

Janus Henderson US Short-Term Bond Fund

September 2021

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 generated negative returns in September, with the 2-year US Treasury yield rising from 0.21% to 0.28% as the yield curve steepened. Inflation concerns linked to longer-than-expected supply chain disruptions and rising raw materials costs, coupled with the possibility that the US Federal Reserve's (Fed) tapering of quantitative easing could happen sooner and faster than expected, drove Treasury yields higher. Corporate bonds fared better than Treasuries but still generated a negative return.

Performance summary

The fund (class A2 US dollar shares) returned -0.2% while its benchmark, the Bloomberg 1-3 Year US Government/Credit Index, returned -0.1%.

Portfolio discussion

Positioning relative to the Treasury yield curve detracted from incremental results as our overall duration (a measure of sensitivity to interest rate changes) remained long relative to the index to help offset our overweight position in spread product. While we do not expect short-dated interest rates to decline significantly, we do not expect them to move significantly higher either, and thus are comfortable with our overall duration position. This positioning was partially offset by security selection within investment grade corporate bonds and an out-of-index allocation to US agency mortgage-backed securities; both contributed positively to relative performance during the month.

Manager outlook

While economic growth cooled over the quarter and expectations for higher interest rates rose, we remain positive on the outlook for short-duration securities. In fact, we see the recent moderation of economic growth as a longer-term positive for spread product generally, and shorter-duration credit markets specifically. While strong growth can help credit spreads tighten in the short term, it can also increase the potential for a monetary policy response. But moderate growth can help keep even historically tight spreads near their lows, diminish concerns about imminent monetary tightening and allow investors to receive the securities' yield.

In the short term, our expectations for low defaults rates and continued accommodative policy by the Fed suggests a favourable risk-adjusted return outlook for short-duration securities. As such, we expect to maintain our out-of-index exposure to high yield corporate bonds and securitised products. In our view, allocations to these sectors can provide both additional yield and diversity from the benchmark's large allocation to investment grade corporate bonds, which remain near historical spread lows.

After short-maturity Treasury yields rose late in the third quarter, we believe there is a greater chance they fall in the coming quarter than rise further. We expect inflation data to continue to moderate and the Fed to remain patient, erring on the side of stronger economic growth and not looking to "pre-emptively" raise interest rates.

However, one risk we intend to monitor closely in the coming quarter is the potential for significant changes in the makeup of the Fed Board of Governors, and possibly its Chair. We do not expect any changes to fundamentally alter the generally accommodative stance of the Fed, and we do anticipate the board will remain focused on economic data to drive its monetary policy decisions. Nevertheless, change begets uncertainty and uncertainty can beget volatility, and our goal is to position the strategy to take advantage of any opportunities that may arise.

As such, we will continue to adhere to our philosophy and process that has allowed us to navigate even more turbulent conditions: constructing diversified portfolios driven by bottom-up, fundamental research, disciplined risk management and actively managing through an evolving environment.

Source: Janus Henderson Investors, as at 30 September 2021

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Fund information

Index	Bloomberg 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 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	-0.2	-0.1	-0.1	4th	-	-
YTD	0.1	0.1	0.1	2nd	-	-
1 year	1.0	0.3	0.8	2nd	-	-
3 years (annualised)	2.8	2.9	1.6	1st	-	-
5 years (annualised)	1.9	1.9	1.3	2nd	2.8	2.7
10 years (annualised)	1.4	1.5	1.2	2nd	2.6	2.2
Since inception 24 Dec 1998 (annualised)	2.7	3.1	2.0	-	4.0	3.9

Source: at 30 Sep 2021. © 2021 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 2020 to 30 Sep 2021	1.0	0.3	0.8	1.9	1.1
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

Source: at 30 Sep 2021. © 2021 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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