

## HIGH-YIELD FUND

A: JHYAX C: JDHCX I: JHYFX N: JHYNX R: JHYRX S: JDHYX T: JAHYX

### At a glance

#### Performance

The Fund returned 6.86% and the Bloomberg U.S. Corporate High Yield Bond Index returned 7.16%.

#### Contributors/detractors

Security selection within high-yield corporates contributed, as did an allocation to common stock. Small allocations to investment-grade corporates and asset-backed securities detracted.

#### Outlook

We believe that attractive yields should continue to drive strong investor demand for the high-yield sector.

### Portfolio management



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Brent Olson



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### Investment environment

- The U.S. high-yield market posted a strong quarterly return, driven by the sharp decline in interest rates and the narrowing in credit spreads.
- Markets benefited from the Federal Reserve's (Fed) dovish pivot at its December meeting. The central bank continued to hold rates steady following its last hike in July and guided toward the potential for multiple rate cuts in 2024. With still relatively robust gross domestic product (GDP) growth and low unemployment, the Fed now expects a soft landing scenario for the U.S. economy.
- November jobs growth exceeded expectations (199,000 vs. 190,000 estimate) and the unemployment rate ticked back down to 3.7%. November annualized inflation was down 0.1% to 3.1% and continues to move toward the Fed's target.
- The yield on the 5-year U.S. Treasury ended the quarter at 3.85%, versus 4.60% at the end of the third quarter. Corporate high-yield credit spreads tightened 71 basis points (bps) to close at 323 bps, as investors priced in the end of the rate tightening cycle.

### Portfolio review

High-yield credit spreads narrowed significantly on the back of the Fed's dovish pivot and expectations that the U.S.

economy may avert a recession. While high-yield bonds delivered strong excess returns in the quarter, valuations are now pricing in a favorable outlook. Notwithstanding, we continue to believe the yields available are attractive and may drive strong investor demand.

We maintained our overweight allocation to the BB and B rated segments, and this contributed as higher-quality issuers benefited from falling rates. Additionally, the high-yield market continues to look attractive from a technical standpoint, as supply remains moderate by historical standards. The high-yield universe is expected to shrink again in 2024, due in part to a number of rising stars moving into the investment-grade universe, as well as a limited new issuance calendar.

At an industry level, our allocations to technology and leisure contributed, while packaging and metals and mining detracted. On an individual issuer basis, Carnival Corp. (CCL) contributed. Carnival bonds typically trade with a high beta, resulting in relative outperformance in a quarter where spreads tightened. The cruise industry continues to see a rebound in demand, while Holland America Line (a division of CCL) set a new Black Friday record for bookings in the US with 20% growth year over year.

Individual detractors included Ard Finance and First Quantum Minerals. Packaging company Ard Finance detracted on the back of lower volumes and a set of financial results that failed to meet market expectations. First Quantum was impacted after Panama's top court ruled in

November that the government contract to operate the Cobre Panama mine was unconstitutional and too favorable to First Quantum. The company subsequently was ordered to suspend production at the mine.

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

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.

From a credit spread risk perspective, we maintain a cautiously optimistic outlook. While corporate high-yield spreads currently trade tighter than their 10-year averages, corporates continue to exhibit stronger fundamentals than we have typically seen this late in the cycle. We would expect some spread widening if economic conditions deteriorate, yet high-yield spread levels are supported by several mitigating factors: the somewhat lower expected default rate relative to prior periods of credit stress (around 4%); the higher quality of the Bloomberg US Corporate High Yield Bond Index versus history (BB rated issuers now make up almost 50% of this index); and the limited new issuance calendar.

## High-Yield Fund (as of 12/31/23)

### Performance - USD (%)

Returns	Cumulative			Annualized			
	4Q23	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception (12/29/95)
Class I Shares	6.86	11.77	11.77	0.19	4.18	3.60	6.53
Class T Shares	6.69	11.48	11.48	0.01	4.01	3.44	6.44
Class N Shares	6.75	11.73	11.73	0.28	4.25	3.68	6.55
Class A Shares @ NAV	6.66	11.53	11.53	-0.06	3.89	3.31	6.36
Class A Shares @ MOP	1.60	6.23	6.23	-1.67	2.88	2.81	6.17
Bloomberg U.S. Corporate High Yield Bond Index	7.16	13.44	13.44	1.98	5.37	4.60	6.55

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](http://janushenderson.com/performance).

Maximum Offering Price (MOP) returns include the maximum sales charge of 4.75%. Net Asset Value (NAV) returns exclude this charge, which would have reduced returns.

### Expense Ratios (% as of most recent prospectus)

Class I: Gross 0.76, Net 0.74 Class T: Gross 0.90, Net 0.88 Class N: Gross 0.65, Net 0.63 Class A: Gross 1.01, Net 0.98

Net expense ratios reflect the expense waiver, if any, contractually agreed to for at least a one-year period commencing on October 27, 2023. This contractual waiver may be terminated or modified only at the discretion of the Board of Trustees.

Not all Funds and Share classes may be available. Please consult your financial professional.

### Portfolio

Top Holdings (%)	Fund
Carnival Corp 6.00 05/01/2029	2.77
Medline Borrower LP 5.25 10/01/2029	1.88
Iron Mountain Inc 5.25 07/15/2030	1.68
Seagate Technology Holdings PL 9.63 12/01/2032	1.57
Standard Industries Inc/NJ 3.38 01/15/2031	1.53
Cargo Aircraft Management Inc 4.75 02/01/2028	1.50
FTAI Infra Escrow Holdings LLC 10.50 06/01/2027	1.50
Organon & Co / Organon Foreign Debt Co-Issuer BV 5.13 04/30/2031	1.44
PennyMac Financial Services Inc 5.75 09/15/2031	1.44
TransDigm Inc 4.88 05/01/2029	1.29
<b>Total</b>	<b>16.60</b>

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### Definitions

Basis point (bp) equals 1/100 of a percentage point. 1 bp = 0.01%, 100 bps = 1%.

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.

Credit quality ratings reflect the middle rating received from Moody's, Standard & Poor's, and Fitch, where all three agencies have provided a rating. If only two agencies rate a security, the lowest rating is used. If only one agency rates a security, that rating is used. Ratings are measured on a scale that ranges from AAA (highest) to D (lowest).

A rising star is a bond that is rated as a junk bond but could become investment grade because of improvements in the issuing company's credit quality.

5-year Treasury Yield is the interest rate on U.S. Treasury bonds that will mature five years from the date of purchase.

Distribution Yield is calculated by annualizing actual dividends distributed for the monthly period ended on the date shown and dividing by the net asset value on the last business day for the same period. The yield does not include long- or short-term capital gains distributions.

Diversification neither assures a profit nor eliminates the risk of experiencing investment losses.

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.

Quantitative Tightening (QT) is a government monetary policy occasionally used to decrease the money supply by either selling government securities or letting them mature and removing them from its cash balances.

Beta measures the volatility of a security or portfolio relative to an index. Less than one means lower volatility than the index; more than one means greater volatility.

**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](http://janushenderson.com/info). Read it carefully before you invest or send money.**

Performance for Class A and I Shares that includes periods prior to 7/6/09 and for Class N Shares that includes periods prior to 5/31/12 reflects the performance of one or more share classes of the Fund or a predecessor fund, adjusted, where applicable and permitted, for differing fees and expenses. See the Fund's prospectus for further details.

Returns include reinvestment of dividends and capital gains.

Discussion is based on the performance of Class I Shares.

The opinions are as of 12/31/23, 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.**

**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.

**High-yield or "junk" bonds** involve a greater risk of default and price volatility and can experience sudden and sharp price swings.

**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.

**Short sales** are speculative transactions with potentially unlimited losses, and the use of leverage can magnify the effect of losses.

**Environmental, Social, and Governance ("ESG")** factors are integrated into the investment process by focusing on those ESG factors considered most likely to have a material impact on the financial performance of the issuers. ESG factors are one of many considerations in the investment decision-making process and may not be determinative in deciding to include or exclude an investment.

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

**Bloomberg U.S. Corporate High Yield Bond Index** measures the US dollar-denominated, high yield, fixed-rate corporate bond market.

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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