Janus Henderson INVESTORS

ABSOLUTE RETURN INCOME OPPORTUNITIES FUND

At a glance

Performance*
The Fund returned 2.73%, the Index returned 1.41% and the Sector returned 7.57%.

Contributors/detractors
Gains were largely the result of the income generated by shorter-dated corporate holdings. Our interest rate hedges generated modestly negative returns.

Outlook
We believe interest rates will remain "elevated for longer" and that a policy pivot by global central banks is unlikely in the absence of a material economic contraction.

Portfolio management

Jason England

Daniel Siluk

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Investment environment

- Global bonds generated negative returns during the quarter with corporates outperforming US Treasuries and other sovereign debt.
- Economic data remained resilient in the US and the Federal Reserve (Fed) raised interest rates in July before taking another "pause" in September.
- Global investment grade and high yield credit spreads ended the quarter tighter as investor risk appetite rose due to resilient US economic data and moderating inflation.

Portfolio review

We seek to provide long-term positive returns and preserve capital through various market environments by managing portfolio duration - which measures a bond price's sensitivity to changes in interest rates - credit risk and volatility.

We seek to generate consistent returns by focusing on higher-quality, shorter-dated credits that tend to offer attractive income streams - or carry - as they near maturity. The fund's interest rate exposure was the primary detractor from performance during the quarter as our cautious duration positioning meant yields fell short of what was generated in the broader market. Carry on the fund's core of shorter-duration corporate credits contributed positively to fund returns. Given continued interest rate volatility, we deployed securities with the aim of dampening the impact of future rate swings. These generated modestly negative returns during the period.

With the Fed likely nearing the end of its rate-hiking cycle, and other central banks possibly not far behind in the face of a slowing economy, we maintained the fund's duration within a neutral range. Duration finished the period at 1.45 years. By keeping duration within the current range, we are able to capture a higher level of yield while remaining conservatively positioned should declines in consumer prices unexpectedly stall or nominal rates continue to march higher.

Manager outlook

Having studied the painful lessons from a generation ago of pivoting on monetary policy too early, Chairman Powell reiterated in September that an additional rate hike remains on the table should inflation's downward path not meet the central bank's expectations.

Although the headline year-over-year personal consumption expenditure price index has fallen to 3.3%, and its core component to 4.2%, other more granular measures are likely providing ammunition to the Fed's hawkish camp. Rate increases are typically effective in lowering inflation insofar as they act as a headwind to economic growth.

Yet, with the Fed's own median projection for 2023 gross domestic product (GDP) growth having been adjusted upward from 1.0% to a much healthier 2.1%, it shows that the long and variable lags of monetary policy may be longer and more variable this time around. We do not think

*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.

the Fed will take the risk that existing cuts will be sufficient. While the elusive 'soft landing' may be possible this cycle, the hawks are unlikely to rest on their laurels.

Markets by nature are forward looking, and anticipating inflection points in rate regimes and the economic cycle presents opportunities to harvest excess returns. We are not yet at such a point. We believe there are too many variables at play, including continued labour market tightness and notable geopolitical risks.

As seen by the yield on the 2-year Treasury sitting above 5.0%, the market has come to terms with a Fed that is laser-focused on ending this bout of inflation. But with the end of hikes likely on the horizon, shorter-dated bonds present attractive opportunities for yield that did not exist two years ago. We think investors will not need a pivot to generate returns at these points on the curve, as we believe “elevated for longer” interest rates, regardless of the end level, is the order of the day.

Performance (%)

Returns	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Since inception (29/09/14)
	Cumulative				Annualised			
A2 USD (Net)	1.21	2.73	6.55	6.55	1.25	1.86	—	0.94
Index	0.47	1.41	5.26	5.26	2.25	1.91	—	1.35
Sector	3.44	7.57	8.10	8.10	-2.57	1.16	—	0.67
A2 USD (Gross)	—	—	—	—	—	3.07	—	2.52
Target	—	—	—	—	—	4.97	—	4.40

Calendar year	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014 from 29 Sep
A2 USD (Net)	6.55	-2.01	-0.57	2.64	2.92	-3.68	1.98	3.69	-2.50	0.10
Index	5.26	1.50	0.05	0.58	2.25	1.86	0.84	0.27	0.03	0.00
Sector	8.10	-11.69	-3.12	7.98	6.10	-5.98	8.93	3.63	-4.18	-1.27

Performance is on a net of fees basis, with gross income reinvested. Source: at 31/12/23. **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.

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).
Performance target: To outperform the FTSE 3-Month US Treasury Bill Index by at least 3% 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	29 September 2014
Total net assets	31.74m
Asset class	Fixed Income
Domicile	Ireland
Structure	Irish Investment Company
Base currency	USD
Index	FTSE 3-Month US Treasury Bill Index
Morningstar sector	Global Flexible Bond

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. 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. 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. From 18 February 2020, the benchmark changed from 3 Month Libor to FTSE 3-Month US Treasury Bill Index. Bond credit quality ratings provided by S&P. Past performance shown before 18 February 2020 was achieved under circumstances that no longer apply. 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. 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. 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.

Investment policy

The Fund invests at least 80% of its assets in a global portfolio of bonds of any quality, including high yield/non-investment grade and unrated bonds, issued by companies or governments, asset-backed and mortgage backed securities. The Fund may also invest in other assets including cash and money market instruments. In certain market conditions, the Fund may invest more than 35% of its assets in government bonds issued by any one body. The investment manager makes extensive use of 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 FTSE 3-Month US Treasury Bill Index as this forms the basis of the Fund's performance target. The investment manager has a high degree of freedom to choose individual investments for the Fund.

Investment strategy

The investment manager constructs a portfolio around a core of shorter maturity, global investment grade bonds seeking to generate yield above cash, and by applying secular and opportunistic views across countries, currencies and sectors to enhance return and mitigate downside risk. The investment manager will seek to manage the portfolio through the various market environments using a variety of strategies, including (but not limited to) adjusting the overall credit exposure, credit quality, and interest rate duration of the portfolio and the allocation to cash.

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. 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. 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. 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. Callable debt securities, such as some asset-backed or mortgage-backed securities (ABS/MBS), give issuers the right to repay capital before the maturity date 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. 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. 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.

Source: Janus Henderson Investors, as at 31 December 2023, unless otherwise noted.

ESG integration is the practice of incorporating material environmental, social and governance (ESG) information or insights in a non-binding manner alongside traditional measures into the investment decision process to improve long term financial outcomes of portfolios. This product does not pursue a sustainable investment strategy or have a sustainable investment objective or otherwise take ESG factors into account in a binding manner. ESG related research is one of many factors considered within the investment process and in this material we seek to show why it is financially relevant. **For US Professionals servicing non-US persons.** All content in this document is for information or general use only and is not specific to any individual client requirements. Issued in: (a) Europe by Janus Henderson Investors International Limited ("JHIIL"); authorised and regulated in the U.K by the