

JANUS HENDERSON HORIZON FUND – GLOBAL HIGH YIELD BOND FUND

A2 USD ISIN LU0978624194

At a glance

Performance

The Fund returned 0.40%, the Index returned 0.48% and the Sector returned 0.17%.

Contributors/detractors

Security selection detracted from performance, while the fund's overweight credit beta position relative to the benchmark contributed positively to performance.

Outlook

While valuations appear tight, strong technicals and robust earnings could potentially extend the rally in high yield bond markets, but we think caution is warranted.

Portfolio management


Tom Ross, CFA

Brent Olson

Tim Winstone, CFA

Seth Meyer, CFA

Investment environment

- The global high yield bond market made a small positive return in February, and excess returns were positive.
- US high yield bond spreads tightened over the month, while government bond yields rose (and prices fell) as the prospect of an early interest rate cut faded. The 10-year Treasury yield rose 34 basis points (bps) to 4.25%.
- Minutes from the US Federal Reserve (Fed)'s most recent meeting suggested a reluctance to ease rates until there is evidence of strong disinflation momentum. The US economy continued to show signs of economic resilience during the month, which solidified investors' expectations of rate cuts later in the year. As a result, over 60 bps of rate cuts in 2024 were priced out in February.
- Jobs growth remained buoyant, with 353,000 jobs added in January, which was significantly higher than expected. Consumer price inflation in the US slowed to a higher-than-expected 3.1% year on year in January, from December's 3.4%.
- Despite this backdrop, the US high yield bond market was supported by the strong performance in US

equities on the back of solid corporate earnings and demand for stocks related to artificial intelligence (AI).

- High yield bond spreads in Europe also tightened, as demand for the asset class continued. Minutes of the European Central Bank (ECB)'s January meeting suggested officials were somewhat more positive about the inflation outlook but stressed caution over any premature rate cuts.
- Eurozone annual inflation eased to 2.8% in January from 2.9% in December, which was in line with expectations.
- All regions posted positive excess returns, with emerging market high yield bonds the strongest, followed by European high yield bonds and then US high yield bonds. There was a compression theme in both Europe and the US, with lower-quality CCC-rated bonds outperforming, followed by B-rated bonds, while higher-quality BB-rated bonds lagged.

Portfolio review

Security selection detracted from performance, while the fund's overweight credit beta position relative to the benchmark contributed positively to performance, as credit spreads tightened in February.

At the sector level, underweight positions in consumer goods and telecommunications detracted from returns,

Marketing communication

Past performance does not predict future returns.

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while an underweight position in media and overweight positions in foreign sovereigns and banks contributed positively. Security selection in real estate, financial services and transportation hurt returns, although security selection in the energy sector contributed positively. Regionally, an overweight allocation to emerging markets and an underweight position to the US were positive contributors.

At the issuer level, overweight positions in online media agency Arches Buyer, metal can packaging company Ardagh Metal Packaging, industrial firm Standard Industries and air cargo company Air Transport Services Group detracted from performance.

More positively, some of our emerging market issues contributed positively to relative performance. This included sovereign bonds in Egypt and Ivory Coast, as well as not holding corporate securities like energy firm Pemex. Egypt's sovereign bonds rallied sharply following the news of the country signing an agreement with the United Arab Emirates to develop a peninsula west of Alexandria, a project expected to bring in significant investment. Elsewhere, manufacturing firm Chart Industries, where we hold a convertible bond, also added to returns after its share price rose significantly during the month.

We have since taken profit on this position. Overweight positions in Victra, which is an authorised retailer of Verizon products and services, and luxury hotel and casino Wynn Macau, contributed positively to performance. An overweight position in UK housebuilder Miller Homes also added to returns, with the company benefiting from the improving interest rate environment.

Manager outlook

Global disinflation, resilient US economic growth, and expectations of lower interest rates have coincided with a diminished risk of a shock to corporate earnings and a slightly better outlook for access to capital. Positives for

credit include attractive all-in yields, increasing diversification benefits vis-à-vis equities as inflation falls, and the prospect of cash in money market funds shifting into bonds. However, expectations around interest rate cuts were pushed back further in February, once again highlighting the rates volatility we can expect this year and the possibility of spill-over into spread markets.

New deal activity was subdued in February, although demand remained very strong, particularly in the European high yield bond market. This continues to be a positive technical for the asset class. However, as we navigate expectations around interest rate cuts and an approaching maturity wall, we remain cautious on companies with increasing leverage and lower interest rate coverage ratios but positive on companies that continue to have reasonably good interest cover ratios and strong free cash flow measures.

The deterioration in credit ratios is mild. However, default rates seem likely to peak at relatively low levels, with a slightly higher default rate in the US given it has a lower-quality high yield bond market than Europe. Distress is concentrated in the real estate, telecommunications, media and pharmaceutical sectors. Shifting work habits, debt loads and higher financing costs explain the problems in real estate, whereas the media sector has been struggling from weakness in cable operators and a general softening in advertising.

In this macroeconomic and credit environment, where trajectory is uncertain and tail risks significant, we continue to draw on the expertise of our credit research team to select what we see as attractively priced, high-quality issues while also managing upside potential and downside risks in the portfolio. We feel a discriminating approach to security selection, combined with nimbleness in adding or removing risk from the portfolio, will be key to deliver attractive risk-adjusted returns.

Performance (%)

Returns	Cumulative				Annualised			
	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	
A2 USD (Net) with sales charge	-4.62	-0.44	-3.88	4.21	-2.94	1.61	3.55	
Index	0.48	4.42	0.92	11.05	1.12	3.72	4.36	
Sector	0.17	3.76	0.37	9.71	0.29	2.70	2.48	
A2 USD (Net)	0.40	4.80	1.18	9.69	-1.27	2.65	4.08	
Calendar year	2023	2022	2021	2020	2019			
A2 USD (Net)	11.13	-14.61	0.41	6.17	17.96			
Index	12.97	-11.38	3.04	6.48	14.54			
Sector	11.68	-11.67	2.43	5.33	12.41			

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. 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.**

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.

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Fund details

Inception date	19 November 2013
Total net assets	\$896.41m
Asset class	Fixed Income
Domicile	Luxembourg
Structure	SICAV
Base currency	USD
Index	ICE BofA Global High Yield Constrained Index (100% Hedged)
Morningstar sector	Global High Yield 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.

Investment objective

The Fund aims to provide an income with the potential for capital growth over the long term. The Fund invests at least 80% of its assets in high yield (non-investment grade, equivalent to BB+ rated or lower) corporate bonds, in any country. The Fund may invest up to 20% of its net assets in contingent convertible bonds (CoCos).

Fund specific risks

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. High yielding (non-investment grade) bonds are more speculative and more sensitive to adverse changes in market conditions. 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. 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. 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. 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. Emerging markets expose the Fund to higher volatility and greater risk of loss than developed markets; they are susceptible to adverse political and economic events, and may be less well regulated with less robust custody and settlement procedures. 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. The Fund may incur a higher level of transaction costs as a result of investing in less actively traded or less developed markets compared to a fund that invests in more active/developed markets.

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

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