

Janus Henderson US Short-Term Bond Fund

September 2020

For promotional purposes
For professional investors only

Fund Managers Names

Seth Meyer, CFA, Michael Keough, Greg Wilensky, CFA

Market environment

The US short-term bond market ended the month essentially flat. Corporate credit generated negative returns as spreads widened, with high yield underperforming investment grade bonds. US Treasuries saw modest gains, but yields were relatively unchanged. 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, 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.

Performance summary

The fund (I2 US dollar share class) returned 0.0% while its benchmark, the Bloomberg Barclays 1-3 Year US Government/Credit Index, also returned 0.0%.

Portfolio discussion

The fund's overweight position to corporate bonds detracted from relative returns, as did an out-of-index allocation to high yield. A position in Elanco Animal Health was among the top single-name detractors from incremental performance. However, with relatively strong absolute returns, our out-of-index exposure to asset-backed securities contributed to results. Specifically, a position in Dine Global brands aided relative performance.

Manager outlook

We believe the US Federal Reserve (Fed)'s commitment to keeping interest rates low will continue to support the economic recovery. Specifically, we anticipate the Fed will utilise its existing facilities to support the credit markets if spreads were to widen materially from current levels, which improves the outlook for credit on a risk-adjusted basis. On the fiscal side, we expect there will be further stimulus packages from the US Congress regardless of who wins the election, given the current economic environment. Between fiscal and monetary support, and optimism about the pace of ongoing developments toward a vaccine and advancements in therapeutics, we expect the US economy will continue to recover.

As the recovery takes hold, we anticipate corporate credit fundamentals will improve as corporations begin a multi-year process of repairing their balance sheets. The resulting tailwind of declining credit risk could lead to tighter spreads and attractive return opportunities. We believe "technical" factors will provide further support, as low yields may encourage both foreign (given lower hedged costs) and domestic investors to seek returns from higher-yielding securities and asset classes.

However, volatility did rise in the final month of the quarter, and we expect it may persist given the upcoming election. Politics could delay fiscal stimulus more than the market currently expects, risks are growing of a contested election and, finally, the possibility that Democrats gain control of the US Senate as well as the presidency could give markets pause. Although there is short-term uncertainty, we remain constructive as we look ahead, and we think it is important to remain active, focused on companies with strong balance sheets, cash flows and long-term competitive advantages.

Source: Janus Henderson Investors, as at 30 September 2020

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Fund information

Index	Bloomberg Barclays 1-3 Year US Govt/Credit
Morningstar sector	Europe OE USD Diversified Bond - Short Term
Objective	The Fund aims to provide as high a level of income as is consistent with the aim of limiting losses to capital over the long term.
Performance target	To outperform the Bloomberg Barclays 1-3 Year US Government/Credit Index by 0.75% 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	0.0	0.0	0.0	2nd	-	-
YTD	3.5	3.1	0.4	1st	-	-
1 year	4.0	3.7	0.9	1st	-	-
3 years (annualised)	2.6	2.8	1.5	1st	-	-
5 years (annualised)	1.9	2.1	1.4	2nd	2.9	2.9
10 years (annualised)	1.3	1.6	1.1	2nd	2.5	2.3
Since inception 24 Dec 1998 (annualised)	2.8	3.2	2.0	-	4.1	4.0

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	4.0	3.7	0.9	4.9	4.5
30 Sep 2018 to 30 Sep 2019	3.4	4.6	3.1	4.4	5.4
30 Sep 2017 to 30 Sep 2018	0.3	0.2	0.5	1.2	1.0
30 Sep 2016 to 30 Sep 2017	0.7	0.7	1.0	1.7	1.4
30 Sep 2015 to 30 Sep 2016	1.1	1.3	1.3	2.2	2.1

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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