Janus Henderson INVESTORS

HORIZON STRATEGIC BOND ESG APPROACH AND INTEGRATION

As a team, we actively seek out quality companies to allocate our clients' capital to and embrace issuers that maintain a strong environmental, social and governance (ESG) profile. It is our belief that a company will only continue to grow and do well if it genuinely looks after all of its stakeholders — ie, employees, customers, suppliers, bondholders, shareholders and the wider society, including the environment. This is the broadest definition of 'sustainable' in our minds.

Over time, a business, which is neither sustainable nor resilient, will inevitably fail for some or all of its stakeholders. Investing in better managed companies from an ESG perspective allows us to gain exposure to more resilient business models, more sustainable cash flows and places us in the best position to deliver superior risk-adjusted returns for our clients over the long term.

We embrace companies that strive to maintain a strong ESG profile

ESG approach

It is our role as stewards of our clients' capital to understand all potential impacts on a security's investment returns, of which ESG issues are a key component. Assessing ESG considerations can help inject new and forward-looking insights into the investment decision-making process, helping to mitigate tail risks, protect against long-term underperformance due to secular disruptions and help uncover underappreciated opportunities. We acknowledge that there is growing evidence of a direct financial benefit of incorporating ESG considerations into an investment decision-making process.

To future proof the portfolio and best position the fund to generate recurring, dependable returns for our clients, we feel it is prudent to have the core of our portfolio dedicated to lending to quality businesses that are not exposed to material ESG risks. To complement the core of our portfolio we may selectively lend to quality companies that are exposed to material ESG risks today but with a stable or improving trajectory; our preference being for the latter, since the fund may benefit as the issuer's credit spreads tighten and its cost of capital declines. We completely avoid or disinvest from companies where the level of ESG risk is material and the company is not willing or able to mitigate these risks, hence remain on a deteriorating trajectory.

Engagement with management teams is a crucial part of our ESG process, so we can better understand a company's willingness and ability to transition to a future proof and sustainable business model. As an active investor, we have an opportunity to maximise risk-adjusted returns for our clients by actively influencing and incentivising issuers to achieve better outcomes. Where possible, we may engage with companies on a firm-wide basis, in order to maximise the impact of our engagement efforts. In addition, we conduct 'themes based' engagement programmes designed for long-term dialogue with companies around material ESG issues, and engage as part of industry-wide initiatives, such as Climate Action 100+.

ESG integration

ESG considerations are fully integrated into our investment decision making process and ESG analysis is a core part of our credit research efforts. Blending quantitative financial analysis with a qualitative evaluation, including any potential impact from ESG factors, helps us to make a more informed assessment of the intrinsic value of a security. We have developed a proprietary ESG ratings framework built around a top-down thematic assessment combined with a bottom-up ESG appraisal of each issuer we invest in.

We believe ESG considerations should not be an overlay to the credit research process, rather it is most effective when it is an integral part of the process, as it can inform and enhance the quality of research. Therefore, we do not outsource ESG analysis to dedicated ESG analysts who would then feed our credit analysts with their views and engage on their behalf. It is our belief that the credit analysts – experts in their sectors – are best placed to authentically integrate ESG considerations into their work. However, our centralised ESG team does support the credit analysts with specialist ESG research and guidance on engagement.

Our proprietary ESG ratings are generated and maintained by our credit analysts, with input and challenge welcomed from portfolio managers and analysts across the fixed income department, as well as the dedicated ESG professionals. All members of the Strategic Fixed Income Team actively promote the internal ESG ratings framework, with portfolio managers Nicholas Ware and Rebecca Young most involved in the issuer specific details of the process on a day to day basis. Rebecca Young sits on the dedicated Fixed Income ESG Working Group led by Janus Henderson's Director of Fixed Income ESG (Adrienn Sarandi) who is responsible for enhancing ESG processes and to equip investors with the right data and tools.

Proprietary ESG ratings framework

Top-down thematic ESG research

Looking at the credit market holistically, we aim to identify themes that we believe are shaping the world and significantly impact the industries and issuers we invest in. Deep dives into these themes help us to analyse disruptions and innovations and how business models and cash flow profiles will be impacted, which in turn will drive long-term financial performance. We believe that building up a wealth of research on key ESG themes provides a valuable input for longer-term positioning and engagement and helps identify issuers with sustainable or unsustainable business models and cash flows.

Bottom-up ESG research

ESG analysis is an integral part of our fundamental bottom-up credit research at Janus Henderson. In terms of ESG considerations, we look for materiality and whether the ESG risks identified for each issuer are improving or deteriorating. A key question is whether a company is willing or able to manage and mitigate their material ESG risks and whether we can see actual evidence of it.

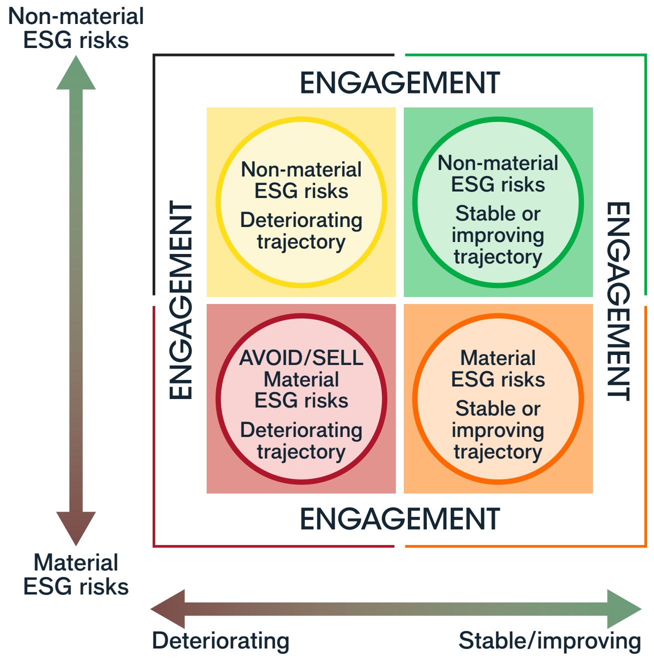
Proprietary ESG ratings

Our proprietary ESG analysis and ESG ratings are built into our internal research tool, Quantum, which is shared globally. Our ESG ratings are based on materiality and trajectory, and are based on a quadrant framework shown in figure 1. Issuers with no material ESG risk and a stable/improving trajectory are rated Green; those with no material ESG risks but with some risks emerging are rated Yellow; issuers with material ESG risks with a stable/improving trajectory are rated Orange; and those that have material ESG risks and are not actively addressing them, and are on a deteriorating trajectory, we rate Red for Avoid.

An Avoid ESG rating would result in an overall avoidance of the credit. Further, if a company that we own has deteriorated on ESG grounds that makes the issuer deemed no longer investible (ie, gains an Avoid ESG rating), we systematically sell down our exposure. The charts on the right hand side in figure 1, show our proprietary ESG ratings breakdown for the Janus Henderson Horizon Strategic Bond Fund and highlight our strong preference for those issuers that are not exposed to material ESG risks.

FIGURE 1: PROPRIETARY ESG RATINGS

Bottom-up framework for assessing each issuer



Horizon Strategic Bond Fund: Proprietary ESG ratings breakdown

Source: Janus Henderson Investors, as at 31 March 2021.

For illustrative purposes only. Note: Our proprietary ESG ratings framework for sovereigns utilises the same quadrant approach and all of our sovereign exposure held in the portfolio is rated Green.

Tools, resources and risk oversight

We use a wide range of internal and external tools and information (such as Sustainalytics, RepRisk, Beyond Ratings and Institutional Shareholder Services, ISS) to aid our ESG analysis. We are empowered by firm-wide ESG collaboration, including the dedicated in-house ESG team who provide a specialist resource on ESG issues, support on research and engagement and lead our participation in industry-wide initiatives such as the investor-led Climate Action 100+.

ESG risks are also considered as part of the broader risk oversight process led by our independent investment risk team. ESG risk data is included in the regular risk reporting produced for the investment team and is discussed with the risk team as part of the risk oversight process.

Combining our ESG approach and our 'sensible income' investment philosophy

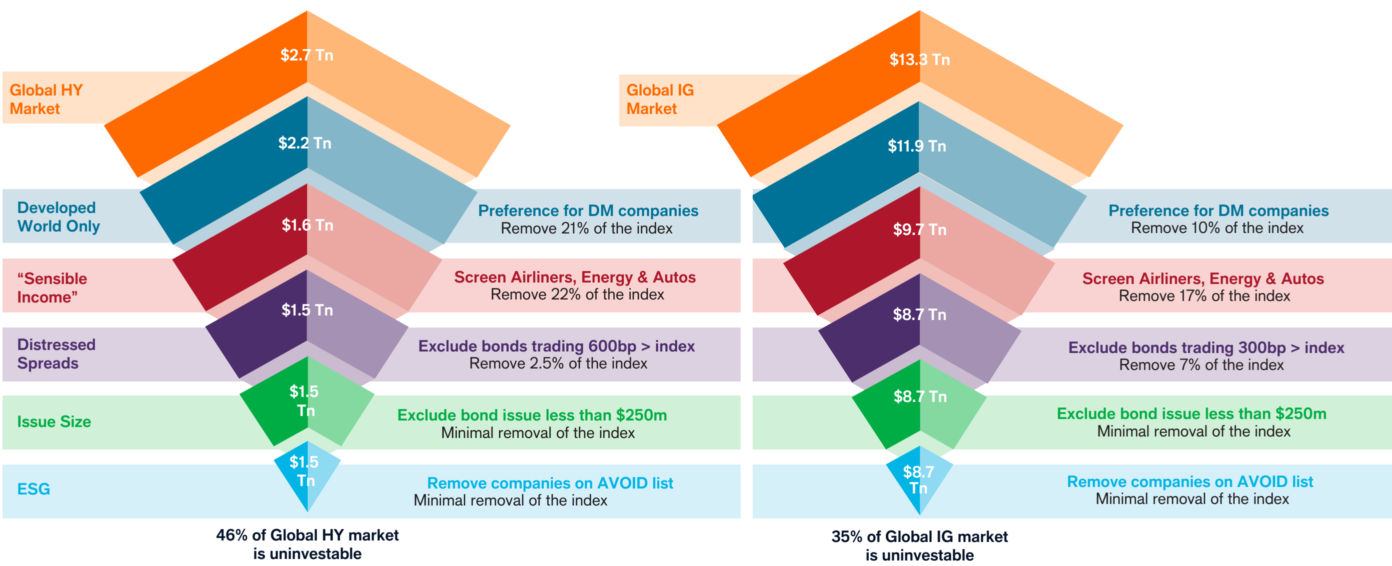
Top ESG rated segments of the credit market typically have a quality/defensive tilt and skew towards safe and non-cyclical sectors. This goes hand in hand with our 'sensible income' investment philosophy — our credit selection framework, which is in effect a 'quality' style bias.

This framework forms part of our identity as a team and in practice means our investable universe is a subset of the broad credit market, specifically large-cap, non-cyclical businesses in developed markets that generate a return on capital employed that is higher than their cost of capital. We believe focusing on this subset can provide our clients with superior risk-adjusted returns through the economic cycle.

A number of industries do not adhere to our interpretation of 'sensible income'. We apply a negative screening approach and completely avoid lending to certain sectors, as we view a large segment of the credit market as uninvestable (see figure 2). In general, the industries we do not lend to, are often capital intensive with high operating leverage, high financial leverage and a low return on capital employed. These sectors tend to include but are not limited to airlines, energy and autos, metals and mining and shipping. In addition, we avoid lending to sectors that are in structural decline, such as high street fashion retailers. Over time, we have found that there is a meaningful overlap between those sectors that fail to meet our definition of 'sensible income' and those that have weaker ESG profiles. Hence, our style of credit investing tends to shield us from areas of the credit market that have greater exposure to material ESG risks.

FIGURE 2: OUR 'SENSIBLE INCOME' CREDIT SCREENING METHODOLOGY

We reject large parts of the credit market as too low quality



Source: Janus Henderson Investors, desk estimates as at 30 April 2021.
Note: HY = high yield, IG = investment grade.

Portfolio management

John Pattullo
- Co-Head of Strategic Fixed Income – Portfolio Manager
- 28 years industry experience
- 24 years with Janus Henderson

Jenna Barnard, CFA
- Co-Head of Strategic Fixed Income – Portfolio Manager
- 20 years industry experience
- 19 years with Janus Henderson

Rebecca Young, CFA
- Portfolio Manager
- 12 years industry experience
- 12 years with Janus Henderson

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Important Information

How Sustainability Risks are part of the investment process: the investments underlying this financial product (referred to as the Fund) do not take into account the EU criteria for environmentally sustainable economic activities, although the Management Company and the Investment Manager have agreed a decision making process that will apply to investment decisions relating to the Fund as further detailed in the Prospectus.

The likely impacts of sustainability risks on the returns of the Fund: while the analysis of ESG factors is an integral component across the Investment Manager's investment capabilities and one of a number of inputs to the selection of investments and portfolio construction, the investment process of the Investment Manager is primarily designed to maximise long-term risk-adjusted returns for investors. Therefore, in managing the Fund, the Investment Manager does not maximise portfolio alignment with sustainability risks as a separate goal in its own right nor does it precisely attribute the impact of ESG factors on returns for the Fund.

Any investment application will be made solely on the basis of the information contained in the Fund's prospectus (including all relevant covering documents), which will contain investment restrictions. This communication has promotional purposes and is intended as a summary only and potential investors must read the Fund's prospectus and key investor information document before investing. Information is provided on the Fund on the strict understanding that it is to - or for clients resident outside the USA. We may record telephone calls for our mutual protection, to improve customer service and for regulatory record keeping purposes. Nothing in this communication is intended to or should be construed as advice. This communication is not a recommendation to sell or purchase any investment. It does not form part of any contract for the sale or purchase of any investment. Past performance may not be a reliable guide to future performance. The performance data does not take into account the commissions and costs incurred on the issue and redemption of units. Deductions for charges and expenses are not made uniformly throughout the life of the investment but may be loaded disproportionately at subscription. If you withdraw from an investment up to 90 calendar days after subscribing you may be charged a Trading Fee as set out in the Fund's prospectus. This may impact the amount of money which you will receive and you may not get back the amount invested. The value of an investment and the income from it can fall as well as rise significantly. Some Sub-Funds of the Fund can be subject to increased volatility due to the composition of their respective portfolios. Tax assumptions and reliefs depend upon an investor's particular circumstances and may change if those circumstances or the law change. If you invest through a third party provider you are advised to consult them directly as charges, performance and terms and conditions may differ materially. The Fund is a recognised collective investment scheme for the purpose of promotion into the United Kingdom. Potential investors in the United Kingdom are advised that all, or most, of the protections afforded by the United Kingdom regulatory system will not apply to an investment in the Fund and that compensation will not be available under the United Kingdom Financial Services Compensation Scheme. The Fund is a foreign collective investment scheme registered in the Netherlands with the Authority for the Financial Markets and in with the CNMV with the number 353. A list of distributors is available at www.cnmv.es. The Custodian in Spain is BNP PARIBAS SECURITIES SERVICES S.C.A.

The Janus Henderson Horizon Fund (the "Fund") is a Luxembourg SICAV incorporated on 30 May 1985, managed by Henderson Management S.A. A copy of the Fund's prospectus and key investor information document can be obtained from Henderson Global Investors Limited in its capacity as Investment Manager and Distributor. Issued by Janus Henderson Investors. Janus Henderson Investors is the name under which investment products and services are provided by Janus Capital International Limited (reg no. 3594615), Henderson Global Investors Limited (reg. no. 906355), Henderson Investment Funds Limited (reg. no. 2678531), Henderson Equity Partners Limited (reg. no.2606646), (each registered in England and Wales at 201 Bishopsgate, London EC2M 3AE and regulated by the Financial Conduct Authority) and Henderson Management S.A. (reg no. B22848 at 2 Rue de Bitbourg, L-1273, Luxembourg and regulated by the Commission de Surveillance du Secteur Financier). 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 J.W. Brouwersstraat 12, Roemer Visscherstraat 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; In 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. CCAT_Euro_1959/0421