

GLOBAL INVESTMENT GRADE BOND FUND

At a glance

Performance*

The Fund returned -2.56%, the Index returned -2.10% and the Sector returned -2.20%.

Contributors/detractors

The fund's overweight duration position relative to the benchmark detracted, as yields rose.

Outlook

Following recent spread widening, we have increased credit risk because we believe valuations look somewhat more compelling and remain supported by sound corporate fundamentals.

Portfolio management



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Investment environment

- Global investment grade credit delivered negative total returns in September, dragged down in particular by weakness in government bonds.
- Higher energy prices and persistent geopolitical tensions fuelled concerns about inflation and reinforced expectations of a higher-for-longer interest-rate environment.
- The US Federal Reserve (Fed) and the European Central Bank (ECB) both raised interest rates by 25 basis points (bps) during the month.
- Although spreads widened across investment grade corporate bonds, there was some resilience as investors remained encouraged by generally strong corporate earnings and robust economic data.
- However, rising Treasury yields, combined with heavy primary market supply mainly related to artificial intelligence (AI), created a challenging environment for lower-quality debt.
- In terms of sectors, financial bonds lagged non-financials across both US dollar-denominated and euro-denominated investment grade corporate bonds.
- By the end of September, the yield on the 10-year US Treasury had risen by 53 bps to 5.28% (meaning

prices fell), the yield on the 10-year German Bund had risen by 26 bps to 3.59%, and the 10-year UK gilt yield had risen by 36 bps to 5.42%.

Portfolio review

The fund's small long duration position relative to the benchmark was the main detractor, given the sell-off across government bond markets. Security selection also worked against us. Although bank holdings delivered strong contributions, these were outweighed by selections in energy and consumer cyclical issuers, which are typically higher-beta credits. Elsewhere, widening credit spreads weighed on the fund's overweight credit beta exposure, while sector allocation had a broadly neutral-to-negative effect on performance. The positive effect of the small overweight position in banking was offset by the below-benchmark allocation to electric utilities.

The selective exposure to lower-rated, higher-beta issues also detracted from performance. Harrow came under additional pressure as investors grew concerned about the healthcare company's leverage in a higher-interest-rate environment. Sub-investment-grade technology firms CoreWeave and Roblox were also caught up in the sell-off and faced concerns about issuance in this part of the market, rather than any fundamental development at the company level.

Marketing communication

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*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.

On the positive side, Japan's SoftBank was among the strongest contributors after investors responded favourably to a record-breaking new issue, offered at yields we considered particularly attractive, to fund its stake in OpenAI and other AI investments.

Following the recent widening in spreads, we increased credit beta exposure to a modest overweight position, having previously reduced risk when spreads were very tight and the prospect of further rate increases was rising. We took advantage of the buoyant new-issue market to add exposure in areas where we saw value. We found particularly attractive opportunities in auto companies Renault and Volkswagen, and in healthcare group Teva, enabling us to increase exposure to segments that have not offered much value recently, but which we expect may recover. We also switched some bank exposure into insurance, including AON, which came to market at more attractive levels than we have seen for some time. Elsewhere in financials, we added Wells Fargo and bought back into Ares, a high-quality but higher-beta business development company. We also increased the position in SoftBank. In addition, we invested in several euro-denominated issues to diversify the portfolio and take advantage of the euro's recent weakness against the US dollar. Additions included French telecommunications group Orange; Teva, a Dutch pharmaceutical company; French media company Lagardère; and DP World, the Dubai-based global logistics group. We also rebalanced exposure to Roblox, CoreWeave and Shea Homes, the latter a US homebuilder, taking advantage of the sell-off in the sub-investment-grade bond market.

To accommodate these additions, we took profits from some of our UK water utility holdings, including Anglian Water and South West Water. We also took profits from some of our fintech holdings, including Experian and Wise, which had recovered from the concerns about software-as-a-service (SaaS) firms at the start of the year.

Manager outlook

The short-term outlook remains mixed. Recent weakness in government bonds and credit spreads reflects a combination of geopolitical, energy and supply-related pressures. Re-escalation in the Middle East has been an important driver, with uncertainty surrounding the Strait of Hormuz, Iranian oil exports and European gas prices adding to inflation concerns. The prospect of higher energy prices for longer has therefore reinforced expectations that central banks may have less scope to ease monetary

policy, while the recent rise in US Treasury yields has also weighed on sentiment across global credit markets.

At the same time, we believe some concerns about the US economy may be overstated. Although higher energy prices could feed through to inflation over the next three to six months, the second-order effects appear less pronounced than initially feared. The impact of higher rates may also increasingly be felt through financial markets and tighter financial conditions, rather than solely through household consumption. This could provide a more meaningful mechanism for slowing the economy as the lagged effects of recent rate increases emerge.

Primary market supply is likely to remain an important consideration. Government issuance remains substantial, while the financing requirements of the AI investment cycle continue to grow. We expect periods of heavy issuance may create opportunities for selective participation, particularly where new issue concessions are attractive.

Against this backdrop, we increased credit exposure following the recent widening in spreads, having previously reduced risk when valuations were less compelling. We continue to adjust the portfolio through security selection and relative-value switches, rather than adding risk indiscriminately. We have also been prompt in trimming or switching out of areas where recoveries have been evident. For example, we reduced the UK water utility position as the challenging political backdrop moderated, allowing valuations to better reflect underlying fundamental improvements. Similarly, we reduced some technology exposure following the recovery from concerns about SaaS companies earlier in the year. Fintech companies previously caught in the perceived "AI losers" basket have also recovered, as resilient operating performance has suggested that they may be less vulnerable to AI-driven competition than initially feared. With valuations now less compelling, we have switched towards other areas offering a more attractive risk/return profile.

We expect markets to remain sensitive to energy prices, government bond yields and the pace of new issuance, potentially creating opportunities for active security selection and relative value. Higher-beta sectors such as real estate, banking and brokerage remain more vulnerable if rates stay elevated, while technology giants have recently shown greater resilience amid the flight to quality. Overall, we remain relatively constructive on higher-quality credit and comfortable with favoured sub-investment grade issuers, while maintaining some caution around more leveraged areas of the market.

Performance (%)

Returns	Cumulative				Annualised		
	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year
A2 USD (Net)	-2.56	-3.97	-3.06	-2.28	4.84	-0.72	1.44
Index	-2.10	-3.12	-1.87	-0.96	5.42	0.42	2.16
Sector	-2.20	-3.11	-2.16	-1.34	5.08	-0.01	2.01
A2 USD (Gross)	—	—	—	—	—	0.44	2.93
Target	—	—	—	—	—	1.68	3.44

Calendar year	YTD at Q3										
	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
A2 USD (Net)	-3.06	6.44	3.37	7.13	-15.28	-1.86	11.20	11.32	-4.48	7.83	1.95
Index	-1.87	7.08	3.69	9.10	-14.11	-0.79	8.26	11.99	-3.57	9.09	4.27
Sector	-2.16	6.64	3.61	7.67	-13.86	-0.96	8.20	11.14	-1.78	6.42	5.38

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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 Bloomberg Global Aggregate Corporate Bond Hedged USD Index by 1.25% 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 October 2010
Total net assets	72.46m
Asset class	Fixed Income
Domicile	Ireland
Structure	Irish Investment Company
Base currency	USD
Index	Bloomberg Global Aggregate Corporate Bond Hedged USD Index
Morningstar sector	Global Corporate Bond - USD Hedged
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. On 31st July 2024, The Fund's investment policy changed. This is an Irish Investment Company regulated by the Central Bank of Ireland. A short-term trading fee may be applied upon exiting the fund as per the prospectus. 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 a global portfolio of investment grade (equivalent to BBB- rated or higher) bonds, of issuers located anywhere in the world, subject to a maximum of 70% exposure to US issuers. Up to 20% may be invested in developing markets. The Fund may also hold other assets including other types of bonds (including convertible bonds), preference shares, cash and money market instruments. The Sub-Investment Adviser 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 Bloomberg Global Aggregate Corporate Bond Hedged USD 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 Sub-Investment Adviser 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 Sub-Investment Adviser has a forward-looking fundamental approach to credit research and seeks to create a portfolio of best ideas across all fixed income sectors to express their high-conviction views. A fundamental company research-driven investment process focused on investment-grade corporate bonds from companies around the world committed to transforming and improving their balance sheets, free cash flow generation, quality of management and security valuation drive security selection. A dynamic 'top down' (market and economic analysis) framework enables the Sub-Investment Adviser to assess the stage of credit cycle, identify opportunities and take an appropriate amount of risk.

Fund specific risks

An issuer of a bond (or money market instrument) may become unable or unwilling to pay interest or repay capital. 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. 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. 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. seeks to mitigate exchange rate movements between the share/unit class currency and the base currency of the Fund), the value of your investment may be impacted by changes in exchange rates. Derivatives may be used to help achieve the investment objective. This can result in leverage (higher levels of debt), which can magnify an investment outcome. Gains or losses 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. 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. Securities 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 and other costs of the Fund may be taken from capital, which may erode capital or reduce potential for capital growth. Losses could be incurred if a counterparty became 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.

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INVESTORS

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