HORIZON EURO CORPORATE BOND FUND

At a glance

Performance*
The Fund returned -1.01%, the Index returned -0.92% and the Sector returned -0.76%.

Contributors/detractors
The fund's overweight duration position was the main detractor to performance, while security selection contributed positively.

Outlook
While sentiment has improved, we maintain our cautious view on the economy and focus on high-quality issuers with strong liquidity and balance sheets.

Portfolio management

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Investment environment

- European investment grade credit delivered a negative total return in February. However, excess returns (versus equivalent government debt) were positive, as underlying government bond yields rose (and prices fell) and European investment grade credit spreads tightened.
- Government bank messaging led investors to push out their rate cut expectations to the second half of 2024. In Germany, the yield on the 10-year bund rose 25 basis points (bps) to 2.41% while the US 10-year bond yield rose 34 bps to 4.25%.
- Investment grade credit was more resilient, supported by marginal improvements in local macroeconomic data and the US economy's continued defiance of slowdown expectations.
- Minutes from the European Central Bank (ECB)'s January meeting suggested officials were more positive about inflation returning to more benign levels but stressed caution over any premature rate cuts.
- The euro area annual inflation rate eased to 2.6% in February, from 2.8% in January. There were also signs of an improvement in business activity with the services purchasing managers' index (PMI) rising to 50.2 in February from 48.4 in January (any reading above 50 indicates growth while a reading below 50 indicates contraction). By contrast, the manufacturing PMI contracted over February.
- Euro investment grade credit spreads (the difference between the yield of a corporate bond over the equivalent government bond) tightened by 10 bps over the month, ahead of both sterling and US dollar investment grade credit.
- At the sector level, financial issues outperformed non-financials, with spreads in the real estate sector tightening the most and banks lagging. Subordinated debt spreads tightened more than senior issues. Moves were more subdued within non-financials and basic resources saw the largest spread tightening while credit spreads among health care issues widened.
- Euro investment grade bond gross supply amounted to €66.7 billion and was €20.1 billion net of maturities in February.

Marketing communication
For professional 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.

Portfolio review

The main performance detractor was the fund's marginal long duration (interest rate risk) position, which weighed on relative returns as government bond prices fell over the month. Both sector allocation and security selection, in particular, contributed to relative returns.

The fund's underweight exposure to health care and above-market allocation to real estate was constructive, and this more than offset the overweight position in banks, which were relatively weak over the month. Conversely, security selection in banks was a key driver of returns.

With regards to individual contributors, Athora was among the best contributors following the news that the Dutch insurer was in initial talks over a potential acquisition. Within banks, Oldenburgische Landesbank and Credit Mutuel Arkea performed well. Meanwhile, improving conditions in the real estate space, such as better access to capital and optimism that interest rates have peaked, led to VGP, Sadax and Blackstone continuing to deliver strong returns and contributing to the fund's performance.

Conversely, the fund's overweight position in Teleperformance, a French professional services company, detracted from returns over concerns that its call centre business would be vulnerable to developments in artificial intelligence (AI), executed by one of its key competitors. Elsewhere, Germany's Hamburg Commercial Bank was dragged down by a surge in non-performing loans linked to commercial property.

We added a little more credit beta through taking advantage of credit spread widening at the end of the month. Having said that, we added to the more defensive sectors, mainly through new issues in favoured issuers that came to market at what we felt were attractive valuations. New names included Coca Cola Hellenic Bottling, Israel's Teva Pharmaceuticals and Castellum, a Swedish real estate business.

Conversely, we further reduced the fund's overweight exposure to banks. While this position has worked very well for the fund over the last few months, we are cognisant that bank credit spreads are often vulnerable in weaker periods for financial markets. We also sold names that had performed well and now look richly valued, such as Nestle, Swiss Bank UBS and Spanish energy group Iberdrola.

Manager outlook

Global disinflation, resilient US growth, and expectations of lower 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.

Supply remained elevated in February and was again met with positive demand, suggesting technicals remain solid for the asset class. However, as we navigate expectations around interest rate cuts and an approaching maturity wall, we remain cautious on the 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 resilience of investment grade credit has been surprising, and we do feel spreads have the potential to tighten a little more. We remain positive on banking debt as elevated interest rates should continue to support profitability. However, we are becoming more cautious on valuations and as a result we trimmed the fund's overweight position via names that we felt were trading at high valuations.

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 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	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year
	Cumulative				Annualised		
A2 EUR (Net)	-1.01	1.60	-1.20	5.92	-3.83	-0.94	0.63
Index	-0.92	1.91	-0.83	6.60	-2.76	-0.47	1.05
Sector	-0.76	2.01	-0.68	6.19	-2.57	-0.52	0.76
A2 EUR (Gross)	—	—	—	—	—	0.22	1.82
Target	—	—	—	—	—	1.03	2.57

Calendar year	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A2 EUR (Net)	7.82	-16.11	-1.46	3.84	6.38	-1.47	2.78	4.15	-1.71	7.65
Index	8.19	-14.17	-1.08	2.73	6.29	-1.30	2.38	4.73	-0.66	8.24
Sector	7.77	-13.37	-1.02	2.17	5.61	-2.24	2.47	4.06	-0.45	6.84

Performance is on a net of fees basis, with gross income reinvested. Source: at 29/02/24. **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. Performance target: To outperform the iBOXX Euro Corporates Index by 1.5% 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	18 December 2009
Total net assets	1.29bn
Asset class	Fixed Income
Domicile	Luxembourg
Structure	SICAV
Base currency	EUR
Index	iBOXX Euro Corporates Index
Morningstar sector	EUR Corporate 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 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 at least 80% of its assets in investment grade corporate bonds and other types of investment grade bonds, denominated in Euros. The Fund may invest up to 20% of its net assets in total return swaps, and may invest in contingent convertible bonds (CoCos); and/or asset-backed and mortgage-backed securities. The Fund may also invest in other assets including bonds of other types from any issuer (including perpetual bonds), 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 with reference to the iBOXX Euro Corporates 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 Investment Manager 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 Investment Manager seeks to provide a total return in excess of that generated by the benchmark over a market cycle by investing primarily in Euro denominated investment grade rated corporate bonds. The investment process combines asset allocation views with rigorous fundamentally driven security selection from the credit analysts.

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. 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.

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Janus Henderson INVESTORS

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

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