

Janus Henderson Horizon Euro Corporate Bond Fund

January 2021

For promotional purposes
For professional investors only

Fund Managers Names

Tim Winstone, CFA, Tom Ross, CFA

Macro backdrop

Euro investment grade corporate debt delivered a negative total return in January, with the iBoxx Euro Corporate Index falling 0.1%. The backdrop remained broadly favourable however, as mass Covid-19 vaccinations progressed, bolstering optimism about the eventual reopening of economies. Also helpful was anticipation - and subsequent delivery - of additional fiscal stimulus in the US, where President-elect Biden announced a \$1.9 trillion proposal shortly before his inauguration.

In terms of the European economy, the widely watched ZEW Index of investor sentiment for Germany hit a four-month high, driven by expectations of improved conditions for exports. The European Central Bank (ECB) left interest rates on hold at its policy meeting after stepping up monetary stimulus by €500 billion in December. Central bank support remains accommodative for investment grade credit spreads.

On a sector basis, non-financials outperformed financials over the month. Across capital structure tiers, seniors outperformed subordinated debt, where spreads generally finished wider on the month. Euro investment grade corporate bond supply over January proved to be robust overall with gross supply at €55.8 billion and net supply at €12.2 billion.

Fund performance and activity

The fund underperformed its benchmark over the month.

The overweight position to banks supported performance, and HSBC was a prominent contributor within this exposure. Returns benefited from holdings of HSBC legacy subordinated bonds; these outperformed benchmark HSBC issues which the fund does not own and which saw spreads widen over January. Security selection in Tesco and EnQuest was also helpful. Tesco tendered for bonds at a premium, and we replaced this position with debt of Tesco Property, while EnQuest released a strong operations update. A further boost came from short high yield risk index positions that we opened to provide downside protection, as high yield trailed investment grade credit. These were implemented via credit default swaps and payer swaptions.

Security selection in real estate was the principal detractor from returns. Adler Group, Aroundtown and Heimstaden Bostad were among the poor performers.

Turning to activity, we reduced the overweight position to credit beta by a modest amount. We trimmed the fund's allocation to oil and gas after S&P released a business risk warning on the sector. Among individual names, we sold out of Wizz Air and lowered exposure to easyJet, given we think travel is unlikely to recover to the extent we had originally anticipated due to the re-imposition of Covid-19 control measures.

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Outlook/strategy

The fund remains positioned with an overweight risk stance versus the benchmark, reflecting our expectation for European investment grade credit to deliver small positive excess returns in the near term. Although we are less favourable on the near-term fundamental backdrop, our outlook remains constructive over a longer horizon, given the global deployment of Covid-19 vaccines. While we expect the trajectory of coronavirus cases to remain volatile and global lockdowns to continue in the early part of this year, we think the market will likely look through this and focus instead on hopes for a reopening of economies and subsequent growth improvements later in 2021.

European investment grade credit valuations are back to pre-pandemic levels, but remain wide of historical levels. We believe there is still room for further spread compression and for investment grade credit markets to reach new historical tights. Furthermore, a strong technical tailwind persists as the hunt for yield continues to drive inflows into the asset class, and global central banks remain extremely accommodative, which should support market liquidity and suppress default rates in 2021.

Success in rolling out vaccines, near-term weakness in economic data, and potential bubbles in financial markets should be acknowledged. Nonetheless, we believe the supportive technical and positive fundamental landscape will continue to drive a tightening in investment grade credit spreads. The risk of a policy misstep or delay in earnings recovery is more elevated than in recent months and, with investor positioning already extended, the risk of a more meaningful market correction appears to have risen. Fund activity from this juncture is likely to evolve depending on the balance between the trend in coronavirus cases, the speed of vaccination campaigns and their success in enabling economies to reopen, and policy support by central banks.

Source: Janus Henderson Investors, as at 31 January 2021

Janus Henderson Horizon Euro Corporate Bond Fund

Fund information

Index	iBOXX Euro Corporates Index
Morningstar sector	Europe OE EUR 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 iBOXX Euro Corporates Index by 1.5% per annum, before the deduction of charges, over any 5 year period.

Performance in (EUR)

Performance %	A2 (Net)	Index	Sector	Quartile ranking	A2 (Gross)	Target (Gross)
1 month	-0.2	-0.1	-0.1	2nd	-	-
YTD	-0.2	-0.1	-0.1	2nd	-	-
1 year	2.6	1.4	1.1	1st	-	-
3 years (annualised)	2.9	2.6	1.8	1st	-	-
5 years (annualised)	3.2	2.8	2.4	1st	4.4	4.3
10 years (annualised)	4.4	3.9	3.4	1st	5.7	5.5
Since inception 18 Dec 2009 (annualised)	4.9	3.9	3.4	-	6.3	5.4

Source: at 31 Jan 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)
31 Dec 2019 to 31 Dec 2020	3.8	2.7	2.2	5.1	4.3
31 Dec 2018 to 31 Dec 2019	6.4	6.3	5.6	7.6	7.9
31 Dec 2017 to 31 Dec 2018	-1.5	-1.3	-2.2	-0.3	0.2
31 Dec 2016 to 31 Dec 2017	2.8	2.4	2.5	4.0	3.9
31 Dec 2015 to 31 Dec 2016	4.2	4.7	4.1	5.4	6.3

Source: at 31 Dec 2020. © 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.

Benelux

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

France/Monaco

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

Janus Henderson Investors
Tel: +41 43 888 62 62 (Zurich office)
Tel: +41 22 810 82 89 (Geneva office)
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 Vischerstraat 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, VelocityShares, Knowledge Shared, Knowledge. Shared and Knowledge Labs] are trademarks of Janus Henderson Group plc or one of its subsidiaries. © Janus Henderson Group plc.