Janus Henderson
INVESTORS

JANUS HENDERSON CORPORATE DEBT INDEX

Edition 2

JULY 2021

For promotional purposes.

CONTENTS

INTRODUCTION

JANUS HENDERSON IS AN ASSET MANAGER INVESTING IN GLOBAL EQUITY MARKETS ON BEHALF OF ITS CLIENTS THROUGHOUT THE WORLD FOR OVER 80 YEARS.

Formed in 2017 from the merger between Janus Capital Group and Henderson Global Investors, we are committed to adding value through active management. For us, active is more than our investment approach – it is the way we translate ideas into action, how we communicate our views and the partnerships we build in order to create the best outcomes for clients.

We take pride in what we do and care passionately about the quality of our products and the services we provide. While our investment managers have the flexibility to follow approaches best suited to their areas of expertise, overall our people come together as a team. This is reflected in our Knowledge Shared ethos, which informs the dialogue across the business and drives our commitment to empowering clients to make better investment and business decisions.

We are proud to offer a highly diversified range of products, harnessing the intellectual capital of some of the industry's most innovative and formative thinkers. Our expertise encompasses the major asset classes, we have investment teams situated around the world, and we serve individual and institutional investors globally. We have US$405 billion in assets under management, more than 2,000 employees and offices in 25 cities worldwide*. Headquartered in London, we are an independent asset manager that is dual-listed on the New York Stock Exchange and the Australian Securities Exchange.

What is the Janus Henderson Corporate Debt Index?

The Corporate Debt Index is the second edition in a study into trends in company indebtedness around the world, the investment opportunities this provides and the risks it presents. It measures the extent to which the world's largest companies are financing themselves with borrowings and how affordable and sustainable those borrowings are. It compares and contrasts trends across different industries and geographies, and in the corporate bond markets. (See methodology for further details.)

The report aims to help readers better understand the world of fixed income investment.

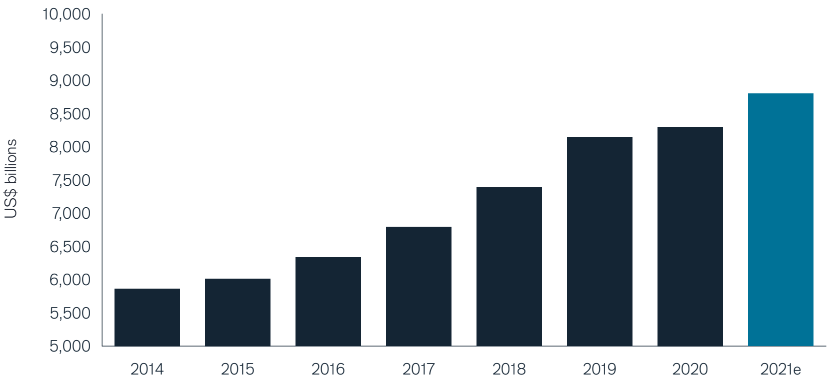
*As at 31 March 2021

OVERVIEW

The economic disruption caused by the pandemic has varied widely from one part of the world to another according to the severity of the outbreak, the measures taken to control it and the support provided by governments. More recently, the pace of vaccination is adding another dimension to the range of outcomes.

Naturally, company profitability fell sharply during the Covid-19 recession. Pre-tax profits for the companies in our index fell by almost a third (-31.8%) in 2020, dropping from $2.3 trillion to $1.6 trillion. Every region saw lower profits, but Japan and the rest of Asia saw the smallest declines, with some places, like China and Taiwan, even seeing companies grow year-on-year. The UK was hardest hit, mainly owing to big losses at oil giants Shell and BP. The fall in profits was exaggerated by asset write-downs across a range of industries. These have no effect on company cash positions, though they do impact measures of debt sustainability by reducing the asset backing for company loans.

COMPANY NET DEBT – GLOBAL



Source: Janus Henderson, June 2021

The impact of the pandemic varied even more by sector than it did by geography. The effect has been catastrophic for some sectors, such as airlines and hospitality, which have been unable to operate for much of the year in many parts of the world, and negligible for others, such as software or food whose businesses have continued almost uninterrupted. At the

NET DEBT BY REGION (US$ BILLIONS)

Region	2014	2015	2016	2017	2018	2019	2020
North America	$2,387	$2,650	$2,915	$3,206	$3,707	$4,054	$4,132
Emerging Markets	$681	$619	$604	$576	$548	$630	$526
Europe ex UK	$1,551	$1,483	$1,539	$1,700	$1,781	$1,939	$2,099
UK	$442	$419	$458	$470	$506	$565	$578
Japan	$570	$532	$522	$527	$553	$627	$647
Asia Pacific ex Japan	$235	$312	$294	$315	$290	$334	$319
Total	**$5,866**	**$6,015**	**$6,333**	**$6,794**	**$7,385**	**$8,150**	**$8,301**

Source: Janus Henderson, June 2021

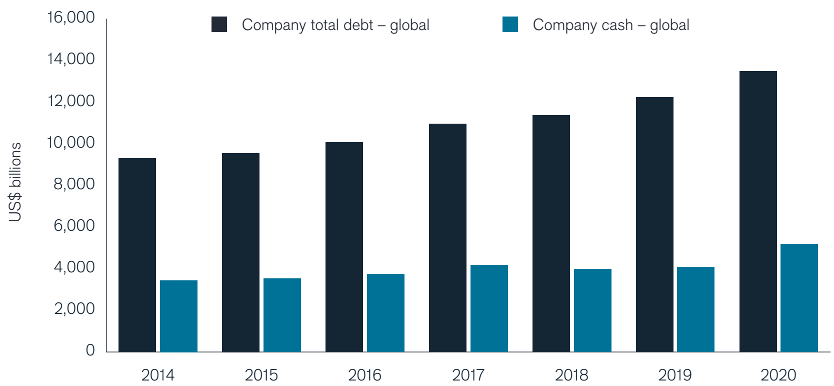
OVERVIEW (CONTINUED)

more detailed sector level, a record six sectors posted outright losses, of which by far the largest was oil production, though leisure and transport stocks suffered a major impact too.

As lockdowns began in 2020, the fog of uncertainty was too dense for companies and investors to judge accurately how bad the impact would be on the world economy. Businesses immediately scrambled to preserve cash and they did so at an unprecedented pace, slashing dividends, halting share buy-back programmes, cutting capital expenditure, squeezing their working capital lower and launching rights issues to seek cash injections from shareholders.

Bond markets were initially spooked by the scale of the crisis, but as central banks stepped in to calm the waters, liquidity improved and interest rates fell

BORROWING ROSE SHARPLY IN 2020
BUT SO DID CASH



Source: Janus Henderson, June 2021

GLOBAL CORPORATE DEBT
KEY FIGURES

Key figures	2014	2015	2016	2017	2018	2019	2020
Cash & cash equivalents	$3,441	$3,534	$3,738	$4,169	$3,986	$4,078	$5,182
Equity	$11,199	$10,968	$11,380	$12,885	$13,504	$14,053	$14,354
Total assets	$30,822	$30,809	$32,175	$35,528	$37,244	$39,445	$41,808
Short-term debt	$1,841	$1,838	$1,922	$2,074	$2,094	$2,427	$2,420
Long-term debt	$7,465	$7,711	$8,148	$8,890	$9,278	$9,801	$11,063
Total debt	$9,307	$9,549	$10,071	$10,964	$11,371	$12,228	$13,482
Net debt	$5,866	$6,015	$6,333	$6,794	$7,385	$8,150	$8,301
Operating profit	$2,409	$2,094	$2,131	$2,454	$2,823	$2,659	$2,231
Interest expense	$287	$278	$299	$317	$340	$390	$381
Interest / Operating profit	12%	13%	14%	13%	12%	15%	17%
Net debt / Operating profit	244%	287%	297%	277%	262%	307%	372%
Debt / Equity	**52%**	**55%**	**56%**	**53%**	**55%**	**58%**	**58%**

Source: Janus Henderson, June 2021

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The value of an investment and the income from it can fall as well as rise and you may not get back the amount initially invested.

[1] Source: Janus Henderson Global Dividend Index, Edition 26 – May 2020

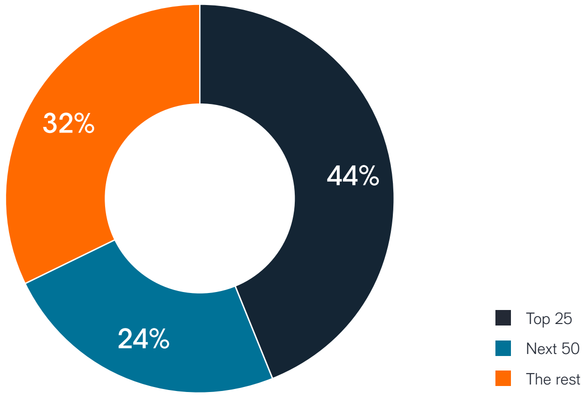
OVERVIEW (CONTINUED)

sharply – companies instantly took the opportunity to issue bonds to bolster their cash position in case this became impossible later on. Even Apple, one of the most cash-rich companies in the world, unnecessarily raised billions of dollars in new bonds during the year. By the beginning of June 2020, early birds had already issued $687bn of bonds[1]. By June 2021, net new issuance had risen by another $938 billion.

As the year progressed companies and populations adapted and it became clear that the economic impact, though severe, would be milder than had been feared, at least at the global level. The hit to profits was therefore more modest than had looked likely at first. The Janus Henderson Global Dividend Index (JHGDI) showed how cuts in dividends were successively smaller each quarter as companies became more relaxed about their operations and their cash positions. Two thirds of companies around the world had no need to reduce their dividends at all.

In our first Janus Henderson Corporate Debt Index, published in the earliest stages of the pandemic, we outlined an expectation that global company net debt would rise by $1 trillion in 2020, reaching a new record. We were half right. Companies duly took on new borrowings to the tune of $1.3 trillion, a record annual increase that pushed total debt to an all-time high of $13.5 trillion. But they spent far less of this new money than seemed likely at the time. We can see the effect of capital expenditure cuts on company assets, which rose at their slowest pace in years (if you exclude cash). Money diverted from capex to debt reduction is positive in the short term for bond holders, though over time steady, sustainable capex is vital. Equally, we know from the JHGDI that dividend cuts saved companies in our index $130bn, while share buybacks in the US alone fell by $111bn[2]. Moreover, hundreds of billions of dollars have been raised from shareholders and from asset sales. The fruits of all this cash preservation meant that over the course of 2020, only two fifths of companies in our index increased

SHARE OF INCREASE IN NET DEBT 2020 (EXCLUDING COMPANIES REDUCING DEBT)



Source: Janus Henderson, June 2021

$130 BILLION

EQUALLY, WE KNOW FROM THE JHGDI THAT DIVIDEND CUTS SAVED COMPANIES IN OUR INDEX $130BN, WHILE SHARE BUYBACKS IN THE US ALONE FELL BY $111BN.

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[1] This is for all companies in the Bank of America/ICE corporate bond investment grade and high yield bond indices, excluding financials, and is therefore a bigger universe than the JHCDI index constituents – see methodology for more information.

[2] Source: S&P Dow Jones Mar 24, 2021.

their net debts[3], compared to more than half in 2019. The top 25 biggest new borrowers accounted for 44% of the increase in net debt.

The hard work to reduce outgoings has meant that most of the new borrowing is still sitting on company balance sheets as cash or securities, waiting to be spent, repaid to lenders, or dished out to shareholders. In fact, cash holdings have soared by an astonishing $1.1 trillion to a record $5.2 trillion, increasing almost twice as much in one year as in the previous five years combined. To put this into context, the jump in cash balances last year was more than enough to pay an entire year's worth of dividends, even in a 'normal' year.

All this thrift meant that global corporate net debt only increased by $151bn in dollar terms, ending the year at $8.30 trillion (up from $8.15 trillion a year ago). If we adjust for exchange rate movements, the increase was just $36bn, however. Moreover, low interest rates and relatively strong corporate balance sheets mean that levels of debt sustainability look comfortable.

This year we do not expect gross borrowing to grow very much. There is already clear evidence to this effect. In the first half of 2021, the face value of outstanding corporate bonds was largely unchanged compared to the end of 2020. Even so, companies will look to use their cash piles, so net debt will rise. An investment boom is highly likely after the freeze last year, but share buybacks and higher dividends will be part of the story too. We expect approximately half of this surplus cash to be spent this year, raising net debt by $500-600bn.

THIS YEAR WE DO NOT EXPECT GROSS BORROWING TO GROW VERY MUCH. THERE IS ALREADY CLEAR EVIDENCE TO THIS EFFECT. IN THE FIRST HALF OF 2021, THE FACE VALUE OF OUTSTANDING CORPORATE BONDS WAS LARGELY UNCHANGED COMPARED TO THE END OF 2020.

For bond investors, there are some really interesting opportunities as credit quality improves, especially in the high yield segment. We see significant scope to identify rising stars in the year ahead, including the rehabilitation of some of last year's fallen angels. We also expect central banks will try to forestall excess market volatility and maintain support for economic recovery by keeping interest rates low and engaging in asset purchases as appropriate. This ought to provide a favourable environment for both the supply and demand for high yield bonds, creating opportunities for good credit selection.

[3] On a constant-currency basis.

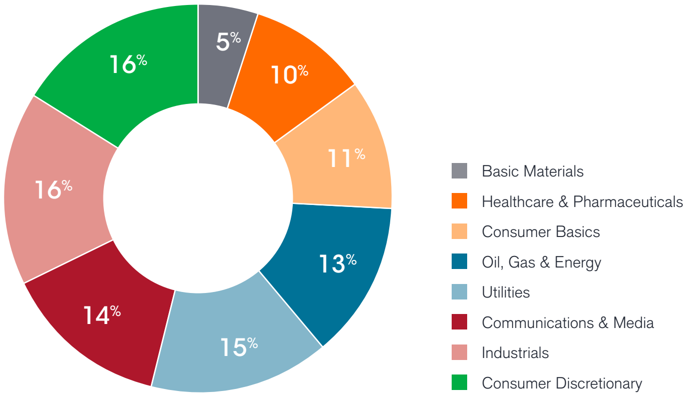
INDUSTRY PATTERNS

The uneven impact of the pandemic on different industries meant widely diverging borrowing needs in 2020.

Even in normal times, different sectors have very different financing needs. Some are early in their growth phase and need capital to expand, while others are more mature and generate large volumes of cash. Some need lots of expensive capital equipment to operate, while others have almost no physical assets to finance. Getting the right balance between relatively expensive shareholder capital and relatively cheap borrowing is as much an art as a science but there are some clear rules of thumb. Companies in stable countries with steady cash flows and large asset bases can support the most debt – power and water utilities companies are good examples. By contrast, mining companies are at the mercy of the commodity cycle which can leave them unpredictably awash with cash or struggling to make ends meet. They come with a host of other risks too (eg political, environmental) and all this means they tend to keep their borrowings relatively low. Very low interest rates also make debt more affordable.

Utilities are responsible for more than $1 in every $7 of global corporate net debt and they also increased theirs the most in 2020, up $80bn[4]. In most cases this increase had nothing to do with the pandemic. Two thirds of the companies in our index took on new borrowings over the year, typically to support new investment such as NextEra's expansion of green power generation. European utilities stood out, however, for reducing borrowings overall. Engie, for example generated cash by disposing of assets.

2020 NET DEBT BY INDUSTRY (US$ BILLIONS)



Source: Janus Henderson, June 2021

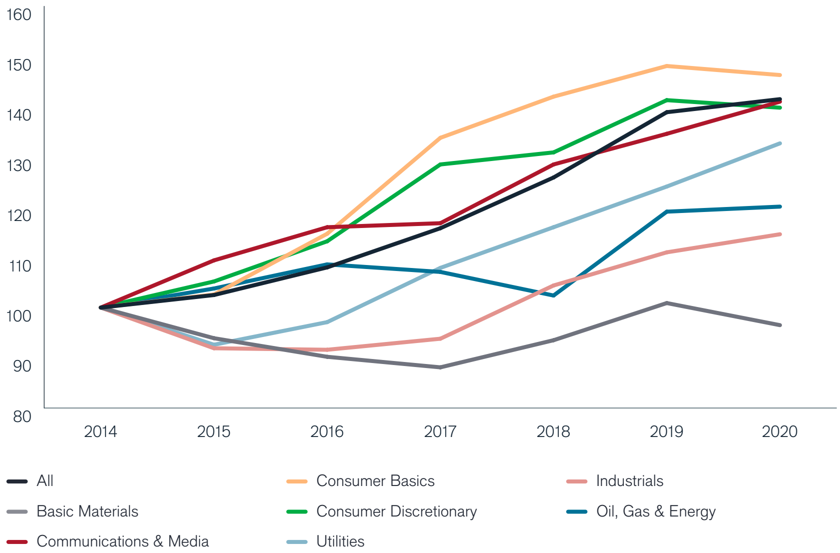
Transport companies were forced to borrow to cover their high fixed costs in the face of revenues decimated by restrictions on movement caused by the pandemic. They took on a net $55bn, an increase of one seventh year-on-year. Airlines were the hardest hit. Borrowing across the sector would have been even higher for the year had companies not turned to shareholders. Sydney Airport, China Southern Airlines and Southwest Airlines were all among those that bolstered their balance sheets with new equity capital. Others, like East Japan Railway and Delta Airlines, have relied solely on debt to get them through the crisis.

VERY LOW INTEREST RATES ALSO MAKE DEBT MORE AFFORDABLE.

[4] +$45bn on a constant-currency basis.

INDUSTRY PATTERNS (CONTINUED)

NET DEBT BY INDUSTRY
INDEXED



Source: Janus Henderson, June 2021

In headline terms, oil producer net debt only inched ahead by $7bn, but this was masked by favourable exchange rate effects. On a constant currency basis, net debt rose $38bn, a remarkably small rise compared to outstanding pre-pandemic borrowing of $875bn and given last year's first-half plunge in oil prices. Cash flow certainly fell sharply, but it was impacted less severely than profits because the huge asset write-downs have no cash-flow effect – the cash to buy the assets in the first place is a sunk cost, incurred long ago. Those whose debts jumped included Exxon, Chevron, Gazprom and Total – they cut their capital expenditure but maintained dividends and/or share buybacks, and so borrowed the difference. Others chose to make very large asset disposals (such as Shell and PetroChina) or turned to shareholders for cash (Reliance in India) and so ended the year with less debt than they started.

The leisure sector entered the crisis with very high debt relative to its equity capital. It suffered in 2020 along with the transport companies, increasing its borrowings by almost a quarter (+22%, or $43bn). Cruise lines and resorts companies were big borrowers in 2020, while Starbucks took on new debt to fund its dividend and share buyback even as its cash flow all but dried up. Contract caterer Compass and restaurant group Yum China were among those forced to seek a cash injection from shareholders.

↑38%

ON A CONSTANT CURRENCY BASIS, NET DEBT ROSE $38BN, A REMARKABLY SMALL RISE COMPARED TO OUTSTANDING PRE-PANDEMIC BORROWING OF $875BN AND GIVEN LAST YEAR'S FIRST-HALF PLUNGE IN OIL PRICES.

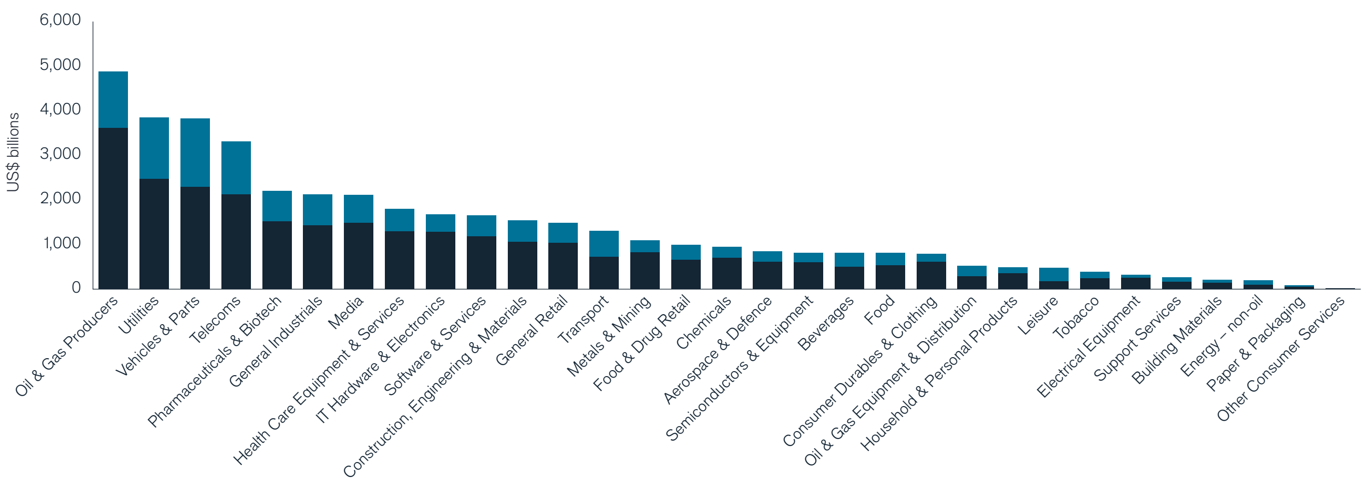
INDUSTRY PATTERNS (CONTINUED)

The pharmaceutical sector was also a significant borrower in 2020 as large acquisitions, such as Abbvie's takeover of Allergan, were debt funded. In the telecom sector, the big new borrower was NTT in Japan, which took on debt to fund generous share buybacks and acquisitions, while Deutsche Telekom became the fourth most indebted company in the world after fully absorbing T-Mobile and Sprint (over which it now has control) onto its balance sheet. AT&T is an even bigger borrower than Telekom, helping to explain why telecoms is the third most indebted sector. With its vast $3.3 trillion asset base and relatively stable revenues, the sector can sustain a lot of borrowing.

A number of sectors reduced their debts. Those under stress, like general retail, did so mainly by raising new cash from shareholders, while others simply traded well.

Walmart and Samsung were the two companies that saw the biggest improvement in their financial position simply because of solid trading rather than equity issuance or asset disposals.

ASSETS, WITH PROPORTION FUNDED BY DEBT
2020



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[4.] Source Janus Henderson Global Dividend Index

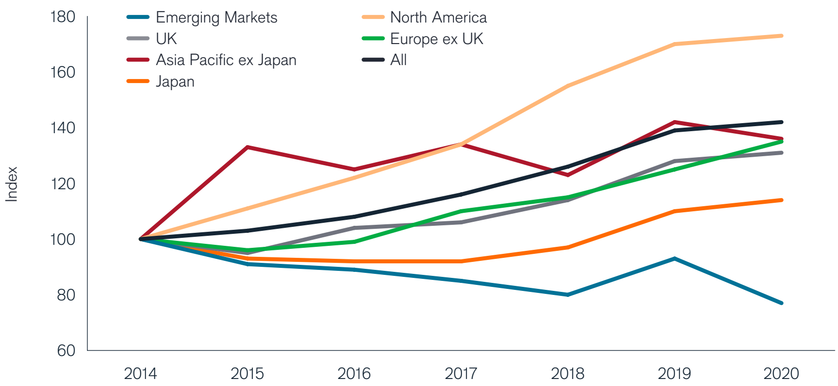
REGIONS AND COUNTRIES

North America

Companies in North America owe half the world's corporate debt but own only two fifths of the world's corporate assets, reflecting a greater appetite to borrow than companies in other parts of the world. Net debt increased in line with the world average (+1.9%), up just $79bn. Total debt jumped by 8.7% or $497bn, however, with the difference showing up in sharply higher cash balances. Companies in the region ended the year with a cash mountain of $2.1 trillion (up 25% in a single year), having previously seen little change in the total since 2015. Almost all of this cash was on US balance sheets. Google's owner, Alphabet, has the world's largest cash balance at $108.8bn net of any debts, as much as Microsoft and Facebook combined.

Companies consciously opted to refinance short-term borrowings during the year, taking advantage of the exceptionally low interest rates on offer to lock in for the longer term. Their short-term debts fell by 15%, but long-term debt jumped by 12%.

NET DEBT
INDEXED

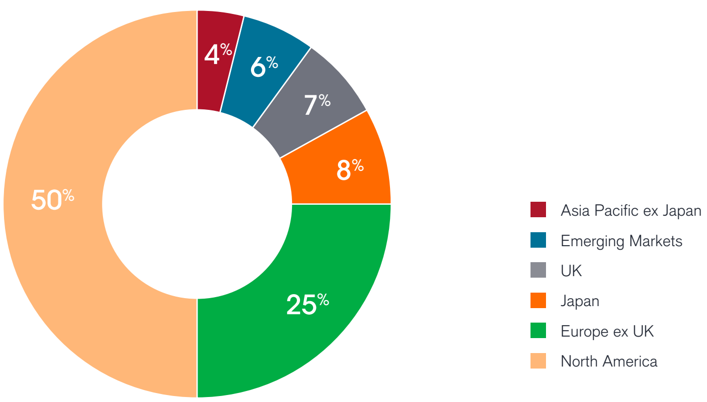


Source: Janus Henderson, June 2021

US$2.1 TRILLION

COMPANIES IN THE REGION ENDED THE YEAR WITH A CASH MOUNTAIN OF $2.1 TRILLION (UP 25% IN A SINGLE YEAR), HAVING PREVIOUSLY SEEN LITTLE CHANGE IN THE TOTAL SINCE 2015.

2020
NET DEBT



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REGIONS AND COUNTRIES (CONTINUED)

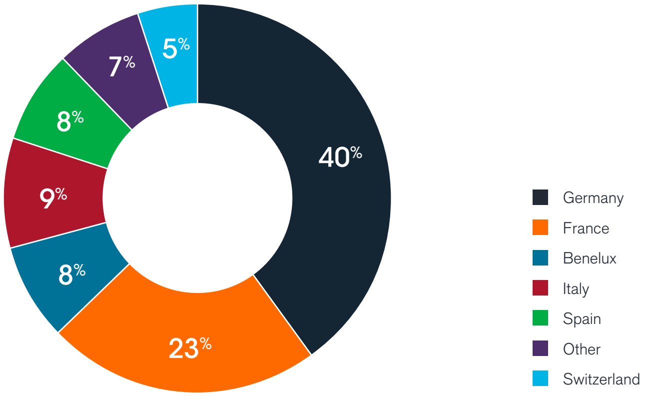
Europe ex UK

Companies in Europe account for a quarter of the world's net debts. Although their outstanding borrowings were $160bn higher this year (+8.3%), the increase was entirely due to the strength of European exchange rates. On a constant-currency basis, they rose just $1bn.

Car manufacturers in Europe collectively reduced their debts by $34bn in constant-currency terms, as lower sales meant that their books of loans to customers shrank over the course of the year. AB Inbev also made a significant contribution as it reaped cash from disposals in Australia, while Danish shipping line AP Moller-Maersk simply traded very strongly and generated a lot of cash. At the other end of the scale, Deutsche Telekom's debts jumped by $52bn on a constant-currency basis, as it fully consolidated Sprint's debts, while French oil giant Total saw its debt rise by $10bn as its cash flow was hit both by the low oil price and large dividend payments.

The large size of car finance loan books that are predominantly debt-funded meant European companies featured prominently in the list of the world's most indebted companies – Volkswagen again topped the league table, with net borrowings of $192bn. Deutsche Telekom, EDF and AB Inbev joined Daimler and BMW in the top twenty.

2020 NET DEBT
EUROPE EX UK



Source: Janus Henderson, June 2021

COMPANIES IN EUROPE ACCOUNT FOR A QUARTER OF THE WORLD'S NET DEBTS.

UK

British companies held their net debts steady in 2020 on a constant-currency basis at $578bn, despite profits falling further than in any other comparable country. This is because so much of the decline in profits, in the form of asset writedowns, had no cash-flow impact. Moreover, companies issued new shares (eg, Compass, Rolls Royce), hybrid capital (BP issued debt that has some equity characteristics), sold off assets, reduced share buybacks and cut dividends and capital expenditure to the bone (eg, Shell). New debt issuance was all for the long term, reducing refinancing risk, and was large enough to push cash balances to record levels.

Shell remained the UK's most indebted company and was the only British company to feature in the global top 20, though it was very successful in limiting the increase in its debts during the year.

REGIONS AND COUNTRIES (CONTINUED)

Asia Pacific ex Japan

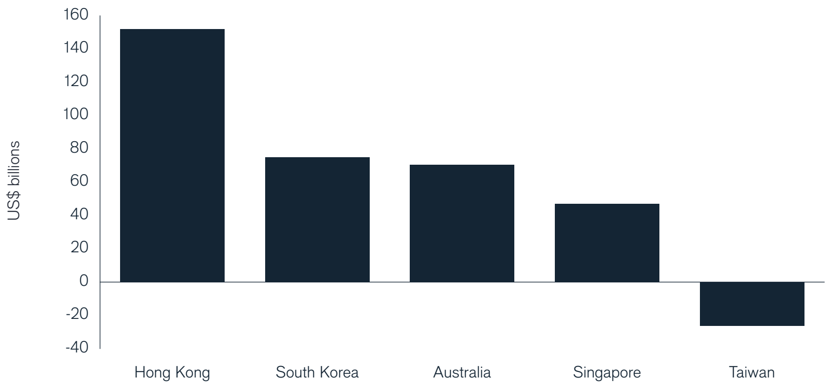
Asian companies collectively repaid debt during the pandemic. Net debt fell by $23bn on a constant currency basis to $319bn thanks to a combination of very strong cash flow from companies that saw little disruption to their business, like Samsung, Hon Hai Precision, China Mobile and Fortescue Metals, as well as equity raising from companies, like China Southern Airlines and Sydney Airport.

Companies in Taiwan traded so well that they doubled their collective net cash position to $26bn during the year. Hon Hai and Taiwan Semiconductor, for example, are among the world's 15 most cash-rich companies. The legacy of the Asian debt crisis in the early 2000s has left companies in the region wary of borrowing. Samsung, for example, has the second-highest cash balance in the world after Alphabet, while China Mobile comes in fourth.

Japan

Japan's corporate debts rose faster than the rest of the world, up 5.6% on a constant-currency basis (3.2% on a headline basis), though this was more than matched by an increase in the asset base of Japanese companies. Toyota, NTT and Asahi, for example, invested heavily during the year, but East Japan Railway was forced to borrow to cover the shortfall in revenues caused by the pandemic, and to pay its dividend. At the other end of the scale, Takeda Pharmaceutical raised $5.5bn from disposing of assets as well as enjoying strong operating cash flow.

2020 NET DEBT
ASIA PACIFIC EX JAPAN



Source: Janus Henderson, June 2021

Emerging Markets

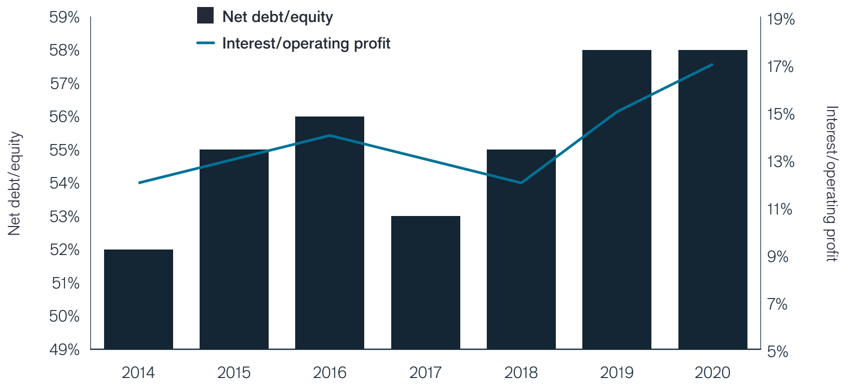
Emerging market net debts fell in 2020, down 17% or $105bn, though the decline was exaggerated by weaker exchange rates. On a constant currency basis, the fall was $50bn. Some very large share issues (eg, Reliance in India) were aimed at shoring up balance sheets through the pandemic, while others funded expansion (eg, JD.com of China), but there was also some strong trading (eg, Alibaba, JD.com). Others disposed of assets (eg, PetroChina). All this helped explain the fall in net debt across this diverse collection of countries. Some companies did borrow heavily. Gazprom took on the most additional debt (+$15bn) to cope with the lower oil price and fund its dividend, while China Communications Construction borrowed to invest.

DEBT AFFORDABILITY

Levels of debt sustainability have remained very comfortable over the past year, despite the magnitude of the crisis.

One common measure of debt sustainability is the ratio of interest expense to operating profit. On this measure, interest costs consumed 17% of global operating profits in 2020, up from 15% in 2019 and by far the highest level since at least 2015. Lower interest rates combined with only a small increase in net debt (ie total debt minus cash) meant that the value of interest payments fell in 2020, saving companies $9bn. The fall in profits therefore explains the deterioration in this measure. Profits are now rebounding strongly so we would expect this ratio to improve again this year. There is relatively little variability from one global region to another with the notable exception of Japan. Comparatively low debt levels combined with extremely low interest rates and relatively robust profits mean interest was just 6% of operating profit last year. Switzerland is in a similar position. The ratio in the UK was relatively high (21.5%) mainly reflecting the sharp drop in profits associated with the big oil companies and should therefore return to more normal levels this year.

DEBT AFFORDABILITY



Source: Janus Henderson, June 2021

US$9 BILLION

LOWER INTEREST RATES COMBINED WITH ONLY A SMALL INCREASE IN NET DEBT (IE TOTAL DEBT MINUS CASH) MEANT THAT THE VALUE OF INTEREST PAYMENTS FELL IN 2020, SAVING COMPANIES $9BN.

DEBT AFFORDABILITY (CONTINUED)

Comparing the net level of debt against the value of shareholder capital is also helpful. Against the net debt/equity yardstick there was no deterioration at the global level, partly because net debt did not rise very much and partly because equity capital was less depleted by dividends than usual and in some cases was also supplemented by new share issues. In the UK the so-called gearing ratio jumped to a record 76%, reflecting the destruction of equity that resulted from big asset write-downs among industrials and oil companies. Gearing levels fell in Asia, Japan and emerging markets.

76%

IN THE UK THE SO-CALLED GEARING RATIO JUMPED TO A RECORD 76%, REFLECTING THE DESTRUCTION OF EQUITY THAT RESULTED FROM BIG ASSET WRITE-DOWNS AMONG INDUSTRIALS AND OIL COMPANIES. GEARING LEVELS FELL IN ASIA, JAPAN AND EMERGING MARKETS.

DEBT AFFORDABILITY BY INDUSTRY (%)

Sector	2020 debt/equity ratio	2020 – % of operating profit spent on interest
Technology	1%	7%
Basic Materials	38%	12%
Healthcare & Pharmaceuticals	56%	13%
Consumer Basics	78%	12%
Oil, Gas & Energy	47%	62%
Utilities	130%	37%
Communications & Media	56%	16%
Industrials	80%	30%
Consumer Discretionary	70%	14%
All	**58%**	**17%**

Source: Janus Henderson, June 2021

TOP COMPANIES

LARGEST BORROWERS – US$ BILLIONS

Rank	Company	2015	Company	2016	Company	2017
1	AT&T Inc.	$143	Toyota Motor Corp.	$140	Volkswagen AG	$172
2	General Electric Company	$131	AT&T Inc.	$139	Toyota Motor Corp.	$148
3	Toyota Motor Corp.	$130	Volkswagen AG	$136	Verizon Communications Inc.	$136
4	Volkswagen AG	$127	Verizon Communications Inc.	$126	AT&T Inc.	$136
5	Verizon Communications Inc.	$126	Anheuser-Busch InBev SA/NV	$107	Daimler AG	$129
6	Ford Motor Company	$98	Daimler AG	$104	Ford Motor Company	$115
7	Petroleo Brasileiro SA	$97	Ford Motor Company	$104	Anheuser-Busch InBev SA/NV	$104
8	PetroChina Company Limited	$95	Petroleo Brasileiro SA	$95	Bayerische Motoren Werke AG	$100
9	Daimler AG	$94	Bayerische Motoren Werke AG	$95	General Electric Company	$94
10	Bayerische Motoren Werke AG	$90	General Electric Company	$91	Petroleo Brasileiro SA	$85
Top 10		**$1,132**		**$1,137**		**$1,220**
% of global top 900 net debt		**19%**		**18%**		**18%**
11	Deutsche Telekom AG	$77	Royal Dutch Shell Plc	$89	Deutsche Telekom AG	$85
12	Telefonica SA	$74	PetroChina Company Limited	$81	Royal Dutch Shell Plc	$83
13	Walmart Inc.	$58	Deutsche Telekom AG	$76	Electricite de France SA	$76
14	Electricite de France SA	$55	Telefonica SA	$69	Telefonica SA	$72
15	Nissan Motor Co., Ltd.	$53	Charter Communications, Inc.	$61	PetroChina Company Limited	$72
16	Comcast Corporation	$50	Nissan Motor Co., Ltd.	$59	Charter Communications, Inc.	$71
17	China Petroleum & Chemical Corporation	$49	Electricite de France SA	$59	General Motors Company	$69
18	Mitsubishi Corporation	$46	Walmart Inc.	$58	Nissan Motor Co., Ltd.	$61
19	Royal Dutch Shell Plc	$46	General Motors Company	$58	British American Tobacco p.l.c.	$61
20	Liberty Global Plc	$46	Comcast Corporation	$58	Comcast Corporation	$61
Next 10		**$554**		**$668**		**$710**
Top 20		**$1,685**		**$1,805**		**$1,930**
% of global top 900 net debt		**28%**		**28%**		**28%**

Source: Janus Henderson, June 2021

MOST CASH-RICH COMPANIES – US$ BILLIONS

Rank	Company	2015	Company	2016	Company	2017
1	Apple Inc.	$141	Apple Inc.	$150	Apple Inc.	$153
2	Alphabet Inc. Class A	$58	Alphabet Inc.	$72	Alphabet Inc.	$88
3	China Mobile Limited	$53	Samsung Electronics Co., Ltd.	$60	Samsung Electronics Co., Ltd.	$60
4	Samsung Electronics Co., Ltd.	$50	China Mobile Limited	$54	China Mobile Limited	$60
5	Microsoft Corporation	$48	Microsoft Corporation	$47	Cisco Systems, Inc.	$37
6	Cisco Systems, Inc.	$35	Cisco Systems, Inc.	$37	Qualcomm Inc	$35
7	Johnson & Johnson	$19	Facebook, Inc.	$19	Facebook, Inc.	$32
8	Qualcomm Inc	$16	Qualcomm Inc	$17	Microsoft Corporation	$31
9	Hon Hai Precision Industry Co., Ltd.	$13	Johnson & Johnson	$15	Surgutneftegas PJSC	$18
10	Oracle Corporation	$12	Taiwan Semiconductor Manufacturing Co., Ltd.	$11	Baidu Inc	$17
Top 10		**$445**		**$483**		**$531**

Source: Janus Henderson, June 2021

TOP COMPANIES (CONTINUED)

LARGEST BORROWERS – US$ BILLIONS (continued)

Rank	Company	2018	Company	2019	Company	2020
1	AT&T Inc.	$193	Volkswagen AG	$192	Volkswagen AG	$200
2	Volkswagen AG	$185	AT&T Inc.	$176	Toyota Motor Corp.	$186
3	Toyota Motor Corp.	$149	Toyota Motor Corp.	$156	AT&T Inc.	$173
4	Daimler AG	$141	Daimler AG	$151	Deutsche Telekom AG	$152
5	Verizon Communications Inc.	$130	Verizon Communications Inc.	$129	Daimler AG	$143
6	Ford Motor Company	$120	Ford Motor Company	$122	Verizon Communications Inc.	$127
7	Comcast Corporation	$108	Bayerische Motoren Werke AG	$114	Ford Motor Company	$113
8	Anheuser-Busch InBev SA/NV	$103	Comcast Corporation	$104	Bayerische Motoren Werke AG	$111
9	CVS Health Corporation	$88	Anheuser-Busch InBev SA/NV	$96	Comcast Corporation	$102
10	Bayerische Motoren Werke AG	$86	Deutsche Telekom AG	$87	Electricite de France SA	$83
Top 10		**$1,304**		**$1,327**		**$1,391**
% of global top 900 net debt		**18%**		**16%**		**17%**
11	Deutsche Telekom AG	$86	CVS Health Corporation	$81	Charter Communications, Inc.	$83
12	Electricite de France SA	$79	Electricite de France SA	$79	Anheuser-Busch InBev SA/NV	$83
13	General Electric Company	$78	Petroleo Brasileiro SA	$79	General Motors Company	$79
14	General Motors Company	$76	Royal Dutch Shell Plc	$78	AbbVie, Inc.	$79
15	Charter Communications, Inc.	$73	General Motors Company	$78	Royal Dutch Shell Plc	$76
16	Telefonica SA	$72	Charter Communications, Inc.	$77	CVS Health Corporation	$74
17	Petroleo Brasileiro SA	$69	PetroChina Company Limited	$76	Exxon Mobil Corporation	$69
18	Royal Dutch Shell Plc	$67	Walmart Inc.	$63	Nippon Telegraph and Telephone Corporation	$67
19	PetroChina Company Limited	$66	Duke Energy Corporation	$62	Enel SpA	$65
20	Nissan Motor Co., Ltd.	$60	Korea Electric Power Corporation	$60	Korea Electric Power Corporation	$64
Next 10		**$726**		**$734**		**$739**
Top 20		**$2,031**		**$2,061**		**$2,129**
% of global top 900 net debt		**27%**		**25%**		**26%**

Source: Janus Henderson, June 2021

MOST CASH-RICH COMPANIES – US$ BILLIONS (continued)

Rank	Company	2018	Company	2019	Company	2020
1	Apple Inc.	$123	Alphabet Inc.	$104	Alphabet Inc.	$109
2	Alphabet Inc.	$95	Apple Inc.	$98	Samsung Electronics Co., Ltd.	$96
3	Samsung Electronics Co., Ltd.	$77	Samsung Electronics Co., Ltd.	$78	Apple Inc.	$70
4	China Mobile Limited	$50	Microsoft Corporation	$47	Alibaba Group Holding Ltd.	$56
5	Microsoft Corporation	$33	China Mobile Limited	$47	China Mobile Limited	$55
6	Facebook, Inc.	$31	Facebook, Inc.	$44	Microsoft Corporation	$54
7	Cisco Systems, Inc.	$21	Alibaba Group Holding Ltd.	$32	Facebook, Inc.	$51
8	Baidu Inc Sponsored ADR	$19	Surgutneftegas PJSC	$16	Sony Group Corporation	$20
9	Taiwan Semiconductor Manufacturing Co., Ltd.	$16	Sony Group Corporation	$14	JD.com, Inc.	$18
10	Alibaba Group Holding Ltd.	$13	Taiwan Semiconductor Manufacturing Co., Ltd.	$13	Hon Hai Precision Industry Co., Ltd.	$17
Top 10		**$479**		**$492**		**$547**

Source: Janus Henderson, June 2021

BOND MARKETS

Activity in the bond markets echoes our analysis of company balance sheets. In the first few months of 2020, companies in the Bank of America/ICE indices of investment grade and high yield corporate bonds issued $687bn of new paper[5]. This was just the beginning of the story. Twelve months on at the beginning of June 2021, the face value (ie the value borrowed, not the market price) of corporate bonds in issue had climbed by another $938bn, taking the outstanding value to $10.7 trillion, a 9.5% increase year on year. Companies in our index account for approximately two thirds of this total. Almost all of this issuance had taken place by the end of 2020 – there has been little change since January, as companies had by then satisfied their financing need and were feeling more relaxed about the coming global economic recovery.

Companies considered investment grade[6] accounted for two thirds of this new borrowing, much less than their 79% share of the outstanding bonds. Companies in the high yield segment, which have lower credit ratings and must pay more to borrow, accounted for the other third. This mismatch reflects the fact that so-called fallen angels, which dropped into the high-yield segment of the market as the pandemic took hold, continued to make use of the bond markets, meeting demand from a willing troupe of bond buyers.

Crucially, companies borrowed cheaply. The yield on a bond is a function of prevailing market interest rates, adjusted for individual credit risk. In June 2020, the simple average yield for investment grade corporate bonds was 2.3%[7]. By the end of 2020, this had fallen to 1.46%. Cheap debt also explains why the average maturity of bonds in issue has extended by six months since this time last year as companies look to lock in for longer. Economic recovery and the stirrings of inflation in many parts of the world meant that by June 2021, the average yield had risen to 1.8%. The rise in yields since January has helped drive the slowdown in issuance, especially since companies have more than enough financial headroom now.

From a sectoral perspective, the more defensive, non-cyclical sectors outperformed during the early stages of the recovery in mid-2020, but since late last year, the high-yield segment, with its riskier companies and those in more cyclical sectors, has seen the rates at which firms can borrow fall even further, down by over a third. This is partly a mix effect as good quality companies have dropped out of the investment grade segment and partly because the search for yield has pushed rates lower. Most notably, sectors such as metals and miners, and broader basic materials sectors, have done well, helped both by significantly increased demand and higher prices. Other Covid-19 impacted sectors such as leisure, real estate and autos have also performed well.

CRUCIALLY, COMPANIES BORROWED CHEAPLY. THE YIELD ON A BOND IS A FUNCTION OF PREVAILING MARKET INTEREST RATES, ADJUSTED FOR INDIVIDUAL CREDIT RISK.

5. Excludes bonds issued by financial companies and banks.

6. Companies considered the best credit risk and which therefore have the easiest access to finance.

7. Excludes bonds issued by banks and other financials.

OUTLOOK & VIEWPOINT

BY SETH MEYER AND TOM ROSS, PORTFOLIO MANAGERS

Companies around the world have, for the most part, weathered the 2020 crisis with impressive skill. Certainly profits fell, though the decline was not out of line with a 'normal', if severe, recession. The effect on operating cash flow was much milder, however, and cuts in capital expenditure as well as asset sales meant that free cash flow was even more successfully protected. The diversion of free-cash flow from capex to debt reduction is a positive for bond holders in the short term, but too little capex over time is detrimental to a business and so can increase credit risk. A steady, sustainable level of capex is the sweet spot both for the company and the wider economy.

Lower dividends and lots of new equity capital from shareholders have helped underpin balance sheets. Companies also benefited from concerted action by central banks to suppress corporate bond yields (effectively the interest companies pay to borrow), especially for those with slightly lower credit quality. By helping ensure companies survived the crisis, millions of jobs were protected too.

Like households, corporates have been in saving mode over the last year. As a result, though their gross or total debts rose roughly in line with our forecast as companies took advantage of historically cheap interest rates, their net debts[8] barely budged. Things are now changing.

2021 is looking very exciting. Economic growth is rebounding strongly in most parts of the world. Profits will follow suit. The big question is what will happen to the eye-watering $5.2 trillion of cash sitting on company balance sheets. We should not forget that this year's cash flow will only add to the pile. Companies are therefore unlikely to add very much to their total borrowings, but as this cash is spent net debts will once again climb. The 2020 reduction in capex was certainly transitory, so we think an investment boom is highly likely after the freeze last year. This will account for a large portion of the reduction in cash balances, but share buybacks and higher dividends will be part of the story too. We expect approximately half of this surplus cash to be spent this year, raising net debt by $500-600bn. It is quite likely that companies will target a return to the debt profile they had in 2019 over the next year or two.

For bond investors, there are some really interesting opportunities. The prospect of higher economic growth and rising inflation is usually considered negative for fixed income, but it also means improving credit fundamentals – better cash flow, improved leverage ratios. Crucially the corporate bond markets are not a single, uniform asset class. The high yield market is in a constant state of flux. At one end, there are bonds journeying back and forth between investment grade and high yield. At the other end, bonds are on

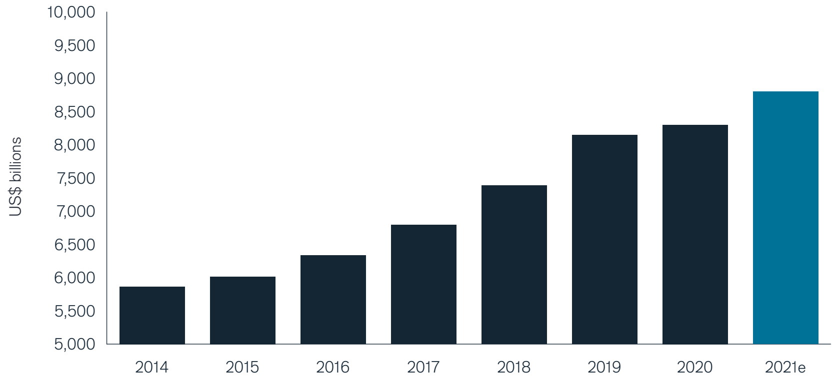
FOR BOND INVESTORS, THERE ARE SOME REALLY INTERESTING OPPORTUNITIES. THE PROSPECT OF HIGHER ECONOMIC GROWTH AND RISING INFLATION IS USUALLY CONSIDERED NEGATIVE FOR FIXED INCOME, BUT IT ALSO MEANS IMPROVING CREDIT FUNDAMENTALS – BETTER CASH FLOW, IMPROVED LEVERAGE RATIOS.

[8] Gross debt less cash.

the brink of default. All the while, there are hundreds of different issuers jostling for position along the credit spectrum. As these positions change, bond prices move. Those going up the rankings, the rising stars, see the interest rates they must pay decline – the yield on their bonds falls and the price rises generating capital gains for investors. Stellantis (the owner of Fiat and Peugeot brands) became a rising star in January this year. For fallen angels the opposite is true. The mix effect that has seen blue chip companies like Kraft Heinz and Netflix move into the high-yield part of the market has improved average credit quality too. We see significant opportunities to identify rising stars in the year ahead, including the rehabilitation of some of last year's fallen angels. Netflix and Adler Group, the European real estate company, are two such examples.

We do caution that economic boom times often cause corporate management to engage in behaviour that is less friendly to bondholders such as debt-fuelled merger and acquisition activity. One of the more challenging recent examples was Rocket Software's purchase of ASG Technologies using 100% secured debt, prompting a rating downgrade just months after their inaugural unsecured bond issuance.

COMPANY NET DEBT – GLOBAL



Source: Janus Henderson, June 2021

NEVERTHELESS, WE WOULD NOT WANT A DISORDERLY RISE IN YIELDS. RISING INTEREST RATES RAISE JUSTIFIABLE CONCERNS ABOUT THE FUTURE RETURNS OF BOND PORTFOLIOS.

Strong economic growth can ignite permanently higher inflation too. High yield bonds have historically been able to tolerate periods of higher inflation, because this can boost revenues, while higher yields and shorter maturities in this segment of the market offer some cushioning against higher interest rates.

Nevertheless, we would not want a disorderly rise in yields. Rising interest rates raise justifiable concerns about the future returns of bond portfolios. But it is important to not let fear of higher rates dragging on returns prevent investors from capitalising on the potential opportunities. We believe central banks will try to forestall excess market volatility and maintain support for economic recovery by keeping interest rates low and engaging in asset purchases as appropriate. This ought to provide a reasonably favourable environment for both the supply and demand for high yield bonds, creating opportunities for good credit selection.

METHODOLOGY

Janus Henderson analysed balance-sheet data from the most recent individual company annual reports and from Factset to build the picture of overall company indebtedness over the last six years. Most companies in the index (85%) had year-ends between December and March. Separately it used market data from a variety of sources, including company announcements, Bloomberg, ICE and others, to consider the role corporate bond markets play in company funding.

Bond markets: We have analysed market data for bonds worth over $100m, with at least a year to run, and with fixed interest rates. These account for approximately seven tenths of the total market.

Janus Henderson converted all the data to USD, using spot exchange rates on the balance sheet date for balance sheet items, and average annual exchange rates for income and expense items.

Janus Henderson excluded all financial and real estate companies from the analysis, as financial-company debt serves a different purpose to industrial companies.

There are 900 companies in the index. These correspond to the non-financial companies in the Janus Henderson Global Dividend Index which tracks the largest 1,200 companies in the world by market capitalisation.

JANUS HENDERSON EXCLUDED ALL FINANCIAL AND REAL ESTATE COMPANIES FROM THE ANALYSIS, AS FINANCIAL-COMPANY DEBT SERVES A DIFFERENT PURPOSE TO INDUSTRIAL COMPANIES.

APPENDICES

NET DEBT BY INDUSTRY IN USD BILLIONS

Industry	2015	2016	2017	2018	2019	2020
Basic Materials	$375	$360	$351	$373	$403	$385
Communications & Media	$886	$940	$947	$1,041	$1,091	$1,143
Consumer Basics	$622	$695	$811	$861	$898	$887
Consumer Discretionary	$1,021	$1,098	$1,247	$1,270	$1,371	$1,356
Healthcare & Pharmaceuticals	$468	$506	$552	$725	$783	$814
Industrials	$1,098	$1,094	$1,121	$1,247	$1,326	$1,368
Oil, Gas & Energy	$948	$991	$977	$934	$1,086	$1,096
Technology	-$266	-$260	-$220	-$151	$33	$12
Utilities	$865	$907	$1,009	$1,084	$1,160	$1,240
ALL	**$6,015**	**$6,333**	**$6,794**	**$7,385**	**$8,150**	**$8,301**

Source: Janus Henderson, June 2021

NET DEBT BY SECTOR IN USD BILLIONS

Industry	Sector	2015	2016	2017	2018	2019	2020
Basic Materials	Metals & Mining	$249	$216	$184	$163	$167	$150
	Chemicals	$81	$97	$117	$158	$165	$170
	Building Materials	$26	$25	$31	$34	$42	$36
	Paper & Packaging	$18	$21	$20	$19	$29	$29
Communications & Media	Media	$92	$133	$120	$167	$194	$194
	Telecoms	$795	$808	$827	$874	$897	$948
Consumer Basics	Food & Drug Retail	$190	$189	$206	$221	$237	$227
	Food	$154	$157	$184	$215	$214	$214
	Household & Personal Products	$50	$52	$78	$77	$83	$78
	Beverages	$156	$225	$225	$222	$241	$249
	Tobacco	$72	$73	$119	$126	$123	$118
Consumer Discretionary	General Retail	$113	$131	$155	$140	$125	$83
	Consumer Durables & Clothing	$35	$16	$22	$20	$28	$12
	Vehicles & Parts	$757	$815	$929	$958	$1,030	$1,033
	Leisure	$117	$139	$144	$155	$192	$234
	Other Consumer Services	-$1	-$2	-$3	-$4	-$4	-$5
Healthcare & Pharmaceuticals	Pharmaceuticals & Biotech	$208	$214	$229	$315	$376	$417
	Health Care Equipment & Services	$260	$292	$323	$411	$407	$396
Industrials	Aerospace & Defence	$62	$65	$61	$109	$132	$144
	General Industrials	$462	$427	$434	$419	$440	$428
	Transport	$272	$292	$321	$375	$383	$438
	Construction, Engineering & Materials	$236	$237	$230	$257	$278	$272
	Support Services	$49	$54	$57	$56	$58	$60
	Electrical Equipment	$17	$20	$18	$31	$34	$26
Oil, Gas & Energy	Oil & Gas Producers	$775	$811	$765	$728	$875	$882
	Oil & Gas Equipment & Distribution	$166	$180	$210	$211	$220	$226
	Energy - non-oil	$6	$1	$3	-$5	-$9	-$13
Technology	IT Hardware & Electronics	-$202	-$230	-$189	-$177	-$123	-$142
	Software & Services	-$35	-$19	$1	$30	$105	$95
	Semiconductors & Equipment	-$29	-$11	-$32	-$4	$51	$59
Utilities	Utilities	$865	$907	$1,009	$1,084	$1,160	$1,240
ALL		**$6,015**	**$6,333**	**$6,794**	**$7,385**	**$8,150**	**$8,301**

Source: Janus Henderson, June 2021

APPENDICES (CONTINUED)

NET DEBT BY REGION IN USD BILLIONS

Region	2015	2016	2017	2018	2019	2020
North America	$2,650	$2,915	$3,206	$3,707	$4,054	$4,132
Emerging Markets	$619	$604	$576	$548	$630	$526
Europe ex UK	$1,483	$1,539	$1,700	$1,781	$1,939	$2,099
UK	$419	$458	$470	$506	$565	$578
Japan	$532	$522	$527	$553	$627	$647
Asia Pacific ex Japan	$312	$294	$315	$290	$334	$319
ALL	**$6,015**	**$6,333**	**$6,794**	**$7,385**	**$8,150**	**$8,301**

Source: Janus Henderson, June 2021

NET DEBT BY COUNTRY IN USD BILLIONS

Region	Country	2015	2016	2017	2018	2019	2020
Asia Pacific ex Japan	Hong Kong	$166	$171	$184	$152	$148	$152
	Australia	$59	$56	$57	$62	$68	$71
	Singapore	$32	$32	$37	$49	$52	$47
	South Korea	$67	$49	$54	$42	$80	$75
	Taiwan	-$12	-$14	-$16	-$15	-$14	-$26
Emerging Markets	China	$202	$160	$123	$117	$147	$86
	India	$66	$78	$89	$112	$126	$95
	Brazil	$148	$154	$133	$110	$120	$95
	Russia	$79	$88	$109	$97	$105	$100
	South Africa	$5	$7	$7	$1	$3	$13
	Indonesia	$2	$1	$2	$3	$6	$4
	Mexico	$50	$50	$47	$46	$51	$47
	United Arab Emirates	$1	$0	$0	-$1	-$1	-$1
	Thailand	$22	$22	$18	$17	$27	$37
	Colombia	$15	$14	$12	$9	$10	$12
	Philippines	$5	$5	$6	$6	$6	$8
	Malaysia	$14	$15	$16	$16	$15	$16
	Chile	$6	$7	$9	$12	$11	$12
	Czech Republic	$5	$5	$5	$3	$5	$4
Europe ex UK	Switzerland	$55	$50	$53	$70	$92	$101
	France	$308	$321	$366	$397	$445	$480
	Germany	$552	$555	$642	$673	$763	$843
	Benelux	$135	$196	$192	$179	$176	$163
	Denmark	$15	$18	$22	$14	$17	$15
	Spain	$180	$167	$183	$175	$159	$178
	Italy	$140	$131	$142	$175	$175	$190
	Norway	$29	$34	$31	$25	$36	$41
	Sweden	$34	$34	$35	$35	$34	$38
	Finland	-$7	-$4	-$4	$2	$3	$6
	Ireland	$10	$8	$10	$11	$10	$9
	Austria	$10	$9	$8	$8	$9	$17
	Israel	-$1	-$1	-$1	-$2	-$2	-$2
	Portugal	$23	$21	$22	$19	$21	$22
Japan	Japan	$532	$522	$527	$553	$627	$647
North America	United States	$2,443	$2,692	$2,935	$3,431	$3,760	$3,832
	Canada	$207	$223	$271	$275	$293	$301
UK	United Kingdom	$419	$458	$470	$506	$565	$578
ALL		**$6,015**	**$6,333**	**$6,794**	**$7,385**	**$8,150**	**$8,301**

Source: Janus Henderson, June 2021

APPENDICES (CONTINUED)

DEBT/EQUITY RATIO BY INDUSTRY %

Industry	2015	2016	2017	2018	2019	2020
Basic Materials	50%	46%	34%	34%	40%	38%
Communications & Media	68%	66%	59%	58%	57%	56%
Consumer Basics	69%	74%	74%	78%	81%	78%
Consumer Discretionary	78%	79%	79%	75%	77%	70%
Healthcare & Pharmaceuticals	42%	44%	44%	54%	55%	56%
Industrials	82%	83%	74%	80%	82%	80%
Oil, Gas & Energy	43%	43%	39%	36%	41%	47%
Technology	-21%	-20%	-15%	-10%	2%	1%
Utilities	112%	119%	121%	123%	125%	130%
ALL	**55%**	**56%**	**53%**	**55%**	**58%**	**58%**

Source: Janus Henderson, June 2021

DEBT/EQUITY RATIO BY SECTOR %

Industry	Sector	2015	2016	2017	2018	2019	2020
Basic Materials	Metals & Mining	65%	54%	41%	36%	37%	32%
	Chemicals	29%	34%	25%	29%	38%	40%
	Building Materials	33%	31%	36%	39%	45%	38%
	Paper & Packaging	112%	125%	94%	83%	98%	114%
Communications & Media	Media	22%	26%	20%	25%	24%	21%
	Telecoms	89%	88%	82%	79%	81%	86%
Consumer Basics	Food & Drug Retail	82%	78%	85%	87%	95%	89%
	Food	54%	57%	61%	74%	71%	67%
	Household & Personal Products	31%	33%	43%	43%	48%	41%
	Beverages	84%	103%	89%	89%	93%	99%
	Tobacco	222%	159%	94%	98%	101%	100%
Consumer Discretionary	General Retail	59%	61%	64%	49%	37%	20%
	Consumer Durables & Clothing	20%	9%	11%	8%	10%	4%
	Vehicles & Parts	91%	92%	90%	90%	96%	91%
	Leisure	110%	137%	145%	177%	227%	377%
	Other Consumer Services	-81%	-92%	-101%	-87%	-78%	-69%
Healthcare & Pharmaceuticals	Pharmaceuticals & Biotech	29%	29%	30%	40%	46%	52%
	Health Care Equipment & Services	65%	69%	69%	74%	68%	61%
Industrials	Aerospace & Defence	61%	81%	56%	99%	132%	100%
	General Industrials	84%	82%	74%	72%	74%	68%
	Transport	99%	106%	98%	110%	106%	136%
	Construction, Engineering & Materials	97%	89%	76%	81%	80%	71%
	Support Services	74%	70%	67%	66%	65%	63%
	Electrical Equipment	17%	20%	16%	25%	27%	20%
Oil, Gas & Energy	Oil & Gas Producers	39%	39%	34%	32%	37%	42%
	Oil & Gas Equipment & Distribution	110%	118%	107%	100%	107%	129%
	Energy - non-oil	11%	2%	5%	-10%	-16%	-21%
Technology	IT Hardware & Electronics	-32%	-37%	-27%	-26%	-18%	-20%
	Software & Services	-9%	-5%	0%	7%	18%	15%
	Semiconductors & Equipment	-11%	-4%	-9%	-1%	13%	14%
Utilities	Utilities	112%	119%	121%	123%	125%	130%
ALL		**55%**	**56%**	**53%**	**55%**	**58%**	**58%**

Source: Janus Henderson, June 2021

APPENDICES (CONTINUED)

DEBT/EQUITY RATIO BY REGION %

Region	2015	2016	2017	2018	2019	2020
North America	62%	66%	65%	72%	74%	76%
Emerging Markets	45%	40%	34%	32%	32%	26%
Europe ex UK	70%	71%	67%	68%	74%	79%
UK	59%	63%	58%	59%	69%	76%
Japan	42%	40%	36%	34%	38%	37%
Asia Pacific ex Japan	26%	24%	22%	19%	21%	19%
ALL	**55%**	**56%**	**53%**	**55%**	**58%**	**58%**

Source: Janus Henderson, June 2021

DEBT/EQUITY RATIO BY COUNTRY %

Region	Country	2015	2016	2017	2018	2019	2020
Asia Pacific ex Japan	Hong Kong	36%	38%	35%	26%	25%	23%
	Australia	69%	67%	65%	67%	79%	84%
	Singapore	42%	40%	40%	51%	50%	46%
	South Korea	16%	11%	10%	7%	14%	12%
	Taiwan	-8%	-9%	-9%	-8%	-7%	-12%
Emerging Markets	China	36%	28%	19%	17%	19%	9%
	India	39%	43%	43%	52%	55%	35%
	Brazil	113%	98%	82%	69%	74%	70%
	Russia	26%	23%	25%	24%	21%	24%
	South Africa	19%	24%	19%	2%	6%	59%
	Indonesia	10%	8%	10%	16%	30%	21%
	Mexico	120%	111%	97%	91%	100%	89%
	United Arab Emirates	7%	2%	0%	-5%	-7%	-6%
	Thailand	52%	48%	34%	29%	42%	55%
	Colombia	110%	93%	73%	50%	55%	80%
	Philippines	82%	79%	87%	85%	86%	91%
	Malaysia	61%	63%	63%	62%	56%	60%
	Chile	35%	41%	50%	71%	55%	62%
	Czech Republic	49%	47%	45%	33%	41%	36%
Europe ex UK	Switzerland	19%	17%	17%	23%	33%	33%
	France	52%	54%	50%	52%	58%	63%
	Germany	107%	109%	99%	99%	109%	118%
	Benelux	81%	93%	82%	76%	74%	71%
	Denmark	27%	32%	35%	21%	26%	21%
	Spain	126%	117%	111%	109%	98%	113%
	Italy	95%	85%	82%	104%	107%	114%
	Norway	59%	74%	59%	46%	71%	93%
	Sweden	47%	50%	46%	49%	46%	47%
	Finland	-17%	-7%	-8%	4%	5%	11%
	Ireland	59%	45%	44%	47%	40%	34%
	Austria	61%	63%	49%	47%	49%	82%
	Israel	-34%	-37%	-37%	-44%	-44%	-49%
	Portugal	161%	141%	128%	123%	138%	139%
Japan	Japan	42%	40%	36%	34%	38%	37%
North America	United States	60%	65%	64%	71%	74%	75%
	Canada	81%	78%	76%	81%	79%	82%

Source: Janus Henderson, June 2021

Unless otherwise stated all data is sourced by Janus Henderson Investors as of 31 March 2021. Nothing in this document should be construed as advice.

Past performance is no guarantee of future results. International investing involves certain risks and increased volatility. These risks include currency fluctuations, economic or financial instability, lack of timely or reliable financial information or unfavourable political or legal developments.

The value of an investment and the income from it can fall as well as rise and you may not get back the amount initially invested.

GLOSSARY

BOND	– A bond is a parcel of debt. By buying a bond, investors give money to a borrower, usually for a fixed term and for a fixed rate of interest. Bonds can be bought and sold on financial markets, and the value changes over time with varying market conditions.
CYCLICAL INDUSTRY	– The revenues and profits of an industry rise and fall over the course of an economic cycle.
EQUITY	– The amount of money left over for shareholders if all of a company's assets were liquidated and its assets sold off.
GEARING	– The ratio of debt to equity finance on the balance sheet – not to the market value of the shares; also called leverage.
LEVERAGE	– The ratio of debt to equity finance on the balance sheet – not to the market value of the shares; also called gearing.
NET DEBT	– All borrowings minus any cash or cash equivalents.
RUNNING YIELD	– The interest paid on a bond divided by its current market value.
VOLATILITY	– Rapid, unpredictable, changeability.
YIELD TO MATURITY	– The interest paid on a bond divided by its current market value, taking account of the capital gain or loss that will occur when the bond matures and is repaid.

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