

Janus Henderson Institutional UK Gilt Fund

Quarter 3 2019

For promotional purposes

Fund Managers Names: Andrew Mulliner, CFA & Bethany Payne, CFA

Macro backdrop

Government bond markets continued to perform well in the third quarter with the shift to a more accommodative stance from the major central banks and weaker global economic data leading to expectations for lower interest rates. The US Federal Reserve (Fed) cut rates twice in the quarter and the European Central Bank (ECB) restarted its quantitative easing programme. Returns from longer maturity debt were particularly strong, with the 30-year gilt yield hitting a new low in September of below 1%.

Fund performance and activity

The main driver of performance was the fund's overweight position to interest rate duration relative to the benchmark, through positions in Canada, Sweden, Australia and New Zealand. The sharp fall in government bond yields during the quarter, particularly in core markets, led these positions to perform well.

We took profits on our position expecting a flatter euro yield curve, following outperformance of longer maturity rates. However, our negative view towards UK inflation, where we were positioned for breakeven inflation to fall, detracted as Brexit uncertainties caused sterling to weaken versus other currencies.

Emerging market positioning in Mexico continued to perform well as the Mexican Central Bank cut rates with further rate cuts expected.

The currency positions within the fund had a small positive impact. Our long-held Japanese yen position (versus the Australian dollar) performed well in August and we maintain some exposure to the Indonesian rupiah relative to the Taiwanese dollar.

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Outlook/strategy

We maintain a cautious outlook on the global economy and expect that that credit spreads and equity markets maybe vulnerable to any further negative surprises in economic data. We continue to favour taking our duration exposure in countries where central banks have more scope to cut interest rates. Critical events for the months ahead will be progress (or lack thereof) on Brexit and a US-China trade deal.

Source: Janus Henderson Investors, as at 30 September 2019

Benchmark information

Index benchmark: FTSE Actuaries All Stocks Gilt Index

Index benchmark usage: Comparator

The FTSE Actuaries All Stock Gilt Index is a measure of the combined performance of conventional bonds issued by the British government. It provides a useful comparison against which the Fund's performance can be assessed over time.

Sector benchmark: IA UK Gilts

Sector 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.

Discrete year performance % change	I Acc	Index	Peer group
30 Sep 2018 to 30 Sep 2019	13.2	13.4	13.9
30 Sep 2017 to 30 Sep 2018	-0.1	0.6	0.6
30 Sep 2016 to 30 Sep 2017	-5.2	-3.6	-5.6
30 Sep 2015 to 30 Sep 2016	13.1	12.6	15.2
30 Sep 2014 to 30 Sep 2015	6.5	8.2	8.0

Source: at 30 Sep 2019. © 2019 Morningstar. All rights reserved, performance is on a net of fees basis, with gross income reinvested. Discrete performance data may change due to final dividend information being received after quarter end.

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