Janus Henderson INVESTORS

HORIZON EURO CORPORATE BOND FUND

At a glance

Performance*
The Fund returned 1.42%, the Index returned 1.21% and the Sector returned 1.21%.

Contributors/detractors
The fund's overweight credit beta position was a strong contributor to performance, while asset allocation was a small detractor.

Outlook
As the economy improves, we continue to favour relative value opportunities among high-quality issuers, maintaining our cautious stance on valuations.

Portfolio management

Tim Winstone, CFA

Thomas Ross

Investment environment

- Optimism that global central banks had successfully navigated an economic soft landing led to European investment grade credit and most other asset classes recording positive performances.
- Government bond prices rose (meaning yields fell) due to hopes that interest rate cuts may be implemented from summer onwards. In Germany, the yield on the 10-year bund fell by 11 basis points (bps) to 2.30% while the US 10-year bond yield fell 5 bps to 4.20%.
- As expected, major central banks kept interest rates on hold over the month, but the meeting minutes suggested a more dovish stance on rate cuts. Rhetoric from various European Central Bank (ECB) officials pointed to an initial cut potentially in June, although policymakers continued to stress that any changes to interest rates will be data dependent.
- The eurozone annual inflation rate unexpectedly eased to 2.4% in March, from 2.6% in February. Meanwhile, the eurozone services purchasing managers' index (PMI) rose to 51.5 in March from 50.2 in February, marking the second consecutive month of expansion in the economy's services activity following six straight months of declines (any PMI reading above 50 indicates growth while a reading below 50 indicates contraction). By contrast, the manufacturing PMI contracted further over March.
- Euro investment grade credit spreads (the difference between the yield of a corporate bond over the equivalent government bond) tightened by 9 bps over the month, marginally ahead of both sterling and US dollar investment grade credit. High yield bonds outperformed investment grade bonds while at the sector level, financial issues outperformed non-financials - two trends that have prevailed over recent months.
- Within financials, spreads in the insurance sector tightened the most, while spread tightening in real estate was a little more modest than previous months. Subordinated debt spreads tightened more than senior issues. Within non-financials, spreads tightened the most in health care while tightening in basic resources was more muted, lagging the broader sector.
- Euro investment grade bond gross supply amounted to €68.5 billion, coming in at €31.3 billion net of maturities in March.

Portfolio review

In contrast to the last couple of months, the fund's marginal long duration (interest rate risk) position contributed positively to performance, as did security selection and the

Marketing communication
For professional investors only
Past performance does not predict future returns.
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.
*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.

fund's small credit beta overweight relative to the benchmark. Conversely, sector allocation detracted from relative returns, with the overweight position in construction and materials being the main detractor.

With regards to individual contributors, one of the best relative performers was Germany's Hamburg Commercial Bank, which bounced back after being oversold the previous month following concerns over its exposure to commercial property loans. Issuer selection among real estate continued to work well, with Aroundtown, Castellum Helsinki and a new issue from CBRE among the best contributors. Conversely, overweight exposure to EDF weighed on performance due to speculation around the nature of its recently announced partnership with the French Armed Forces Ministry. Elsewhere, TenneT, a Dutch grid operator, also detracted due to ongoing delays around the sale of its German network.

In terms of activity, we added to the fund's real estate holdings, including BlackStone, which represents one of our largest single overweight positions. We also increased exposure to Segro and Grand City and bought into a new issue by CBRE IM, a European real estate investment trust (REIT).

By contrast, we further trimmed the banking overweight position where the risk/reward story looked less compelling. We moved to a slight underweight position among lower tier II debt, a type of subordinated banking debt that tends to be less secure than the equivalent senior paper. Elsewhere, we sold out of several bonds that have performed well and are looking expensive to us, such as corporate hybrids issued by energy companies Totale and Repsol and Spanish utility Iberdrola. We also took profits from Arcadis, an industrial consulting company, that has performed well for the fund over the last year.

Manager outlook

Macroeconomic data in March has showed that the risk of an economic hard landing in the US has diminished. However, inflation is proving more stubborn, particularly in services and wages. In Europe, it seems like the weakest period for growth is behind us, with first quarter GDP growth in the eurozone and the UK likely to be modestly positive.

Meanwhile, eurozone inflation is now close to the ECB's target level. That said, we still expect to see volatility in the coming months as expectations change around the timing and magnitude of interest rate cuts. Market dynamics remain relatively positive, and we believe there will be a tailwind of investment into risk assets this year, given the higher rate environment and the reinvestment risk investors will face once the interest rate cuts that have been priced in start to materialise.

Despite some single name volatility, we remain cautiously optimistic on the outlook for investment grade markets and believe credit spreads have the potential to tighten a little more, given the benign current macro backdrop. Having said that, we are wary of overly optimistic valuations, particularly as the macroeconomic picture is far from clear.

Geopolitical risks remain elevated, with conflicts such as Russia's invasion of Ukraine looking more likely to escalate than deescalate in the near future. The political risk fuelled by general elections is high on our watch list as nearly 60% of the world's democratic population - including the US and the UK - goes to the polls over the year.

Technicals remain solid for the asset class, with still-elevated supply being met with positive demand and it should turn into a tailwind in the second quarter. Supply is expected to drop sharply as companies start to enter earnings-related blackout periods. However, as we navigate expectations around interest rate cuts and an approaching maturity wall, we remain cautious on the companies with increasing leverage and lower interest rate coverage ratios but positive on companies that continue to have reasonably good interest cover ratios and strong free cash flow measures.

Our banking overweight position has served us well, but many names are now sitting at higher valuations, buoyed by the series of interest rate hikes which tend to be beneficial for the banking model. After the strong performance, we are cognisant that a period of 'risk-off' sentiment could lead to a sell-off in banks, impacting subordinated debt, in particular. As a result, we would rather invest in more compelling relative value opportunities, such as real estate which now represents the portfolio's largest active sector position. Improvement in the sector's access to capital and the potential for interest rate cuts in Europe have buoyed investor confidence.

We remain focused on selecting high-quality securities and have moderated our subordinated banking exposure. We also maintain the fund's slightly longer duration position in Europe and the UK, and stayed neutral in the US markets. We continued to positioning the portfolio to benefit from a positive credit backdrop, but remain focused on relative and idiosyncratic value while also managing downside risks in order to deliver attractive risk-adjusted returns.

Performance (%)

Returns	Cumulative 1 Month	Cumulative 3 Month	Cumulative YTD	Cumulative 1 Year	Annualised 3 Year	Annualised 5 Year	Annualised 10 Year
A2 EUR (Net)	1.42	0.20	0.20	6.65	-3.41	-0.89	0.74
Index	1.21	0.37	0.37	6.77	-2.42	-0.50	1.13
Sector	1.21	0.53	0.53	6.76	-2.23	-0.50	0.85
A2 EUR (Gross)	—	—	—	—	—	0.27	1.93
Target	—	—	—	—	—	0.99	2.65

Calendar year	YTD at Q1 2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A2 EUR (Net)	0.20	7.82	-16.11	-1.46	3.84	6.38	-1.47	2.78	4.15	-1.71	7.65
Index	0.37	8.19	-14.17	-1.08	2.73	6.29	-1.30	2.38	4.73	-0.66	8.24
Sector	0.53	7.77	-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 31/03/24. 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.

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 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	1.30bn
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. 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. This is a Luxembourg SICAV Fund, regulated by the Commission de Surveillance du Secteur Financier (CSSF). 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. 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 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. CoCos 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/units 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. 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. 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.

Source: Janus Henderson Investors, as at 31 March 2024, unless otherwise noted.