Janus Henderson INVESTORS

HORIZON STRATEGIC BOND FUND

At a glance

Performance*
The Fund returned 1.69%, the Sector returned 1.02%

Contributors/detractors
The fund's duration overweight position was a positive contributor, especially in the UK (which materially outperformed).

Outlook
All eyes seem to be on the employment markets as central banks are poised to cut rates when they feel justified in doing so.

Portfolio management

John Pattullo

Jenna Barnard, CFA

Oliver Bardot, CFA

Investment environment

- March was a strong month and rounded off a decent first quarter for riskier assets. Investors embraced the narrative of an economic 'soft landing' (versus a recession) and the notion of 'immaculate disinflation' (the idea that inflation, primarily driven by supply-side shocks, would subside without a corresponding rise in unemployment).
- A number of equity indices hit record highs. The S&P 500 Index rose over 10% during the quarter, marking the first time in over a decade that it has achieved back-to-back quarterly double-digit gains.
- Against this, bond yields generally drifted flat to lower (higher prices), with the UK and Europe performing well on the back of lower inflation and a softening in the stance of central banks. However, in the words of the Chairman of the US Federal Reserve (Fed), US inflation data has been "bumpy". US economic growth has been stronger than expected, and the good news is that the employment market is "more balanced".
- Optimists for a 'soft landing' point to a fading fiscal boost, productivity gains from artificial intelligence (AI) and favourable immigration dynamics easing worker shortages and wage inflation. Pessimists focus on the long lags of monetary policy and the inverted yield curve, which has historically signalled a recession.
- On 20 March, Fed Chairman Powell acknowledged that "January CPI and PCE numbers were quite high". He also said there is a reason to think that there could be seasonal effects involved, and that "the February number was higher than expectations, although not terribly high". However, the oil price - always crucial to the inflation outlook - rose significantly, as did implied inflation from the inflation-linked markets.
- We broadly believe that the global interest rate cutting cycle remains on track - possibly slightly delayed in the US and slightly sooner in Europe. Inflation continued to rise at a slower rate and has been experiencing some quite dramatic falls, not least in the UK among other countries (including Canada and Switzerland).
- While there might be some seasonal noise in the US data, the only niggle is the oil price, which is always hard to call - albeit with persistent OPEC production cuts and ongoing Middle East tensions.
- European economic growth - especially in the core - looks recessionary. The European Central Bank (ECB) has teed up a June interest rate cut with more to follow. Meanwhile, the Swiss set the ball rolling with a surprise rate cut in March.
- While it would be unusual for the ECB to cut rates ahead of the Fed, the Fed was slow to raise rates and the growth differential is significant. The ECB meeting

*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.

is on 6 June, which is before the Fed meeting on 12 June (Canada is on 5 June and the UK on 20 June).

Portfolio review

Credit (corporate bond) spreads started the month tight and became even tighter. Both investment grade and high yield bonds performed better than the underlying reference sovereign bonds in America. This was not the case in the UK, where gilts stretched ahead of a firm corporate bond market given the changing inflation dynamics.

Investors seem to be moving money out of overnight deposit towards fixed income (and equities), and even if credit spreads are close to record tights the all-in yield level remains very attractive. We did see a few known over-levered structures start to suffer, in issuers such as Altice Europe (telecoms), Intrum (debt collector), Ardagh (packaging) and Thames Water in the UK. These are all large capital structures in the market. We expect to see an increased dispersion in performing issuers (from very low levels) going forward.

Bond volatility has been usually high this cycle. But as the direction of travel has become more transparent, this has started to fall, especially in Europe. Lower bond volatility is particularly helpful for our mortgage-backed securities (MBS) holdings, which have performed better of late. Lower volatility also supports mainstream credit spreads while the credit markets remain resilient. The growth of the private credit markets often enables the re-financing of some marginal credits off market, which is a fairly new technical support. This, as well as many amend and extend re-financings, has kept defaults muted.

Over the month we kept the fund's duration position long, in predominately quality sovereign and investment grade bonds. We have moved some of the duration out of the US and into Europe, the UK, Australia and Canada (among others). Given the similar pricing of future cuts, but less growth and inflation risk outside the US market, this seems a good risk-adjusted trade to us. We continue to believe risk markets are priced for perfection. We also modestly increased the investment grade bond weighting by buying predominately select new issues in the middle- and shorter-end of the curve.

Manager outlook

All eyes seem to be on the employment markets as central banks are poised to cut rates when they feel justified in doing so. As Fed Chairman Powell recently said, "Fed officials are committed to both sides of our dual mandate, and an unexpected weakening in the labour market could also warrant a policy response". We expect Europe to lead the Fed in cutting rates this cycle, as recent European inflation data continued to be encouraging. This is also true in the UK and Australia (and elsewhere).

Performance (%)

Returns	Cumulative 1 Month	3 Month	YTD	1 Year	Annualised 3 Year	5 Year	10 Year	Since inception (26/07/17)
A2 USD (Net)	1.69	-1.71	-1.71	0.08	-4.03	0.06	—	0.79
Sector	1.02	1.14	1.14	7.37	0.25	2.19	—	2.19

Calendar year	YTD at Q1 2024	2023	2022	2021	2020	2019	2018	2017 from 26 Jul
A2 USD (Net)	-1.71	5.62	-17.17	-0.20	10.68	10.13	-0.66	1.41
Sector	1.14	8.01	-8.56	0.11	5.59	9.48	-1.53	1.51

Performance is on a net of fees basis, with gross income reinvested. Source: at 31/03/24. **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 (5 years or more).

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	26 July 2017
Total net assets	282.14m
Asset class	Fixed Income
Domicile	Luxembourg
Structure	SICAV
Base currency	USD
Index	Not Applicable
Morningstar sector	Global Flexible Bond - USD Hedged
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.

Additional fund information

Tax assumptions and reliefs depend upon an investor's particular circumstances and may be subject to change. 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. From 1 January 2023 Oliver Bardot also manages this fund. From 16 March 2023 the Fund changed its investment policy. Past performance shown before this date was achieved under circumstances that no longer apply. 100% of the Annual Management Charge is taken from capital. 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 in bonds of any quality, including high yield (non-investment grade) bonds, asset-backed and mortgage-backed securities and distressed debt, issued by governments, companies or any other type of issuer, in any country. The Fund may invest up to 50% in total return swaps. Where investments are made in assets in currencies other than the base currency of the Fund, the Fund will seek to hedge those assets back to the base currency to remove the risk of currency exchange rate movements. The Fund may also invest in other assets including perpetual bonds, convertible bonds, contingent convertible bonds (CoCos), company shares (equities), 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 without reference to a benchmark. The Investment Manager has complete freedom to choose individual investments for the Fund and to vary allocations between different types of bonds.

Investment strategy

The Investment Manager follows a flexible strategy that seeks to deliver total returns (capital appreciation and income) from investments across the entire spectrum of fixed income assets. Using careful macroeconomic research and credit analysis, the portfolio managers actively vary the allocation to different types of bonds to suit the prevailing economic environment.

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. 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.

FOR MORE INFORMATION PLEASE VISIT **JANUSHENDERSON.COM**

Janus Henderson INVESTORS