

Janus Henderson Strategic Bond Fund

September 2020

For promotional purposes

Fund Managers Names

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Macro backdrop

September was an unusual month for risk assets. Equities fell with energy, financials and information technology (IT) sectors the weakest and consumers, materials and utilities the strongest in a relative sense. These sector moves were not that unusual with the exception of IT which suffered following the sharp rises of the prior month.

Traditional hedges such as gold, the yen and sovereign bonds did not really rally. Moreover, BB rated credit was weaker than both single B and indeed CCC rated credit. Such non-traditional behaviour suggests that a period of severe deleveraging and unwinding of positions was undertaken during the month. Reasons for this might include more caution following the US Federal Reserve (Fed)'s average inflation targeting press conference, fears of a second wave of the COVID-19 virus, a further delayed fiscal boost and growing fears about a gridlock in the impending US election. BB rated credits tended to wash about with ETF flows, which were noticeably weak in high yield. The synthetic credit indexes were also weak as some investors rushed to buy protection given this uncertain outlook.

Fund performance and activity

The fund returned -0.5% while the IA Sterling Strategic Bond peer group returned 0.0%. The fund's year-to-date returns remain strong at 6.3%.

Of notable weakness was US credit, and in particular BB rated high yield bonds, where the fund has reasonable exposure. At this time in the cycle we are positioned around BBB and BB rated credit - areas that have historically shown to provide the best risk-adjusted returns over the cycle. The European high yield bond market (where we hold an underweight position) outperformed its US equivalent, being a better quality and lower beta market.

US investment grade bonds posted small negative returns while Treasuries were just into positive territory, which was surprisingly poor given the weakness of equities. Gilts were strong but remain volatile given Brexit concerns while our synthetic crossover position detracted from performance.

We took advantage of the market wobble and added risk in both the primary and secondary markets. In the primary markets we bought Restaurant Brands International, Virgin Media, T mobile and Anheuser-Busch Inbev among others. We also added to our fairly modest weighting in bank contingent convertible (CoCo) bonds in what we see as reliable issuers such as Credit Suisse and ING. We also added to our BB weighting given the attractive buying opportunity that we thought they presented.

Outlook/strategy

We remain sympathetic to the reflation trade which although it did not happen this month we think generally continues to build. There are likely to be more bumps along the road but quality modern day businesses will continue to prosper in our view. Defaults rates have been surprisingly low and concentrated in a number of known problematic sectors and we very much favour BBB and BB rated large cap, non-cyclical global credits while being mindful of interest rate risk.

Source: Janus Henderson Investors, as at 30 September 2020

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Fund information

| | |
|----------------------------|----------------------------|
| Peer group benchmark | IA Sterling Strategic Bond |
| Peer group benchmark usage | Target,Comparator |

The Investment Association (IA) groups funds with similar geographic and/or investment remit into sectors. The Fund's ranking within the sector (as calculated by a number of data providers) forms the basis of the Fund's performance target and can be a useful performance comparison against other funds with similar aims.

Objective The Fund aims to provide a return, from a combination of income and capital growth over the long term.

Performance target To outperform the IA Sterling Strategic Bond sector average, after the deduction of charges, over any 5 year period.

Performance in (GBP)

| Performance % | I (Net) | Peer group | Quartile ranking |
|--|---------|------------|------------------|
| 1 month | -0.5 | 0.0 | 4th |
| YTD | 6.3 | 2.2 | 1st |
| 1 year | 5.7 | 3.1 | 1st |
| 3 years (annualised) | 5.0 | 3.3 | 1st |
| 5 years (annualised) | 5.1 | 4.2 | 2nd |
| 10 years (annualised) | 5.4 | 4.4 | 1st |
| Since inception 25 Nov 2003 (annualised) | 6.0 | 4.4 | - |

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 % | I (Net) | Peer group |
|-----------------------------|---------|------------|
| 30 Sep 2019 to 30 Sep 2020 | 5.7 | 3.1 |
| 30 Sep 2018 to 30 Sep 2019 | 10.7 | 6.9 |
| 30 Sep 2017 to 30 Sep 2018 | -1.2 | -0.1 |
| 30 Sep 2016 to 30 Sep 2017 | 3.3 | 3.1 |
| 30 Sep 2015 to 30 Sep 2016 | 7.5 | 8.2 |

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.

Since inception performance relates to the period from Nov 2003. Performance achieved prior to this date is not representative of the fund's current strategy.

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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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Important information

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