

# Janus Henderson Horizon Global High Yield Bond Fund

October 2019

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For professional investors only

**Fund manager names:** Tom Ross & Seth Meyer

## Overview

Global high yield bonds delivered a positive total return of 0.5% over the month (ICE BoAML Global High Yield Constrained Index). Performance was driven by positive excess credit returns (versus equivalent government bonds) despite US and European high yield credit spreads widening. Emerging market high yield conversely saw credit spreads tighten. Government bonds detracted from total returns on the back of a sell-off in US and German government bonds.

Overall sentiment improved in October as prospects of a no-deal Brexit occurring were reduced after Prime Minister Boris Johnson accepted an extension to the UK's membership of the EU and called a General Election, the US and China made progress in reaching "phase one" of their trade deal and the US Federal Reserve (Fed) announced the resumption of securities purchases.

In Europe gross and net issuance increased in October to €12 billion and €8.2 billion respectively. Year-to-date gross issuance is now above the levels seen over the same period in 2018, however net issuance is below. Conversely, supply in the US slowed with gross and net issuance totalling \$21.9 billion and \$6.3 billion respectively. Year-to-date gross and net issuance for the region remains higher than the levels seen last year.

The majority of sectors in the index delivered a positive total return with real estate and health care being the greatest contributors to performance.

## Performance and activity

The fund outperformed the benchmark over the month.

At the security level positive relative performance came from the fund's overweight position to real estate and underweight position to services. Positive relative performance also came from security selection with the fund's short risk position via credit default swaps (CDS) to European shipping company CMA adding to performance the most on an issuer basis.

At the asset allocation level negative relative performance came from the fund's underweight position to emerging market high yield given the asset class continued to see a reversal in the credit spread widening which occurred in August. At the single issuer level negative relative performance came from an underweight position to Teva and an overweight position to Enquest.

## Outlook

We remain positioned flat risk versus the benchmark, which is a reflection of our view that global high yield credit is likely to deliver flat to small positive excess credit returns in the near term, although credit spreads may widen marginally from here. Given recent improvement in valuations within emerging market high yield, we have covered our underweight position to that region. We have also trimmed our overweight position to Europe following recent outperformance and increased our underweight to US high yield.

Recent positive headlines suggest US and China are close to signing a phase one trade deal, however we believe trade tensions between the parties are likely to remain in the near term and threaten market volatility. Global growth also continues to have a weak trajectory with mixed recent economic data releases and growth unlikely to stage a recovery at this point. Sentiment regarding Brexit has improved following the granting of an extension of the UK's membership of the EU and a General Election being set, however Brexit headlines are likely to continue to linger in the background.

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Central bank easing continues to drive technical conditions. While the European Central Bank (ECB) and the Fed are likely to continue to support credit markets we believe the weak growth and uncertain geopolitical backdrop, combined with rate volatility, are likely to be a larger determinant of movements in credit and cause credit spreads to widen marginally from here.

That said, this view is far from static and given that economic and political news flow continues to evolve and impact rates and credit markets on a daily basis, if global growth improves, there is a confirmed move towards a clear resolution between the US and China or central bank's surprise markets to the upside, we would become more positive on European high yield.

Source: Janus Henderson Investors, as at 31 October 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.janus Henderson.com](http://www.janus Henderson.com).

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