

Janus Henderson Global Investment Grade Bond Fund

August 2023

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

Fund Managers Names

James Briggs, ACA, CFA, Michael Keough, Brad Smith, Tim Winstone, CFA

Investment environment

Global investment grade credit returned -0.4% in August, as measured by the Bloomberg Global Aggregate Corporate Bond USD Hedged Index. Government bond yields were mixed, while investment grade bond spreads widened over the month.

August was a month of two halves. Resilient US economic data in the first half increased investor expectations that the US Federal Reserve (Fed) would need to keep interest rates higher for longer. This led US government bonds to sell off sharply, with the yield on the 10-year US Treasury reaching a high of 4.36% at one point. Fitch's downgrade of the US's sovereign credit rating at the beginning of August also hurt sentiment, increasing investor concerns about the budget deficit and the ability of the US government to service it, given higher interest costs and the sizeable pipeline of government bond issuance due over the next few years. All this weighed on government bond markets and broader risk markets and led to expectations of further hawkish comments from global central banks.

Markets then turned around following weaker-than-expected US economic data. This supported yields in the second half of August, although they ended the month higher overall, with the 10-year Treasury yield closing at 4.11% (up 15 basis points, or bps). The US job market showed signs of cooling, with the number of job openings falling to the lowest level since March 2021, according to the latest JOLTS data. US headline inflation rose to 3.2% year-on-year, from 3% previously, but this was lower than forecast, and core inflation dropped to 4.7% year-on-year from 4.8%. At the Fed's Jackson Hole meeting, Chair Jerome Powell left the door open for further rate hikes.

Elsewhere, in Europe, growth was weak. The eurozone composite purchasing managers' index (PMI) moved lower, while inflation moved sideways, with annual headline inflation for the eurozone unchanged at 5.3% in July. The German 10-year bund yield fell slightly to 2.47% (-3 bps). In the UK, 10-year bond yields rose to 4.36% (up 5 bps). UK headline inflation cooled to 6.8% year-on-year in July from 7.9% previously. The Bank of England (BoE) hiked rates by 25 bps.

In credit, US dollar investment grade bonds were flat over the month in excess return terms, with negative excess returns in euro and sterling investment grade markets. From a sector perspective, financials outperformed non-financials. Within financials, spreads widened the most in banks and insurance with a milder change in financial services. In non-financials, spreads widened the most in basic materials, health care and oil and gas.

Portfolio review

The fund performed in line with the benchmark over the month.

The main positive contributors to performance were the fund's security selection and neutral credit beta position relative to the benchmark, as spreads widened. Yield curve positioning detracted from performance.

Our overweight duration stance, where the overweight is split between the US and UK, detracted marginally from returns. At the sector level, the fund's overweight allocation to health care contributed positively to returns, as did an underweight position in retail and an overweight position in utilities. The fund's overweight position in oil and gas contributed to performance from both a sector allocation and security selection basis. On the other side, the underweight allocation to non-financials detracted from returns. A small overweight allocation to food & beverage also hurt performance, mainly through security selection.

At the single-issuer level, overweight positions in US semiconductor manufacturing firm Broadcom, toy company Mattel, real estate investment trust NNN and poultry processing company Pilgrim's Pride contributed positively. Notable detractors included Morgan Stanley, Credit Agricole and Nestle.

Janus Henderson Global Investment Grade Bond Fund

Manager outlook

We covered the underweight position to credit beta relative to the fund's index over the month, to bring it close to neutral. Leading recessionary indicators such as inverted yield curves and money supply are still pointing negative, but the timing of any recession is unclear. Macroeconomic data from the US continues to dominate the narrative, with the strong employment data and services sector holding up as consumers continue to spend. However, while the US has remained resilient, the story is different in Europe and China, where economic growth is weakening.

While second quarter earnings have broadly been better than expected, tighter financial conditions alongside weak manufacturing PMIs have contributed to earnings downgrades. We have seen lower profit margins for companies in sectors such as industrials and chemicals - the latter typically being one of the first sectors to trend negative during a recession.

We believe that tighter lending standards, higher refinancing costs and a slowing economy will gradually take its toll on credit quality, causing default rates to increase. In the event of an economic 'hard landing', we do not expect to see the previous high single-digit default percentages as a recession is widely anticipated and most companies have prepared for this with low leverage and plenty of cash on their balance sheets.

Investment grade corporate bond valuations do not seem to be pricing in any recession, with spreads close to long-term averages on a rating-adjusted basis. In comparison, the yields on offer are notably above average and provide some cushion against spread widening through more attractive carry.

We expect select 'trouble credits' to emerge as the lagged impact of tighter policy takes effect. For this reason, and in line with our more cautious stance, we continue to tilt the composition of our bond holdings towards high-quality, non-cyclical companies with strong liquidity and fundamentally robust balance sheets. Nimbleness and careful credit selection remains key, and we will continue to adhere to our research-driven investment process, with a focus on taking what we see as the right amount of risk throughout the cycle.

Source: Janus Henderson Investors, as at 31 August 2023

Janus Henderson Global Investment Grade Bond Fund

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Fund information (Investment policy is on the next page)

Index	Bloomberg Global Aggregate Corporate Bond Hedged USD Index
Morningstar sector	Europe OE Global Corporate Bond - USD Hedged
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 Bloomberg Global Aggregate Corporate Bond Hedged USD Index by 1.25% per annum, before the deduction of charges, over any 5 year period.

Performance in (USD)

Performance %	A2 (Net)	Index	Sector	A2 (Gross)	Target (Gross)
1 month	-0.4	-0.4	-0.4	-	-
YTD	1.4	3.4	2.2	-	-
1 year	-0.9	1.8	0.7	-	-
3 years (annualised)	-4.6	-3.3	-3.5	-	-
5 years (annualised)	0.6	1.1	0.8	2.0	2.3
10 years (annualised)	0.8	1.9	2.1	2.6	3.1

Source: at 31 Aug 2023. © 2023 Morningstar. All rights reserved, performance is with gross income reinvested. Performance/performance target related data will display only where relevant to the share class inception date and annualised target time period.

Calendar year returns %	A2 (Net)	Index	Sector
2023 to 30 Jun 2023	1.2	3.1	1.8
2022	-15.3	-14.1	-13.9
2021	-1.9	-0.8	-1.0
2020	11.2	8.3	8.2
2019	11.3	12.0	11.1
2018	-4.5	-3.6	-1.8
2017	7.8	9.1	6.4
2016	1.9	4.3	5.4
2015	-6.0	-3.6	-1.0
2014	1.9	3.1	5.7
2013	0.8	0.3	0.3

Source: at 30 Jun 2023. © 2023 Morningstar. All rights reserved, performance is with gross income reinvested. Discrete performance data may change due to final dividend information being received after quarter end.

Investment into the fund will acquire units/shares of the fund itself and not the underlying assets owned by the fund.

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.

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 <http://www.janushenderson.com>.

Source for target returns (where applicable) – Janus Henderson. 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 if you have any further queries.

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Past performance does not predict future returns. 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.

Janus Henderson Global Investment Grade Bond Fund

What are the risks specific to this fund?

- 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.
- 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.
- 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.

General risks

- Past performance does not predict future returns.
- 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.
- Tax assumptions and reliefs depend upon an investor's particular circumstances and may be subject to change.

Investment policy

The Fund invests at least 80% of its assets in a global portfolio of investment grade (equivalent to BBB rated or higher) bonds, of issuers located anywhere in the world. Up to 20% may be invested in developing markets.

The Fund may also hold other assets including other types of bonds (including convertible bonds), preference shares, 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 Bloomberg Global Aggregate Corporate Bond Hedged USD 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.

Janus Henderson Global Investment Grade Bond Fund

For further information on the Janus Henderson fund range please contact your local sales office or visit our website:
www.janushenderson.com.

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Janus Henderson Global Investment Grade Bond Fund

Important information

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.

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