

Janus Henderson High Yield Fund

September 2020

For promotional purposes
For professional investors only

Fund Managers Names

Seth Meyer, CFA, Brent Olson

Market environment

The Bloomberg Barclays US High Yield Corporate Bond Index fell in September. Economic data largely showed that the US continues down a path of moderate recovery, spurred by tremendous monetary and fiscal stimulus. However, uncertainty weighed on markets as the US election season approaches and investors considered the possibilities of divided or unified presidential and legislative branches, and the resultant policy implications and potential delays in additional fiscal aid. An uptick in coronavirus cases and expectations for a larger spike in the winter flu season also tempered optimism.

Market volatility spiked as a result and high yield corporate credit spreads widened. Investment grade bonds fared better but still generated negative returns while US Treasuries saw modest gains, although yields were relatively unchanged.

Performance summary

The fund (A2 US dollar share class) returned -1.1% while the Bloomberg Barclays US Corporate High Yield Bond Index returned -1.0%.

Portfolio discussion

Contributing to results was strong security selection within gaming, as well as an out-of-index allocation to investment grade corporate bonds which included a position in General Electric. Security selection in packaging weighed on relative performance during the month, with a position in glass and metal container producer Ardagh Group among relative single-name detractors. Our modest exposure to equity and equity-like securities also detracted during the risk-off environment.

Manager outlook

We remain positive on the outlook for the US economy and credit markets. While the advent of winter raises fears of rising COVID-19 cases, we believe that markets and the economy are adapting to the virus and future large-scale economic lockdowns are highly unlikely. As monetary and fiscal policy have proven effective in mitigating the risk of a deeper recession to date, we expect both will remain supportive and adapt as necessary.

Going into the correction, high debt levels in the US economy were predominantly concentrated in the corporate sector, but the Federal Reserve (Fed)'s interventions in the corporate bond market largely mitigated those risks. Consumers, meanwhile, have surprised markets with their resiliency as the savings rate has increased and the housing market has been relatively strong. As targeted fiscal policy is at least partially responsible, we expect the economy will continue to recover and that the relative strength of the consumer will persist, as long as monetary and fiscal support remains in place.

While high yield bond spreads have tightened significantly from their March levels, they remain higher than long-term averages and we are still identifying attractive opportunities. As the recovery takes hold we expect corporate bonds to remain in demand given the Fed's support and the attractive yields they offer over very low policy rates. We think the yield advantage in high yield makes it particularly attractive. Further, the ratio of distressed bonds (those trading below 70 cents on the dollar) has improved dramatically, indicating declining future default rates.

However, volatility did rise in September and we expect it may persist given the upcoming US election. Politics could certainly delay fiscal stimulus more than the market currently expects, and risks are growing of a contested election and the possibility that Democrats gain control of the US Senate as well as the Presidency, which could give markets pause. As we navigate these uncertainties, we will continue to adhere to our bottom-up, research-driven investment process with a focus on taking the right amount of risk throughout the cycle.

Source: Janus Henderson Investors, as at 30 September 2020

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Fund information

Index	Bloomberg Barclays U.S. Corporate High Yield Bond
Morningstar sector	Europe OE USD High Yield Bond
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 Barclays U.S. Corporate High Yield Bond Index by 1.25% per annum, before the deduction of charges, over any 5 year period.

Performance in (USD)

Performance %	A2 (Net)	Index	Sector	Quartile ranking	A2 (Gross)	Target (Gross)
1 month	-1.1	-1.0	-0.9	3rd	-	-
YTD	-1.5	0.6	-0.8	3rd	-	-
1 year	1.0	3.3	1.5	3rd	-	-
3 years (annualised)	2.4	4.2	2.8	3rd	-	-
5 years (annualised)	4.2	6.8	4.9	3rd	6.2	8.1
10 years (annualised)	4.5	6.5	4.5	3rd	6.6	7.8
Since inception 24 Dec 1998 (annualised)	5.1	6.7	5.2	-	7.2	8.1

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	Sector	A2 (Gross)	Target (Gross)
30 Sep 2019 to 30 Sep 2020	1.0	3.3	1.5	2.9	4.5
30 Sep 2018 to 30 Sep 2019	5.6	6.4	5.0	7.6	7.7
30 Sep 2017 to 30 Sep 2018	0.5	3.0	1.9	2.5	4.3
30 Sep 2016 to 30 Sep 2017	6.7	8.9	7.3	8.8	10.2
30 Sep 2015 to 30 Sep 2016	7.4	12.7	9.0	9.5	14.1

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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