

Janus Henderson Absolute Return Income Fund

September 2020

For promotional purposes
For professional investors only

Fund Managers Names

Nick Maroutsos, Daniel Siluk, Jason England

Market environment

Global bond markets lost modest ground in September as spreads between their yields and those on their risk-free benchmarks widened due, in part, to fears of additional economic pain caused by the still uncontained COVID-19 pandemic. While yields on 10-year US Treasuries fell slightly, those on the Australian 10-year note fell precipitously as future growth concerns presented an acute risk.

Performance summary

The fund (A2 USD shareclass) performed in line with its benchmark, the FTSE 3-month US Treasury Bill Index.

Portfolio discussion

We seek to generate consistent returns by focusing on higher-quality, shorter-dated credits that tend to offer attractive carry as they near maturity. The fund's core holdings modestly detracted from results as spread widening offset the income generated by its credit holdings. Given the uptick in risk aversion, securities employed against credit default slightly contributed to returns. Also contributing was a position constructed to benefit from falling interest rates in Australia. Other positions used to hedge overall portfolio interest rate exposure modestly detracted from performance.

We continue to closely monitor markets for signs of additional volatility. With central banks' commitment to accommodation and scant evidence of inflation, we have methodically raised the fund's overall duration over the past few months to 1.80 by the end of September. We believe this is sufficiently conservative to account for our concerns surrounding long-term growth, corporate profitability and the effects of continued pandemic-related shutdowns.

Manager outlook

Due to continued concerns about additional market and political turmoil, we expect to maintain conservative risk exposures. Penalty rates for holding cash have become too painful, and we have invested our excess cash into short-term commercial paper. While these securities might be unlikely to benefit from price increases as a result of market rallies, we believe the fund's potential for yield generation remains attractive. Furthermore, we believe this positioning can help protect the fund against additional market volatility, which is a scenario we cannot rule out. Given this view, we expect to continue to take steps to help protect the fund against credit defaults as well as hold duration in the 1.6- to 2.0-year range. We also remain concerned that a longer than anticipated lockdown could stress corporate solvencies even further. We will await further information before materially increasing risk positions.

While we remain biased for lower short-term rates, they seem to have already been priced in and we have little conviction in the overall direction of interest rates or equities. While market talk of negative US rates is premature, low short-term rates look a given for the next 12 to 18 months. We are not believers in the consensus view that a steeper yield curve on the back of massive deficits and record Treasury issuance is imminent. Lessons from Japan and Europe demonstrate that longer-term deflation risk combined with central bank purchases can override supply concerns.

While market liquidity has improved, we still remain biased toward high-quality issuance with maturities less than five years. We continue to avoid more volatile or higher beta sectors (such as commodity, energy, gaming, tourism and autos) as well as the worst-affected regions. We maintain only a modest exposure to China (and only in US dollar-denominated quasi-sovereign issuers), and otherwise have no exposure to emerging markets.

For the coming period our main goal will remain protecting the fund from a further sell-off in risk assets.

Source: Janus Henderson Investors, as at 30 September 2020

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Fund information

Index	FTSE 3-Month US Treasury Bill Index
Morningstar sector	EAA OE Alt - Long/Short Credit
Objective	The Fund aims to provide positive, consistent returns (although not guaranteed) above those that would be earned on cash deposits over time.
Performance target	To outperform the FTSE 3-Month US Treasury Bill Index by at least 2% per annum, before the deduction of charges, over any 5 year period.

Performance in (USD)

Performance %	A2 (Net)	Index	A2 (Gross)	Target (Gross)
1 month	0.0	0.0	-	-
YTD	1.4	0.6	-	-
1 year	1.7	1.0	-	-
3 years (annualised)	2.2	1.6	-	-
5 years (annualised)	-	-	-	-
10 years (annualised)	-	-	-	-
Since inception 04 May 2016 (annualised)	1.8	1.3	-	-

Source: at 30 Sep 2020. © 2020 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.

Discrete year performance %	A2 (Net)	Index	A2 (Gross)	Target (Gross)
30 Sep 2019 to 30 Sep 2020	1.7	1.0	2.8	3.0
30 Sep 2018 to 30 Sep 2019	3.4	2.2	4.7	4.2
30 Sep 2017 to 30 Sep 2018	1.4	1.6	2.6	3.6
30 Sep 2016 to 30 Sep 2017	1.1	0.6	2.4	2.6
30 Sep 2015 to 30 Sep 2016	-	-	-	-

Source: at 30 Sep 2020. © 2020 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.

Source for target returns (where applicable) – Janus Henderson. Where quartiles are shown, 1st quartile means the share class is ranked in the top 25% of share classes in its sector.

Please note the performance target is to be achieved over a specific annualised time period. Refer to the performance target wording within the objective.

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Past performance is not a guide to future performance. 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.

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For further information on the Janus Henderson fund range please contact your local sales office or visit our website:
www.janushenderson.com.

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