

FLEXIBLE INCOME FUND

At a glance

Performance*

The Fund returned -1.82%, the Index returned -1.41% and the Sector returned -1.10%.

Contributors/detractors

Overall interest rate positioning detracted, while our spread risk allocation performed in line with the benchmark.

Outlook

In our view, the key takeaway from the Federal Reserve's (Fed) dovish policy pivot is that it should result in a favourable multi-year outlook for fixed income.

Portfolio management



Greg Wilensky, CFA



Michael Keough

Investment environment

- The US fixed income market posted a negative return in February, with the Bloomberg US Aggregate Bond Index declining 1.4%. High yield bonds outperformed investment grade corporate bonds and US Treasuries.
- Continued solid economic data and quarterly earnings made investors re-valuate when rate cuts may begin. The US saw a remarkably strong jobs report (non-farm payroll growth of 517,000 versus the expected 185,000) while unemployment fell further from 3.5% to 3.4%.
- The January inflation reading of 3.1% was down from 3.4% in the prior month but was still higher relative to analyst forecasts of 2.9%. The yield on the US 10-year Treasury ended February at 4.25% relative to 3.91% at the end of January.
- Corporate investment grade credit spreads ended the month effectively flat versus the prior month at 0.96%. High yield credit spreads tightened 32 basis points to 3.12%, as investors increased their risk appetite on solid quarterly earnings results.

Portfolio review

We maintained a duration overweight position during the period, considering the progress that had been made on inflation, coupled with the likelihood the Federal Reserve

(Fed) is done raising rates. While our interest rate positioning detracted as rates rose, we believe 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.

Our allocation to spread risk performed in line with the benchmark. Notably, investment grade corporate bonds contributed positively, while agency mortgage-backed securities (MBS) detracted.

As credit spread products have delivered strong excess returns, valuations seem to have priced in a lot of the more favourable outlook. Yet, we still think 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 towards 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

Marketing communication

For professional and qualified 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.

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

In our view, the key takeaway from this policy shift is that it should result in a favourable multi-year outlook for fixed income returns. We expect demand for the fixed income asset class to increase, as investors can 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 we will be focused on the health of the consumer, the job market outlook, and how corporations fare through this environment. We still favour an overweight position 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 favour securitised sectors for their relative value, as well as higher-rated assets for their defensiveness, in case we witness economic softening.

Source: Janus Henderson Investors, as at 29 February 2024

Performance (%)

Returns	Cumulative				Annualised		
	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year
A2 USD (Net)	-1.82	1.94	-1.92	1.42	-4.78	-0.37	0.05
Index	-1.41	2.08	-1.68	3.33	-3.16	0.56	1.43
Sector	-1.10	1.27	-1.18	3.00	-2.32	0.79	1.20
A2 USD (Gross)	—	—	—	—	—	1.52	1.98
Target	—	—	—	—	—	1.82	2.70

Calendar year	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A2 USD (Net)	3.88	-15.24	-2.33	8.89	7.90	-2.23	2.18	1.15	-1.14	3.44
Index	5.53	-13.01	-1.54	7.51	8.72	0.01	3.54	2.65	0.55	5.97
Sector	4.75	-10.17	-1.50	6.92	7.66	-1.19	4.08	2.23	-0.63	4.16

Performance is on a net of fees basis, with gross income reinvested. Source: at 29/02/24. © 2024 Morningstar, Inc. All rights reserved. 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, while seeking to limit losses to capital (although not guaranteed) over the long term. Performance target: To outperform the Bloomberg US Aggregate Bond Index by 1.25% 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	24 December 1998
Total net assets	494.78m
Asset class	Fixed Income
Domicile	Ireland
Structure	Irish Investment Company
Base currency	USD
Index	Bloomberg US Aggregate Bond Index
Morningstar sector	USD Diversified 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.

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 an Irish Investment Company regulated by the Central Bank of Ireland. A short-term trading fee may be applied upon exiting the fund as per the prospectus. 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. The ongoing charge is calculated using the PRIIP methodology. The PRIIP methodology differs to the UCITS ongoing charge methodology, as the PRIIP methodology captures additional recurring charges, including but not limited to: Interest paid on borrowing (e.g. bank interest); Any fees incurred in relation to stock-lending activity (i.e. the fee paid to the lending agent); Any costs associated with holding closed-ended vehicles. Cash balances and exposures are based on settled and unsettled trades as at the reporting date.

Investment policy

The Fund invests at least 67% (but normally more than 80%) of its assets in US bonds of any quality, including high yield (non-investment grade) bonds and asset-backed and mortgage-backed securities, issued by governments, companies or any other type of issuer. The Fund may also hold other assets including bonds of other types from any issuer, preference shares, cash and money market instruments. The Sub-Investment Adviser may use derivatives (complex financial instruments) to reduce risk, to manage the Fund more efficiently, or to generate additional capital or income for the Fund. The Fund is actively managed with reference to the Bloomberg US Aggregate Bond 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 Sub-Investment Adviser 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 Sub-Investment Adviser draws on Janus Henderson's integrated fixed income and equity research function, to identify the best risk-adjusted opportunities for the Fund. The strategy has the flexibility to deviate significantly from the index on a sector basis while having a strong focus towards the US. The investment process is dynamic with allocations to different types of bonds determined by the opportunities which exist and is supported by a proprietary research and risk management system.

Fund specific risks

The Fund invests in Asset-Backed Securities (ABS) and other forms of securitised investments, which may be subject to greater credit / default, liquidity, interest rate and prepayment and extension risks, compared to other investments such as government or corporate issued bonds and this may negatively impact the realised return on investment in the securities. 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. In addition to income, this share class may distribute realised and unrealised capital gains and original capital invested. Fees, charges and expenses are also deducted from capital. Both factors may result in capital erosion and reduced potential for capital growth. Investors should also note that distributions of this nature may be treated (and taxable) as income depending on local tax legislation. 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. The Fund involves a high level of buying and selling activity and as such will incur a higher level of transaction costs than a fund that trades less frequently. These transaction costs are in addition to the Fund's ongoing charges.

Janus Henderson
INVESTORS

FOR MORE INFORMATION PLEASE VISIT [JANUSHENDERSON.COM](https://www.janushenderson.com)

Source: Janus Henderson Investors, as at 29 February 2024, unless otherwise noted.

To Argentina investors: This document includes a private invitation to invest in securities. It is addressed only to you on an individual, exclusive, and confidential basis, and its unauthorised copying, disclosure, or transfer by any means whatsoever is absolutely and strictly forbidden. Janus Henderson Investors will not provide copies of this prospectus, or provide any kind of advice or clarification, or accept any offer or commitment to purchase the securities herein referred to from persons other than the intended recipient. The offer herein contained is not a public offering, and as such it is not and will not be registered with, or authorised by, the applicable enforcement authority. The information contained herein has been compiled by Janus Henderson Investors, who assumes the sole responsibility for the accuracy of the data herein disclosed. **To Brazilian investors:** The shares in the fund may not be offered or sold to the public in Brazil. Accordingly, the shares in the fund have not been and will not be registered with the Brazilian Securities and Exchange Commission (Comissão de Valores Mobiliários, the "CVM"), nor have been submitted to the foregoing agency for approval. Documents relating to the shares in the fund, as well as the information contained therein, may not be supplied to the public in Brazil, as the offering of the shares in the fund is not a public offering of shares in Brazil, nor used in connection with any offer for subscription or sale of securities to the public in Brazil. A seller of the shares in the fund may be asked by the purchaser to comply with procedural requirements to evidence previous title to the shares in the fund and may be subject to Brazilian tax on capital gains which may be withheld from the sale price. Persons wishing to offer or acquire

the shares in the fund within Brazil should consult with their own counsel as to the applicability of these registration requirements or any exemption therefrom. **To Chilean Investors:** ESTA OFERTA PRIVADA SE INICIA EL DÍA DE LA FECHA DEL PRESENTE DOCUMENTO Y SE ACOGE A LAS DISPOSICIONES DE LA NORMA DE CARÁCTER GENERAL N° 336 DE LA SUPERINTENDENCIA DE VALORES Y SEGUROS, HOY COMISIÓN PARA EL MERCADO FINANCIERO. ESTA OFERTA VERSA SOBRE VALORES NO INSCRITOS EN EL REGISTRO DE VALORES O EN EL REGISTRO DE VALORES EXTRANJEROS QUE LLEVA LA COMISIÓN PARA EL MERCADO FINANCIERO, POR LO QUE TALES VALORES NO ESTÁN SUJETOS A LA FISCALIZACIÓN DE ÉSTA; POR TRATAR DE VALORES NO INSCRITOS NO EXISTE LA OBLIGACIÓN POR PARTE DEL EMISOR DE ENTREGAR EN CHILE INFORMACIÓN PÚBLICA RESPECTO DE LOS VALORES SOBRE LOS QUE VERSA ESTA OFERTA; ESTOS VALORES NO PODRÁN SER OBJETO DE OFERTA PÚBLICA MIENTRAS NO SEAN INSCRITOS EN EL REGISTRO DE VALORES CORRESPONDIENTE." An English translation : This private offer commences on the date of the present document and it avails itself of the General Regulation No. 336 of the Superintendence of Securities and Insurances (currently the Financial Markets Commission). This offer relates to securities not registered with the Securities Registry or the Registry of Foreign Securities of the Financial Markets Commission, and therefore such securities are not subject to oversight by the latter; Being unregistered securities, there is no obligation on the issuer to provide public information in Chile regarding such securities; and These securities may not be subject to a public offer until they are registered in the corresponding Securities Registry. **To Uruguayan** Private Placement Distributors and/or Financial Institutions upon request. For information purposes only. Not for onward distribution. We make reference to the Private Placement Agreement and/or your request of information, in regards to Janus Henderson Funds. This document and the content within it, is for the purposes of covering the agreement established and/or your request, to supply updated information, but in no case will be considered as forming part, replacing or complementing the information that constitutes the Fund's prospectus and key information document, and their respective means of access, as well as any other that may correspond in case of subscription. This communication and the information contained is intended solely for professional use, and is addressed to you in a determined and direct manner, and not for further distribution. Is the responsibility of any persons distributing, advising, canalizing and/or investing in shares of the Funds, including any related literature used, to comply with all applicable laws and regulations of any jurisdiction the above mentioned takes place. Nothing in this document or the content within it shall constitute a communication to acquire, sell or exchange securities and does not imply an authorization for the distribution to any person by any means of the Funds mentioned or referred to in this email or the content within it (except as provided in the respective private placement agreement, if applicable), or any other information, which should be subject to Janus Henderson prior consent. In such regards, this email does not constitute an invitation or offer to contract, to which Janus Henderson will not be obliged. In any case, the Funds mentioned or referred to on the email and the content within shall not be offered or distributed to the public in Uruguay, and/or by any means or circumstances which would constitute a public offering or distribution under Uruguayan laws and regulations. The fund/s are not and will not be registered with the Financial Services Superintendence of the Central Bank of Uruguay. The shares correspond to investment funds that are not investment funds regulated by Uruguayan law 16,774 dated September 27, 1996, as amended. **To Colombian Investors:** This document does not constitute a public offer in the Republic of Colombia. The offer of the fund is addressed to less than one hundred specifically identified investors. The fund may not be promoted or marketed in Colombia or to Colombian residents, unless such promotion and marketing is made in compliance with Decree 2555 of 2010 and other applicable rules and regulations related to the promotion of foreign funds in Colombia. The distribution of this document and the offering of Shares may be restricted in certain jurisdictions. The information contained in this document is for general guidance only, and it is the responsibility of any person or persons in possession of this document and wishing to make application for shares to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for shares should inform themselves of any applicable legal requirements, exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile. **To Mexican Investors:** The shares in the fund have not been and will not be registered with the National Registry of Securities, maintained by the Mexican National Banking and Securities Commission and, as a result, may not be offered or sold publicly in Mexico. The fund and any underwriter or purchaser may offer and sell the shares in the fund in Mexico on a private placement basis to Institutional and Accredited Investors pursuant to Article 8 of the Mexican Securities Market Law.

For institutional investors in Peru: The Shares on this fund have not been registered before the Superintendencia del Mercado de Valores (SMV) and are being placed by means of a private offer. SMV has not reviewed the information provided to the investor. This communication and any accompanying information (the "Materials") are intended solely for informational purposes and do not constitute (and should not be interpreted to constitute) the offering, selling, or conducting of business with respect to such securities, products or services in the jurisdiction of the addressee (this "Jurisdiction"), or the conducting of any brokerage, investment advisory, banking or other similarly regulated activities ("Financial Activities") in this Jurisdiction. Neither Janus Henderson, nor the securities, products and services described herein, are registered (or intended to be registered) in this Jurisdiction. Furthermore, neither Janus Henderson or the securities, products, services or activities described herein, are regulated or supervised by any governmental or similar authority in this Jurisdiction. The Materials are private, confidential and are sent by Janus Henderson only for the exclusive use of the addressee, who declares that it qualifies as an Institutional Investor in accordance with the laws and regulations of private offer of securities in this Jurisdiction. The Materials must not be publicly distributed and any use of the Materials by anyone other than the addressee is not authorized. The addressee is required to comply with all applicable laws in this Jurisdiction, including, without limitation, tax laws and exchange control regulations, if any. **For any other investor in Peru:** The Shares on this fund have not been registered before the Superintendencia del Mercado de Valores (SMV) and are being placed by means of a private offer. SMV has not reviewed the information provided to the investor. This communication and any accompanying information (the "Materials") are intended solely for informational purposes and do not constitute (and should not be interpreted to constitute) the offering, selling, or conducting of business with respect to such securities, products or services in the jurisdiction of the addressee (this "Jurisdiction"), or the conducting of any brokerage, investment advisory, banking or other similarly regulated activities ("Financial Activities") in this Jurisdiction. Neither Janus Henderson, nor the securities, products and services described herein, are registered (or intended to be registered) in this Jurisdiction. Furthermore, neither Janus Henderson or the securities, products, services or activities described herein, are regulated or supervised by any governmental or similar authority in this Jurisdiction. The Materials are private, confidential and are sent by Janus Henderson only for the exclusive use of the addressee. The Materials must not be publicly distributed and any use of the Materials by anyone other than the addressee is not authorized. The addressee is required to comply with all applicable laws in this Jurisdiction, including, without limitation, tax laws and exchange control regulations, if any. Not for onward distribution. All content in this document is for information or general use only and is not specific to any individual client requirements. 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.

Janus Henderson Capital Funds Plc is a UCITS established under Irish law, with segregated liability between funds. Investors are warned that they should only make their investments based on the most recent Prospectus which contains information about fees, expenses and risks, which is available from all distributors and paying/facilities agents, it should be read carefully. Please refer to the prospectus of the UCITS and to the KID before making any final investment decisions. An investment in the fund may not be suitable for all investors and is not available to all investors in all jurisdictions; it is not available to US persons. Past performance does not predict future returns. For sustainability related aspects please access [Janushenderson.com](https://www.janushenderson.com). The rate of return may vary and the principal value of an investment will fluctuate due to market and foreign exchange movements. Shares, if redeemed, may be worth more or less than their original cost. This is not a solicitation for the sale of shares and nothing herein is intended to amount to investment advice. This document does not constitute investment advice or an offer to sell, buy or a recommendation, nor should it be taken as a basis to take (or stop taking) any decision, for securities, other than pursuant to an agreement in compliance with applicable laws, rules and regulations. Janus Henderson Group plc and its subsidiaries are not responsible for any unlawful distribution of this document to any third parties, in whole or in part, or for

information reconstructed from this document and do not guarantee that the information supplied is accurate, complete, or timely, or make any warranties with regards to the results obtained from its use. As with all investments, there are inherent risks that each individual should address. The distribution of this document or the information contained in it may be restricted by law and may not be used in any jurisdiction or any circumstances in which its use would be unlawful. This presentation is strictly private and confidential and may not be reproduced or used for any purpose other than evaluation of a potential investment in Janus Henderson Investors International Limited's products or the procurement of its services by the recipient of this presentation or provided to any person or entity other than the recipient of this presentation. Copies of the Fund's prospectus, Key Information Document, articles of incorporation, annual and semi-annual reports are available in English and other local languages as required from www.janushenderson.com. These documents can also be obtained free of cost from the local offices of Janus Henderson Investors: 201 Bishopsgate, London, EC2M 3AE for UK. The summary of Investors Rights is available in English from <https://www.janushenderson.com/summary-of-investors-rights-english>. Janus Henderson Investors Europe S.A. may decide to terminate the marketing arrangements of this Collective Investment Scheme in accordance with the appropriate regulation. Its custodian is JP Morgan Bank (Ireland) Plc. We may record telephone calls for our mutual protection, to improve customer service and for regulatory record keeping purposes. Issued by Janus Henderson Investors. Janus Henderson Investors is the name under which investment products and services are provided by Janus Henderson Investors International Limited (reg no. 3594615), Janus Henderson Investors UK Limited (reg. no. 906355), Janus Henderson Fund Management UK Limited (reg. no. 2678531), (each registered in England and Wales at 201 Bishopsgate, London EC2M 3AE and regulated by the Financial Conduct Authority) and Janus Henderson Investors Europe S.A. (reg no. B22848 at 2 Rue de Bitbourg, L-1273, Luxembourg and regulated by the Commission de Surveillance du Secteur Financier). This is a marketing communication. Please refer to the prospectus of the UCITS and to the KID before making any final investment decisions. Janus Henderson is a trademark of Janus Henderson Group plc or one of its subsidiaries. © Janus Henderson Group plc. For more information or to locate your country's Janus Henderson Investors representative contact information, please visit www.janushenderson.com