

Janus Henderson Horizon Euro High Yield Bond Fund

October 2021

Marketing communication
For professional investors only

Fund Managers Names

Tom Ross, CFA, Tim Winstone, CFA

Macro backdrop

Government bond yields rose further in October with the 10-year yield on German bunds, US Treasuries and UK gilts up by 9 basis points (bps), 6bps and 1bps respectively. Peripheral government bonds underperformed towards the end of the period. Inflation continued to surprise to the upside, particularly in Europe, with surging energy and wage costs compounding persistent supply bottlenecks. A growing fear of stagflation and faster interest rate rises than predicted were also key concerns.

The ICE BofA European Currency Non-Financial High Yield 2% Constrained Index delivered a total return of -0.6% (and an excess return of -0.1%) in October. Lower-rated European high yield underperformed, with BB-rated bonds delivering the strongest excess returns (versus government debt). High yield bond markets were impacted by the sell-off in rates markets, pricing in an earlier start to monetary tightening and a hawkish tilt from central banks. European high yield underperformed its US equivalent, partly explained by heavy supply and greater inflationary concerns.

Fund performance and activity

The fund delivered a negative return in October and underperformed the index over the month.

At the asset allocation level, the fund's overweight risk stance relative to benchmark weighed on performance, as the market delivered small negative excess returns.

Security selection also had a small negative impact. Exposure to the real estate sector was a principal detractor driven by small negative relative returns from overweight positions in Signa Development, CPI Property and Demire Deutsche Mittelstand. Contagion from the volatility surrounding Adler dragged on other names within the sector.

The fund's overweight position to Adler was additive as the bonds recovered some of the losses incurred since the end of September. Other positive contributors included overweight positions to new issues from Asda and Keepmoat Homes.

Outlook/strategy

The fund remains positioned with an overweight risk stance versus the benchmark, reflecting our expectation for European high yield bonds to deliver small positive excess returns in the near term.

We have become marginally more cautious recently, driven by factors such as developed-market central banks becoming slightly more hawkish (while still firmly supportive to markets), a rise in inflationary pressures and a slowdown in growth.

We acknowledge inflation is rising and is stickier than our expectations earlier in the year, but we do not believe these inflationary pressures are a long-term theme. While global growth forecasts have weakened of late, growth has ultimately still been positive.

We remain constructive on the fundamental and technical backdrop, which ultimately drives our favourable view of high yield. Defaults are at historically low levels, which is expected to continue into next year, while credit quality is improving, and companies have strong access to capital. The strong technical tailwind in high yield persists, with the hunt for yield prevalent, existence of high volumes of negative-yielding assets and continuing support from global central banks.

European high yield valuations were back to levels seen in February this year, offering more attractive valuations.

Overall, we continue to believe the supportive technical and fundamental landscape will drive a further tightening in high yield credit spreads.

Source: Janus Henderson Investors, as at 31 October 2021

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Fund information

Index	ICE BofA European Currency Non-Financial High Yield Constrained Index (100% Hedged)
Morningstar sector	Europe OE EUR High Yield 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 ICE BofA European Currency Non-Financial High Yield Constrained Index (100% Hedged) by 1.75% 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	-0.8	-0.6	-0.6	4th	-	-
YTD	1.6	2.9	2.2	4th	-	-
1 year	7.1	8.3	6.9	2nd	-	-
3 years (annualised)	4.2	4.4	3.0	1st	-	-
5 years (annualised)	3.9	4.0	2.8	1st	5.2	5.8
10 years (annualised)	-	-	-	-	-	-
Since inception 19 Nov 2012 (annualised)	5.7	5.2	4.0	-	7.0	7.1

Source: at 31 Oct 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 Sep 2020 to 30 Sep 2021	8.6	9.4	7.6	9.9	11.3
30 Sep 2019 to 30 Sep 2020	-1.3	-0.6	-2.3	-0.1	1.1
30 Sep 2018 to 30 Sep 2019	5.6	4.4	3.4	6.9	6.2
30 Sep 2017 to 30 Sep 2018	1.7	0.9	0.7	2.9	2.7
30 Sep 2016 to 30 Sep 2017	7.1	7.5	6.2	8.4	9.4

Source: at 30 Sep 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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