

Janus Henderson Horizon Emerging Market Corporate Bond Fund

Quarter 4 2019

Fund Managers Names: Andrew Mulliner, CFA & Jennifer James

Macro backdrop

It was a very strong quarter for emerging market assets. Credit spreads tightened significantly as they were down 36 basis points (bps), albeit it from a higher base given the shock in Argentine assets earlier in August. In terms of duration, US Treasuries sold off by 25bps on the back of the risk-on sentiment in the market following the announcement of a phase one trade deal between China and the US.

On the monetary front, the US Federal Reserve (Fed) left interest rates unchanged and signalled that rates would stay on hold through 2020, but some emerging market central banks still have room for easing next year.

Some geopolitical uncertainties started mounting over the quarter. The US decided to withdraw soldiers from Syria, paving the way for a Turkish incursion at the expense of the Kurds. After an initial sell-off, Turkish spreads recovered and ended the quarter tighter by 75bps once a cease-fire deal was reached. In Latin America, there was social unrest in Chile, Bolivia and Colombia in October. Unrest also persisted in other parts of the world, including in Hong Kong, Lebanon and Iran.

At a country level, the de-escalation of tensions between Ukraine and Russia helped to boost both countries, with spreads tightening -268bps and -116bps respectively, while at a sector level the performance of the pharmaceutical sector was boosted by Teva.

Fund performance and activity

The fund returned 2.5% (net of fees) and outperformed the JPM CEMBI which returned 2.2%.

Chinese homebuilders contributed the most to this outperformance, with a larger proportion of carry return. The appealing spread compared to peers, coupled with strong and improving fundamentals, was the largest conviction for the trade. Ukrainian sovereign and corporate bonds also boosted performance, supported by monetary easing and a favourable political environment after elections.

Other large contributors included Russia as spreads at the country level tightened by 45bps in the quarter. Fund performance was boosted by investments in banks (VTB, SBERRU and SOVCOM) and commodity-driven names (POGLN, NLMKRU and CHMFRU).

Our underweight position in Teva dragged on performance relative to the benchmark, given the 158bps tightening in the Israeli corporate spread.

Outlook/strategy

In the near term we are positive on emerging market credit due to lower net supply, a benign monetary backdrop and flexible fiscal policies (policymakers have been fairly reactive). Emerging market credit continues to focus on balance sheet management, which should help to mitigate any macroeconomic slowdown.

Source: Janus Henderson Investors, as at 31 December 2019

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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.

Benelux

Janus Henderson Investors
Tel: +31 20 675 0146
Fax: +31 20 675 7197
Email: info.nederlands@janushenderson.com

France/Monaco/Geneva

Janus Henderson Investors
Tel: +33 1 53 05 41 30
Fax: +33 1 44 51 94 22
Email: info.europe.francophone@janushenderson.com

Germany/Austria

Janus Henderson Investors
Tel: +49 69 86 003 0
Fax: +49 69 86 003 355
Email: info.germany@janushenderson.com

Dubai

Janus Henderson Investors
Tel: +9714 401 9565
Fax: +9714 401 9564
Email: JanusHenderson-MEACA@janushenderson.com

Hong Kong

Janus Henderson Investors
Tel: +852 2905 5188
Fax: +852 2905 5138
Email: marketing.asia@janushenderson.com

Italy

Janus Henderson Investors
Tel: +39 02 72 14 731
Fax: +39 02 72 14 7350
Email: info.italy@janushenderson.com

Latin America

Janus Henderson Investors
Tel: +44 20 7818 6458
Fax: +44 20 7818 7458
Email: sales.support@janushenderson.com

Nordics

Janus Henderson Investors
United Kingdom
Tel: +44 20 7818 4397
Fax: +44 20 7818 1819
Email: sales.support@janushenderson.com

Singapore

Janus Henderson Investors
Tel: +65 6836 3900
Fax: +65 6221 0039
Email: marketing.asia@janushenderson.com

Spain/Portugal/Andorra

Janus Henderson Investors
Tel: +34 91 562 6172
Fax: +34 91 564 6225
Email: info.iberia@janushenderson.com

Switzerland (Germanic)

Janus Henderson Investors
Tel: +41 43 888 6262
Fax: +41 43 888 6263
Email: info.switzerland@janushenderson.com

United Kingdom

Janus Henderson Investors
Tel: +44 20 7818 1818
Fax: +44 20 7818 1819
Email: sales.support@janushenderson.com

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A copy of the Fund's prospectus, key investor information document, articles of incorporation, annual and semi-annual reports can be obtained free of cost from the local offices of Janus Henderson Investors: 201 Bishopsgate, London, EC2M 3AE for UK, Swedish and Scandinavian investors; Via Dante 14, 20121 Milan, Italy, for Italian investors and Roemer Visscherstraat 43-45, 1054 EW Amsterdam, the Netherlands. for Dutch investors; and the Fund's: Austrian Paying Agent Raiffeisen Bank International AG, Am Stadtpark 9, A-1030 Vienna; French Paying Agent BNP Paribas Securities Services, 3, rue d'Antin, F-75002 Paris; German Information Agent Marcard, Stein & Co, Ballindamm 36, 20095 Hamburg; Belgian Financial Service Provider CACEIS Belgium S.A., Avenue du Port 86 C b320, B-1000 Brussels; Spanish Representative Allfunds Bank S.A. Estafeta, 6 Complejo Plaza de la Fuente, La Moraleja, Alcobendas 28109 Madrid (Registered in Spain under CNMV 353. The Custodian in Spain is BNP PARIBAS SECURITIES SERVICES S.C.A.); Singapore: Singapore Representative Janus Henderson Investors (Singapore) Limited, 138 Market Street, #34-03/04 CapitaGreen, Singapore 048946; or Swiss Representative BNP Paribas Securities Services, Paris, succursale de Zurich, Selnaustrasse 16, 8002 Zurich who are also the Swiss Paying Agent. RBC Investor Services Trust Hong Kong Limited, a subsidiary of the joint venture UK holding company RBC Investor Services Limited, 51/F Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, Tel: +852 2978 5656 is the Fund's Representative in Hong Kong. [Janus Henderson, Janus, Henderson, Perkins, Intech, Alphagen, VelocityShares, Knowledge. Shared and Knowledge Labs] are trademarks of Janus Henderson Group plc or one of its subsidiaries. © Janus Henderson Group plc.