

Janus Henderson Horizon Emerging Market Corporate Bond Fund

August 2021

For promotional purposes
For professional investors only

Fund Managers Names

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Macro backdrop

Unlike other summer months this year, August performance was driven by spread compression. Meanwhile, US Treasury yields ended up higher as markets discarded risks to global recovery and brought forward expectations of the US Federal Reserve (Fed) tapering its asset purchases. The JPM Corporate EM Bond Index (CEMBI) returned 0.71% and spreads compressed 15 basis points (bps). High yield bonds led the rally, returning 1.0%, whereas investment grade bonds lagged at 0.5%.

From a regional perspective, Argentina (4.0%), China (2.1%) and Indonesia (1.5%) were among the top performers. Argentina received special drawing rights from the International Monetary Fund (IMF) and China rebounded as the recent flow of negative news about regulatory crackdowns and the indebted property sector paused. On the other side of the spectrum, Ghana (-0.6%), Thailand (-0.2%) and Morocco (-0.2%) underperformed. As far as sectors are concerned, real estate, metals and mining and transport outperformed with above 1% returns. Consumer and diversified were among the bottom performers, returning 0.3 and 0.2% respectively.

Primary activity was low at \$17 billion, albeit in line with typical activity in August. New issuance was skewed towards investment grade (corporates at \$8 billion and government sponsored at \$5 billion). Almost all new supply came out of Asia (\$15 billion). Emerging market flows were positive over the month at \$400 million. Yet, hard-currency funds suffered small outflows (-\$400 million) while local currency funds benefitted from inflows (\$700 million).

Fund performance and activity

The fund underperformed the index over the month as investment grade bonds suffered from higher US interest rates. We covered the fund's underweight position to China, taking advantage of what we saw as attractive entry levels. We also reduced the sensitivity to US interest rates while increasing the fund's exposure to low duration high yield bonds in Latin America. The fund positioning is still overweight relative to the index at the aggregate level, with an increased sensitivity to spread compression and reduced exposure to US interest rate volatility.

Outlook/strategy

US treasury curve volatility picked up in August as US inflation data surprised to the upside. Inflation, which was expected to be transitory, proved stickier than expected, pushing yields higher. Meanwhile, there has been a rotation out of Chinese corporates that suffer excessive leverage into safer Chinese assets and Latin American corporates. Without significant outflows from emerging markets and still a below average new issuance activity, the backdrop remains supportive for emerging market corporates. The fund is positioned to benefit from further compression in spreads. We look to continue managing our exposure to China credits in an active manner as the consequences of recent China policy shift unfold. The fund has some cash to deploy into new issuances when primary markets re-open.

Source: Janus Henderson Investors, as at 31 August 2021

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Fund information

Index	JP Morgan Corporate Emerging Market Bond Index (CEMBI) Broad Diversified
Morningstar sector	Europe OE Global Emerging Markets Corporate Bond
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 JP Morgan Corporate Emerging Market Bond Index (CEMBI) Broad Diversified by 1.5% per annum, before the deduction of charges, over any 5 year period.

Performance in (USD)

Performance %	A2 (Net)	Index	Sector	Quartile ranking	A2 (Gross)	Target (Gross)
1 month	0.6	0.7	1.1	4th	-	-
YTD	1.2	2.2	1.6	3rd	-	-
1 year	5.7	6.2	6.8	3rd	-	-
3 years (annualised)	7.0	7.7	6.9	3rd	-	-
5 years (annualised)	4.3	5.4	4.8	3rd	5.7	7.0
10 years (annualised)	-	-	-	-	-	-
Since inception 05 Nov 2014 (annualised)	4.9	5.4	4.3	-	6.4	7.0

Source: at 31 Aug 2021. © 2021 Morningstar. All rights reserved, performance is with gross income reinvested. Performance/performance target related data will display only where relevant to the share class inception date and annualised target time period.

Discrete year performance %	A2 (Net)	Index	Sector	A2 (Gross)	Target (Gross)
30 Jun 2020 to 30 Jun 2021	8.6	8.7	10.4	9.9	10.3
30 Jun 2019 to 30 Jun 2020	4.2	3.7	1.2	5.5	5.3
30 Jun 2018 to 30 Jun 2019	8.0	10.2	8.6	9.4	11.9
30 Jun 2017 to 30 Jun 2018	-2.4	-0.1	-0.7	-1.0	1.3
30 Jun 2016 to 30 Jun 2017	6.6	6.8	7.3	8.1	8.4

Source: at 30 Jun 2021. © 2021 Morningstar. All rights reserved, performance is with gross income reinvested. Discrete performance data may change due to final dividend information being received after quarter end.

Source for target returns (where applicable) – Janus Henderson. Where quartiles are shown, 1st quartile means the share class is ranked in the top 25% of share classes in its sector.

Please note the performance target is to be achieved over a specific annualised time period. Refer to the performance target wording within the objective.

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Past performance is not a guide to future performance. The value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested.

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For further information on the Luxembourg-domiciled Janus Henderson fund range please contact your local sales office or visit our website: www.janushenderson.com.

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