

# Janus Henderson Horizon Euro Corporate Bond Fund

Q4 2020

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For professional investors only

## Fund Managers Names

Tim Winstone, CFA, Tom Ross, CFA

## Macro backdrop

The euro investment grade bond market delivered a positive total return over the quarter of 2.0% (iBoxx Euro Corporates Index). Excess returns (versus government equivalents) were also positive, with euro investment grade credit spreads closing tighter on the quarter. Renewed optimism was spurred by the removal of political risks such as the US election and Brexit, but most importantly vaccine progression and the start of vaccine rollouts - seen as a pivotal step required to revitalise the global economy in 2021. High beta sectors outperformed in the vaccine led credit rally, with subordinated debt outperforming seniors and sectors more severely impacted by the pandemic such as travel and leisure experiencing a strong comeback.

Market technicals continued to be supportive for euro investment grade credit spreads. For example, in its December meeting, the European Central Bank (ECB) announced that it would be increasing the size of its Pandemic Emergency Purchase Programme (PEPP) by €500 billion and further committed to buying bonds over a longer time period. Euro investment grade corporate bond supply over the quarter also proved to be underwhelming (gross €94.0 billion, net €2.2 billion).

## Fund performance and activity

The fund outperformed its index over the quarter.

The overweight position to credit beta was a strong contributor to relative performance. Having dialled up risk in early November in the wake of the US election and positive vaccine news, we were able to capture the substantial spread tightening in November and December. With respect to asset allocation, off-benchmark exposure to high yield was also additive, with high yield outperforming investment grade credit over the quarter.

At the sector level, overweight positions to banks and real estate built from bottom up security selection was beneficial for relative performance. In banks, our overweight position is expressed predominantly through Tier 1 debt that offers attractive relative value, and also small overweights to Tier 2 debt driven by favourable low supply dynamics. Within real estate, exposure to Central Emerging European issuer CPI Property Group, and German issuer Aroundtown, were the most noteworthy contributors. Overweights to corporate hybrids and more cyclical issuers such as VW and Heathrow further benefited from the overall spread compression recovery theme, particularly over November.

There were no significant single name underperformers over the month. Underweight positions to high quality issuers which make up a sizeable part of the benchmark marginally detracted from relative performance, however, this was offset by strong security selection in more high beta sectors.

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## Outlook/strategy

The fund remains positioned with an overweight to credit versus the benchmark, reflecting our expectations of positive excess returns for euro investment grade corporate bonds and further spread compression over the near-term. Despite increasing negative news flow around rampant Covid-19 transmission rates, emergence of new variants of the strain and reintroduction of lockdown measures, we expect credit spreads will continue to grind tighter, buoyed by optimism from the global rollout of vaccines which in turn should lead to an improved growth outlook.

Tail risks such as Brexit have diminished, and in the US the Democrats winning the Georgia run-off resulted in the Blue Sweep. We are likely to see an inflated stimulus bill to help boost GDP growth, but also regulatory tightening and tax increases. A rise in inflation is also expected over 2021 and we remain on the lookout for any change to Central Bank rate rhetoric and the sensitivity of the market to this.

While the success of the implementation of vaccines, weaker economic data in the near term, political noise, and sovereign bond volatility should be acknowledged, ultimately we believe the supportive technical backdrop with the ECB's increased PEPP and the fundamental landscape will continue to drive further tightening in euro investment grade credit spreads. Fund activity from this juncture is likely to evolve depending on the balance between the trend in coronavirus cases, the speed at which vaccines can be rolled out and their success in enabling economies to reopen, and central bank policy support.

Source: Janus Henderson Investors, as at 31 December 2020

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## 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	0.2	0.2	2nd	-	-
YTD	3.8	2.7	2.2	1st	-	-
1 year	3.8	2.7	2.2	1st	-	-
3 years (annualised)	2.9	2.5	1.8	1st	-	-
5 years (annualised)	3.1	2.9	2.4	1st	4.3	4.5
10 years (annualised)	4.4	3.9	3.4	1st	5.8	5.5
Since inception 18 Dec 2009 (annualised)	4.9	3.9	3.4	-	6.3	5.5

Source: at 31 Dec 2020. © 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.**

# Janus Henderson Horizon Euro Corporate Bond Fund

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