Janus Henderson INVESTORS

HIGH YIELD FUND

At a glance

Performance*
The Fund returned −0.83%, the Index returned 0.30% and the Sector returned 0.29%.

Contributors/detractors
High yield corporate bond security selection was the biggest detractor, led by technology holdings. Off-benchmark allocations to common stock and convertibles also weighed on performance, while yield curve positioning contributed.

Outlook
With earnings growth holding up and yields above 8% again, we believe a patient approach that invests selectively can offer potential rewards for investors over the long term.

Portfolio management


Tom Ross, CFA


Brent Olson


Brad Smith

Investment environment

- US high yield corporate bonds eked out a positive return but underperformed other fixed income markets as demand for safe-haven Treasuries surged in the wake of a sell-off in the technology sector. Gains were capped by concerns about inflation as Houthi attacks on Saudi Arabia broadened the Middle East conflict and lifted oil prices.
- Having hiked 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 the end of the month, futures markets were pricing in another 25-basis point (bps) rate hike in December.
- US economic data was mixed. While non-farm payrolls added a weaker-than-expected 29,000 jobs in September, 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 5-year US Treasury yield ended the month 38 bps lower at 4.71%. The yield differential (spread) between US high yield corporate bonds and government bonds widened by 29 bps to 340 bps amid concerns over the sustainability of the artificial intelligence (AI) investment boom.

Portfolio review

Security selection in high yield corporate bonds was the biggest detractor from performance, led by holdings in the technology services, software and leisure sectors. Off-benchmark allocations to common stock and convertibles also weighed on performance as risk premiums rose, penalising our overweight credit-spread risk positioning.

The off-benchmark allocation to loans contributed, as did yield-curve positioning, which benefited from curve flattening and a fall in yields, even as duration stayed close to the benchmark. Security selection in the gaming and media entertainment sectors also contributed.

We increased the overweight credit-spread risk during the period, while continuing to steer clear of the most distressed corporate bonds. We did this by cutting back the loan allocation and adding to common stock. We also increased the off-benchmark allocation to investment grade bonds and see current starting yields as an attractive entry point for high yield bonds. With earnings growth holding up and yields above 8%, which is roughly a percentage point higher than a quarter ago, we believe a

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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.

patient approach that invests selectively can offer rewards for high yield investors over the long term.

At the individual issuer level, the biggest detractor was Six Flags Entertainment following a fatal accident at one of its rollercoasters, which forced it to close nine rides. Lifepoint Health was another notable detractor. Discovery Communications, now part of Skydance, and Churchill Downs, were among the leading contributors.

Manager outlook

US fixed income markets have been more volatile since the Fed confirmed the start of a monetary policy tightening cycle in September by raising interest rates for the first time in more than three years. In addition to the prospect of higher rates, 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 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 broad. On the one hand, a fresh flare-up in the Strait of Hormuz could send oil prices surging further and harm economic 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 very different scenarios, even if further gradual monetary policy 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, in case it slows significantly – and more so in the wake of the US mid-term elections, given growing political opposition to the data-centre build-out.

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, which makes 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, we believe there are strong grounds for thinking credit markets can weather higher interest rates. In this environment, we continue to favour companies driving innovation, particularly in the power sector. If spreads widen further, we have the wiggle room to continue to add to our core high yield holdings.

Performance (%)

Returns	Cumulative				Annualised		
	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year
A2 USD (Net)	-0.83	-2.28	-0.69	0.20	7.81	1.41	3.05
Index	0.30	-1.28	0.40	1.56	8.56	3.70	5.04
Sector	0.29	-1.15	0.11	1.21	7.41	2.69	3.83
A2 USD (Gross)	—	—	—	—	—	3.24	4.97
Target	—	—	—	—	—	5.00	6.35

Calendar year	YTD at Q3 2026	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
A2 USD (Net)	0.14	8.13	7.02	10.34	-16.19	4.41	5.11	13.58	-4.10	4.87	11.56
Index	0.10	8.62	8.19	13.44	-11.19	5.28	7.11	14.32	-2.08	7.50	17.13
Sector	-0.19	7.59	6.75	11.09	-11.11	3.99	5.01	12.48	-3.03	6.55	12.51

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.** 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 high income with the potential for some capital growth over the long term. Performance target: To outperform the Bloomberg U.S. Corporate High Yield Bond 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	24 December 1998
Total net assets	296.18m
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.

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. 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 US high yield, unrated or non-investment grade, (equivalent to BB+ rated or lower) corporate bonds or preference shares, issued by companies, governments, public authorities, and international organisations or any other type of issuer. At least 51% of the Funds assets will be invested in bonds. The Fund may also hold other assets including bonds of other types from any issuer, cash and money market instruments. The Sub-Investment Adviser may use derivatives (complex financial instruments) to reduce risk, to manage the Fund more efficiently, or to generate additional capital or income for the Fund. The Fund is actively managed with reference to the Bloomberg U.S. Corporate High Yield Bond 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 draws on Janus Henderson's integrated fixed income and equity research function, to identify the best risk-adjusted opportunities for the Fund. The strategy has the flexibility to deviate significantly from the index on a sector basis while having a strong focus towards the US. The investment process is dynamic with allocations to different types of bonds determined by the opportunities which exist and is supported by a proprietary research and risk management system.

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. The sustainability approach applied may exclude potential investments which do not meet certain criteria (e.g. non-financial criteria such as ESG screens). This may cause differences in performance compared to similar products that are permitted to invest in those investments.

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INVESTORS

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