Janus Henderson INVESTORS

JANUS HENDERSON CAPITAL FUNDS PLC - JANUS HENDERSON FLEXIBLE INCOME FUND

A2 USD ISIN IE0004445783

At a glance

Performance
The Fund returned −2.91%, the Index returned −2.61% and the Sector returned −2.38%.

Contributors/detractors
An overweight allocation to spread risk detracted, as did overall yield-curve positioning. A diversified overweight allocation to securitised sectors supported relative performance.

Outlook
We believe elevated yields may support income, diversification and long-term potential. We also continue to favour the high-quality carry and risk-return profile of securitised credit sectors.

Portfolio management


Greg Wilensky, CFA


Michael Keough


John Lloyd

Investment environment

- US fixed income fell in September. Yields rose after the Federal Reserve (Fed) hiked interest rates amid a resilient economy, as oil prices rose following the collapse of a fragile US-Iran ceasefire, and as private sector debt issuance increased.
- Securitised credit sectors outperformed Treasuries and investment grade corporate bonds.
- The Fed raised the federal funds rate by 25 basis points (bps) to 3.75% to 4.00%, its first monetary policy tightening since July 2023. Chair Kevin Warsh said the economy was strong, but that inflation had been too high for too long. Futures markets are pricing in one more hike this year, and at least another two in 2027.
- The US economy added a higher-than-expected 162,000 jobs in August, with unemployment unchanged at 4.1% and July's previously reported job losses revised to a gain of 21,000. Annual US inflation held at 3.4% in August and remains stubbornly high.
- The 10-year US Treasury yield ended the month 54 bps higher at 5.29%, while the 2-year yield also ended 54 bps higher at 4.88%. Investment grade corporate bond spreads widened 2 bps to 80 bps, while high yield bond spreads widened 50 bps to 311 bps.

Portfolio review

The overweight credit risk position and resulting underweight position in Treasuries detracted as credit sectors underperformed comparable-maturity Treasuries. This was partially offset by our preference for securitised credit sectors, including private-label collateralised mortgage obligations (CMO), collateralised loan obligations (CLO), commercial mortgage-backed securities (CMBS) and asset-backed securities (ABS). These holdings all contributed as these sectors outperformed corporate bonds. The off-benchmark allocation to loans also helped. Security selection in agency mortgage-backed securities (MBS) detracted.

The large overweight position in securitised credit is diversified across ABS, CMBS, residential mortgage-backed securities (RMBS) and CLOs. Low unemployment supports household finances, which in turn supports consumer-backed ABS. Meanwhile, CMBS remains attractive to us due to a meaningful spread pick-up versus corporate bonds, as well as strong and consistent investor demand, which we believe is underpinned by stable property-level fundamentals and generally orderly deal execution. CLOs are supported by the corporate earnings picture, while their floating-rate structure may benefit from any rate increases.

Marketing communication
Past performance does not predict future returns.
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We increased spread risk during the month as spreads widened, although the overall credit risk level is neutral relative to our long-term strategic asset allocation risk level. While we added selectively to corporate bonds and trimmed the underweight Treasuries position, our allocation to investment grade corporate bonds remains near its cyclical low weighting. We also added to agency MBS after the asset class sold off, but remain modestly underweight, having previously cut the position.

Yield curve positioning detracted. The overall composition of our position across the curve, including the underweight to longer-maturity securities, detracted as yields rose by less compared with the middle of the curve, and as the yield curve flattened. This was partially offset by being underweight duration for much of the period as yields rose.

We moved from a modest duration underweight position to a moderate overweight position as higher yields have improved the risk-reward profile of interest-rate exposure. Beyond the additional income available at current yield levels, we believe duration could provide increasingly attractive portfolio insurance against a potential slowdown in economic growth, recession, or other risk-off events that could prompt a flight to quality and lower Treasury yields.

Manager outlook

Bond yields have risen sharply due to a combination of rising Treasury yields and widening spreads. This comes in the wake of continued US economic strength and heavy borrowing by the government and by companies driving investment in artificial intelligence (AI). It also follows a fresh jump in oil prices, and the Fed's renewed focus on bringing inflation down to its target of 2%. However, despite the turmoil seen in rates markets, the underlying credit fundamentals remain sound, providing a base from which fixed income investors may consider selectively adding risk now that valuations have become more attractive.

A key risk that we continue to monitor is whether higher energy prices or monetary policy overtightening by the Fed cause the economy to weaken too much. With the path to resolving the US-Iran conflict unclear, and unlikely to occur before the US midterm elections, oil prices have the potential to move sharply in either direction, altering the outlook for growth and inflation for better or worse. The futures market points to as many as four 25 bps hikes over the next 12 to 15 months, although we expect fewer. Meanwhile, markets have already priced in substantial Fed tightening, lifting benchmark bond yields and real yields to multi-decade highs.

We think elevated yields and strong fundamentals support the potential for attractive income generation and long-term return potential. However, we remain cognisant that spreads, even after recent widening, are still below longer-term averages. Therefore, our overall risk positioning is moderate.

We continue to favour securitised credit over corporate credit from a valuation and technical perspective, as securitised sectors offer us a more compelling combination of high-quality carry and an attractive risk-reward profile. In contrast, we remain cautious on investment grade corporate bonds due to unfavourable market technicals; namely, the expected headwind of further new supply, with AI-related borrowing potentially exceeding $1 trillion next year.

Performance (%)

Returns	Cumulative				Annualised		
	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year
A2 USD (Net) with sales charge	-7.76	-8.65	-8.52	-7.72	1.65	-2.93	-0.39
Index	-2.61	-3.51	-2.91	-1.84	4.06	-0.64	1.14
Sector	-2.38	-3.21	-2.71	-1.86	3.57	-0.18	1.18
A2 USD (Net)	-2.91	-3.84	-3.71	-2.86	3.40	-1.93	0.12

Calendar year	YTD at Q3 2026	2025	2024	2023	2022	2021
A2 USD (Net)	-3.71	6.74	0.64	3.88	-15.24	-2.33
Index	-2.91	7.30	1.25	5.53	-13.01	-1.54
Sector	-2.71	6.68	1.82	4.75	-10.17	-1.50

Performance is on a net of fees basis, with gross income reinvested. Source: at 30/09/26. © 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. 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.**

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.

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Fund details

Inception date	24 December 1998
Total net assets	$437.27m
Asset class	Fixed Income
Domicile	Ireland
Structure	Irish Investment Company
Base currency	USD
Index	Bloomberg US Aggregate Bond Index
Morningstar sector	USD Diversified Bond
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.

Investment objective

The Fund aims to obtain maximum total return, consistent with preservation of capital. The Fund invests up to 70% of its net asset value (but at all times not less than 60% of its net asset value) in income producing securities of US issuers.

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. While high yield (non-investment grade) bonds generally offer higher rates of interest than investment grade bonds, they are more speculative and more sensitive to adverse changes in market conditions. Asset-Backed Securities (ABS) and other forms of securitised investments 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. Some bonds (callable bonds) allow their issuers the right to repay capital early 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. High exposure to a particular country or geographical region carries a higher level of risk than a more broadly diversified portfolio. 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. 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. 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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