

JANUS HENDERSON CAPITAL FUNDS PLC – JANUS HENDERSON HIGH YIELD FUND

A2 USD ISIN IE0004446971

At a glance

Performance

The Fund returned –2.61%, the Index returned –2.52% and the Sector returned –2.30%.

Contributors/detractors

Yield-curve positioning detracted, as did holdings in common stock. The off-benchmark allocation to loans and the corresponding underweight in high yield corporate bonds contributed to relative performance.

Outlook

With yields above 8% again, high yield bonds look attractive to us. If earnings growth holds up, we believe credit markets may be able to weather higher interest rates.

Portfolio management



Tom Ross, CFA



Brent Olson



Brad Smith

Investment environment

- US high yield corporate bonds fell in September after the Federal Reserve (Fed) raised interest rates and oil prices rose again following the collapse of a fragile US-Iran ceasefire.
- 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. Most policymakers expect one more hike this year, while the futures market is leaning towards two.
- The US economy added a surprisingly high 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, although core inflation (which excludes food and energy) eased to 2.4%, its lowest level since March 2021.
- The 5-year US Treasury yield ended the month 60 bps higher at 5.09%. The yield differential (spread) between US high yield corporate bonds and government bonds widened by 50 bps to 311 bps.

Portfolio review

Yield-curve positioning detracted as rates rose due to a slightly higher level of duration through much of the period. We brought this positioning back in line with the benchmark by the end of the month. Positioning in common stock also detracted from performance. The off-benchmark allocation to loans and the corresponding underweight position in the fund's core holding of high yield corporate bonds contributed to relative performance.

Although the credit-risk weighting remains above the benchmark in terms of spread-times-duration, the portfolio was more defensively positioned heading into the market sell-off. In addition to making greater use of hedges, we continued to shun the most distressed corporate bonds. In previous months, we had increased the off-benchmark allocation to loans, which proved more resilient than other parts of the market. In September, we began to switch part of this loan allocation back into high yield bonds. With spreads backing up sharply, we saw an opportunity to invest in new five-year high-yield bonds with coupons of 8% or more, which is roughly a percentage point more than we saw just a quarter earlier.

We also increased the off-benchmark allocation to investment grade bonds. This contributed to performance, as some yields reached 7% or more. In contrast, we trimmed the allocation to convertibles.

Marketing communication

Past performance does not predict future returns.

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At the sector level, positioning and selections in packaging and wireless also helped. In contrast, security selection in the leisure and gaming sectors detracted.

At the individual issuer level, the biggest detractor was Six Flags Entertainment. The firm reported a sharply wider second-quarter net loss, driven by falling attendance at its amusement parks. DraftKings was another detractor. CSC Holdings and Mongolian Mortgage Corporation were among the leading contributors.

Manager outlook

US fixed income markets have entered a more volatile phase after the Fed lifted interest rates for the first time in more than three years. Aside from facing a possible cycle of further modest hikes, markets are still adjusting to life under Fed Chair Warsh, as he seeks to build credibility through delivery rather than the forward guidance investors have grown accustomed to. This is contributing to short-term uncertainty around rates, with rates market volatility returning to the levels seen in March. With the US economy holding up, market pressure does not appear to be coming from any change in credit fundamentals, which largely remain sound.

The range of possible rate outcomes in the coming year feels unusually wide. On the one hand, a fresh flare-up in the Strait of Hormuz could send oil prices surging further and harm growth. On the other, a meaningful resolution to the US-Iran conflict could bring oil prices sharply lower

again, easing the supply-side pressures on inflation. This opens up very different scenarios, even if further gradual tightening by the Fed appears to be the most likely rates trajectory for now. We are also keeping a watchful eye on the pace of investment in AI, as any slowdown could alter the economic outlook.

Positioning for extreme potential outcomes, or fat tail risks, is a challenge. However, instead of leaning in any one direction, our inclination is to seek to maximise income for each unit of risk while we await greater clarity. After all, carry comprises most of the long-term return from high-quality fixed income and, with yields where they are, income potential may compare favourably with equities on a risk-adjusted basis. This means paying close attention to interest rate risks, particularly when different fixed income markets move in unison, making duration a less reliable hedge.

In our view, market volatility driven by rate uncertainty, rather than weaker fundamentals, should not unduly damage the outlook for high yield bonds. As long as company default rates stay low and third-quarter earnings hold up, there are strong grounds for thinking credit markets can weather higher interest rates. In this, we continue to favour companies driving innovation, particularly in power. If spreads widen further, we have the wiggle room to continue adding to our core high yield holdings by switching out of loans.

Performance (%)

Returns	Cumulative				Annualised			
	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	
A2 USD (Net) with sales charge	-7.48	-7.25	-4.86	-3.65	5.47	0.44	2.65	
Index	-2.52	-1.82	0.10	1.41	8.03	3.61	5.05	
Sector	-2.30	-1.70	-0.19	1.10	6.86	2.58	3.80	
A2 USD (Net)	-2.61	-2.37	0.14	1.42	7.29	1.47	3.18	

Calendar year	YTD at Q3					
	2026	2025	2024	2023	2022	2021
A2 USD (Net)	0.14	8.13	7.02	10.34	-16.19	4.41
Index	0.10	8.62	8.19	13.44	-11.19	5.28
Sector	-0.19	7.59	6.75	11.09	-11.11	3.99

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	\$301.97m
Asset class	Fixed Income
Domicile	Ireland
Structure	Irish Investment Company
Base currency	USD
Index	Bloomberg U.S. Corporate High Yield Bond Index
Morningstar sector	USD High Yield 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 provide a high income with the potential for some capital growth over the long term. The Fund invests at least 80% of its assets in debt securities or preference shares (non-investment grade) issued by US issuers or companies.

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. High exposure to a particular country or geographical region carries a higher level of risk than a more broadly diversified portfolio. 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. The Fund may incur a higher level of transaction costs as a result of investing in less actively traded or less developed markets compared to a fund that invests in more active/developed markets. 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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