

FLEXIBLE BOND FUND

A: JDFAX C: JFICX I: JFLEX N: JDFNX R: JDFRX S: JADFX T: JAFIX

At a glance

Performance

The Fund returned 7.43% and the Bloomberg U.S. Aggregate Bond Index returned 6.82%.

Contributors/detractors

Positioning on the yield curve contributed, as our overweight to duration risk benefited from sharply falling yields. Our overweight to spread risk further contributed.

Outlook

We believe the Fed's pivot from a rate-hiking to a rate-cutting cycle likely will result in a favorable multiyear outlook for fixed income returns.

Portfolio management



Greg Wilensky, CFA



Michael Keough

Investment environment

- The Bloomberg US Aggregate Bond Index posted its strongest quarterly return in 34 years, driven primarily by the sharp 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 continued to hold rates steady following its last hike in July, and guided toward the potential for multiple 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 vs. 190,000 estimate) and the unemployment rate ticked back down to 3.7%. November annualized inflation was down 0.1% to 3.1%, and continues to move toward the Fed's target.
- The yield on the 10-year U.S. Treasury ended the quarter at 3.88%, versus 4.57% at the end of the third quarter. Corporate investment-grade credit spreads tightened 22 basis points (bps) to close at 99 bps, as investors priced in the end of the rate tightening cycle.

Portfolio review

We entered the period with a significant duration overweight, as we believed the rate sell-off that spilled over from the previous quarter was unjustified, considering the progress that had been made on inflation, coupled with the likelihood that the Fed was done raising rates. We continued to add interest rate risk early in the period, with our duration position touching seven years, the highest ever in the strategy. This positioning proved to be a key contributor as rates began to rally in November, and then rallied sharply in December when the Fed made its dovish pivot.

We trimmed our duration position as rates rallied, but continued to maintain a duration overweight. We believe that with a dovish Fed, rates are likely to fall further in 2024, and we also like the defensive characteristics of higher-duration exposure in the event the economy cools more quickly than expected.

We also entered the period with more spread risk than the benchmark. This helped as spreads narrowed on the back of economic data that suggested the chances for a soft landing had increased. Corporate investment-grade credit spreads narrowed to under 100 bps – a level not seen for 24 months and a sign that the corporate credit market has embraced the soft landing. On an industry basis, the fall in rates particularly benefited the banking sector, and our overweight there contributed to relative returns. We modestly trimmed our positions in corporate credit as the sector outperformed.

We added to our overweight allocation to securitized sectors through selective purchases of high-quality retail malls and digital infrastructure (data centers) within our commercial mortgage-backed securities, and by way of increases to our residential mortgage credit holdings.

As credit spread products delivered strong excess returns in the quarter, valuations have priced in a lot of the more favorable outlook. Nevertheless, we continue to believe the yields available across these asset classes are attractive and may drive strong investor demand.

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. In 2022 and 2023, with inflation far too high, the central bank was focused only on one side of its mandate – namely, stable prices. But recently, given its increased confidence that inflation will move back to its 2% target, the Fed highlighted the need also to focus on the other side of its mandate – full employment.

We believe the key result of this policy shift likely will be a favorable multiyear outlook for fixed income returns. We expect demand for the fixed income asset class to increase, as investors will be able to lock in 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 basis points above where it was a couple of years ago. As such, we think a slowdown in growth is likely, but the extent thereof remains an open question. Nonetheless, it bodes well that the Fed is now in a stronger position to lower rates if the economy shows signs of weakness.

In 2024, our focus will be on the health of the consumer, the job market outlook, and how corporations fare through this environment. We still favor an overweight to both credit spread risk and interest rate risk, as the economy remains resilient, and as rate cuts are now on the table. Further, we continue to favor securitized sectors for their relative value, as well as higher-rated assets for their defensiveness, in case we witness economic softening.

Flexible Bond Fund (as of 12/31/23)

Performance – USD (%)

Returns	Cumulative			Annualized			
	4Q23	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception (07/07/87)
Class I Shares	7.43	5.89	5.89	-3.20	1.96	2.01	5.80
Class T Shares	7.37	5.53	5.53	-3.44	1.77	1.84	5.74
Class N Shares	7.44	5.90	5.90	-3.18	2.01	2.08	5.82
Class A Shares @ NAV	7.37	5.52	5.52	-3.48	1.64	1.69	5.68
Class A Shares @ MOP	2.27	0.50	0.50	-5.03	0.66	1.20	5.54
Bloomberg U.S. Aggregate Bond Index	6.82	5.53	5.53	-3.32	1.10	1.81	5.45

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.

Maximum Offering Price (MOP) returns include the maximum sales charge of 4.75%. Net Asset Value (NAV) returns exclude this charge, which would have reduced returns.

Expense Ratios (% as of most recent prospectus)

Class I: Gross 0.53, Net 0.45 Class T: Gross 0.70, Net 0.70 Class N: Gross 0.45, Net 0.45 Class A: Gross 0.89, Net 0.70

Net expense ratios reflect the expense waiver, if any, contractually agreed to for at least a one-year period commencing on October 27, 2023. This contractual waiver may be terminated or modified only at the discretion of the Board of Trustees.

Not all Funds and Share classes may be available. Please consult your financial professional.

Portfolio

Top Holdings (%)	Fund
United States Treasury Note/Bond 4.13 08/15/2053	3.84
United States Treasury Note/Bond 4.50 11/15/2033	3.78
United States Treasury Note/Bond 4.38 08/15/2043	2.14
United States Treasury Note/Bond 4.75 11/15/2043	1.91
Fannie Mae or Freddie Mac 2.50 01/16/2024	1.56
Ginnie Mae 2.50 01/22/2024	1.33
Ginnie Mae 3.50 01/22/2024	1.04
Fannie Mae Pool 5.50 07/01/2053	1.03
Total	16.63

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INVESTORS

Definitions

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

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.

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.

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.

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.

10-year Treasury Yield is the interest rate on U.S. Treasury bonds that will mature 10 years from the date of purchase.

Quantitative tightening (QT) is a government monetary policy occasionally used to decrease the money supply by either selling government securities or letting them mature and removing them from its cash balances.

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.

Diversification neither assures a profit nor eliminates the risk of experiencing investment losses.

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

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.

Performance for Class A and I Shares that includes periods prior to 7/6/09 and for Class N Shares that includes periods prior to 5/31/12 reflects the performance of one or more share classes of the Fund or a predecessor fund, adjusted, where applicable and permitted, for differing fees and expenses. See the Fund's prospectus for further details.

Returns include reinvestment of dividends and capital gains.

Discussion is based on the performance of Class I Shares.

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.

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.

High-yield or "junk" bonds involve a greater risk of default and price volatility and can experience sudden and sharp price swings.

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.

Short sales are speculative transactions with potentially unlimited losses, and the use of leverage can magnify the effect of losses.

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.

Increased portfolio turnover may result in higher expenses and potentially higher net taxable gains or losses.

Bloomberg U.S. Aggregate Bond Index is a broad-based measure of the investment grade, US dollar-denominated, fixed-rate taxable bond market.

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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