debt markets.

Index returns are provided to represent the investment environment existing during the periods shown. The index is fully invested, including the reinvestment of dividends and capital gains. Index returns do not include any transaction costs, management fees or other costs, and are gross of non-reclaimable withholding taxes, if any and unless otherwise noted.

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