

Janus Henderson Index-Linked Bond Fund

Q2 2021

For promotional purposes

Fund Managers Names

Andrew Mulliner, CFA, Bethany Payne, CFA

Macro backdrop

After the sell-off in the first quarter, longer-term government bond yields generally rallied which supported government bond returns. In contrast, front-end yields generally rose - particularly late in the period in the US - amid expectations that central banks such as the US Federal Reserve (Fed) would not be able to ignore inflation risks. 10-year gilt yields ended the quarter at 0.71%, while 10-year gilt break-even inflation reached the highest levels since 2008.

Fund performance and activity

Within core government markets, our position in the 3 to 5-year segment of the yield curve in Australia saw gains and retraced some of the previous underperformance as markets stabilised. During April, we established a position in US Treasury futures against German bunds, which performed well as government yields in Europe rose in April and May.

However, exposure to Mexican local rates, which have performed well over the longer term, suffered in June following the Fed meeting as the Banxico raised rates to 4.25% and the market priced in further interest rate hikes, and we exited the position.

Within yield curve strategies, our position seeking to benefit from the underperformance of longer-term rates relative to shorter maturities in the US detracted. The yield curve moved sharply flatter in June, as the US central bank forecasts suggested that interest rate hikes may come earlier than had previously been expected

Currency strategies were broadly flat in performance terms. The portfolio made gains on its position in the Indonesian rupiah. However, a position in the Norwegian krone versus the US dollar underperformed following the June Fed meeting.

Outlook/strategy

Central banks are expected to remain patient and are likely to avoid pre-emptive tightening of policy, but they also cannot ignore the strength of the economic data. Given the recovery in core government bond markets, particularly at longer maturities towards the end of the period, current yields are at the lower end of the expected range in our view. Global divergence in rate cycles is likely to become more of a theme in coming years as different regions begin to adjust policy settings. Despite the pick-up in inflation, we expect this to peak later in the year and expect that inflation-linked bond markets have priced this in, with real yields at or close to historic lows. Within emerging market rates we remain selective given inflation risks but continue to favour countries where real yields are elevated and currencies are relatively stable.

Source: Janus Henderson Investors, as at 30 June 2021

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Fund information

Index FTSE Actuaries UK Index-Linked Gilts greater than 5 years to maturity Index
Index usage Target,Comparator

The FTSE Actuaries UK Index-Linked Gilts (greater than 5 years to maturity) Index is a measure of the combined performance of index-linked bonds issued by the British government with greater than 5 years to maturity. It forms the basis of the Fund's performance target and provides a useful comparison against which the Fund's performance can be assessed over time.

Peer group benchmark IA UK Index Linked Gilts
Peer group benchmark usage Comparator

The Investment Association (IA) groups funds with similar geographic and/or investment remit into sectors. The Fund's ranking within the sector (as calculated by a number of data providers) can be a useful performance comparison against other funds with similar aims.

Objective The Fund aims to provide an income with the potential for capital growth over the long term.
Performance target To outperform the FTSE Actuaries UK Index-Linked Gilts greater than 5 years to maturity Index by 0.75% per annum, before the deduction of charges, over any 5 year period.

Performance in (GBP)

Performance %	I (Net)	Index	Peer group	Quartile ranking	I (Gross)	Target (Gross)
1 month	1.0	-0.3	1.0	4th	-	-
YTD	-4.2	-3.4	-2.8	4th	-	-
1 year	-5.4	-4.4	-4.3	4th	-	-
3 years (annualised)	5.1	5.3	5.1	2nd	-	-
5 years (annualised)	4.9	5.0	4.7	2nd	5.4	5.8
10 years (annualised)	7.4	8.0	7.1	1st	8.0	8.8
Since inception 04 Sep 2000 (annualised)	6.5	7.1	6.3	-	7.1	7.9

Source: at 30 Jun 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 %	I (Net)	Index	Peer group	I (Gross)	Target (Gross)
30 Jun 2020 to 30 Jun 2021	-5.4	-4.4	-4.3	-4.9	-3.7
30 Jun 2019 to 30 Jun 2020	12.6	11.9	11.2	13.3	12.8
30 Jun 2018 to 30 Jun 2019	8.9	9.1	9.0	9.5	9.9
30 Jun 2017 to 30 Jun 2018	1.2	2.0	1.9	1.8	2.8
30 Jun 2016 to 30 Jun 2017	8.0	7.1	6.7	8.6	7.9

Source: at 30 Jun 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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Important information

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