Janus Henderson INVESTORS

GLOBAL INVESTMENT GRADE BOND FUND

At a glance

Performance*
The Fund returned 2.14%, the Index returned 1.83% and the Sector returned 1.81%.

Contributors/detractors
The fund's credit beta exposure contributed, while sector allocation was flat. Security selection in communications and consumer non-cyclical contributed, while it detracted in the UK water sector.

Outlook
We have been encouraged by the resilience of credit markets. However, we are selectively taking profits and tilting towards higher-quality positions overall.

Portfolio management

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Investment environment

- Global investment grade bonds delivered positive returns over the second quarter, driven by tightening credit spreads.
- While geopolitical concerns remained, volatility receded over the quarter amid the prospect of peace in the Middle East, with the US and Iran signing an initial peace deal in mid-June. Robust US corporate earnings and renewed enthusiasm for artificial intelligence (AI) also supported sentiment.
- From a spread tightening and total return perspective, European investment grade bonds outperformed their US and sterling-denominated peers, following the de-escalation of the US/Iran conflict and the fall in energy prices.
- By contrast, the performance of global government bonds was closely correlated with developments in the Middle East, the impact on energy prices and the outlook for interest rates.
- Divergent economic trends also led to mixed performance, with the 10-year Treasury yield rising 15 basis points (bps) – meaning prices fell – to 4.47%, as investors speculated that stronger-than-expected data could lead to interest rates staying higher for longer.
- Conversely, the German 10-year bund yield fell 14 bps to 2.86%, benefiting from a weaker growth outlook, while the 10-year gilt yield fell 16 bps to 4.76%, after hitting 5% during the quarter due to domestic political uncertainty.
- Primary market issuance hit a quarterly record high, driven by AI infrastructure-related borrowing.

Portfolio review

The dynamic management of the fund's credit beta exposure was the biggest relative contributor to performance. We took profits from the long position in credit default swaps (CDS), which we tactically used to take advantage during the rush for credit risk protection. Security selection was also a strong contributor, driven by choices within communications and consumer non-cyclical. Conversely, security selection in the UK water sector detracted. Elsewhere, the fund's small overweight duration position also contributed, as much of this position was implemented in UK and European government bond markets, where yields fell overall (prices rose). Sector allocation was flat, mainly due to the overweight position in UK water utilities and sub-market exposure to banks offsetting the gains from the underweight position in the communications sector.

Within single issuers, the holding in Foundry JV, a joint venture financing a semiconductor manufacturing site for

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.

Intel, continued to benefit from the demand for AI and AI-related infrastructure and the strength of Intel's guarantee around the massive factory expansion. The recently acquired position in Yahoo also performed well as the legacy email platform posted improved corporate earnings, partly through retaining leading positions in certain digital areas. Meanwhile, digital advertiser and app monetisation platform AppLovin recovered strongly as the market shrugged off previous fears of the software-as-a-service (SaaS) sector becoming displaced by advances in AI.

Conversely, exposure to Southern Water detracted from performance. Southern Water's bonds were performing well earlier in the year, thanks to a recovery in the UK water utilities sector since concerns peaked around lack of cash flow to address ageing infrastructure, pollution and regulatory scrutiny. However, renewed political uncertainty around the future regulatory framework and potential intervention in the sector weighed on investor confidence, while spiking gilt yields reduced the relative attractiveness of long-duration, income-oriented utilities. Despite this, we remain constructive on the sector and continue to believe that policy clarity, clearer regulation, cash injections and self-help measures have reduced near-term credit risk for many investment grade water issuers.

In terms of activity, having leaned into credit risk during periods of spread widening, we progressively trimmed credit beta, taking profits across a range of issuers that had performed well in the rebound. This included longer-dated consumer non-cyclicals and select technology names, particularly those linked to AI, where strong performance had led to more demanding valuations. We retain an overweight position to technology but believe there will be further opportunities to add favoured issuers at more attractive prices given the huge capital expenditure (capex) programmes of large-cap technology and AI hyperscalers. Having bought at depressed levels, we also reduced exposure to areas such as business development companies, insurers with private credit exposure and the software services sector. We also took the opportunity to de-risk our banking and real estate holdings, where spreads had normalised.

At the same time, we remained active in the primary market, favouring high-quality issuers offering attractive new issue concessions, as well as selectively adding shorter-dated securities to manage overall risk. While overall portfolio risk was moderated, this was balanced by targeted additions to areas offering relative value. In particular, we increased exposure to more cyclical sectors such as basic industries and chemicals, where valuations remained compelling to us despite the broader recovery. We took advantage of the weakness in water utilities and added to Osprey (the holding company of Anglian Water), one of our favoured names and which has taken significant steps to improve its capital position and has a clear path to deleveraging in our opinion. We also added to the communications sector holdings and initiated positions in select idiosyncratic opportunities, including recently demerged or event-driven issuers where we see potential for spread compression.

Manager outlook

Credit markets have remained resilient despite the geopolitical upheaval and heightened uncertainty. While global investment grade spreads moved wider earlier in the year, the supply disruption and ensuing oil price spike proved less acute than originally expected, and central banks remained cautious. Credit spreads subsequently narrowed close to historically tight levels by the end of the quarter, with investors focusing on generally robust US economic data and the strong second-quarter earnings season. In addition to the de-escalation of the conflict in the Middle East, nervousness over the longer-term impacts of AI and recent weakness in private credit appears to have calmed for the time being. We expect this narrative to ebb and flow, however, particularly as we believe significant AI capex spending may continue for the remainder of this year at least.

Looking ahead, the backdrop for global investment grade credit remains broadly constructive, although spreads have returned to levels that leave little room for error. Macroeconomic conditions appear relatively benign, with the sharp fall in oil prices helping to anchor inflation expectations and reduce market volatility. At the same time, US data suggests ongoing economic strength. By contrast, we are more cautious about the prospect of European economic growth and are wary that the European Central Bank (ECB) could overtighten monetary policy given its historical bias. The prospect of further policy normalisation, including a more hawkish stance from the new US Federal Reserve leadership (contrary to previous expectations) and less accommodative settings from both the ECB and Bank of Japan, may reintroduce volatility as investors adjust to a higher-for-longer interest rate environment.

Technical factors remain supportive for now, but we continue to scrutinise the market for any indications of changes in appetite. Primary market activity has been very strong, particularly from large-cap technology and hyperscaler issuers. So far, demand for this supply has been resilient, with many issues oversubscribed.

While we remain encouraged by the resilience of the credit market and believe corporate fundamentals remain generally intact, we are mindful of taking timely profits, particularly in areas where spreads appear overly tight. Our focus has been to selectively reduce credit beta and increase our emphasis on higher-quality issuers and liquidity, supporting flexibility to navigate markets should volatility begin to creep up.

Performance (%)

Returns	Cumulative				Annualised		
	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year
A2 USD (Net)	0.36	2.14	0.95	3.82	5.54	0.09	2.04
Index	0.32	1.83	1.29	4.50	5.96	1.07	2.67
Sector	0.32	1.81	0.98	3.92	5.68	0.62	2.57
A2 USD (Gross)	—	—	—	—	—	1.26	3.55
Target	—	—	—	—	—	2.34	3.96

Calendar year	YTD at Q2 2026	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
A2 USD (Net)	0.95	6.44	3.37	7.13	-15.28	-1.86	11.20	11.32	-4.48	7.83	1.95
Index	1.29	7.08	3.69	9.10	-14.11	-0.79	8.26	11.99	-3.57	9.09	4.27
Sector	0.98	6.64	3.61	7.67	-13.86	-0.96	8.20	11.14	-1.78	6.42	5.38

Performance is on a net of fees basis, with gross income reinvested. Source: at 30/06/26. © 2026 Morningstar, Inc. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. **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 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	84.59m
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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