Janus Henderson INVESTORS

MORTGAGE-BACKED SECURITIES ETF

JMBS

At a glance

Performance

The Fund returned -1.00% and the Bloomberg U.S. Mortgage Backed Securities (MBS) Index returned -1.04%.

Contributors/detractors

Security selection contributed on a relative basis, coupled with our strategic overweight to higher-coupon bonds.

Outlook

In our view, the combination of declining inflation and a dovish central bank, along with a resilient economy and jobs market, set the stage for a favorable multiyear outlook for fixed income returns.

Portfolio management

John Kerschner, CFA

Nick Childs, CFA

Investment environment

- U.S. fixed income yields rose during the quarter as expectations of rate cuts were pushed out due to an upbeat economy. Credit sectors generated strong excess returns versus Treasuries.
- Investors continued to balance solid economic data and corporate earnings with the expected timing and extent of rate cuts. The trend of declining inflation that began in 2023 looks set to continue in 2024, but there may be some bumps in the road, as we witnessed during the quarter.
- The Federal Reserve (Fed) elected to leave rates steady at 5.25% to 5.50% at its March meeting. However, the central bank remained firmly committed to its dovish policy pivot by projecting three rate cuts for 2024, while also suggesting that a tapering of quantitative tightening is on the cards fairly soon.
- The yield on the 10-year U.S. Treasury ended the quarter at 4.20% relative to 3.88% at the end of December. Spreads on mortgage-backed securities (MBS) ended virtually unchanged at 48 basis points. The rate on a 30-year conventional mortgage ended at 7.24%.

Portfolio review

MBS spreads were rangebound following their significant tightening in the previous quarter. Interest rate volatility trended down to levels not seen for over 24 months, but higher rates weighed on performance in the sector.

Security selection in borrower stories and an allocation to higher-coupon bonds contributed to relative outperformance as both rates and spreads rallied. We believe we are well positioned for the Fed's expected rate cuts in 2024 and a further reduction in interest rate volatility.

From a supply perspective, with mortgage rates still near multi-decade highs, we expect origination to continue to be muted in the near term. As such, we believe the supply outlook for MBS is positive and should provide some support to spread levels.

Manager outlook

What a difference a year can make. At the start of 2023, inflation was running at 6.5%, predictions of a recession were rife, and the Fed was maintaining its hawkish stance. The central bank would hike another four times in the first half of 2023. Fast-forward to the first quarter of 2024, inflation is running at an average of 3.3%, and the Fed is forecasting three rate cuts in 2024 and has signaled its intent to taper its quantitative tightening program. Economic growth, jobs growth, and corporate earnings have continued to surprise on the upside. In our view, this is all broadly positive for fixed income markets.

Market participants are grappling with questions of when and by how much the Fed will cut rates. This has resulted in some rate volatility and an uptick in yields as the market reprices to align rate-cut expectations with the Fed's own projections. Notwithstanding the tug of war taking place in rates markets in the short term, we believe the current monetary and economic environment bodes well for a favorable multiyear outlook for fixed income returns. We expect that the recent strong demand for the fixed income asset class should continue – and potentially accelerate, once the Fed starts cutting rates – as investors aim 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 and a soft landing appears to be the most likely outcome, we do expect the economy to gradually slow to below-trend growth. Adding duration now through MBS may provide much-needed defensive characteristics for portfolios if economic growth slows more than expected. Just as MBS were more adversely affected by rising rates and high interest rate volatility in the preceding couple of years, we anticipate that a reversal of this trend may provide an additional tailwind for returns going forward.

Mortgage-Backed Securities ETF (as of 03/31/24)

Performance - USD (%)

Returns	Cumulative 1Q24	Cumulative YTD	Cumulative 1 Yr	Annualized 3 Yr	Annualized 5 Yr	Annualized 10 Yr	Annualized Since Inception (09/13/18)
ETF @ NAV	-1.00	-1.00	1.52	-2.44	0.45	—	1.12
ETF @ Market Price	-1.00	-1.00	1.30	-2.46	0.42	—	1.12
Bloomberg U.S. Mortgage Backed Securities (MBS) Index	-1.04	-1.04	1.39	-2.84	-0.39	—	0.37

Shares of ETFs are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Market returns are based upon the midpoint of the bid/ask spread at 4:00 p.m. Eastern time (when NAV is normally determined for most ETFs), and do not represent the returns you would receive if you traded shares at other times. Ordinary brokerage commissions apply and will reduce returns.

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.

Expense Ratios (% as of most recent prospectus)

Gross 0.26, Net 0.23

Net expense ratios reflect the expense waiver, if any, contractually agreed to through at least February 28, 2025. This contractual waiver may be terminated or modified only at the discretion of the Board of Trustees.

Portfolio

Top Holdings (%)	Fund
Fannie Mae or Freddie Mac 2.50 04/11/2024	29.52
Fannie Mae or Freddie Mac 2.00 04/11/2024	7.62
Fannie Mae or Freddie Mac 3.00 04/11/2024	6.47
Ginnie Mae 3.00 04/18/2024	3.95
Ginnie Mae 5.50 04/18/2024	3.85
Ginnie Mae 5.00 04/18/2024	3.39
Fannie Mae Pool 4.00 10/01/2051	3.30
Fannie Mae Pool 4.00 03/01/2051	3.05
Fannie Mae or Freddie Mac 5.00 04/11/2024	2.82
Fannie Mae or Freddie Mac 3.50 04/11/2024	2.73
Total	**66.70**

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Definitions

Basis point (bp) equals 1/100 of a percentage point. 1 bp = 0.01%, 100 bps = 1%.
Credit quality ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest).
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.
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.
10-Year Treasury Yield is the interest rate on U.S. Treasury bonds that will mature 10 years from the date of purchase.
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.
Monetary tightening refers to central bank activity aimed at curbing inflation and slowing down growth in the economy by raising interest rates and reducing the supply of money.

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.

Returns include reinvestment of dividends and capital gains.

OBJECTIVE: Janus Henderson Mortgage-Backed Securities ETF (JMBS) seeks a high level of total return consisting of income and capital appreciation.

The opinions are as of 03/31/24, 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.

The Fund will typically enter into **"to be announced" or "TBA" commitments** when purchasing MBS, which allows the Fund to agree to pay for certain yet-to-be issued securities at a future date and which may have a leveraging effect on the Fund.

The Fund may enter into reverse repurchase agreement transactions and use the cash made available from these transactions to make additional investments in mortgage-related instruments or other fixed-income securities.

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.

Mortgage-backed securities (MBS) may be more sensitive to interest rate changes. They are subject to extension risk, where borrowers extend the duration of their mortgages as interest rates rise, and prepayment risk, where borrowers pay off their mortgages earlier as interest rates fall. These risks may reduce returns.

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.

Concentrated investments in a single sector, industry or region will be more susceptible to factors affecting that group and may be more volatile than less concentrated investments or the market as a whole.

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

Actively managed portfolios may fail to produce the intended results. No investment strategy can ensure a profit or eliminate the risk of loss.

Bloomberg U.S. Mortgage Backed Securities (MBS) Index measures the performance of U.S. fixed-rate agency mortgage backed pass-through securities.

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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