

HORIZON EURO CORPORATE BOND FUND

At a glance

Performance*

The Fund returned 6.01%, the Index returned 5.61% and the Sector returned 5.51%.

Contributors/detractors

Overweight duration exposure and security selection within banks were the main positive contributors to outperformance.

Outlook

While sentiment has rebounded, we maintain our cautious view on the economy and focus on high-quality issuers with strong liquidity and balance sheets.

Portfolio management



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Investment environment

- Over the fourth quarter, euro investment grade credit rebounded to post a strong positive return, with spreads tightening by 17 basis points (bps).
- After a difficult October, when sentiment was negatively impacted by the conflict between Israel and Hamas, as well as concerns over the potential need for interest rates to remain 'high for longer', investors took heart from a meaningful decline in inflation and the growing belief that terminal interest rates had been reached.
- As a result, fixed income markets rallied over November and December. Expectations that rate cuts would come sooner than originally predicted were further reinforced following the US Federal Reserve (Fed)'s December meeting where policymakers signalled rate cuts of 75 bps in 2024.
- Over the quarter, yields on 10-year German bunds fell 82 bps to 2.02%. The US 10-year Treasury yield fell 69 bps to 3.88% while in the UK the yield on the 10-year gilt fell 90 bps to 3.54%.
- Eurozone annual inflation fell to 2.4% in November from 2.9% in October, close to the European Central Bank (ECB)'s 2.0% target.
- Positive sentiment around potential interest rate cuts fuelled investors' risk appetite, leading higher-yielding credit to outperform sovereign bonds.

- At the sector level, financial issues continued to outperform non-financials while subordinated debt outpaced senior issues. Within non-financials, credit spreads in the automobile sector tightened the most while spreads in the retail sector widened on concerns over certain issuers with weaker margins.
- In the primary market, issuance totalled €98.6 billion in gross terms and €13.9 billion net of maturities over the quarter.

Portfolio review

Security selection and the fund's interest rate (duration) positioning relative to the benchmark were the key driver of outperformance. Core government bond yields fell (prices rose) over the latter two months of the year, benefiting the fund's long duration exposure.

At the sector level, the overweight allocation to, and security selection within, the banking sector continued to benefit performance. Detractors included the overweight allocation and underweight exposure to the retail and automobiles sectors respectively, although issuer selection in both of these areas was positive for relative returns.

With regards to individual contributors, exposure to a Co-Op Bank subordinated issue was constructive as credit spreads in this area continued to tighten due to investor demand. Logicor, a real estate company specialising in logistics, was also one of the largest contributors. While real estate has been a significant beneficiary of the recent shift in interest rate expectations, the market has also

Marketing communication

For professional investors only

Past performance does not predict future returns.

*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.

recognised that Logisor has continued to deliver on expectations amid a challenging environment earlier in the year. In utilities, the position in Veolia hybrid debt benefited from the recent uptick in risk appetite. Elsewhere, our basket of Additional Tier 1 (AT1) banking debt rallied, with call dates announced for five out of the eleven issues. AT1s are a special type of subordinated, high-yielding debt issued by banks. In contrast, our allocation to a CPI Property Group bond weighed on returns, on the news that Muddy Waters - the short-selling hedge fund - had bet against it. Our position in HSBC also detracted from performance, as sentiment towards Asian-exposed banks weakened on concerns over the outlook for economic growth in China.

As the quarter progressed, we became more optimistic on the prospects for investment grade credit, albeit retaining our overall cautious stance on risk especially regarding the fund's overweight duration position. After neutralising the small credit beta underweight position, we took the fund to a marginal overweight. We also increased the allocation to select high-quality sub-investment grade credit through recycling proceeds in several of our A-rated names in health care and consumer goods that had performed well. Elsewhere, we added a little more to the AT1 exposure, selecting issues with potential near-term call dates. Following the strength of the rebound, we took partial profits on the fund's small overweight position to credit beta at the end of the quarter, trimming a number of the strongest performers where valuations looked rich to us. We exited Global Switch following the strong performance on the change-of-control rumour and also took the opportunity to reduce the position in Veolia hybrid debt. In addition, we exited the position in ELO, a French food retailer, as we felt its operating margins will come under pressure from weaker consumer demand as higher interest rates continue to bite. Within autos, we closed the fund's underweight position to Volkswagen following the successful outcome of a labour rights audit of its Chinese subsidiary. Elsewhere, we moderated the small duration overweight to a marginal long amid the rally in government bond yields.

Manager outlook

The last two months have been an extraordinary period for fixed income, resulting in one of the best quarterly performances in over two decades. The main catalyst for the change in fortune came from a significant shift in interest rate expectations.

Investors have moved quickly to price in an economic 'soft landing', but it is still unclear to us which path the economy will take in 2024. The speed and magnitude of interest rate cuts will likely be the key and we expect volatility to remain elevated. We continue to be cautiously optimistic on investment grade credit in 2024, given the resilience of the US economy and as inflation in the eurozone begins to approach target levels. Many large companies have already extended their debt maturity profiles and continue to have reasonably good interest cover ratios.

However, we continue to see credit risks on the horizon and think the market has become more complacent about the longer-term outlook for credit, especially if the broader economy enters recession. Notwithstanding recent declines, the cost of servicing debt has risen over the last two years and may remain elevated for some time to come. Liquidity withdrawal and previous rate hikes are still feeding through to money supply and bank lending standards. Stronger, larger companies can still access capital, but it has become more costly.

Credit fundamentals are gradually deteriorating and although interest coverage has been good, that is changing as rates have moved higher over the last two years. Issuance in European credit markets has remained low and continues to be a positive technical factor. That said, we caution that the refinancing wall, though not imminent, is getting closer, as more companies will eventually have to refinance. This is something we are monitoring closely. As a result of these tougher conditions, with weaker issuers facing increasing financing risks, our focus on quality will remain.

We continue to see elevated risks for the global economy. These include the lagged impact of monetary policy tightening and heightened geopolitical risk. 2024 is also a significant year for elections and we are cognisant of the uncertainty - and ensuing volatility - around the upcoming US presidential election, in particular.

We believe rates will move a little lower. Hence, we are comfortable in maintaining the fund's marginal overweight duration exposure, although we have moderated this recently. But, given the headwinds, and the strength of the recent rally, we will continue to leverage the expertise of our credit research team and focus on security selection as opposed to making large macroeconomic calls. We think that a discriminating approach to security selection is essential when choosing mispriced securities in a market that has remained relatively strong against a backdrop of elevated uncertainty. We took partial profits on our small credit beta overweight into December's rally. However, we believe that spreads have the potential to tighten a little more from here.

Our banking bias remains. We believe valuations are still attractive while the banking model benefits from a higher interest rate regime. That being said, we recognise that the rebound in the profitability of EU banks has been greatly assisted by interest rate hikes. Therefore, we anticipate a reduction in net interest margins (NIM) from these current levels but believe this base effect is already priced in. We think that European banks are generally well positioned to weather this move, particularly after a decade of struggling in an abnormally low interest rate environment. Meanwhile, the negative technical factors that have prevailed over the last 18 months, as EU banks have moved to satisfy regulatory capital requirements, should now start to dissipate with more regular refinancing requirements.

Performance (%)

Returns	Cumulative				Annualised			
	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	
A2 EUR (Net)	2.83	6.01	7.82	7.82	-3.76	-0.31	0.95	
Index	2.77	5.61	8.19	8.19	-2.79	0.06	1.33	
Sector	2.70	5.51	7.76	7.76	-2.60	-0.06	1.01	
A2 EUR (Gross)	—	—	—	—	—	0.86	2.15	
Target	—	—	—	—	—	1.56	2.85	

Calendar year	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A2 EUR (Net)	7.82	-16.11	-1.46	3.84	6.38	-1.47	2.78	4.15	-1.71	7.65
Index	8.19	-14.17	-1.08	2.73	6.29	-1.30	2.38	4.73	-0.66	8.24
Sector	7.76	-13.37	-1.02	2.17	5.61	-2.24	2.47	4.06	-0.45	6.84

Performance is on a net of fees basis, with gross income reinvested. Source: at 31/12/23. © 2024 Morningstar, Inc. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. **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.

Investment objective

The Fund aims to provide a return, from a combination of income and capital growth over the long term. Performance target: To outperform the iBOXX Euro Corporates Index by 1.5% 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	18 December 2009
Total net assets	1.51bn
Asset class	Fixed Income
Domicile	Luxembourg
Structure	SICAV
Base currency	EUR
Index	iBOXX Euro Corporates Index
Morningstar sector	EUR Corporate 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.



Rating as at previous month end. Rating is for the representative share class as defined in the performance table.

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. With effect from 1 January 2023, the Key Investor Information document (KIID) changed to the Key Information Document (KID), except in the UK where investors should continue to refer to the KIID. 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. 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 into the fund will acquire units/shares of the fund itself and not the underlying assets owned by the fund. References made to individual securities do not constitute a recommendation to buy, sell or hold any security, investment strategy or market sector, and should not be assumed to be profitable. Janus Henderson Investors, its affiliated advisor, or its employees, may have a position in the securities mentioned.

Investment policy

The Fund invests at least 80% of its assets in investment grade corporate bonds and other types of investment grade bonds, denominated in Euros. The Fund may invest up to 20% of its net assets in total return swaps, and may invest in contingent convertible bonds (CoCos); and/or asset-backed and mortgage-backed securities. The Fund may also invest in other assets including bonds of other types from any issuer (including perpetual bonds), cash and money market instruments. The investment manager 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 iBOXX Euro Corporates 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 investment manager 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 investment manager seeks to provide a total return in excess of that generated by the benchmark over a market cycle by investing primarily in Euro denominated investment grade rated corporate bonds. The investment process combines asset allocation views with rigorous fundamentally driven security selection from the credit analysts.

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. The Fund may invest in contingent convertible bonds (CoCos), which can fall sharply in value if the financial strength of an issuer weakens and a predetermined trigger event causes the bonds to be converted into shares of the issuer or to be partly or wholly written off. 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. Callable debt securities, such as some asset-backed or mortgage-backed securities (ABS/MBS), give issuers the right to repay capital before the maturity date 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. 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. Some or all of the ongoing charges may be taken from capital, which may erode capital or reduce potential for capital growth.

Source for risk rating

The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are not able to pay you. We have classified this product as 2 out of 7, which is a low risk class. The risk indicator assumes you keep the product for 5 years. This rates the potential losses from future performance at a low level, and poor market conditions are very unlikely to impact our capacity to pay you.

FOR MORE INFORMATION PLEASE VISIT [JANUSHENDERSON.COM](https://www.janushenderson.com)

Janus Henderson
INVESTORS

Source: Janus Henderson Investors, as at 31 December 2023, unless otherwise noted.

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