

Janus Henderson Horizon Emerging Market Corporate Bond Fund

Q3 2022

Marketing communication - For US Financial Professionals servicing non-US persons
Past performance does not predict future returns

Fund Managers Names

Herve Biancotto, Ales Koutny, CFA

Investment Environment

The third quarter saw a continuation of adverse global macro dynamics which impacted emerging markets. Global liquidity continued to tighten due to the combination of the higher US dollar, which was up 5.4% on a trade-weighted basis, and higher US Treasury yields, as the US 2-year yield rose 132 basis points (bps). Volatility in the US Treasury market also remained elevated. Risk assets rallied across the board at the end of July and beginning of August as markets anticipated a potential pivot from the US Federal Reserve (Fed). However, Fed representatives consecutively came out and reiterated the central bank's hawkish stance, putting inflation at the centre stage of its dual mandate.

Meanwhile, China rolled out a series of measures to support the country's real estate sector, asking banks to extend loans to developers. Developers were also allowed to raise onshore funding through a state-guarantee scheme. Overall, these measures have failed to prop up investor confidence in the sector. Despite an increase in infrastructure investments, activity in China also struggled to rebound substantially due to the adverse impact of its zero-Covid policy.

The JP Morgan Corporate Emerging Market Index (CEMBI) returned -2.6%, outperforming its sovereign counterpart. The high yield bond component of CEMBI outperformed the investment grade bond part, respectively returning -1.5% and -3.5%. Flows were largely adverse across the quarter with around \$20 billion leaving emerging market bonds, while at the same time the primary markets were mostly shut (bar some investment grade deals).

Portfolio Review

The fund underperformed its benchmark.

Despite taking the opportunity to sell down some risk into the market strength in July and August, the continued underperformance of Chinese real estate - which spread out to higher-quality credits - was the main culprit for the fund's underperformance. In particular Cifi, one of a few selected developers than benefited from government support through guaranteeing some onshore financing, missed its payment on a trust financing vehicle. This sent it down to distressed levels. The fund's allocation to investment grade bonds, which is largely in line with the benchmark, also contributed negatively to performance.

On the positive side, the fund's underweight position in Macau casino operators helped fund performance. Similarly, the underweight position in financials contributed positively. The fund is both short spread and short duration while at the end of the quarter the cash level remained high.

Manager Outlook

The Fed has signalled that it will maintain its hawkish stance as long as inflation remains elevated. It also announced it is ready to accept a higher unemployment rate to tame demand. Given that US economic growth has not weakened substantially yet - despite forward-looking activity indicators pointing to a sharp decline - inflows into the US dollar are likely to remain strong. This would be a headwind for emerging market assets.

As global activity slows down, we intend to retain an underweight risk position across the board, favouring higher-quality companies (investment grade) and short duration exposure. Asia ex China, along with the Middle East, still offer a buffer when compared to countries with a higher beta. In China, the communist party conference may put common prosperity at centre stage again, which could be detrimental to the private sector. However, we expect a gradual loosening of the zero-Covid policy, which we think should be transformed into a targeted version rather than a central policy. The net effect may be positive, but the magnitude of the recovery is likely to underwhelm, even if some more stimulus is likely to be announced after the Communist Party congress in October. We maintain the fund's underweight position to China as we think confidence is unlikely to return, and as external refinancing channels for most corporates remains shut.

Source: Janus Henderson Investors, as at 30 September 2022

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Fund information (Investment policy is on the next page)

Index	JP Morgan Corporate Emerging Market Bond Index (CEMBI) Broad Diversified
Morningstar Sector	Europe OE Global Emerging Markets Corporate Bond
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 JP Morgan Corporate Emerging Market Bond Index (CEMBI) Broad Diversified by 1.5% per annum, before the deduction of charges, over any 5 year period.

Performance in (USD)

Performance %	A2 (Net)	Index	Sector	A2 (Gross)	Target (Gross)
1 month	-4.4	-3.8	-4.8	-	-
YTD	-17.2	-16.2	-18.7	-	-
1 year	-19.8	-16.7	-20.2	-	-
3 years (annualised)	-4.0	-2.5	-4.1	-	-
5 years (annualised)	-1.5	0.3	-1.4	-0.2	1.8
Since inception 05 Nov 2014 (annualised)	1.2	2.2	0.6	2.6	3.7

Source: at 30 Sep 2022. © 2022 Morningstar. All rights reserved, performance is with gross income reinvested. Performance/performance target related data will display only where relevant to the share class inception date and annualised target time period.

Calendar year returns %	A2 (Net)	Index	Sector
2022 to 30 Sep 2022	-17.2	-16.2	-18.7
2021	-3.3	0.9	-1.4
2020	7.7	7.1	7.2
2019	11.1	13.1	12.1
2018	-3.9	-1.6	-4.1
2017	8.3	8.0	9.8
2016	7.2	9.7	9.7
2015	3.7	1.3	-2.0
2014 from 05 Nov 2014	-1.0	-2.0	-3.9
2013	-	-	-
2012	-	-	-

Source: at 30 Sep 2022. © 2022 Morningstar. All rights reserved, performance is with gross income reinvested. Discrete performance data may change due to final dividend information being received after quarter end.

Investment into the fund will acquire units/shares of the fund itself and not the underlying assets owned by the fund.

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.

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 <http://www.janushenderson.com>.

Source for target returns (where applicable) – Janus Henderson. 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 are detailed on the specific KIID, fees and charges may vary and further information can be found in the fund's prospectus and KIID which must be reviewed before investing. Please consult your local sales representative if you have any further queries.

From 15 April 2022 Jennifer James no longer manages this fund. Ales Koutrny now co-manages this fund. From 18 March 2020 the Fund changed its investment policy. Past performance shown before 18 March 2020 was achieved under circumstances that no longer apply.

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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.

Janus Henderson Horizon Emerging Market Corporate Bond Fund

What are the risks specific to this fund?

- 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 hedged share/unit class, seeks to mitigate exchange rate movements of a currency relative to the base currency, the hedging strategy itself may create a positive or negative impact to the value of the Fund due to differences in short-term interest rates between the currencies.
- The Fund may invest in contingent convertible bonds (CoCos), which 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 of the issuer or to be partly or wholly written off.
- 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.
- The Fund may invest in onshore bonds via Bond Connect. This may introduce additional risks including operational, regulatory, liquidity and settlement risks.
- 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. This risk is generally greater the longer the maturity of a bond investment.
- 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 towards the aim of achieving its investment objective. This can result in 'leverage', which can magnify an investment outcome and gains or losses to the Fund may 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'), 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 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. These transaction costs are in addition to the Fund's Ongoing Charges.

General risks

- 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.
- Tax assumptions and reliefs depend upon an investor's particular circumstances and may be subject to change.

Investment Policy

The Fund invests at least 70% of its assets in bonds of any quality, including high yield (non-investment grade) bonds in emerging markets. The Fund may invest up to 20% of its net assets in contingent convertible bonds (CoCos); asset-backed and mortgage-backed securities; distressed debt; and/or China onshore bonds traded through Bond Connect.

Where investments are made in assets in currencies other than the base currency of the Fund, the Fund will seek to hedge those assets back to the base currency to remove the risk of currency exchange rate movements.

The Fund may also invest in other assets including bonds of other types (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 JP Morgan Corporate Emerging Market Bond Index (CEMBI) Broad Diversified, 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.

Janus Henderson Horizon Emerging Market Corporate Bond Fund

For further information on the Luxembourg-domiciled Janus Henderson fund range please contact sales.support@janushenderson.com or visit our website: www.janushenderson.com.

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The information in this commentary does not qualify as an investment recommendation.

Important information

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.

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