Janus Henderson
INVESTORS

JANUS HENDERSON CORPORATE DEBT INDEX

Edition 3

JULY 2022

Marketing communication

CONTENTS

INTRODUCTION

JANUS HENDERSON IS AN ASSET MANAGER INVESTING IN GLOBAL FIXED INCOME MARKETS ON BEHALF OF ITS CLIENTS THROUGHOUT THE WORLD FOR OVER 35 YEARS.

Formed in 2017 from the merger between Janus Capital Group and Henderson Global Investors, we are committed to adding value through active management. For us, active is more than our investment approach – it is the way we translate ideas into action, how we communicate our views and the partnerships we build in order to create the best outcomes for clients.

We take pride in what we do and care passionately about the quality of our products and the services we provide. While our investment managers have the flexibility to follow approaches best suited to their areas of expertise, overall our people come together as a team. This is reflected in our Knowledge Shared ethos, which informs the dialogue across the business and drives our commitment to empowering clients to make better investment and business decisions.

We are proud to offer a highly diversified range of products, harnessing the intellectual capital of some of the industry's most innovative and formative thinkers. Our expertise encompasses the major asset classes, we have investment teams situated around the world, and we serve individual and institutional investors globally. We have US$361 billion in assets under management, more than 2,000 employees and offices in 23 cities worldwide*. Headquartered in London, we are an independent asset manager that is dual-listed on the New York Stock Exchange and the Australian Securities Exchange.

What is the Janus Henderson Corporate Debt Index?

The Corporate Debt Index is the third annual edition in a long-term study into trends in company indebtedness around the world, the investment opportunities this provides and the risks it presents. It measures the extent to which the world's largest companies are financing themselves with borrowings and how affordable and sustainable those borrowings are. It compares and contrasts trends across different industries and geographies, and in the corporate bond markets. And it showcases the latest views from our expert fund managers. (See methodology for further details)

The report aims to help readers better understand the world of fixed-income investment and the opportunities it presents.

*As at 31 March 2022

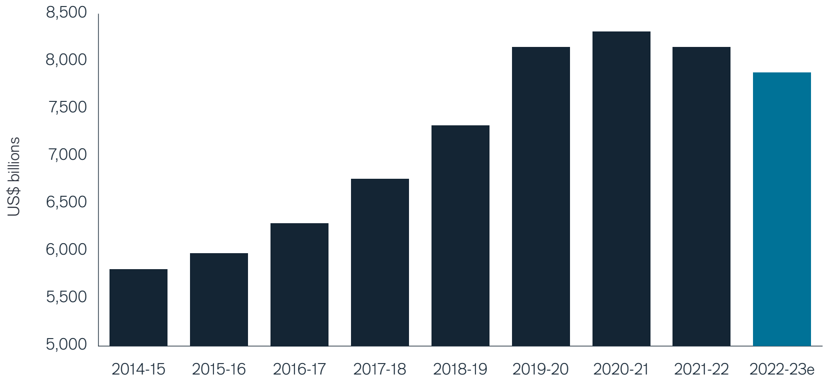
OVERVIEW

Companies around the world have embarked on a process of paying down debt, having temporarily increased borrowing to navigate through the pandemic. In 2021/22 they were presented with a golden opportunity to begin to repair balance sheets. Operating profits rose 51.4% to a record $3.36 trillion, driving a significant increase in cash flows that provided sufficient capital for capital expenditure, dividends, share buy-backs and debt servicing and repayment.

As a result, net debt[1] fell 1.9% to $8.15 trillion in 2021/22, the first decline since at least 2014/15 when numbers were initially compiled. The decline was exaggerated slightly by the effect of a stronger dollar: on a constant-currency basis, net debts fell by 0.2%.

Just over half of companies reduced debts (51%) while the rest increased them, though this was heavily influenced by the US. Outside the US, 54% reduced net borrowings.

COMPANY NET DEBT – GLOBAL



Source: Janus Henderson, June 2022

NET DEBT BY REGION (US$ BILLIONS)

Region	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
North America	$2,630	$2,896	$3,188	$3,674	$4,031	$4,126	$4,167
Emerging Markets	$628	$613	$594	$552	$646	$539	$514
Europe ex UK	$1,470	$1,526	$1,683	$1,763	$1,939	$2,099	$1,948
UK	$395	$432	$453	$495	$556	$564	$521
Japan	$524	$515	$519	$548	$628	$651	$650
Asia Pacific ex Japan	$328	$314	$322	$290	$347	$332	$351
Total	**$5,975**	**$6,295**	**$6,760**	**$7,323**	**$8,148**	**$8,311**	**$8,151**

Source: Janus Henderson, June 2022

References made to individual securities should not constitute or form part of any off er or solicitation to issue, sell, subscribe or purchase the security. Janus Henderson Investors, one of its affiliated advisor, or its employees, may have a position mentioned in the securities mentioned in the report.

Unless otherwise stated all data is sourced by Janus Henderson Investors as of 1 June 2022. Nothing in this document should be construed as advice.

Past Performance does not predict future returns. International investing involves certain risks and increased volatility. These risks include currency fluctuations, economic or financial instability, lack of timely or reliable financial information or unfavourable political or legal developments.

The value of an investment and the income from it can fall as well as rise and you may not get back the amount initially invested.

[1.] Long-term and short-term debt minus cash and cash equivalents.

Sector patterns exert the most important influence on indebtedness and this was evident in the results for the year. The biggest change was seen in the energy sector. Oil and gas producers saw their net borrowings fall by $155bn on a constant-currency basis, down by one sixth year-on-year[2] as rocketing energy prices drove a dramatic turnaround in the sector's fortunes. Booming cash flow among the world's mining companies meant lower debts for this sector too, down by almost a quarter[3] year-on-year in 2021/22. Elsewhere, shortages of components have restricted car sales but driven a higher margin sales mix, which has meant a reduced need for debt to fund consumer finance programmes. Sectors that traditionally generate strong cash flow – such as pharmaceuticals, beverages and tobacco products – all saw lower borrowings, too.

GLOBAL CORPORATE DEBT
KEY FIGURES

Key figures	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Cash & cash equivalents	$3,520	$3,725	$4,139	$3,975	$4,054	$5,137	$5,296
Equity	$10,876	$11,278	$12,771	$13,385	$13,933	$14,242	$15,483
Total assets	$30,380	$31,729	$34,962	$36,601	$39,265	$41,550	$44,174
Short-term debt	$1,839	$1,924	$2,073	$2,092	$2,422	$2,405	$2,458
Long-term debt	$7,656	$8,097	$8,825	$9,206	$9,780	$11,044	$10,988
Total debt	$9,495	$10,020	$10,898	$11,298	$12,202	$13,449	$13,446
Net debt	$5,975	$6,295	$6,760	$7,323	$8,148	$8,311	$8,151
Operating profit	$2,085	$2,120	$2,441	$2,808	$2,647	$2,219	$3,360
Interest expense	$278	$299	$316	$339	$389	$380	$381
Interest / Operating profit	13%	14%	13%	12%	15%	17%	11%
Net debt / Operating profit	287%	297%	277%	261%	308%	375%	243%
Debt / Equity	**55%**	**56%**	**53%**	**55%**	**58%**	**58%**	**53%**

Source: Janus Henderson, June 2022

References made to individual securities should not constitute or form part of any off er or solicitation to issue, sell, subscribe or purchase the security. Janus Henderson Investors, one of its affiliated advisor, or its employees, may have a position mentioned in the securities mentioned in the report.

Unless otherwise stated all data is sourced by Janus Henderson Investors as of 1 June 2022. Nothing in this document should be construed as advice.

Past Performance does not predict future returns. International investing involves certain risks and increased volatility. These risks include currency fluctuations, economic or financial instability, lack of timely or reliable financial information or unfavourable political or legal developments.

The value of an investment and the income from it can fall as well as rise and you may not get back the amount initially invested.

2. -18.5% or $166bn unadjusted for exchange-rate movements or -17.3% on a constant-currency basis.

3. -23.4% or $35.1bn unadjusted for exchange-rate movements, -22.8% on a constant-currency basis.

Often, where net debt increased, it was to fund generous share buy-back programmes, as seen by Facebook-owner Meta and L'Oreal, or acquisitions undertaken by companies, such as Canadian Pacific Railway and Cellnex. However, utilities stood out for a large increase in indebtedness driven by pressures in the energy market and to meet the heavy investment needs of the energy transition.

Meanwhile, software groups continued to move away from the excessive net cash positions they held as recently as 2017/18 by returning more cash to shareholders. Microsoft is undergoing this transition, though it is still the fifth most cash-rich company. In fact, one quarter of the companies in the index have no debts at all. Between them, this group has net cash of $1.0 trillion, half of which belongs to just nine large companies. These include technology-driven companies across a range of sectors, including Alphabet, Samsung, Apple and Alibaba.

Measures of debt sustainability improved sharply in 2021/22, with the global debt to equity ratio falling by 5.7 percentage points to 52.6%; three quarters of sectors saw improvement. The proportion of operating profit consumed by interest expenses fell to its lowest on our eight-year record to just 11.3%, owing to low rates and strong profit margins.

FOR THE YEAR AHEAD, WE EXPECT INDEBTEDNESS TO FALL FURTHER AS HIGHER FUNDING COSTS AND AN ECONOMIC SLOWDOWN PUSH COMPANIES TO BE MORE CONSERVATIVE. WITH CASH FLOW COMING FROM A VERY HIGH BASE, THERE IS ROOM FOR MANOEUVRE. WE ESTIMATE THAT NET DEBTS WILL FALL BY $270BN (-3.3%) ON A CONSTANT-CURRENCY BASIS TO $7.9 TRILLION BY THIS TIME NEXT YEAR.

There is change afoot as profits come under pressure and rates rise. Corporate bond yields have risen sharply, especially in the high-yield segment, raising the cost of issuing new bonds. Companies are responding by redeeming bonds; the face value[4] of listed bonds has reduced by $115bn since the end of May 2021. There is much greater differentiation between high- and low-risk issuers, between sectors and between different maturities of debt. Better prices and less uniformity present real opportunities for active funds, especially those which allocate capital regionally.

For the year ahead, we expect indebtedness to fall further as higher funding costs and an economic slowdown push companies to be more conservative. With cash flow coming from a very high base, there is room for manoeuvre. We estimate that net debts will fall by $270bn (-3.3%) on a constant-currency basis to $7.9 trillion by this time next year.

References made to individual securities should not constitute or form part of any off er or solicitation to issue, sell, subscribe or purchase the security. Janus Henderson Investors, one of its affiliated advisor, or its employees, may have a position mentioned in the securities mentioned in the report.

Unless otherwise stated all data is sourced by Janus Henderson Investors as of 1 June 2022. Nothing in this document should be construed as advice.

Past Performance does not predict future returns. International investing involves certain risks and increased volatility. These risks include currency fluctuations, economic or financial instability, lack of timely or reliable financial information or unfavourable political or legal developments.

The value of an investment and the income from it can fall as well as rise and you may not get back the amount initially invested.

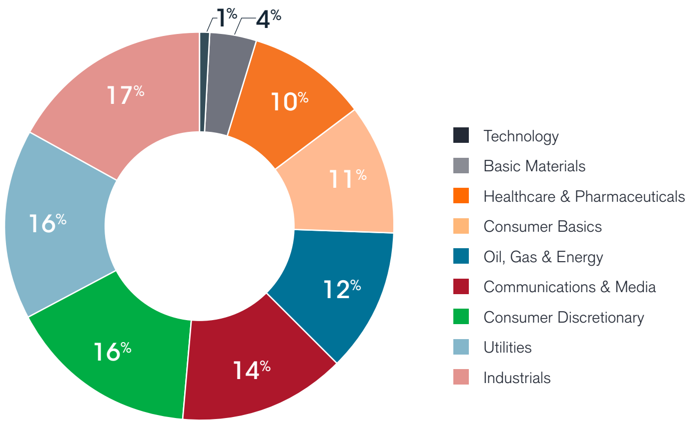
4. The face value is the amount borrowed, not the current market value of the bond.

INDUSTRY PATTERNS

Cultural attitudes to debt vary widely from one country to another, while local economic factors, such as the level of interest rates, also determine company decision making. The level of access to international capital markets is important, too.

However, sector patterns exert the biggest influence on the appropriate mix for a company between equity and debt finance and how this changes over time. Sector trends cut across international borders: companies in industries with stable, predictable cash flows and lots of assets, like utilities, can sustain the most debt, while those that operate in very cyclical industries, such as miners, need to keep borrowings much lower. Others, including the world's most successful software companies, generate enormous quantities of cash after relatively little capital expenditure, so their borrowings are low. Indeed, some have too much cash now, leaving few opportunities for bond investors and diluting returns to their equity shareholders.

2021/2 NET DEBT BY INDUSTRY (US$ BILLIONS)



Source: Janus Henderson, June 2022

In 2021/22, the biggest change was seen in the energy sector. Oil and gas producers saw their net borrowings fall by $155bn on a constant-currency basis, down by one sixth year-on-year[5] as rocketing energy prices drove a dramatic turnaround in the sector's fortunes; operating profits rebounded by $412bn year-on-year. The fall in debt meant the sector repaid all the additional borrowing taken on in 2019/20 and 2020/21. Just four companies – Shell, Exxon, Equinor, and BP – accounted for half the reduction during the year. Surging cash flow funded higher dividends and burgeoning share buyback programmes as well as debt repayments, which were directed towards settling short-term borrowings at a time of rising interest rates. The sector now has its lowest leverage, or gearing, since at least 2014. The debt/equity ratio which compares borrowing to shareholder capital fell to 32.5%, down more than ten percentage points in a year.

SECTOR TRENDS CUT ACROSS INTERNATIONAL BORDERS: COMPANIES IN INDUSTRIES WITH STABLE, PREDICTABLE CASH FLOWS AND LOTS OF ASSETS, LIKE UTILITIES, CAN SUSTAIN THE MOST DEBT, WHILE THOSE THAT OPERATE IN VERY CYCLICAL INDUSTRIES, SUCH AS MINERS, NEED TO KEEP BORROWINGS MUCH LOWER.

References made to individual securities should not constitute or form part of any off er or solicitation to issue, sell, subscribe or purchase the security. Janus Henderson Investors, one of its affiliated advisor, or its employees, may have a position mentioned in the securities mentioned in the report.

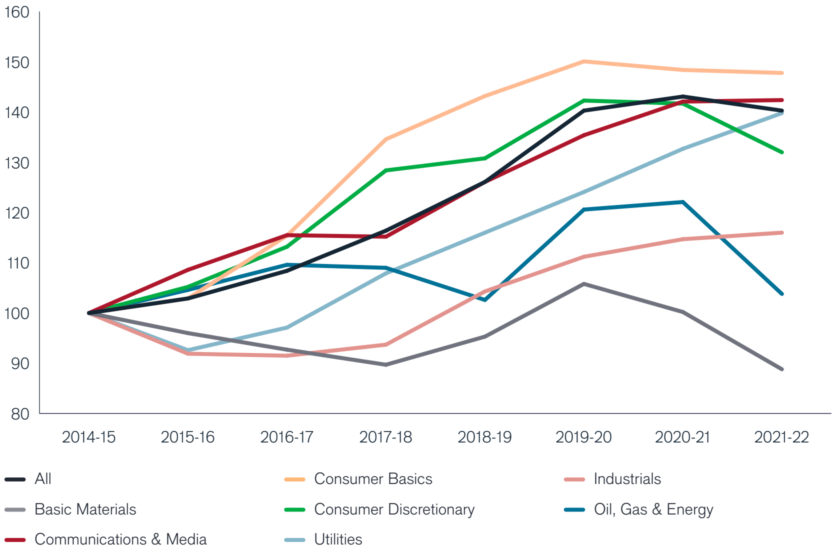
Unless otherwise stated all data is sourced by Janus Henderson Investors as of 1 June 2022. Nothing in this document should be construed as advice.

Past Performance does not predict future returns. International investing involves certain risks and increased volatility. These risks include currency fluctuations, economic or financial instability, lack of timely or reliable financial information or unfavourable political or legal developments.

The value of an investment and the income from it can fall as well as rise and you may not get back the amount initially invested.

5. -18.5% or $166bn unadjusted for exchange-rate movements or -17.3%% on a constant-currency basis.

NET DEBT BY INDUSTRY
INDEXED



Source: Janus Henderson, June 2022

Booming cash flow among the world's mining companies meant lower debts for this sector too, down by almost a quarter[6] year-on-year in 2021/22 as they repaid borrowings and built their cash positions to record levels. Net debts are now a fifth lower than in 2014/15, when companies took on loans and issued bonds to manage slumping cash flow during a period of very weak commodity prices. As mining borrowing has fallen by half since 2014/15, over the same period the combined net debts of other sectors have risen by half. Sectors that traditionally generate strong cash flow – pharmaceuticals, beverages and tobacco products – all saw lower borrowings, too.

The debts of car manufacturers fell significantly in 2021/22, down 7.1% on a constant-currency basis (-$72.9bn) though in their case, this largely reflects smaller finance books as car sales have been depressed, first by the reduction in demand in the pandemic, and second by shortages of components. However, it also reflects higher margin sales due to high demand and limited supply.

Media companies, whose profits have surged during the last two years, reduced their collective borrowings, but there is a wide disparity in the sector. Facebook-owner Meta used surplus cash flow to ramp up its share buy-back programme by a factor of seven to $44.5bn, but even that only reduced its net cash pile by a third to $34.0bn, while Google owner Alphabet consolidated its position as the world's most cash-rich company, with $111.1bn on its balance sheet. Meanwhile, Netflix continued to add to its borrowings to fund content creation, though its balance sheet is far healthier today than in the past, evidenced by superior credit ratings.

IN 2021/22, THE BIGGEST CHANGE CAME AMONG OIL AND GAS PRODUCERS. THEIR NET BORROWINGS FELL BY $155BN, DOWN BY ONE SIXTH YEAR-ON-YEAR, AS ROCKETING ENERGY PRICES DROVE A DRAMATIC TURNAROUND IN THE SECTOR'S FORTUNES.

References made to individual securities should not constitute or form part of any off er or solicitation to issue, sell, subscribe or purchase the security. Janus Henderson Investors, one of its affiliated advisor, or its employees, may have a position mentioned in the securities mentioned in the report.

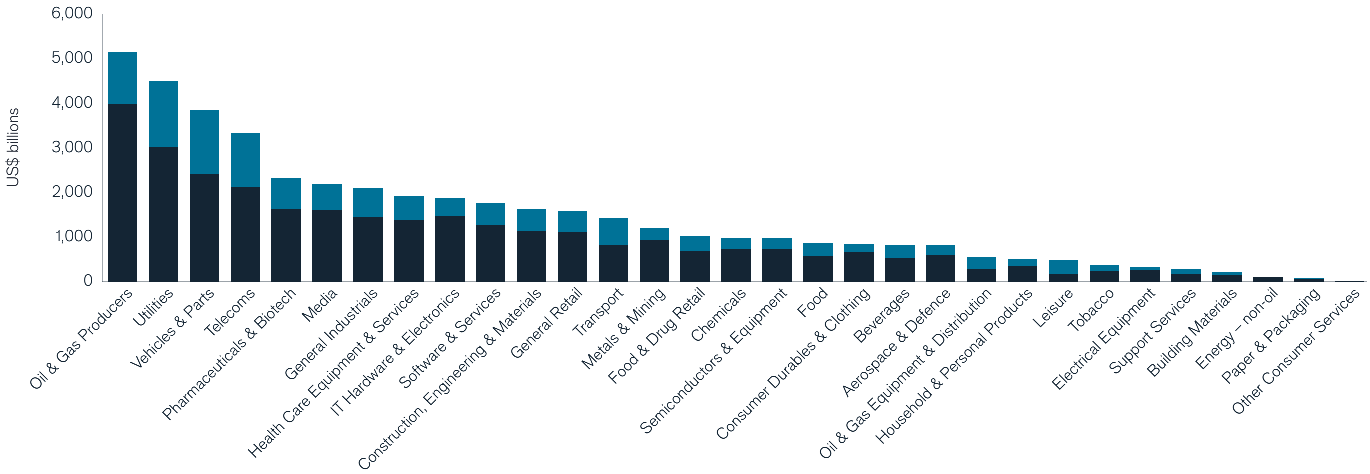
Unless otherwise stated all data is sourced by Janus Henderson Investors as of 1 June 2022. Nothing in this document should be construed as advice.

Past Performance does not predict future returns. International investing involves certain risks and increased volatility. These risks include currency fluctuations, economic or financial instability, lack of timely or reliable financial information or unfavourable political or legal developments.

The value of an investment and the income from it can fall as well as rise and you may not get back the amount initially invested.

6. -23.4% or $35.1bn unadjusted for exchange-rate movements, -22.8% on a constant-currency basis.

ASSETS, WITH PROPORTION FUNDED BY DEBT
2021/22



Source: Janus Henderson, June 2022

Utilities are the most heavily indebted sector, owing $1 in every $6 of the world's total, up from $1 in $7 two years ago. Debts were $94.5bn higher on a constant-currency basis, rising 7.6% year-on-year[7]. US and European utilities saw the biggest increase. The sector's net debt/equity ratio rose to 134%, well ahead of the 53% average across all sectors, while interest expenses rose to over two fifths of operating profit, almost four times the average. Both these measures have climbed steadily in recent years on the back of cheap money. Utilities can typically bear much bigger debts, but they are not immune to the change in global financial conditions, and they face a squeeze on margins with energy prices so high. Moreover, they face a significant investment burden from the energy transition.

Elsewhere, generous dividends and share buybacks drove an increase in net debt among household and personal products groups and software companies. Among personal products manufacturers, L'Oreal and Unilever stood out in this regard. Meanwhile, software groups continued to move away from the excessive net cash positions they held as recently as 2017 by returning cash to shareholders. Microsoft is undergoing this transition, though it is still the fifth most cash-rich company in the world. As a sector, software and services companies now owe $113bn between them.

References made to individual securities should not constitute or form part of any off er or solicitation to issue, sell, subscribe or purchase the security. Janus Henderson Investors, one of its affiliated advisor, or its employees, may have a position mentioned in the securities mentioned in the report.

Unless otherwise stated all data is sourced by Janus Henderson Investors as of 1 June 2022. Nothing in this document should be construed as advice.

Past Performance does not predict future returns. International investing involves certain risks and increased volatility. These risks include currency fluctuations, economic or financial instability, lack of timely or reliable financial information or unfavourable political or legal developments.

The value of an investment and the income from it can fall as well as rise and you may not get back the amount initially invested.

[7] +5.4% or $66.2bn unadjusted for exchange-rate movements.

The big IT hardware companies remain the most cash rich group overall, though most of the cash belongs to Samsung and Apple. Apple's cash position has come down sharply in recent years as it passes surplus capital back to its shareholders. It spent an astonishing $100bn on dividends and share buy-backs in the six months to the end of March 2022 – almost half the value of its sales in the same period.

With debts 4.7x bigger than its equity capital, the leisure sector is now the most highly geared after two punishing years that have seen losses and asset write-downs erode the industry's capital base at the same time as companies have taken on more debt – now at almost twice the average between 2014 and 2019 – to see them through the pandemic. The sector spent almost all its operating profit (91%) on debt interest in 2021/22, while earnings remain well below pre-pandemic levels. Conditions are now more favourable as restrictions in most of the world have lifted, though the sector is now battling inflation and economic slowdown. Nevertheless, its debt profile should now begin to improve.

NET DEBT BY INDUSTRY
(US$ BILLIONS – SELECTED YEARS)

Industry	2014-15	2019-20	2020-21	2021-22	2021/22 Change	2021/22 Change Constant-Currency
Basic Materials	$384	$407	$385	$342	-11.3%	-9.5%
Communications & Media	$794	$1,075	$1,128	$1,131	0.2%	2.1%
Consumer Basics	$599	$899	$889	$885	-0.4%	0.3%
Consumer Discretionary	$963	$1,371	$1,365	$1,272	-6.8%	-3.1%
Healthcare & Pharmaceuticals	$310	$783	$814	$835	2.6%	3.8%
Industrials	$1,193	$1,326	$1,368	$1,384	1.1%	2.5%
Oil, Gas & Energy	$908	$1,095	$1,109	$943	-15.0%	-14.0%
Technology	-$278	$33	$14	$54	293.4%	254.2%
Utilities	$934	$1,160	$1,240	$1,306	5.3%	7.6%
ALL	**$5,808**	**$8,148**	**$8,311**	**$8,151**	**-1.9%**	**-0.2%**

Source: Janus Henderson, June 2022

References made to individual securities should not constitute or form part of any off er or solicitation to issue, sell, subscribe or purchase the security. Janus Henderson Investors, one of its affiliated advisor, or its employees, may have a position mentioned in the securities mentioned in the report.

Unless otherwise stated all data is sourced by Janus Henderson Investors as of 1 June 2022. Nothing in this document should be construed as advice.

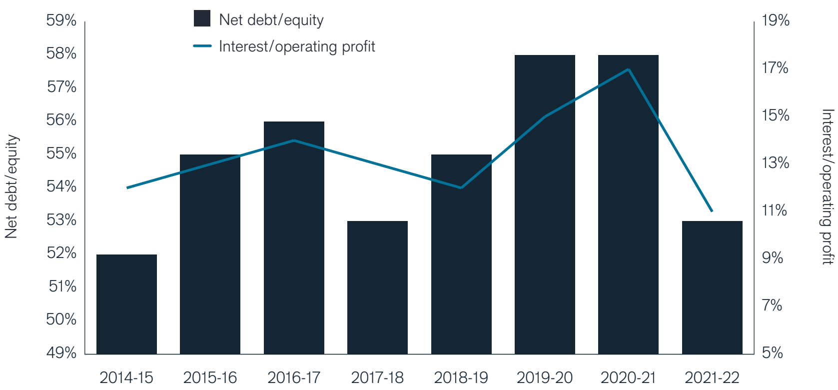
Past Performance does not predict future returns. International investing involves certain risks and increased volatility. These risks include currency fluctuations, economic or financial instability, lack of timely or reliable financial information or unfavourable political or legal developments.

The value of an investment and the income from it can fall as well as rise and you may not get back the amount initially invested.

DEBT SUSTAINABILITY

Across our whole index of debt, sustainability improved in 2021/22, reflecting dramatically higher profits and cash flows at a time when interest rates were still very low. The collective debt to equity ratio improved by 5.7 percentage points to 52.6%, with three quarters of our sectors showing a lower debt burden. The proportion of operating profit consumed by interest expenses fell to its lowest on our eight-year record – just 11.3%. Every sector except utilities saw it improve or stay steady.

DEBT SUSTAINABILITY



Source: Janus Henderson, June 2022

DEBT SUSTAINABILITY
BY INDUSTRY (%)

Sector	2021-22 debt/equity ratio	2021-22 % of operating profit spent on interest
Technology	3%	5%
Basic Materials	30%	5%
Healthcare & Pharmaceuticals	52%	9%
Consumer Basics	75%	11%
Oil, Gas & Energy	38%	12%
Utilities	134%	41%
Communications & Media	53%	14%
Industrials	73%	18%
Consumer Discretionary	59%	10%
All	**53%**	**11%**

Source: Janus Henderson, June 2022

References made to individual securities should not constitute or form part of any off er or solicitation to issue, sell, subscribe or purchase the security. Janus Henderson Investors, one of its affiliated advisor, or its employees, may have a position mentioned in the securities mentioned in the report.

Unless otherwise stated all data is sourced by Janus Henderson Investors as of 1 June 2022. Nothing in this document should be construed as advice.

Past Performance does not predict future returns. International investing involves certain risks and increased volatility. These risks include currency fluctuations, economic or financial instability, lack of timely or reliable financial information or unfavourable political or legal developments.

The value of an investment and the income from it can fall as well as rise and you may not get back the amount initially invested.

TOP COMPANIES

LARGEST BORROWERS – US$ BILLIONS

Rank	Company	2016-17	Company	2017-18	Company	2018-19
1	Toyota Motor Corp.	$140	Volkswagen AG	$172	AT&T Inc.	$193
2	AT&T Inc.	$139	Toyota Motor Corp.	$148	Volkswagen AG	$185
3	Volkswagen AG	$136	Verizon Communications Inc.	$136	Toyota Motor Corp.	$149
4	Verizon Communications Inc.	$126	AT&T Inc.	$136	Mercedes-Benz Group AG	$141
5	Anheuser-Busch InBev SA/NV	$107	Mercedes-Benz Group AG	$129	Verizon Communications Inc.	$130
6	Mercedes-Benz Group AG	$104	Ford Motor Company	$115	Ford Motor Company	$120
7	Ford Motor Company	$104	Anheuser-Busch InBev SA/NV	$104	Comcast Corporation	$108
8	Petroleo Brasileiro SA	$95	Bayerische Motoren Werke AG	$100	Anheuser-Busch InBev SA/NV	$103
9	Bayerische Motoren Werke AG	$95	General Electric Company	$94	CVS Health Corporation	$88
10	General Electric Company	$91	Petroleo Brasileiro SA	$85	Bayerische Motoren Werke AG	$86
Top 10		**$1,137**		**$1,220**		**$1,304**
% of global top 900 net debt		**18%**		**18%**		**18%**
11	Shell PLC	$89	Deutsche Telekom AG	$85	Deutsche Telekom AG	$86
12	PetroChina Company Limited	$81	Shell PLC	$83	Électricité de France SA	$79
13	Deutsche Telekom AG	$76	Électricité de France SA	$76	General Electric Company	$78
14	Telefonica SA	$69	Telefonica SA	$72	General Motors Company	$76
15	Charter Communications, Inc.	$61	PetroChina Company Limited	$72	Charter Communications, Inc.	$73
16	Nissan Motor Co., Ltd.	$59	Charter Communications, Inc.	$71	Telefonica SA	$72
17	Électricité de France SA	$59	General Motors Company	$69	Petroleo Brasileiro SA	$69
18	Walmart Inc.	$58	Nissan Motor Co., Ltd.	$61	Shell PLC	$67
19	General Motors Company	$58	British American Tobacco p.l.c.	$61	PetroChina Company Limited	$66
20	Comcast Corporation	$58	Comcast Corporation	$61	Nissan Motor Co., Ltd.	$60
Next 10		**$668**		**$710**		**$726**
Top 20		**$1,805**		**$1,930**		**$2,031**
% of global top 900 net debt		**29%**		**29%**		**28%**

Source: Janus Henderson, June 2022

MOST CASH-RICH COMPANIES – US$ BILLIONS

Rank	Company	2016-17	Company	2017-18	Company	2018-19
1	Apple Inc.	$150	Apple Inc.	$153	Apple Inc.	$123
2	Alphabet Inc.	$72	Alphabet Inc.	$88	Alphabet Inc.	$95
3	Samsung Electronics Co., Ltd.	$60	Samsung Electronics Co., Ltd.	$60	Samsung Electronics Co., Ltd.	$77
4	China Mobile Limited	$54	China Mobile Limited	$60	China Mobile Limited	$50
5	Microsoft Corporation	$47	Cisco Systems, Inc.	$37	Microsoft Corporation	$33
6	Cisco Systems, Inc.	$37	Meta Platforms Inc.	$32	Meta Platforms Inc.	$31
7	Meta Platforms Inc.	$19	Microsoft Corporation	$31	Cisco Systems, Inc.	$21
8	Johnson & Johnson	$15	Baidu Inc	$17	Baidu Inc	$19
9	Taiwan Semiconductor Manufacturing Co., Ltd.	$11	Qualcomm Incorporated	$14	Taiwan Semiconductor Manufacturing Co., Ltd.	$16
10	Baidu Inc	$11	Taiwan Semiconductor Manufacturing Co., Ltd.	$14	Alibaba Group Holding Ltd.	$13
Top 10		**$477**		**$507**		**$479**

Source: Janus Henderson, June 2022

References made to individual securities should not constitute or form part of any off er or solicitation to issue, sell, subscribe or purchase the security. Janus Henderson Investors, one of its affiliated advisor, or its employees, may have a position mentioned in the securities mentioned in the report.

Unless otherwise stated all data is sourced by Janus Henderson Investors as of 1 June 2022. Nothing in this document should be construed as advice.

Past Performance does not predict future returns. International investing involves certain risks and increased volatility. These risks include currency fluctuations, economic or financial instability, lack of timely or reliable financial information or unfavourable political or legal developments.

The value of an investment and the income from it can fall as well as rise and you may not get back the amount initially invested.

TOP COMPANIES (CONTINUED)

LARGEST BORROWERS – US$ BILLIONS (continued)

Rank	Company	2019-20	Company	2020-21	Company	2021-22
1	Volkswagen AG	$192	Volkswagen AG	$200	Toyota Motor Corp.	$186
2	AT&T Inc.	$176	Toyota Motor Corp.	$186	Volkswagen AG	$185
3	Toyota Motor Corp.	$156	AT&T Inc.	$173	AT&T Inc.	$182
4	Mercedes-Benz Group AG	$151	Deutsche Telekom AG	$152	Verizon Communications Inc.	$174
5	Verizon Communications Inc.	$129	Mercedes-Benz Group AG	$143	Deutsche Telekom AG	$153
6	Ford Motor Company	$122	Verizon Communications Inc.	$127	Mercedes-Benz Group AG	$109
7	Bayerische Motoren Werke AG	$114	Ford Motor Company	$113	Électricité de France SA	$104
8	Comcast Corporation	$104	Bayerische Motoren Werke AG	$111	Comcast Corporation	$98
9	Anheuser-Busch InBev SA/NV	$96	Comcast Corporation	$102	Bayerische Motoren Werke AG	$96
10	Deutsche Telekom AG	$87	Électricité de France SA	$83	Charter Communications, Inc.	$92
Top 10		**$1,327**		**$1,391**		**$1,380**
% of global top 900 net debt		**16%**		**17%**		**17%**
11	CVS Health Corporation	$81	Charter Communications, Inc.	$83	Ford Motor Company	$90
12	Électricité de France SA	$79	Anheuser-Busch InBev SA/NV	$83	General Motors Company	$79
13	Petroleo Brasileiro SA	$79	General Motors Company	$79	Anheuser-Busch InBev SA/NV	$76
14	Shell PLC	$78	AbbVie, Inc.	$79	Enel SpA	$72
15	General Motors Company	$78	Shell PLC	$76	Duke Energy Corporation	$68
16	Charter Communications, Inc.	$77	CVS Health Corporation	$74	AbbVie, Inc.	$68
17	PetroChina Company Limited	$76	Exxon Mobil Corporation	$69	Korea Electric Power Corporation	$68
18	Walmart Inc.	$63	Nippon Telegraph and Telephone Corporation	$67	Nippon Telegraph and Telephone Corporation	$67
19	Duke Energy Corporation	$62	Enel SpA	$65	Hyundai Motor Company	$65
20	Korea Electric Power Corporation	$60	Korea Electric Power Corporation	$64	Vodafone Group Plc	$62
Next 10		**$734**		**$739**		**$714**
Top 20		**$2,061**		**$2,129**		**$2,093**
% of global top 900 net debt		**25%**		**26%**		**26%**

Source: Janus Henderson, June 2022

MOST CASH-RICH COMPANIES – US$ BILLIONS (continued)

Rank	Company	2019-20	Company	2020-21	Company	2021-22
1	Alphabet Inc.	$104	Alphabet Inc.	$109	Alphabet Inc.	$111
2	Apple Inc.	$98	Samsung Electronics Co., Ltd.	$96	Samsung Electronics Co., Ltd.	$89
3	Samsung Electronics Co., Ltd.	$78	Apple Inc.	$70	China Mobile Limited	$62
4	Microsoft Corporation	$47	Alibaba Group Holding Ltd.	$56	Apple Inc.	$54
5	China Mobile Limited	$47	China Mobile Limited	$55	Alibaba Group Holding Ltd.	$51
6	Meta Platforms Inc.	$44	Microsoft Corporation	$54	Microsoft Corporation	$48
7	Alibaba Group Holding Ltd.	$32	Meta Platforms Inc.	$51	Meta Platforms Inc.	$34
8	Sony Group Corporation	$14	Sony Group Corporation	$20	JD.com, Inc.	$25
9	Taiwan Semiconductor Manufacturing Co., Ltd.	$13	JD.com, Inc.	$18	Stellantis N.V.	$20
10	Nintendo Co., Ltd.	$11	Hon Hai Precision Industry Co., Ltd.	$17	Sony Group Corporation	$20
Top 10		**$488**		**$547**		**$514**

Source: Janus Henderson, June 2022

References made to individual securities should not constitute or form part of any off er or solicitation to issue, sell, subscribe or purchase the security. Janus Henderson Investors, one of its affiliated advisor, or its employees, may have a position mentioned in the securities mentioned in the report.

Unless otherwise stated all data is sourced by Janus Henderson Investors as of 1 June 2022. Nothing in this document should be construed as advice.

Past Performance does not predict future returns. International investing involves certain risks and increased volatility. These risks include currency fluctuations, economic or financial instability, lack of timely or reliable financial information or unfavourable political or legal developments.

The value of an investment and the income from it can fall as well as rise and you may not get back the amount initially invested.

BOND MARKETS

Patterns in the bond markets match our analysis of corporate balance sheets. By the end of May 2022, the face value[8] of bonds in the Bank of America/ICE indices of investment grade and high yield corporate bonds[9] had reduced by $115bn since the end of May 2021. This was driven entirely by the high yield segment, reflecting both the redemption of bonds that matured during the period and by the re-rating of companies that moved from the high yield to the investment grade segment. The face value of high yield debt in issue was 6.1% lower year-on-year as a result, with about half the effect coming from promotions to investment grade and half from redemptions. The investment grade segment saw a very small increase in outstanding face value (+0.3%). This was accounted for by the promotion of companies like mining company Freeport-McMoran and food group Kraft-Heinz to the investment grade list. The $75bn value of these upgrades, and others, was mostly offset by companies like Shell redeeming their bonds.

The cost to companies of issuing new bonds has climbed significantly since this time last year as bond markets have repriced to reflect rising inflation, higher central bank policy rates and expectations of further rate hikes to come. The median yield on investment grade debt was 4.1% at the end of May 2022, up from 1.7% the year before. The median yield on high yield bonds had jumped even more, now at 6.9%, up from 4.0%. Moreover, the dispersion of yields has increased significantly among high yield bonds; it has also increased marginally in the investment grade segment.

THE COST TO COMPANIES OF ISSUING NEW BONDS HAS CLIMBED SIGNIFICANTLY SINCE THIS TIME LAST YEAR AS BOND MARKETS HAVE REPRICED TO REFLECT RISING INFLATION, HIGHER CENTRAL BANK POLICY RATES AND EXPECTATIONS OF FURTHER RATE HIKES TO COME.

References made to individual securities should not constitute or form part of any off er or solicitation to issue, sell, subscribe or purchase the security. Janus Henderson Investors, one of its affiliated advisor, or its employees, may have a position mentioned in the securities mentioned in the report.

Unless otherwise stated all data is sourced by Janus Henderson Investors as of 1 June 2022. Nothing in this document should be construed as advice.

Past Performance does not predict future returns. International investing involves certain risks and increased volatility. These risks include currency fluctuations, economic or financial instability, lack of timely or reliable financial information or unfavourable political or legal developments.

The value of an investment and the income from it can fall as well as rise and you may not get back the amount initially invested.

[8.] The face value is the amount borrowed, not the current market value of the bond.

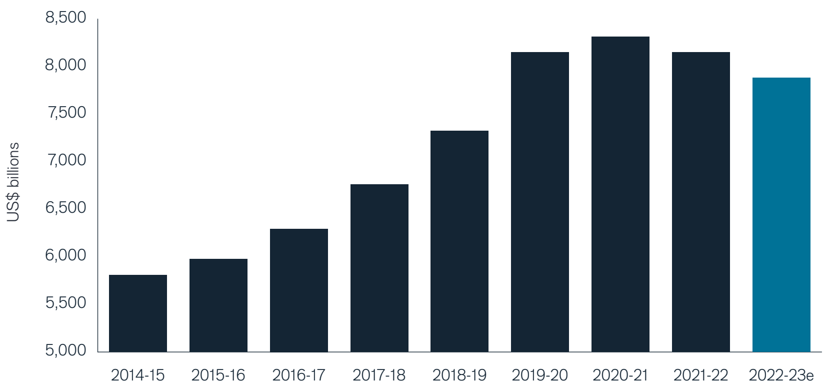
[9.] We exclude banks and financials.

OUTLOOK & VIEWPOINT

BY **SETH MEYER** AND **TOM ROSS**, PORTFOLIO MANAGERS

Companies around the world wisely opted to bridge with borrowing the gulf which opened in global economic activity by the pandemic. These debts were intended to be temporary – and so they were, as the greater focus on reducing short-term debts over the last year proves. As economies progressively reopened in 2021/22 pent-up demand was unleashed and profits rebounded so strongly that balance sheets quickly began to look very healthy again. Moreover, a post-pandemic M&A boom petered out as inflation began to surge and geopolitical tensions to increase, leaving companies with surplus capital. Developments in particular sectors have played a really important role too, such as the extraordinary boom in oil and commodity prices, and the dynamics in the auto industry where volumes are down but margins are up, leading to lower consumer financing need. All these factors have put more downward pressure on corporate borrowing than seemed likely a year ago.

COMPANY NET DEBT – GLOBAL



Source: Janus Henderson, June 2022

COMPANIES AROUND THE WORLD WISELY OPTED TO BRIDGE WITH BORROWING THE GULF WHICH OPENED IN GLOBAL ECONOMIC ACTIVITY BY THE PANDEMIC. THESE DEBTS WERE INTENDED TO BE TEMPORARY – AND SO THEY WERE, AS THE GREATER FOCUS ON REDUCING SHORT-TERM DEBTS OVER THE LAST YEAR PROVES.

We expect the decline to continue. The energy sector is extremely cash generative at present. Oil and gas producers can therefore continue to reduce its $729bn net debt pile this year. Meanwhile, slower global economic growth, including recessions in some parts of the world, is making companies more cautious. Consumers are feeling the pinch as higher prices for everything they buy reduce purchasing power – this force is in itself disinflationary and is especially challenging for companies that rely on discretionary spending. At the same time, interest rates are rising sharply, which is making corporate debt more expensive. Central banks in most major economies are tightening policy simultaneously which is likely to enhance the cooling effect on economic activity. We estimate that these factors together will push net debts down by $270bn on a constant-currency basis to $7.9 trillion by this time next year.

References made to individual securities should not constitute or form part of any off er or solicitation to issue, sell, subscribe or purchase the security. Janus Henderson Investors, one of its affiliated advisor, or its employees, may have a position mentioned in the securities mentioned in the report.

Unless otherwise stated all data is sourced by Janus Henderson Investors as of 1 June 2022. Nothing in this document should be construed as advice.

Past Performance does not predict future returns. International investing involves certain risks and increased volatility. These risks include currency fluctuations, economic or financial instability, lack of timely or reliable financial information or unfavourable political or legal developments.

The value of an investment and the income from it can fall as well as rise and you may not get back the amount initially invested.

Growth may slow or go into reverse, but companies are starting from a very profitable position; they have strong cash flow and can easily cover their interest expenses. Plus, they are not excessively levered (geared) and do not have major refinancing needs, meaning they are not ‘forced’ borrowers. Meanwhile, consumers have high savings coming out of the pandemic and many countries enjoy full employment. These factors suggest that companies will weather the downturn, using cash flow to reduce borrowings further rather than face an existential challenge that might require them to turn to lenders again to see them through. There is a high risk, however, that this interlude may be less. benign – it is much easier to spot the turning points than it is to predict how big an upswing or downturn is going to be.

In the bond markets, yields have risen significantly in recent months (yields rise when prices fall). High yield bonds behave more like equity markets than investment grade bonds because they are higher risk and more correlated to global economic growth. They have therefore seen yields rise most as risk aversion globally has risen and growth expectations have fallen. This trend may yet have further to run. Additionally, there is much greater differentiation between high- and low-risk issuers, between sectors and between different maturities of debt.

Better prices and less uniformity present real opportunities for active funds, especially those which allocate capital regionally. For example, the spread between high yield bonds and the least risky sovereign bonds is now wider in Europe than in the US, despite the quality of borrowers generally being higher in Europe, due to lower leverage and lower interest rates. This is a reversal of the normal pattern that sees narrower European spreads and will normalise again in time, once the disruption caused by the war in Ukraine begins to fade.

A very good way of making money when investing in high yield bonds is to look for companies whose credit ratings are about to be upgraded. Rising stars see their bond prices surge as rating agencies reassess the risks. Under the current market conditions, this process will take place more slowly, however, as ratings agencies will want to be sure that a company can trade successfully through the downturn such that its improved rating can stick.

References made to individual securities should not constitute or form part of any off er or solicitation to issue, sell, subscribe or purchase the security. Janus Henderson Investors, one of its affiliated advisor, or its employees, may have a position mentioned in the securities mentioned in the report.

Unless otherwise stated all data is sourced by Janus Henderson Investors as of 1 June 2022. Nothing in this document should be construed as advice.

Past Performance does not predict future returns. International investing involves certain risks and increased volatility. These risks include currency fluctuations, economic or financial instability, lack of timely or reliable financial information or unfavourable political or legal developments.

The value of an investment and the income from it can fall as well as rise and you may not get back the amount initially invested.

OUTLOOK & VIEWPOINT (CONTINUED)

Most sectors are facing significant headwinds at the moment, so we prefer lower risk options in more defensive sectors. However, it is increasingly important to be selective because individual companies face different challenges. Even traditionally safe utilities are less obvious options for bond investors at present as margins are pressured and investment needs are high, while individual companies like EDF, who are currently facing nuclear plant maintenance issues, have their own problems.

We prize companies with decent pricing power, even in a downturn, or which will benefit from consumers trading down. This can come from surprising quarters like Pure Gym, a value UK health club chain. We always favour rising stars. A good example is HCA, the US healthcare company which provides diagnosis, treatments, consultancy, nursing, surgeries, and other services.

There is no doubt that a bear market is an uncomfortable place for investors, but for new capital looking at corporate bonds, yields are far more attractive than in recent years. Cash savings are almost certain to lose money in real terms in an environment of high inflation in any case. What's more, investors have become heavily overweight in equities as stock markets boomed, so portfolio rebalancing to favour more fixed income could be beneficial for many. The current downturn will come to an end and with more opportunities for stock selection opening up, there is still a strong case to be made for investing in corporate bonds.

MOST SECTORS FACE HEADWINDS JUST NOW, SO WE PREFER LOWER RISK OPTIONS IN MORE DEFENSIVE SECTORS, BUT IT IS SO IMPORTANT TO BE SELECTIVE. INVESTORS BECAME OVERWEIGHT IN EQUITIES AS STOCK MARKETS BOOMED, SO PORTFOLIO REBALANCING TO FAVOUR MORE FIXED INCOME COULD BE BENEFICIAL FOR MANY.

References made to individual securities should not constitute or form part of any off er or solicitation to issue, sell, subscribe or purchase the security. Janus Henderson Investors, one of its affiliated advisor, or its employees, may have a position mentioned in the securities mentioned in the report.

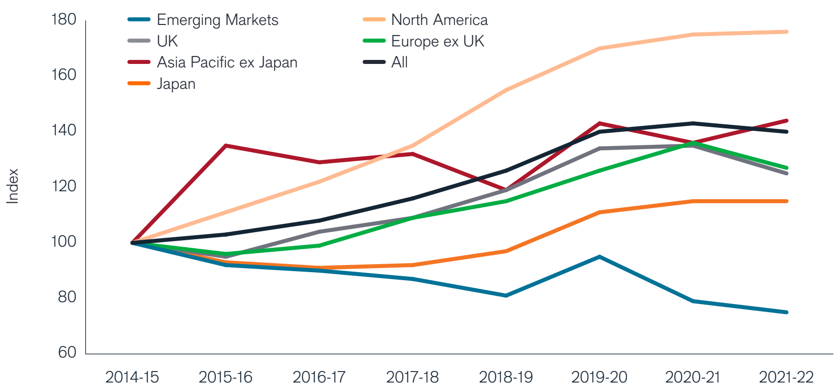
Unless otherwise stated all data is sourced by Janus Henderson Investors as of 1 June 2022. Nothing in this document should be construed as advice.

Past Performance does not predict future returns. International investing involves certain risks and increased volatility. These risks include currency fluctuations, economic or financial instability, lack of timely or reliable financial information or unfavourable political or legal developments.

The value of an investment and the income from it can fall as well as rise and you may not get back the amount initially invested.

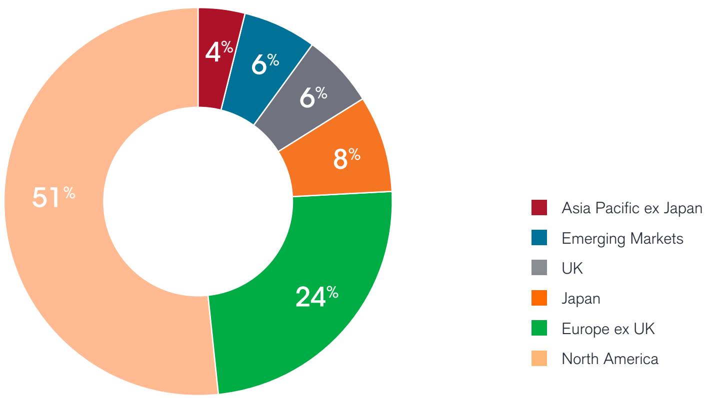
REGIONS AND COUNTRIES

NET DEBT INDEXED



Source: Janus Henderson, June 2022

2021/22 NET DEBT



Source: Janus Henderson, June 2022

North America

Companies in both the US and Canada delivered record profits in 2021/22, enabling them to pay shareholders record dividends, and undertake record share buy-back programmes[10]. With such strong cash flow, there was no material increase in the collective total net debt among US companies year-on-year (+0.5%), though a majority (53%) did see debts rise. Among US companies, the biggest increase was at Verizon, which borrowed heavily to pay for spectrum licences. Amazon's investment in property and equipment meant it also added significantly to its borrowings.

A preference for using debt as a larger part of the finance mix means just one in six US companies has net cash on its balance sheet, compared to almost one in three elsewhere in the world, though cash-positive US companies are so wealthy that they nevertheless own two fifths of all corporate cash deposits.

In 2021/22 US net corporate debts rose to 47.1% of the world's total, even though its share of the world's corporate assets held steady at 38.8%.

NET DEBT BY REGION
(US$ BILLIONS – SELECTED YEARS)

Region	2014-15	2018-19	2020-21	2021-22	2021/22 Change	2021/22 Change Constant-Currency
North America	$2,364	3674	$4,126	4167	1.0%	0.9%
Emerging Markets	$681	552	$539	514	-4.6%	-2.0%
Europe ex UK	$1,539	1763	$2,099	1948	-7.2%	-1.3%
UK	$416	495	$564	521	-7.6%	-10.0%
Japan	$564	548	$651	650	-0.2%	3.0%
Asia Pacific ex Japan	$244	290	$332	351	5.7%	6.9%
All	**$5,808**	**7323**	**$8,311**	**8151**	**-1.9%**	**-0.2%**

Source: Janus Henderson, June 2022

References made to individual securities should not constitute or form part of any off er or solicitation to issue, sell, subscribe or purchase the security. Janus Henderson Investors, one of its affiliated advisor, or its employees, may have a position mentioned in the securities mentioned in the report.

Unless otherwise stated all data is sourced by Janus Henderson Investors as of 1 June 2022. Nothing in this document should be construed as advice.

Past Performance does not predict future returns. International investing involves certain risks and increased volatility. These risks include currency fluctuations, economic or financial instability, lack of timely or reliable financial information or unfavourable political or legal developments.

The value of an investment and the income from it can fall as well as rise and you may not get back the amount initially invested.

[10.] S&P 500 companies bought back $882bn of stock, up 69.6% year-on-year and almost a tenth higher than the 2018 record – Source: S&P Global.

The ratio of debt to equity in the US fell to 68.0%, its lowest level since 2017/18 as strong profitability boosted equity capital while debts remained flat. The cultural preference for debt finance means the US debt to equity ratio is far higher than the ex-US global average of 43.8%.

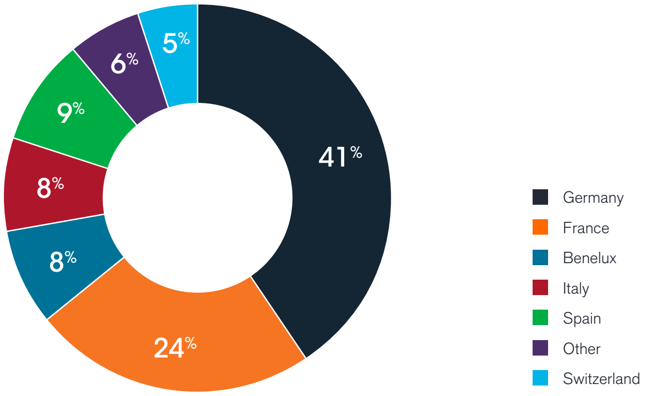
In 2021/22 Canadian firms saw debts rise to fund acquisitions and investment, such as Canadian Pacific Railway's purchase of Kansas City Southern.

Europe ex UK

Net debts fell 1.3% across Europe ex-UK on a constant-currency basis in 2021/22, though there was wide divergence from country to country.

The decline was driven by Norway, Italy and Switzerland in particular, but Austria and the Benelux group also saw companies reduce borrowings. In Norway's case, the decline was owed to sharply improved conditions in the oil industry. Among Italian companies, stronger profits and lower investment at transport infrastructure group Atlantia, as well as lower sales by car maker Stellantis, drove net borrowings down by 9.0% on a constant-currency basis, even though Italian utility debts rose. Asset disposals in the healthcare sector were the key driver of a 9.6% constant-currency reduction in Swiss corporate debts. Oil company OMV followed the sector trend to bring Austrian companies' corporate net debts down, while in Benelux, improvement in profit and cash flow at AB-Inbev and ArcelorMittal reduced debts in Belgium and Luxembourg respectively. But in the Netherlands, most companies in our index increased their borrowings; NXP made a significant impact owing to a €4bn share buyback, for example.

2020 NET DEBT
EUROPE EX UK



Source: Janus Henderson, June 2022

German corporate net debts account for two fifths (40.7%) of the European $1.95 trillion total, mainly owing to the dominance of Germany's three big car manufacturers which borrow to finance their customers' vehicle purchases. VW, Mercedes-Benz and BMW collectively account for one fifth of European companies' net debts. Each of these companies reduced their borrowings in 2021/22 owing to lower sales volumes and producing higher margin cars. Indeed, a majority of German companies reduced borrowings (54%), even though net debts overall rose 0.6% on a constant-currency basis. The biggest increase came from Deutsche Telekom, largely due to significant additional investment in the US.

The net debt to equity ratio of German companies is 100%, well above the global average, and reflects the highly capital-intensive nature of industry in the country. Even without the car makers, it is 84.5%. High gearing means interest expenses take a relatively large bite out of German operating profits (15.8%) compared to an 11.3% global average.

References made to individual securities should not constitute or form part of any off er or solicitation to issue, sell, subscribe or purchase the security. Janus Henderson Investors, one of its affiliated advisor, or its employees, may have a position mentioned in the securities mentioned in the report.

Unless otherwise stated all data is sourced by Janus Henderson Investors as of 1 June 2022. Nothing in this document should be construed as advice.

Past Performance does not predict future returns. International investing involves certain risks and increased volatility. These risks include currency fluctuations, economic or financial instability, lack of timely or reliable financial information or unfavourable political or legal developments.

The value of an investment and the income from it can fall as well as rise and you may not get back the amount initially invested.

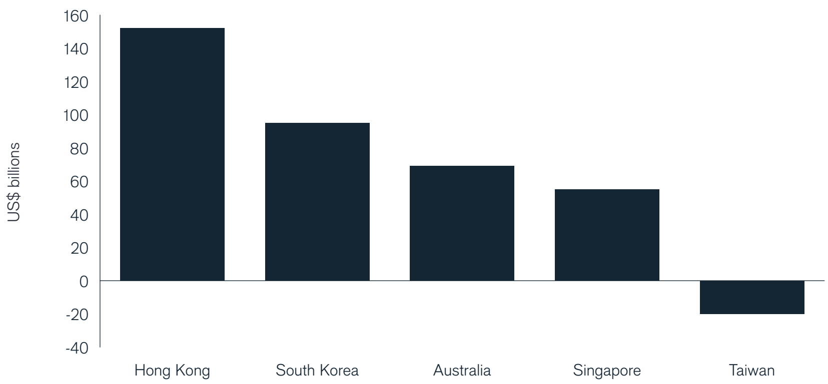
French companies account for almost a quarter of European borrowings (24%). Over three fifths of them reduced net debts in 2021/22, though the total rose 3.5% on a constant-currency basis owing in particular to a large debt-funded share buyback by L'Oreal, LVMH's acquisition of Tiffany and the impact of higher commodity prices on the value of EDF's hedging contracts, which generated a significant increase in the value of its short-term liabilities. In common with oil producers everywhere, TotalEnergies reduced its debts. The net debt to equity ratio of French companies fell to 57%, just below its pre-pandemic level though a little above the global average, while a rebound in profits and low rates meant interest payments were better covered than at any time since at least 2014/15.

Spanish corporate borrowing also rose 3.5% on a constant-currency basis, driven in particular by Cellnex's acquisitions and by weaker performance at utility Endesa. This was partially offset by strong cash flow at Repsol. A large number of utilities in the Spanish index mean that overall net debt to equity is a very high, at 102% in 2021/22 and interest costs consume a large portion of operating income (26%).

UK

UK company debts fell 10.0% on a constant-currency basis in 2021/22 to $521.0bn, taking their share of the global pie to 6.4%, its lowest since the index began in 2014. Asset disposals and soaring cash flow at Shell and BP accounted for most of the decline, but even so, three quarters of UK companies reduced their net debts during the year. There was a particular focus on the reduction of short-term borrowings, which fell by a fifth year-on-year.

2020 NET DEBT
ASIA PACIFIC EX JAPAN



Source: Janus Henderson, June 2022

Among the few that saw higher borrowings, Astrazeneca financed its acquisition of rare diseases specialist Alexion, and Unilever used new loans to fund capital expenditure, acquisitions and share buybacks.

The ratio of debt to equity in the UK fell to 64.1%, down 15 percentage points in a year to its lowest level since 2018/19. This sharp reduction is because much lower debt levels were supported by much higher equity capital that had received a boost from higher profitability during the year.

Asia Pacific ex Japan

Net debts in Asia Pacific ex-Japan rose in 2021/22. They increased 6.9% on a constant-currency basis, to their highest level on our eight-year record. Nevertheless, almost three fifths of the companies in our index reduced their indebtedness year-on-year, net debt to equity stayed steady at just 19% and the interest burden on operating profit was only 8.3%, well below the global average.

References made to individual securities should not constitute or form part of any off er or solicitation to issue, sell, subscribe or purchase the security. Janus Henderson Investors, one of its affiliated advisor, or its employees, may have a position mentioned in the securities mentioned in the report.

Unless otherwise stated all data is sourced by Janus Henderson Investors as of 1 June 2022. Nothing in this document should be construed as advice.

Past Performance does not predict future returns. International investing involves certain risks and increased volatility. These risks include currency fluctuations, economic or financial instability, lack of timely or reliable financial information or unfavourable political or legal developments.

The value of an investment and the income from it can fall as well as rise and you may not get back the amount initially invested.

REGIONS AND COUNTRIES (CONTINUED)

The biggest jump in borrowings came in South Korea where Hyundai bucked the trend seen in car manufacturers elsewhere. Higher sales meant a big increase in its finance book and even though profitability was good, cash flow was negative for the year. Net corporate debt in South Korea rose 37.8% on a constant-currency basis. Debts in Singapore were driven higher by Wilmar International, where weak cash flow and high investment costs meant the shortfall was covered with additional loans. In Hong Kong, increases in utility debts were offset by reductions among telecoms and oil stocks. Net debt rose just 1.1%.

By contrast, borrowings among Australian companies were pushed sharply lower, down 21.5% on a constant-currency basis. Mining group BHP accounted for two-fifths of the reduction, but eight in ten companies in our index repaid debts during the year. The sharp rebound in profits among Australian companies, along with debt repayments, pushed the debt to equity ratio down 18 percentage points to 45.7%, at the bottom end of the range for the last eight years. The highly cyclical nature of Australia's large mining industry means debt levels are relatively low for a developed Anglo-Saxon economy.

Two thirds of the Taiwanese companies in our index have net cash on their balance sheets. The one quarter reduction in the collective net cash position was influenced in particular by Hon Hai Precision.

IN 2021/22, JAPANESE CORPORATE BORROWING LEVELS ROSE 3.0% ON A CONSTANT-CURRENCY BASIS.

Japan

Japanese companies have some of the lowest debt levels among any major economy, reflecting cultural attitudes that eschew borrowing. They have a collective debt/equity ratio of 38%, well below the 53% global average, despite a capital-intensive industrial mix; gearing levels among Japanese companies are equal or lower in every industry grouping compared to global norms. As a result, Japanese companies owe just $1 in every $12.50 of the world's corporate debts, well below their $1 in every $10 share of corporate assets. With interest rates so extremely low in Japan the interest burden is half the global average as a share of operating profits. Just $1 in every $18 of operating profits is spent servicing borrowings, compared to a global $1 in $9 average.

In 2021/22, Japanese corporate borrowing levels rose 3.0% on a constant-currency basis.

Emerging Markets

Companies in emerging markets owe relatively little, reflecting more volatile economic conditions. Taken all together the net debts of all the emerging market companies in our index are similar to those of the UK constituents. They also fell in 2021/22, down 2.0% on constant-currency basis. Petrobras, for example, reduced its net debts by $12bn, while Ecopetrol of Colombia only saw them rise to fund acquisitions.

References made to individual securities should not constitute or form part of any off er or solicitation to issue, sell, subscribe or purchase the security. Janus Henderson Investors, one of its affiliated advisor, or its employees, may have a position mentioned in the securities mentioned in the report.

Unless otherwise stated all data is sourced by Janus Henderson Investors as of 1 June 2022. Nothing in this document should be construed as advice.

Past Performance does not predict future returns. International investing involves certain risks and increased volatility. These risks include currency fluctuations, economic or financial instability, lack of timely or reliable financial information or unfavourable political or legal developments.

The value of an investment and the income from it can fall as well as rise and you may not get back the amount initially invested.

APPENDICES

NET DEBT BY INDUSTRY IN USD BILLIONS – SELECTED YEARS

Industry	2014-15	2019-20	2020-21	2021-22	2021/22 Change	2021/22 Change Constant-Currency
Basic Materials	$384	$407	$385	$342	-11.3%	-9.5%
Communications & Media	$794	$1,075	$1,128	$1,131	0.2%	2.1%
Consumer Basics	$599	$899	$889	$885	-0.4%	0.3%
Consumer Discretionary	$963	$1,371	$1,365	$1,272	-6.8%	-3.1%
Healthcare & Pharmaceuticals	$310	$783	$814	$835	2.6%	3.8%
Industrials	$1,193	$1,326	$1,368	$1,384	1.1%	2.5%
Oil, Gas & Energy	$908	$1,095	$1,109	$943	-15.0%	-14.0%
Technology	-$278	$33	$14	$54	293.4%	254.2%
Utilities	$934	$1,160	$1,240	$1,306	5.3%	7.6%
ALL	**$5,808**	**$8,148**	**$8,311**	**$8,151**	**-1.9%**	**-0.2%**

Source: Janus Henderson, June 2022

NET DEBT BY SECTOR IN USD BILLIONS – SELECTED YEARS

Industry	Sector	2014-15	2019-20	2020-21	2021-22	2021/22 Change	2021/22 Change Constant-Currency
Basic Materials	Metals & Mining	$253	$171	$150	$115	-23.4%	-22.8%
	Chemicals	$87	$165	$170	$161	-5.6%	-3.4%
	Building Materials	$24	$42	$36	$41	13.9%	18.2%
	Paper & Packaging	$21	$29	$29	$25	-13.3%	-10.2%
Communications & Media	Media	$60	$178	$179	$161	-10.2%	-10.1%
	Telecoms	$734	$897	$949	$970	2.2%	4.4%
Consumer Basics	Food & Drug Retail	$183	$239	$229	$223	-2.8%	-2.5%
	Food	$139	$214	$214	$226	5.4%	6.5%
	Household & Personal Products	$57	$83	$78	$98	24.7%	26.0%
	Beverages	$153	$241	$249	$233	-6.7%	-5.7%
	Tobacco	$67	$123	$118	$106	-10.0%	-9.7%
Consumer Discretionary	General Retail	$110	$125	$86	$98	14.4%	18.5%
	Consumer Durables & Clothing	$41	$28	$17	$20	17.0%	27.6%
	Vehicles & Parts	$704	$1,030	$1,033	$915	-11.4%	-7.1%
	Leisure	$111	$192	$234	$246	5.1%	5.1%
	Other Consumer Services	-$1	-$4	-$5	-$8	39.4%	39.4%
Healthcare & Pharmaceuticals	Pharmaceuticals & Biotech	$116	$376	$417	$399	-4.5%	-3.1%
	Health Care Equipment & Services	$194	$407	$396	$436	10.1%	11.0%
Industrials	Aerospace & Defence	$32	$132	$144	$147	1.9%	2.2%
	General Industrials	$560	$440	$428	$420	-1.9%	0.1%
	Transport	$277	$383	$438	$428	-2.1%	-1.0%
	Construction, Engineering & Materials	$255	$278	$272	$292	7.4%	8.7%
	Support Services	$45	$58	$60	$64	7.3%	7.7%
	Electrical Equipment	$24	$34	$26	$32	22.9%	25.9%
Oil, Gas & Energy	Oil & Gas Producers	$749	$883	$895	$729	-18.5%	-17.3%
	Oil & Gas Equipment & Distribution	$155	$220	$226	$231	2.1%	1.7%
	Energy – non-oil	$4	-$9	-$13	-$17	38.7%	35.0%
Technology	IT Hardware & Electronics	-$201	-$123	-$142	-$108	-23.7%	-17.9%
	Software & Services	-$43	$105	$98	$113	15.5%	16.8%
	Semiconductors & Equipment	-$34	$51	$58	$50	-14.5%	-11.8%
Utilities	Utilities	$934	$1,160	$1,240	$1,306	5.3%	7.6%
ALL		**$5,808**	**$8,148**	**$8,311**	**$8,151**	**-1.9%**	**-0.2%**

Source: Janus Henderson, June 2022

References made to individual securities should not constitute or form part of any off er or solicitation to issue, sell, subscribe or purchase the security. Janus Henderson Investors, one of its affiliated advisor, or its employees, may have a position mentioned in the securities mentioned in the report.

Unless otherwise stated all data is sourced by Janus Henderson Investors as of 1 June 2022. Nothing in this document should be construed as advice.

Past Performance does not predict future returns. International investing involves certain risks and increased volatility. These risks include currency fluctuations, economic or financial instability, lack of timely or reliable financial information or unfavourable political or legal developments.

The value of an investment and the income from it can fall as well as rise and you may not get back the amount initially invested.

APPENDICES (CONTINUED)

NET DEBT BY REGION IN USD BILLIONS – SELECTED YEARS

Region	2014-15	2019-20	2020-21	2021-22	2021/22 Change	2021/22 Change Constant-Currency
North America	$2,364	$4,031	$4,126	$4,167	1.0%	0.9%
Emerging Markets	$681	$646	$539	$514	-4.6%	-2.0%
Europe ex UK	$1,539	$1,939	$2,099	$1,948	-7.2%	-1.3%
UK	$416	$556	$564	$521	-7.6%	-10.0%
Japan	$564	$628	$651	$650	-0.2%	3.0%
Asia Pacific ex Japan	$244	$347	$332	$351	5.7%	6.9%
ALL	**$5,808**	**$8,148**	**$8,311**	**$8,151**	**-1.9%**	**-0.2%**

Source: Janus Henderson, June 2022

NET DEBT BY COUNTRY IN USD BILLIONS – SELECTED YEARS

Region	Country	2014-15	2019-20	2020-21	2021-22	2021/22 Change	2021/22 Change Constant-Currency
Asia Pacific ex Japan	Hong Kong	$87	$148	$152	$152	-0.1%	-1.1%
	Australia	$83	$81	$84	$69	-17.6%	-21.5%
	Singapore	$32	$52	$47	$55	17.2%	16.2%
	South Korea	$41	$80	$75	$95	25.9%	37.8%
	Taiwan	$0	-$14	-$26	-$20	-23.4%	-25.1%
Emerging Markets	China	$243	$147	$86	$79	-7.8%	-5.9%
	India	$57	$126	$95	$109	14.1%	10.4%
	Brazil	$159	$120	$95	$82	-13.5%	-7.2%
	Russia	$90	$121	$113	$110	-2.6%	-2.2%
	South Africa	$4	$3	$13	$6	-49.8%	-62.8%
	Indonesia	$4	$6	$4	$2	-63.4%	-62.8%
	Mexico	$54	$51	$47	$36	-22.4%	-20.2%
	United Arab Emirates	$2	-$1	-$1	$0	-78.8%	-78.8%
	Thailand	$22	$27	$37	$51	39.8%	55.8%
	Colombia	$12	$10	$12	$20	62.5%	93.3%
	Philippines	$4	$6	$8	$8	4.7%	11.1%
	Malaysia	$17	$15	$16	$16	0.1%	3.8%
	Chile	$8	$11	$12	$12	3.2%	3.2%
	Czech Republic	$6	$5	$4	-$18	-545.4%	-553.8%
	Argentina	$0	-$2	-$2	$0	-93.2%	-93.2%
Europe ex UK	Switzerland	$39	$92	$101	$88	-12.1%	-9.6%
	France	$351	$445	$480	$466	-2.9%	3.5%
	Germany	$553	$763	$843	$793	-5.9%	0.6%
	Benelux	$138	$176	$163	$154	-5.5%	-3.4%
	Denmark	$14	$17	$15	$16	5.9%	11.9%
	Spain	$183	$159	$178	$171	-3.8%	3.5%
	Italy	$153	$175	$190	$161	-15.3%	-9.0%
	Norway	$28	$36	$41	$18	-56.2%	-55.0%
	Sweden	$34	$34	$38	$35	-7.3%	1.2%
	Finland	$4	$3	$6	$5	-4.6%	2.5%
	Ireland	$6	$10	$9	$9	2.9%	5.1%
	Austria	$11	$9	$17	$13	-22.7%	-17.0%
	Israel	-$1	-$2	-$2	-$2	-1.0%	-1.0%
	Portugal	$25	$21	$22	$20	-8.3%	-1.5%
Japan	Japan	$564	$628	$651	$650	-0.2%	3.0%
North America	United States	$2,149	$3,736	$3,824	$3,843	0.5%	0.5%
	Canada	$216	$295	$302	$325	7.3%	6.5%
UK	United Kingdom	$416	$556	$564	$521	-7.6%	-10.0%
ALL		**$5,808**	**$8,148**	**$8,311**	**$8,151**	**-1.9%**	**-0.2%**

Source: Janus Henderson, June 2022

References made to individual securities should not constitute or form part of any off er or solicitation to issue, sell, subscribe or purchase the security. Janus Henderson Investors, one of its affiliated advisor, or its employees, may have a position mentioned in the securities mentioned in the report.

Unless otherwise stated all data is sourced by Janus Henderson Investors as of 1 June 2022. Nothing in this document should be construed as advice.

Past Performance does not predict future returns. International investing involves certain risks and increased volatility. These risks include currency fluctuations, economic or financial instability, lack of timely or reliable financial information or unfavourable political or legal developments.

The value of an investment and the income from it can fall as well as rise and you may not get back the amount initially invested.

APPENDICES (CONTINUED)

DEBT/EQUITY RATIO BY INDUSTRY %

Industry	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Basic Materials	44%	33%	32%	39%	38%	30%
Communications & Media	67%	59%	58%	58%	57%	53%
Consumer Basics	73%	73%	78%	81%	78%	75%
Consumer Discretionary	79%	78%	75%	77%	71%	59%
Healthcare & Pharmaceuticals	44%	44%	54%	55%	56%	52%
Industrials	83%	73%	80%	82%	80%	73%
Oil, Gas & Energy	45%	41%	37%	43%	49%	38%
Technology	-20%	-14%	-10%	2%	1%	3%
Utilities	119%	121%	123%	125%	130%	134%
ALL	**56%**	**53%**	**55%**	**58%**	**58%**	**53%**

Source: Janus Henderson, June 2022

DEBT/EQUITY RATIO BY SECTOR %

Industry	Sector	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Basic Materials	Metals & Mining	51%	38%	33%	36%	32%	21%
	Chemicals	34%	24%	29%	38%	40%	35%
	Building Materials	31%	36%	39%	45%	38%	42%
	Paper & Packaging	125%	94%	83%	98%	114%	87%
Communications & Media	Media	22%	15%	18%	22%	19%	16%
	Telecoms	93%	86%	84%	85%	90%	89%
Consumer Basics	Food & Drug Retail	78%	85%	87%	95%	89%	86%
	Food	57%	61%	74%	71%	67%	66%
	Household & Personal Products	32%	43%	43%	48%	41%	52%
	Beverages	101%	88%	88%	93%	99%	86%
	Tobacco	159%	94%	98%	101%	100%	88%
Consumer Discretionary	General Retail	61%	64%	49%	37%	21%	19%
	Consumer Durables & Clothing	4%	6%	4%	10%	6%	6%
	Vehicles & Parts	92%	90%	90%	96%	91%	73%
	Leisure	137%	145%	177%	227%	377%	468%
	Other Consumer Services	-92%	-101%	-87%	-78%	-69%	-76%
Healthcare & Pharmaceuticals	Pharmaceuticals & Biotech	29%	30%	40%	46%	52%	44%
	Health Care Equipment & Services	69%	69%	74%	68%	61%	62%
Industrials	Aerospace & Defence	81%	56%	99%	132%	100%	87%
	General Industrials	82%	74%	72%	74%	68%	64%
	Transport	105%	98%	110%	106%	135%	108%
	Construction, Engineering & Materials	89%	76%	81%	80%	71%	71%
	Support Services	67%	65%	63%	65%	63%	60%
	Electrical Equipment	20%	16%	25%	27%	20%	23%
Oil, Gas & Energy	Oil & Gas Producers	40%	36%	33%	38%	44%	33%
	Oil & Gas Equipment & Distribution	118%	107%	100%	107%	129%	128%
	Energy – non-oil	2%	5%	-10%	-16%	-21%	-27%
Technology	IT Hardware & Electronics	-37%	-27%	-26%	-18%	-20%	-14%
	Software & Services	-6%	-1%	5%	18%	16%	17%
	Semiconductors & Equipment	-1%	-4%	2%	13%	13%	10%
Utilities	Utilities	119%	121%	123%	125%	130%	134%
ALL		**56%**	**53%**	**55%**	**58%**	**58%**	**53%**

Source: Janus Henderson, June 2022

References made to individual securities should not constitute or form part of any off er or solicitation to issue, sell, subscribe or purchase the security. Janus Henderson Investors, one of its affiliated advisor, or its employees, may have a position mentioned in the securities mentioned in the report.

Unless otherwise stated all data is sourced by Janus Henderson Investors as of 1 June 2022. Nothing in this document should be construed as advice.

Past Performance does not predict future returns. International investing involves certain risks and increased volatility. These risks include currency fluctuations, economic or financial instability, lack of timely or reliable financial information or unfavourable political or legal developments.

The value of an investment and the income from it can fall as well as rise and you may not get back the amount initially invested.

APPENDICES (CONTINUED)

DEBT/EQUITY RATIO BY REGION %

Region	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
North America	66%	65%	72%	74%	76%	69%
Emerging Markets	42%	36%	33%	34%	27%	24%
Europe ex UK	70%	66%	68%	74%	79%	68%
UK	64%	60%	62%	72%	79%	64%
Japan	41%	37%	35%	40%	38%	38%
Asia Pacific ex Japan	24%	21%	18%	21%	19%	19%
ALL	**56%**	**53%**	**55%**	**58%**	**58%**	**53%**

Source: Janus Henderson, June 2022

DEBT/EQUITY RATIO BY COUNTRY %

Region	Country	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Asia Pacific ex Japan	Hong Kong	38%	35%	26%	25%	23%	22%
	Australia	58%	48%	45%	53%	64%	46%
	Singapore	40%	40%	51%	50%	46%	53%
	South Korea	7%	7%	5%	14%	12%	15%
	Taiwan	-9%	-9%	-8%	-7%	-12%	-8%
Emerging Markets	China	28%	19%	17%	19%	9%	7%
	India	43%	43%	52%	55%	35%	39%
	Brazil	98%	82%	69%	74%	70%	56%
	Russia	30%	35%	29%	29%	32%	29%
	South Africa	24%	19%	2%	6%	59%	12%
	Indonesia	8%	10%	16%	30%	21%	7%
	Mexico	111%	97%	91%	100%	89%	58%
	United Arab Emirates	2%	0%	-5%	-7%	-6%	-1%
	Thailand	48%	34%	29%	42%	55%	77%
	Colombia	93%	73%	50%	55%	80%	112%
	Philippines	79%	87%	85%	86%	91%	93%
	Malaysia	63%	63%	62%	56%	60%	59%
	Chile	41%	50%	71%	55%	62%	50%
	Czech Republic	47%	45%	33%	41%	36%	-239%
Europe ex UK	Switzerland	17%	17%	23%	32%	33%	28%
	France	52%	49%	51%	58%	63%	57%
	Germany	109%	99%	99%	109%	118%	100%
	Benelux	93%	82%	76%	74%	71%	63%
	Denmark	24%	26%	15%	26%	21%	17%
	Spain	117%	111%	109%	98%	113%	102%
	Italy	85%	82%	104%	107%	114%	83%
	Norway	74%	59%	46%	71%	93%	37%
	Sweden	50%	46%	49%	46%	47%	40%
	Finland	-7%	-8%	4%	5%	11%	9%
	Ireland	45%	44%	47%	40%	34%	33%
	Austria	63%	49%	47%	49%	82%	61%
	Israel	-37%	-37%	-44%	-44%	-49%	-51%
	Portugal	141%	128%	123%	138%	139%	141%
Japan	Japan	41%	37%	35%	40%	38%	38%
North America	United States	65%	64%	71%	74%	75%	68%
	Canada	78%	76%	81%	79%	82%	77%

Source: Janus Henderson, June 2022

References made to individual securities should not constitute or form part of any off er or solicitation to issue, sell, subscribe or purchase the security. Janus Henderson Investors, one of its affiliated advisor, or its employees, may have a position mentioned in the securities mentioned in the report.

Unless otherwise stated all data is sourced by Janus Henderson Investors as of 1 June 2022. Nothing in this document should be construed as advice.

Past Performance does not predict future returns. International investing involves certain risks and increased volatility. These risks include currency fluctuations, economic or financial instability, lack of timely or reliable financial information or unfavourable political or legal developments.

The value of an investment and the income from it can fall as well as rise and you may not get back the amount initially invested.

METHODOLOGY

Janus Henderson analysed balance-sheet data from the most recent individual company annual reports and from Factset to build the picture of overall company indebtedness over the last six years. Most companies in the index (85%) had year-ends between December and March. Separately it used market data from a variety of sources, including company announcements, Bloomberg, ICE and others, to consider the role corporate bond markets play in company funding.

Bond markets: We have analysed market data for bonds worth over $100m, with at least a year to run, and with fixed interest rates. These account for approximately seven tenths of the total market.

Janus Henderson converted all the data to USD, using spot exchange rates on the balance sheet date for balance sheet items, and average annual exchange rates for income and expense items.

Janus Henderson excluded all financial and real estate companies from the analysis, as financial-company debt serves a different purpose to industrial companies.

There are 900 companies in the index. These correspond to the non-financial companies in the Janus Henderson Global Dividend Index which tracks the largest 1,200 companies in the world by market capitalisation.

JANUS HENDERSON EXCLUDED ALL FINANCIAL AND REAL ESTATE COMPANIES FROM THE ANALYSIS, AS FINANCIAL-COMPANY DEBT SERVES A DIFFERENT PURPOSE TO INDUSTRIAL COMPANIES.

References made to individual securities should not constitute or form part of any off er or solicitation to issue, sell, subscribe or purchase the security. Janus Henderson Investors, one of its affiliated advisor, or its employees, may have a position mentioned in the securities mentioned in the report.

Unless otherwise stated all data is sourced by Janus Henderson Investors as of 1 June 2022. Nothing in this document should be construed as advice.

Past Performance does not predict future returns. International investing involves certain risks and increased volatility. These risks include currency fluctuations, economic or financial instability, lack of timely or reliable financial information or unfavourable political or legal developments.

The value of an investment and the income from it can fall as well as rise and you may not get back the amount initially invested.

GLOSSARY

BEAR MARKET	–	A financial market in which the prices of securities are falling. A generally accepted definition is a fall of 20% or more in an index over at least a two-month period. The opposite of a bull market.
BOND	–	A bond is a parcel of debt. By buying a bond, investors give money to a borrower, usually for a fixed term and for a fixed rate of interest. Bonds can be bought and sold on financial markets, and the value changes over time with varying market conditions.
CYCLICAL INDUSTRY	–	The revenues and profits of an industry rise and fall over the course of an economic cycle.
EQUITY	–	The amount of money left over for shareholders if all of a company's assets were liquidated and its assets sold off.
GEARING	–	The ratio of debt to equity finance on the balance sheet – not to the market value of the shares; also called leverage.
LEVERAGE	–	The ratio of debt to equity finance on the balance sheet – not to the market value of the shares; also called gearing.
NET DEBT	–	All borrowings minus any cash or cash equivalents.
RUNNING YIELD	–	The interest paid on a bond divided by its current market value.
VOLATILITY	–	Rapid, unpredictable, changeability.
YIELD TO MATURITY	–	The interest paid on a bond divided by its current market value, taking account of the capital gain or loss that will occur when the bond matures and is repaid.

References made to individual securities should not constitute or form part of any off er or solicitation to issue, sell, subscribe or purchase the security. Janus Henderson Investors, one of its affiliated advisor, or its employees, may have a position mentioned in the securities mentioned in the report.

Unless otherwise stated all data is sourced by Janus Henderson Investors as of 1 June 2022. Nothing in this document should be construed as advice.

Past Performance does not predict future returns. International investing involves certain risks and increased volatility. These risks include currency fluctuations, economic or financial instability, lack of timely or reliable financial information or unfavourable political or legal developments.

The value of an investment and the income from it can fall as well as rise and you may not get back the amount initially invested.

WHY DEBT IN MODERATION IS A GOOD THING

This section summarises a chapter from our previous editions. We repeat it here as an aide-memoire on the function debt plays in funding companies, supporting economic growth and providing investment opportunities for investors.

Debt is helpful for companies

Companies need capital to invest. Often, this capital comes from cash flow, but if the need for capital is greater than a company's internal resources, it may also need to issue new shares (equity finance) or borrow either from banks or by issuing bonds that are traded on financial markets. Debt plays a valuable role in a well-functioning economy, and in well managed companies.

As a rule, equity finance is more expensive than debt. Debt is cheaper partly because interest expense is tax deductible, so debt is a tax-efficient way to finance investment. But more importantly, lenders face less risk of loss than shareholders and so provide finance more cheaply. In the event of a company winding up, lenders get their money back before shareholders do. Moreover, shareholder dividends are only paid after interest on debts has been settled. For shareholders, the upside is the potential for capital gains and growing income. For lenders the value comes from the greater certainty of returns. Shareholders therefore expect a higher return than lenders.

Shareholders welcome the use of an appropriate level of debt as it has the potential to multiply their gains, though it also multiplies any losses. Why issue shares and spread the profits over more shareholders if capital can be raised more cheaply by borrowing? Most companies therefore use a mix of equity and debt finance. The relationship between the two is called gearing or leverage. Big cash deposits might seem attractive, but they simply dilute returns and so are often a source of conflict with shareholders.

But what is an appropriate level of debt for a company? This is primarily influenced by geography and the industry concerned. Asset-rich companies with secure cash flows in economically and politically stable parts of the world are able to maintain higher debt levels than those in highly cyclical industries, those with limited tangible assets and those in less developed parts of the world. Cultural factors also play a role, as does the prevailing inflation and interest-rate environment.

References made to individual securities should not constitute or form part of any off er or solicitation to issue, sell, subscribe or purchase the security. Janus Henderson Investors, one of its affiliated advisor, or its employees, may have a position mentioned in the securities mentioned in the report.

Unless otherwise stated all data is sourced by Janus Henderson Investors as of 1 June 2022. Nothing in this document should be construed as advice.

Past Performance does not predict future returns. International investing involves certain risks and increased volatility. These risks include currency fluctuations, economic or financial instability, lack of timely or reliable financial information or unfavourable political or legal developments.

The value of an investment and the income from it can fall as well as rise and you may not get back the amount initially invested.

And debt provides opportunities for investors

Debt isn't just good for companies. It also provides opportunities for investors. Corporate bonds typically offer higher rates of interest than savings accounts or government bonds, while still offering greater certainty of returns than investing in shares.

Corporate bonds are typically riskier than equivalent government bonds, but the huge diversity of bonds in issue means investors can select the risk profile that suits them and for a term that matches their preferred investment horizon. Investors can use them in different ways. If they buy them at issue and hold them to maturity (the primary market), the return is fixed in advance for most kinds of bond, providing certainty subject only to default risk. Or they can buy and sell bonds on the so-called secondary market; if interest rates fall or a credit rating improves, bond prices rise, bringing the possibility of capital gains. If rates rise or credit ratings get downgraded, prices fall.

All these features can make bonds a very valuable addition to an investor's portfolio. Additionally, adding corporate bonds to a portfolio brings the significant benefits of diversification. This is often achieved in multi-asset funds, or investors can add corporate bond funds to complement their existing holdings.

ALL THESE FEATURES CAN MAKE BONDS A VERY VALUABLE ADDITION TO AN INVESTOR'S PORTFOLIO. ADDITIONALLY, ADDING CORPORATE BONDS TO A PORTFOLIO BRINGS THE SIGNIFICANT BENEFITS OF DIVERSIFICATION. THIS IS OFTEN ACHIEVED IN MULTI-ASSET FUNDS, OR INVESTORS CAN ADD CORPORATE BOND FUNDS TO COMPLEMENT THEIR EXISTING HOLDINGS.

References made to individual securities should not constitute or form part of any off er or solicitation to issue, sell, subscribe or purchase the security. Janus Henderson Investors, one of its affiliated advisor, or its employees, may have a position mentioned in the securities mentioned in the report.

Unless otherwise stated all data is sourced by Janus Henderson Investors as of 1 June 2022. Nothing in this document should be construed as advice.

Past Performance does not predict future returns. International investing involves certain risks and increased volatility. These risks include currency fluctuations, economic or financial instability, lack of timely or reliable financial information or unfavourable political or legal developments.

The value of an investment and the income from it can fall as well as rise and you may not get back the amount initially invested.

FOR MORE INFORMATION, PLEASE VISIT **JANUSHENDERSON.COM**

Janus Henderson
INVESTORS

Important Information

The views presented are as of the date published. They are for information purposes only and should not be used or construed as investment, legal or tax advice or as an offer to sell, a solicitation of an offer to buy, or a recommendation to buy, sell or hold any security, investment strategy or market sector. Nothing in this material shall be deemed to be a direct or indirect provision of investment management services specific to any client requirements. Opinions and examples are meant as an illustration of broader themes, are not an indication of trading intent, are subject to change and may not reflect the views of others in the organization. It is not intended to indicate or imply that any illustration/example mentioned is now or was ever held in any portfolio. No forecasts can be guaranteed and there is no guarantee that the information supplied is complete or timely, nor are there any warranties with regard to the results obtained from its use. Janus Henderson Investors is the source of data unless otherwise indicated and has reasonable belief to rely on information and data sourced from third parties. **Past performance does not predict future returns. Investing involves risk, including the possible loss of principal and fluctuation of value.**

Not all products or services are available in all jurisdictions. This material or information contained in it may be restricted by law, may not be reproduced or referred to without express written permission or used in any jurisdiction or circumstance in which its use would be unlawful. Janus Henderson is not responsible for any unlawful distribution of this material to any third parties, in whole or in part. The contents of this material have not been approved or endorsed by any regulatory agency.

Janus Henderson Investors is the name under which investment products and services are provided by the entities identified in the following jurisdictions: (a) **Europe** by Janus Henderson Investors International Limited (reg no. 3594615), Janus Henderson Investors UK Limited (reg. no. 906355), Janus Henderson Fund Management UK Limited (reg. no. 2678531), Henderson Equity Partners Limited (reg. no. 2606646), (each registered in England and Wales at 201 Bishopsgate, London EC2M 3AE and regulated by the Financial Conduct Authority) and Henderson Management S.A. (reg no. B22848 at 2 Rue de Bitbourg, L-1273, Luxembourg and regulated by the Commission de Surveillance du Secteur Financier); (b) the **U.S.** by SEC registered investment advisers that are subsidiaries of Janus Henderson Group plc; (c) **Canada** through Janus Henderson Investors US LLC only to institutional investors in certain jurisdictions; (d) **Singapore** by Janus Henderson Investors (Singapore) Limited (Co. registration no. 199700782N). This advertisement or publication has not been reviewed by Monetary Authority of Singapore; (e) **Hong Kong** by Janus Henderson Investors Hong Kong Limited. This material has not been reviewed by the Securities and Futures Commission of Hong Kong; (f) **Taiwan R.O.C** by Janus Henderson Investors Taiwan Limited (independently operated), Suite 45 A-1, Taipei 101 Tower, No. 7, Sec. 5, Xin Yi Road, Taipei (110). Tel: (02) 8101-1001. Approved SICE licence number 023, issued in 2018 by Financial Supervisory Commission; (g) **South Korea** by Janus Henderson Investors (Singapore) Limited only to Qualified Professional Investors (as defined in the Financial Investment Services and Capital Market Act and its sub-regulations); (h) **Japan** by Janus Henderson Investors (Japan) Limited, regulated by Financial Services Agency and registered as a Financial Instruments Firm conducting Investment Management Business, Investment Advisory and Agency Business and Type II Financial Instruments Business; (i) **Australia** and **New Zealand** by Janus Henderson Investors (Australia) Limited (ABN 47 124 279 518) and its related bodies corporate including Janus Henderson Investors (Australia) Institutional Funds Management Limited (ABN 16 165 119 531, AFSL 444266) and Janus Henderson Investors (Australia) Funds Management Limited (ABN 43 164 177 244, AFSL 444268); (j) the **Middle East** by Janus Henderson Investors International Limited, regulated by the Dubai Financial Services Authority as a Representative Office. No transactions will be concluded in the Middle East and any enquiries should be made to Janus Henderson. We may record telephone calls for our mutual protection, to improve customer service and for regulatory record keeping purposes.

Outside of the U.S., Australia, Singapore, Taiwan, Hong Kong, Europe and UK: For use only by institutional, professional, qualified and sophisticated investors, qualified distributors, wholesale investors and wholesale clients as defined by the applicable jurisdiction. Not for public viewing or distribution. Marketing Communication.

Janus Henderson, Knowledge Shared and Knowledge Labs are trademarks of Janus Henderson Group plc or one of its subsidiaries. © Janus Henderson Group plc.

H050383/0622 – UK