Janus Henderson INVESTORS

JANUS HENDERSON CAPITAL FUNDS PLC - JANUS HENDERSON FLEXIBLE INCOME FUND

A2 USD ISIN IE0004445783

At a glance

Performance
The Fund returned 2.42%, the Index returned 2.44% and the Sector returned 1.62%.

Contributors/detractors
Yield curve positioning and the overall overweight allocation to spread risk contributed, led by high yield corporate bonds and agency mortgage-backed securities (MBS). The underweight position in Treasuries detracted.

Outlook
We believe elevated yields may support income generation and long-term return potential. We 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 markets rebounded sharply as demand for safe-haven Treasuries grew in the wake of a technology-sector sell-off. Concerns about inflation capped the gains as Houthi attacks on Saudi Arabia broadened the Middle East conflict, lifting oil prices. Treasuries outperformed corporate bonds and most securitised credit sectors, aside from mortgage-backed securities (MBS).
- Having hiked interest rates last month, the US Federal Reserve (Fed) left the federal funds rate unchanged at 3.75% to 4.00%. Although Fed Chair Kevin Warsh gave away few policy clues, the Fed upgraded its description of US economic growth to “strong” from “solid”. At month-end, futures markets were pricing in another 25-basis point (bps) hike in December.
- US economic data was mixed. While September’s non-farm payrolls added a weaker-than-expected 29,000 jobs, with the unemployment rate ticking up to 4.2%, the annual headline inflation rate accelerated to 3.7%. Core inflation, which excludes volatile food and energy prices, jumped to 2.6%.
- The 10-year US Treasury yield fell 35 bps to 4.94%, while the 2-year yield fell 32 bps to 4.56%. Investment grade corporate bond spreads widened 10 bps to 90 bps, while high yield bond spreads widened 29 bps to 340 bps amid concerns over the sustainability of the artificial intelligence (AI) investment boom.

Portfolio review

Yield curve positioning contributed to performance as yields fell and the curve flattened, supporting the move to a moderate overweight position from a moderate underweight in September after yields had risen sharply. Aside from the additional income offered, we believe a modest amount of extra duration may provide increasingly attractive portfolio insurance against a potential slowdown in economic growth or other risk-off events that could prompt a flight to quality and lead to lower Treasury yields.

That said, we believe the risks to longer-maturity yields are likely to persist. As such, we remain cautious and continue to favour a less volatile position that seeks to maximise income per unit of risk by emphasising carry, while limiting drawdown risks and exposure to the most rate-sensitive assets.

Overweight credit spread risk positioning also contributed, led by the overweights in agency MBS and high yield corporate bonds. Security selection in investment grade corporate bonds also helped. However, the corresponding underweight position in Treasuries detracted, as credit sectors underperformed Treasuries of a comparable

Marketing communication
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maturity. Positioning in asset-backed securities (ABS) and private-label collateralised mortgage-backed obligations (CMO) also detracted.

We further increased spread risk during the month as spreads widened, selectively adding to corporate bonds while trimming the underweight Treasuries position. Despite these changes, our allocation to investment grade corporate bonds remains close to its lowest cyclical weighting. We also added to the position in agency MBS.

We trimmed the loans and CMO position. Overall, we continue to favour securitised credit and retain a large overweight position that is diversified across ABS, commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS) and collateralised loan obligations (CLO). 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 corporate earnings, while their floating-rate structure may benefit from rate increases.

Manager outlook

Bond yields have risen sharply in recent months due to a combination of higher Treasury yields and widening spreads. This comes in the wake of continued US economic strength and heavy borrowing, both by the government and by companies driving investment in artificial intelligence (AI). It has also been spurred by the jump in oil prices and by the Fed's renewed focus on bringing inflation down to its target of 2%. However, despite the turmoil seen in rates markets, we think 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 we continue to monitor is whether higher energy prices or monetary policy overtightening by the Fed causes the economy to weaken too much. With the path to resolving the US-Iran conflict still unclear, oil prices have the potential to move sharply in either direction, which would likely alter the outlook for economic growth and inflation, for better or worse. Although expectations for interest rate hikes have moderated this month and benchmark bond yields have retreated from multi-decade highs, the futures market is still anticipating as many as two 25 bps hikes over the next six months.

We think elevated yields and strong fundamentals support the potential for attractive income generation and long-term performance. 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 a more compelling combination of high-quality carry and an attractive risk-reward profile. In contrast, we remain cautious about 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	-2.70	-5.13	-6.30	-5.96	3.14	-2.39	-0.08
Index	2.44	0.15	-0.54	-0.07	5.45	-0.15	1.46
Sector	1.62	-0.53	-1.15	-0.73	4.51	0.20	1.43
A2 USD (Net)	2.42	-0.14	-1.37	-1.01	4.92	-1.39	0.44

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	-2.72	6.68	1.82	4.75	-10.17	-1.50

Performance is on a net of fees basis, with gross income reinvested. Source: at 31/10/26. © 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	$438.09m
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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