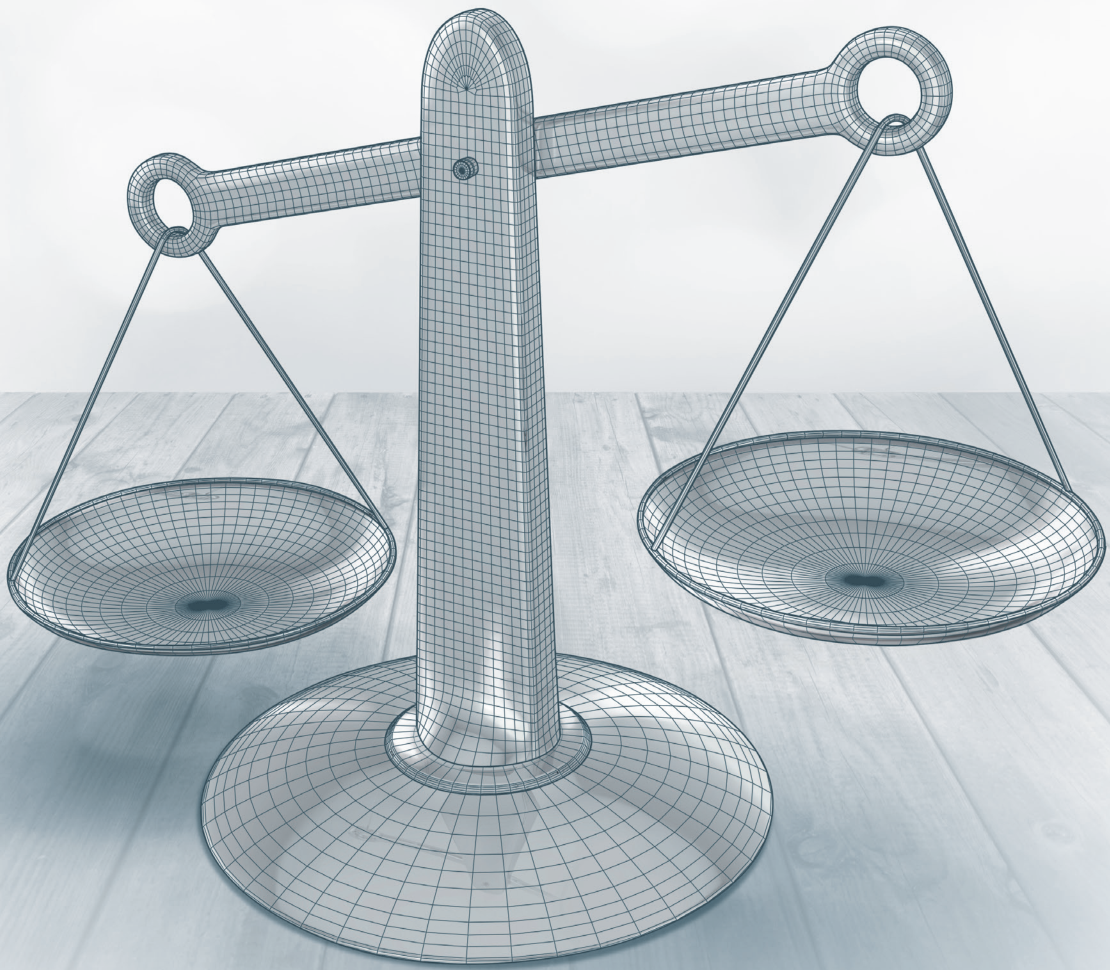
Janus Henderson INVESTORS

JANUS HENDERSON CORPORATE DEBT INDEX

EDITION 1

July 2020



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CONTENTS

INTRODUCTION

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. Our investment managers have the flexibility to follow approaches best suited to their areas of expertise, but 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$294.4bn in assets under management, more than 2,000 employees and offices in 27 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 first edition in a long-term 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 2020

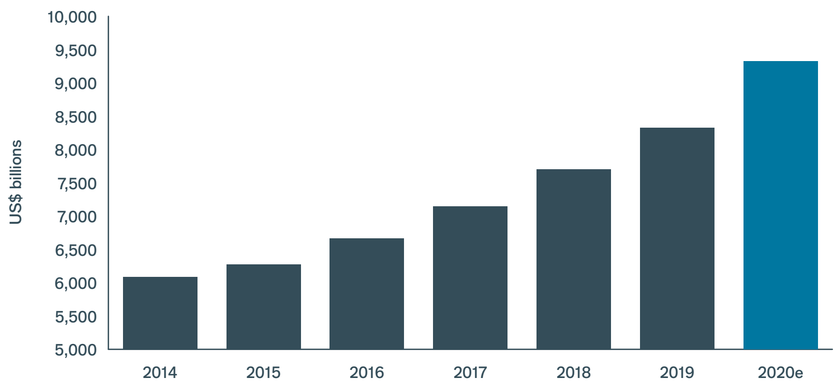
OVERVIEW

Even before the pandemic began to batter company balance sheets, company debts were soaring. Net borrowings around the world surged to a record $8.3 trillion (all debts less cash) in 2019, an increase of 8.1% year-on-year. Company resources were depleted by debt-financed acquisitions, large share buybacks, record dividends, and the chilling effect on profits caused by trade tensions and a global economic slowdown. Collectively net debts jumped by $625 billion, easily the largest increase of any of the last five years. Growth in borrowing has been spurred in recent years by very low interest rates that make servicing debts cheap, urged on by central-bank attempts to stimulate economies. Companies today owe almost two fifths more than they did in 2014, and growth in debt has comfortably outstripped growth in profits.

The most indebted company in the world is Volkswagen, among five car makers in the global top ten. Its eye-watering $192bn net borrowing is not far behind the sovereign debt of South Africa or Hungary, though this includes the company's very large financing arm. Not all companies borrow of course. A quarter of the companies in our index have no debt at all, and some sit atop vast cash piles. The biggest of these stands at $104bn and belongs to Google's owner Alphabet. What seems like prudence, however, is often unpopular with investors, who may have better uses for this capital.

Asia and Japan have the least indebted companies in the world, while those in the US and the UK are among the most indebted. Although the interest-rate environment and cultural attitudes to debt are determined by geography, most of the

COMPANY NET DEBT – GLOBAL



Source: Janus Henderson, June 2020

NET DEBT BY REGION (US$ BILLIONS)

Region	2014	2015	2016	2017	2018	2019
North America	$2,558	$2,850	$3,131	$3,462	$3,937	$4,204
Emerging Markets	$692	$628	$615	$582	$555	$626
Europe ex UK	$1,554	$1,487	$1,545	$1,687	$1,749	$1,905
UK	$406	$412	$468	$483	$492	$539
Japan	$640	$578	$602	$615	$676	$734
Asia Pacific ex Japan	$234	$321	$303	$322	$290	$316
Total	**$6,083**	**$6,274**	**$6,664**	**$7,149**	**$7,700**	**$8,325**

Source: Janus Henderson, June 2020

variability in how companies are financed and in their appetite for debt is determined by their industry and sector. The big, traditional, asset-rich industries support the largest debts, while newer industries like technology or sectors that are very sensitive to the economic cycle tend to owe very little.

Measures of debt affordability and sustainability deteriorated to multi-year lows in 2019, though there were few signs of corporate stress. This may change in 2020. Profits will be down for almost all industries, making it harder to service loans. In the first few months of 2020 companies in our index borrowed $384bn on bond markets and will have looked to their bankers for new loans of a similar order of magnitude. Acquisitions, share buybacks and dividends funded by debt often precede an economic downturn. This has certainly been the case this time round. As the global recession takes hold, profits and cash flow will be sharply lower. Borrowing needs will be very large this year, even though companies in our index are set to cut their dividends by $140bn to $300bn[1] this year, are slashing share buybacks, putting acquisitions on hold and reducing capital expenditure. Much will depend upon the extent to which new borrowing is spent or held as cash reserves, and on how much companies issue in new shares to bolster their balance sheets. It's clear, however, that 2020 will see net corporate debts soar to another new record, perhaps as much as $1 trillion higher than 2019.

Moreover, as investors have assessed the potential impact of the pandemic, a flight to quality has made it more expensive for riskier companies to borrow, while it has reduced the cost of finance for the highest rated borrowers, partly thanks to the intervention of central banks. As bond

$8.3 TRILLION

NET BORROWINGS AROUND THE WORLD SURGED TO A RECORD $8.3 TRILLION (ALL DEBTS LESS CASH) IN 2019, AN INCREASE OF 8.1% YEAR-ON-YEAR

GLOBAL CORPORATE DEBT
KEY FIGURES

Key figures	2014	2015	2016	2017	2018	2019
Cash & cash equivalents	$3,359	$3,443	$3,633	$4,101	$3,939	$4,051
Equity	$11,267	$11,066	$11,472	$12,998	$13,638	$14,162
Total assets	$31,490	$31,607	$33,067	$36,587	$38,299	$40,124
Short-term debt	$1,848	$1,837	$1,956	$2,116	$2,103	$2,424
Long-term debt	$7,593	$7,880	$8,341	$9,134	$9,535	$9,952
Total debt	$9,442	$9,717	$10,297	$11,250	$11,638	$12,376
Net debt	$6,083	$6,274	$6,664	$7,149	$7,700	$8,325
Operating profit	$2,420	$2,116	$2,146	$2,486	$2,853	$2,687
Interest expense	$291	$285	$307	$326	$348	$395
Interest / Operating profit	12%	13%	14%	13%	12%	15%
Net debt / Operating profit	251%	297%	310%	288%	270%	310%
Debt / Equity	**54%**	**57%**	**58%**	**55%**	**56%**	**59%**

Source: Janus Henderson, June 2020

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

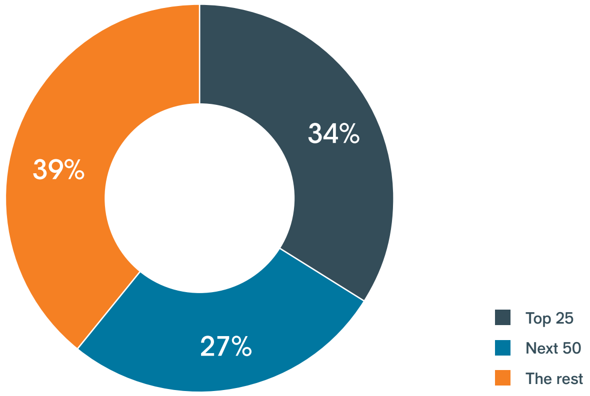
investors, we care most about a company's ability to repay its debts. Most importantly we will be looking for signs that a company is strengthening its position when conditions improve. This tends to push bond prices higher, generating capital gains for investors. For active fund managers 2020 presents interesting opportunities.

What was the borrowing for?

Although more than half of the companies in our index took on more borrowing last year, a very large impact was made by relatively few of them. Just 25 companies between them borrowed an additional $410bn last year, equivalent to one third of the increase in borrowings of all those companies that added to their debts (i.e. excluding those who reduced them). For this group in particular, acquisitions were the key driver of higher debt. For example, nine of the ten companies that increased their debts the most last year did so to fund takeovers. These included Bristol Myers Squibb's purchase of Celgene for $74bn, and Occidental's $55bn acquisition of Anadarko Petroleum, each funded by a mix of shares and debts.

Share buybacks made a major impact too. They are a particular feature in the United States, where companies spent an estimated $710bn buying their own shares in 2019, according to Goldman Sachs, of which as much as half was funded by debt. In our index, some of the biggest buyers of their own stock included Cisco, Oracle and Starbucks, which all had to borrow to fund buybacks and dividends. The largest was Apple, buying $67bn of its own stock last year, though that was financed from cash flow, not borrowing.

A FEW COMPANIES MADE UP A LARGE SHARE OF RISING DEBT IN 2019



Source: Janus Henderson, June 2020

$410 BILLION

JUST 25 COMPANIES BETWEEN THEM BORROWED AN ADDITIONAL $410BN LAST YEAR, EQUIVALENT TO ONE THIRD OF THE INCREASE IN BORROWINGS OF ALL THOSE COMPANIES THAT ADDED TO THEIR DEBTS

Outside the US, dividends, rather than buybacks, play a greater role in returning capital to shareholders. Morgan Stanley estimates that US companies are around four times as likely as those in Europe or the UK to buy their own shares, spurred on by favourable tax treatment. Even so, European and UK share buybacks reached $100bn in 2019 – Nestle, Rio Tinto and Shell were among notable examples. Using debt to fund buybacks and dividends is a controversial practice that has caught the attention of the IMF. Last year it highlighted the risk this poses to corporate credit quality and financial stability[2].

As well as buybacks, companies in our index distributed $920bn in dividends in 2019[3]. This was just under half their collective profits, meaning dividends were well covered overall. But companies must balance the competing demands of shareholders for income with the need to invest, and sometimes they look to borrowing to bridge the gap.

[2] https://www.imf.org/en/Publications/GFSR/Issues/2019/10/01/global-financial-stability-report-october-2019

[3] Source: Janus Henderson Global Dividend Index

WHY DEBT IS A GOOD THING – IN MODERATION

Companies need capital to invest. Often, this capital comes from retaining some of the profits they make, but if the need for capital is greater than a company's internal resources, it may also need to issue new shares (equity finance) or borrow either from banks or by issuing bonds that are traded on financial markets. The word 'debt', however, comes laden with moral baggage which can obscure the valuable role it plays in a well-functioning economy, and in well managed companies.

As a rule, equity finance is more expensive than debt. Some find this point counterintuitive, since debt interest is inescapable while shareholder returns are variable. Debt is cheaper partly because interest expense is tax deductible, so debt is a tax-efficient way to finance investment. But more importantly, lenders face less risk of loss than shareholders - in the event of a company winding up, lenders get their money back before shareholders do; moreover, shareholder dividends are only paid after interest on debts has been settled. For shareholders, the upside is the potential for capital gains and growing income. For lenders the value comes from the greater certainty of returns. Shareholders therefore expect a higher return than lenders.

Most companies use a mix of equity and debt finance. The relationship between the two is called gearing or leverage. Shareholders welcome the use of an appropriate level of debt as it has the potential to multiply their gains, though it also multiplies any losses. Why issue shares and spread the profits over more shareholders if capital can be raised more cheaply by borrowing? Big cash deposits might seem attractive, but in truth they simply dilute returns and are therefore often a source of conflict with shareholders. Share buybacks can help companies achieve the optimum mix of debt and equity, though the risk is that companies take this too far and become over-leveraged.

But what is an appropriate level of debt for a company? This is primarily influenced by geography and the industry concerned. Asset-rich companies with secure cash flows in economically and politically stable parts of the world are able to maintain higher debt levels than those in highly cyclical industries, those with limited tangible assets and those in less developed parts of the world. Cultural factors also play a role, with Anglo-Saxon cultures typically more relaxed about borrowing than, say Japan, where companies and households are reluctant to borrow: bankruptcy in Japan is a source of deep dishonour; in the US it's a normal part of free-wheeling capitalism.

AS A RULE, EQUITY FINANCE IS MORE EXPENSIVE THAN DEBT. SOME FIND THIS POINT COUNTERINTUITIVE, SINCE DEBT INTEREST IS INESCAPABLE WHILE SHAREHOLDER RETURNS ARE VARIABLE. LENDERS FACE LESS RISK OF LOSS THAN SHAREHOLDERS.

WHY DEBT IS A GOOD THING – IN MODERATION (CONTINUED)

Debt isn't just good for companies. It also provides opportunities for investors. Corporate bonds typically offer higher rates of interest than savings accounts or government bonds, while still offering greater certainty of returns than investing in shares, and a more secure income stream than dividends. The pandemic will cause dividends to fall globally by up to 38% this year, according to the latest edition of the Janus Henderson Global Dividend Index. While a few companies will be unable to service their debts this year, interest payments will be honoured in the overwhelming majority of cases.

Corporate bonds are typically riskier than equivalent government bonds, but the huge diversity of bonds in issue means investors can select the risk profile that suits them and for a term that matches their preferred investment horizon. Investors can use them in different ways. If they buy them at issue and hold them to maturity (the primary market), the return is fixed in advance for most kinds of bond, providing certainty subject only to default risk. Or they can buy and sell bonds on the so-called secondary market to take advantage of how prices move with the prevailing interest-rate environment and the changing credit worthiness of the issuing company. If interest rates fall or a credit rating improves, bond prices rise, bringing the possibility of capital gains. If rates rise or credit ratings get downgraded, prices fall.

All these features can make bonds a very valuable addition to an investor's portfolio. And of course, adding corporate bonds to a portfolio can bring the significant benefits of diversification. This is often achieved in multi-asset funds, or investors can add corporate bond funds to complement their existing holdings.

↓38%

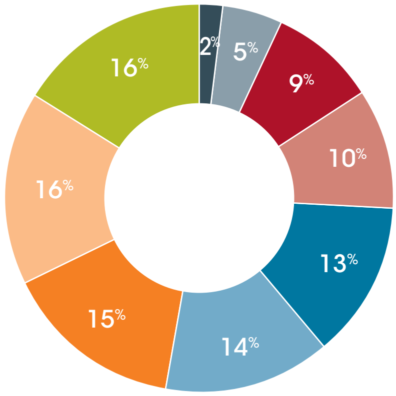
THE PANDEMIC WILL CAUSE DIVIDENDS TO FALL GLOBALLY BY UP TO 38% THIS YEAR, BUT INTEREST PAYMENTS WILL BE HONOURED IN THE OVERWHELMING MAJORITY OF CASES.

DEBTS BY INDUSTRY

Although the interest-rate environment and cultural attitudes to debt are determined by geography, most of the variability in how companies are financed and in their appetite for debt is determined by their industry and sector.

The big, traditional, asset-rich industries support the largest debts. Utilities and telecoms companies between them owe more than a quarter of the world's total. Both benefit from relatively stable profits and have lots of assets, so they can stretch their balance sheets with more loans. Those in developed markets have taken on disproportionately higher debts to reflect more stable economies. The car industry owes a similar amount, though many of them have large financing arms that inflate their balance sheets. Its net debts have jumped by almost half since 2014 as it consumes capital to fund greener vehicles and new technologies against a backdrop of flat profits. It's no coincidence that five of the top-ten company debtors in the world are car makers.

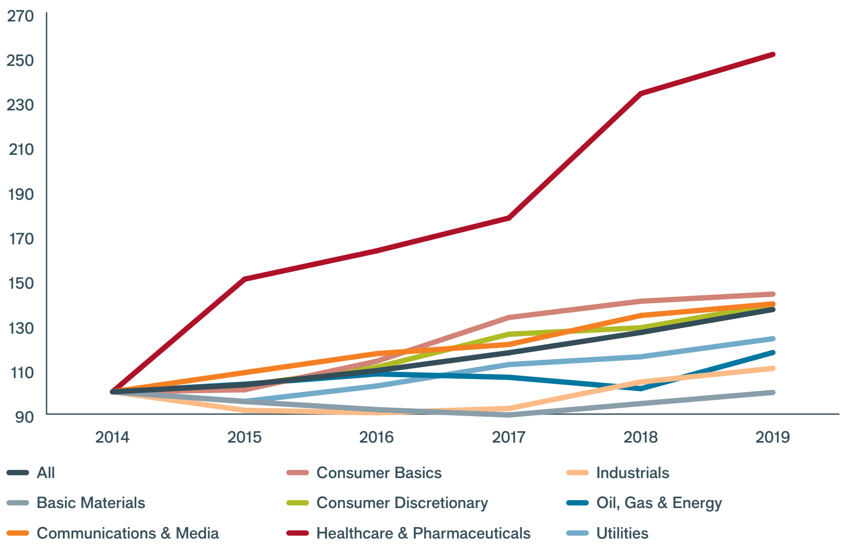
2019 NET DEBT BY INDUSTRY (US$ BILLIONS)



	US$
Technology	126,504
Basic Materials	407,995
Healthcare & Pharmaceuticals	780,194
Consumer Basics	859,830
Oil, Gas & Energy	1,078,539
Utilities	1,124,981
Communications & Media	1,276,751
Industrials	1,300,350
Consumer Discretionary	1,369,711

Source: Janus Henderson, June 2020

NET DEBT BY INDUSTRY INDEXED



Source: Janus Henderson, June 2020

Oil producers are comfortably the most asset-rich, but they do not hold the most debt, either in absolute terms, or relative to their assets. This is because oil prices are volatile and profits can quickly evaporate when they fall, but interest must still be paid – between 2014 and 2016, oil-company operating profits fell by two thirds, so interest payments swallowed a dramatically larger bite – up from 8% of profits to almost a third. The mining industry is smaller, but has very similar borrowing characteristics, and for the same reasons.

At the other end of the scale, technology companies generate so much cash from operations every year that borrowing needs are exceptionally small. As the biggest ones mature, they are increasingly funnelling cash to shareholders – Microsoft, for example, returned $32bn to investors in 2019 through buybacks and dividends. In 2020 it will become the world's biggest dividend payer taking over from Shell[4], another symbol of how the sector has come of age. Buybacks, dividends and acquisitions have made tech companies net borrowers since 2016.

4. Source Janus Henderson Global Dividend Index

DEBTS BY INDUSTRY (CONTINUED)

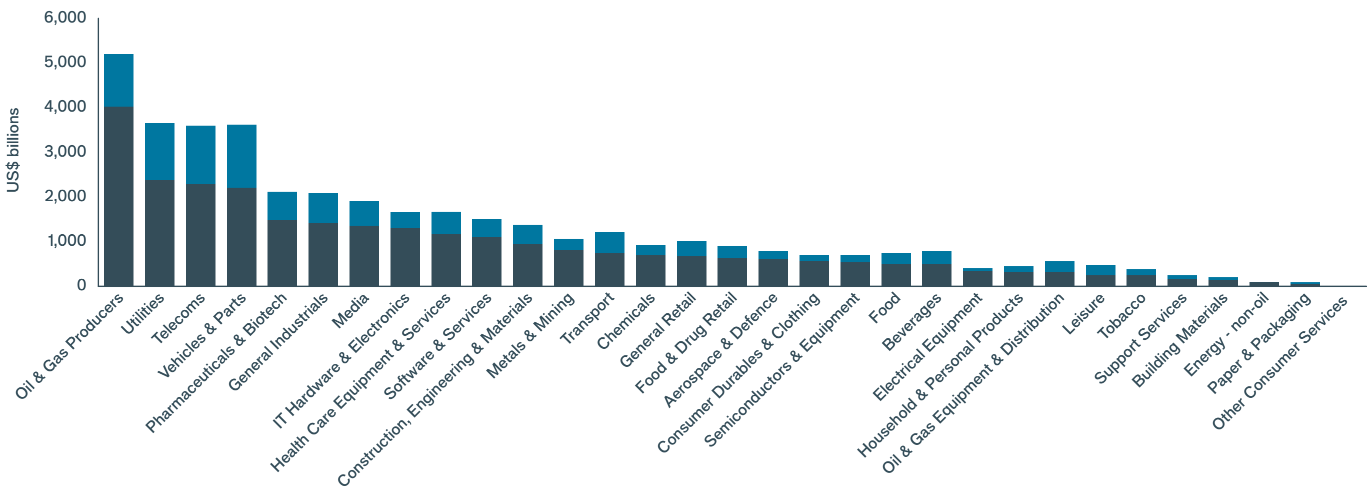
The fastest growth in debts has come in the aerospace, pharmaceutical and media sectors. Media companies have traditionally owed less debt than other sectors, though the picture is distorted by ultra-cash rich internet giants Facebook and Alphabet (Google). With few tangible assets, cyclical earnings and strong competition, they must manage their balance sheets prudently. Rising demand for content, acquisitions and share buybacks have, however, pushed the sector's debts up by $120bn since 2014, increasing more than three-fold. Netflix alone accounts for a tenth of this increase as it ploughs cash into new programming, while Comcast funded its $39bn acquisition of Sky in 2018 entirely with debt.

Aerospace debts have quadrupled since 2014. Mega-mergers have played a role, such as the combination of Rockwell, UTC and Raytheon over two years, while the crisis at Boeing has forced the company to borrow heavily. It single-handedly contributed half the increase in the sector's net debts in 2019.

For pharmaceutical companies, huge takeovers, like Takeda's acquisition of Shire, BMS buying Celgene and Pfizer acquiring Array Biopharma to name just three have made a significant impact. Along with increased R&D spending they have helped more than triple the sector's debts in five years. Despite the increase in borrowing, the pharma sector remains one of the less indebted sectors, however.

THE BIG, TRADITIONAL, ASSET-RICH INDUSTRIES SUPPORT THE LARGEST DEBTS. UTILITIES AND TELECOMS COMPANIES BETWEEN THEM OWE MORE THAN A QUARTER OF THE WORLD'S TOTAL

ASSETS, WITH PROPORTION FUNDED BY DEBT
2019



Source: Janus Henderson, June 2020

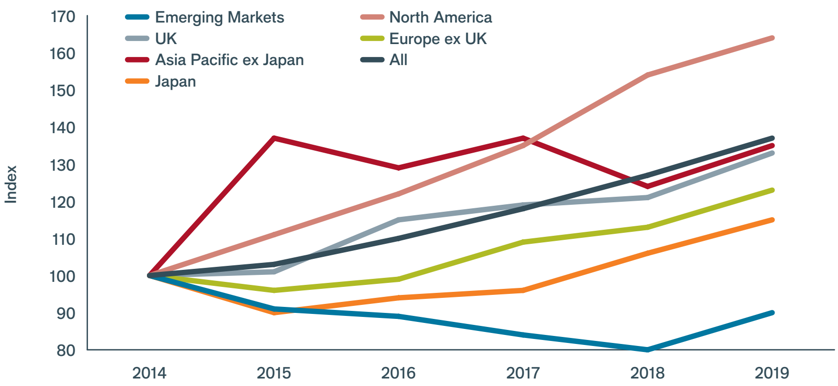
DEBTS BY REGION

North America

US companies now owe almost half the world's net corporate debts, not just because of their global reach and the sheer size of the economy, but also because of a corporate and investment culture that has encouraged a greater role for debt in the finance mix. Every US industry group is more highly geared than the global average, and in most cases is also more highly geared than its peers in every other region too. The $3.9 trillion net debt mountain already takes into account $1.5 trillion of cash on American company balance sheets. Despite starting from a high base, debts have also increased faster in the US than any other major country except Switzerland in the last five years, up by 68% or $1.8 trillion, though in the Swiss case, the increase was concentrated in a handful of companies whereas it was more broadly based in the US.

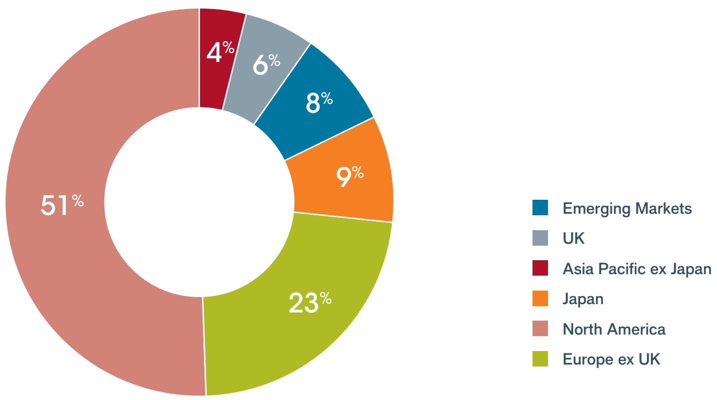
Low interest rates in the US and strong credit ratings for many of its companies mean that the interest burden is similar to the rest of the world, showing that companies there are on the whole able to service their debts with no more difficulty than those elsewhere.

NET DEBT INDEXED



Source: Janus Henderson, June 2020

2019 NET DEBT



Source: Janus Henderson, June 2020

US$3.9TRILLION

THE $3.9 TRILLION NET DEBT MOUNTAIN ALREADY TAKES INTO ACCOUNT $1.5 TRILLION OF CASH ON AMERICAN COMPANY BALANCE SHEETS.

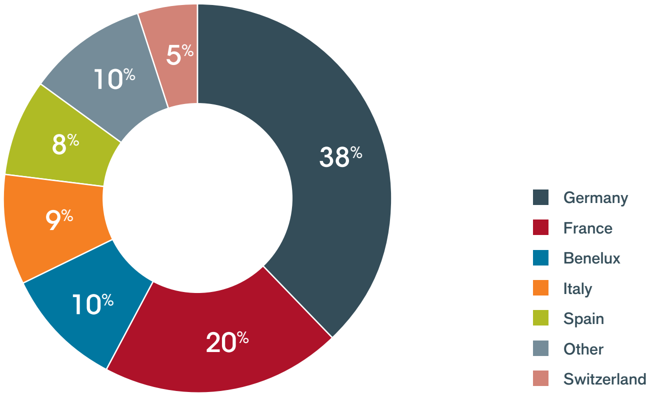
DEBTS BY REGION (CONTINUED)

Europe ex UK

European companies make up almost a quarter of the world's borrowings, with most of these based in France, Germany and Switzerland. European company debts totalled $1.9 trillion in 2019 and have risen more slowly than the global average over the last five years, up by just under a quarter. Though the overall level of gearing in Europe is high, this is skewed by a few very large, highly indebted companies, but at a company level, the typical (median) net/debt to equity ratio is 43%, in line with the global average.

Switzerland has seen the fastest growth in net debts since 2014, thanks especially to debt-funded acquisitions by Nestle and Novartis. Debts in France have risen far slower than the European and global average, up by less than a fifth in five years, partly reflecting lacklustre profit growth. Most of this increase was in 2019, thanks to acquisition funding by Dassault and Vivendi as well as significant working capital and capital investment needs at big companies like Renault (in common with automotive trends around the world), Thales and others. Total made the biggest increase, partly to fund €9.5bn of dividends and share buybacks. French companies have gearing levels well below the global and European average.

2019 NET DEBT EUROPE EX UK



Source: Janus Henderson, June 2020

$762 BILLION

THREE OF THE TEN MOST INDEBTED COMPANIES IN THE WORLD ARE GERMAN CAR MAKERS, VOLKSWAGEN, DAIMLER AND BMW, HELPING EXPLAIN WHY AT $762BN, CORPORATE DEBTS IN GERMANY ARE THE SECOND HIGHEST IN THE WORLD AFTER THE US.

Three of the ten most indebted companies in the world are German car makers, Volkswagen, Daimler and BMW, helping explain why at $762bn, corporate debts in Germany are the second highest in the world after the US. German debts are inflated by the financing arms of the car manufacturers. Each of these companies consumed more capital in 2019, though the biggest increase came from utility E.ON which borrowed to fund its acquisition of Innogy.

In the Netherlands, the biggest increase in debt in 2019 came from Akzo Nobel, which spent €6bn on dividends and buybacks, despite limited operating cash flows, while Anheuser-Busch Inbev, whose 2018 debts were almost as big as all the other drinks companies in our index combined, reduced its borrowings sharply by slashing its dividends and listing its Asian business. The presence of large utilities on the Italian and Spanish stock market explains high indebtedness there.

DEBTS BY REGION (CONTINUED)

UK

In the UK, company debts have increased more slowly than the global average over the last five years, up by a third. The level of indebtedness measured by gearing has typically been in line with the global average in recent years, though the figure is pushed down by the dominance of cyclically sensitive mining and oil companies which tend to be less highly geared than other industries. Companies in the UK individually tend to have less borrowing than their US peers, but more than their peers in Europe.

UK company debts jumped by $47bn in 2019, slightly faster than the global average, reaching a record $539bn. Vodafone was responsible for half the increase, funding its acquisition of Liberty Global, while Shell borrowed heavily to help fund its $15bn dividend. Half the UK companies in our index reduced their borrowings last year, however.

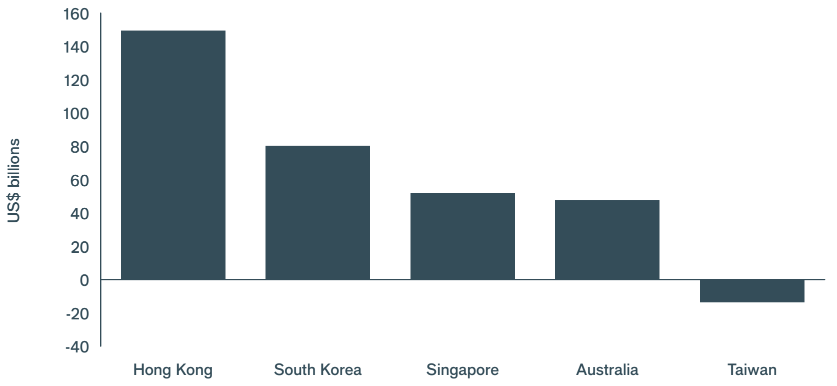
Asia-Pacific ex Japan

Although debt levels in Asia have grown in line with the global average over the last few years, gearing levels in Asia are one third of the global average. Cultural factors are clear to see. Australia is much more typically Anglo-Saxon with higher borrowing levels than its neighbours, in line with the global average, while companies in Hong Kong and South Korea have gearing levels among the lowest in the world. In Taiwan, the majority of companies in our index even have net cash on their balance sheets.

Japan

Japanese companies have increased their debts by just 15% over the last five years, with most of the effect in the last two, thanks mainly to the debt-funded acquisition of Shire by Takeda in 2018, as well as weak operating cash flow and significant investment needs at Toyota (in common with most global car makers). Even so Japanese companies have very little borrowing compared to international peers, despite exceptionally low interest rates. Almost half the companies in our index have net cash on their balance sheets, and the typical net/debt to equity level in Japan is just 7%, 90% less than the global median. This reflects the extreme cultural aversion to debt in Japan.

2019 NET DEBT
ASIA-PACIFIC EX JAPAN



Source: Janus Henderson, June 2020

Emerging Markets

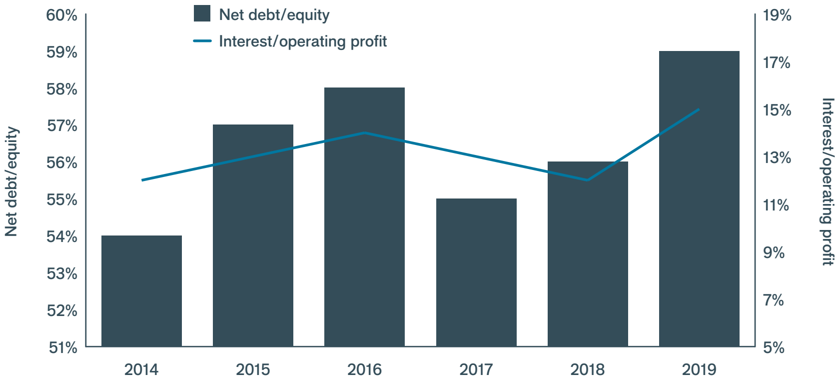
Emerging-market companies have a much lower capacity for debt than developed-market peers thanks to lower credit ratings driven by weaker economic environments as well as concerns over political stability and corporate governance. The category is very diverse, but debt levels have fallen in half the countries in our index since 2014, though oil producers have recently borrowed more heavily.

DEBT AFFORDABILITY

There are lots of ways of looking at this puzzle, but one way or another they all boil down to how geared a company is and whether it can meet the interest payments. One very important measure of gearing is how much debt exists relative to the amount of equity finance – the value of borrowings compared to how much would be left over for shareholders if a company were liquidated. This is the net debt/equity ratio.

By the end of 2019, the global net debt/equity ratio had risen to a record 59%, up from 54% in 2014. It has increased by over two percentage points in the last year alone. The pattern varies widely by country and sector. For example, companies in North America were the most highly geared, with debts worth more than three quarters of their equity base. Companies in emerging markets had the lowest gearing, followed by Asia

DEBT AFFORDABILITY



Source: Janus Henderson, June 2020

DEBT AFFORDABILITY
BY INDUSTRY (%)

Sector	2019 debt/equity ratio	2019 – % of operating profit spent on interest
Technology	8%	8%
Basic Materials	40%	15%
Healthcare & Pharmaceuticals	55%	13%
Consumer Basics	78%	12%
Oil, Gas & Energy	41%	16%
Utilities	120%	40%
Communications & Media	64%	18%
Industrials	80%	17%
Consumer Discretionary	78%	9%
All	**59%**	**15%**

Source: Janus Henderson, June 2020

and Japan. From an industry perspective, stable-earning utilities supported the highest debt levels, gearing their equity to 120%, while the three cash-rich technology sectors had debts worth just 8% of their equity, and were debt free as recently as 2016.

Looking at whether operating profits (EBIT) are large enough to cover interest payments helps investors ensure a company will not run into difficulty servicing its debts – this is the interest payment to EBIT ratio.

This measure also reached its highest level in 2019 since at least 2014, though it has not climbed significantly thanks to the downward trend in interest rates – last year $1 in every $7 of operating profit was spent on interest payments, up from $1 in $8 in 2014. The variability from region to region is much lower than it is for net debt/equity. The reason gearing varies so widely from one part of the world to another is mainly because interest rates vary so widely too. Higher rates in emerging markets, for example, mean companies cannot afford to service as much debt from their operating profits. Japan stands out. Companies there pay just $1 in interest for every $15 of profit – this is because both gearing levels and interest rates are exceptionally low. Japanese companies are arguably under-indebted – their shareholders could benefit if they borrowed more. From a sector perspective, utilities are now spending $4 in every $10 of their operating profit on interest, over 2.5x as much other companies. Utilities are easily the most indebted sector, owing more than $1.1 trillion worldwide, but because they have very stable, predictable cash flows, as well as very large installations of tangible assets, they are able to sustain much higher debt levels than most other kinds of companies and can borrow cheaply. In June 2020, bond yields for utilities in our index were fractionally below the average and have fallen this year (low yields are a sign of investor confidence), despite these very high debt levels.

FROM AN INDUSTRY PERSPECTIVE, STABLE-EARNING UTILITIES SUPPORTED THE HIGHEST DEBT LEVELS, GEARING THEIR EQUITY TO 120%, WHILE THE THREE CASH-RICH TECHNOLOGY SECTORS HAD DEBTS WORTH JUST 8% OF THEIR EQUITY, AND WERE DEBT FREE AS RECENTLY AS 2016.

TOP COMPANIES

LARGEST BORROWERS – US$ BILLIONS

Rank	Company	2014	Company	2015	Company	2016
1	General Electric Company	278	AT&T Inc.	143	AT&T Inc.	139
2	Volkswagen AG	134	General Electric Company	131	Volkswagen AG	136
3	Verizon Communications Inc.	123	Volkswagen AG	127	Verizon Communications Inc.	126
4	Toyota Motor Corp.	115	Verizon Communications Inc.	126	Toyota Motor Corp.	119
5	Petroleo Brasileiro SA	105	Toyota Motor Corp.	114	Anheuser-Busch InBev SA/NV	107
6	PetroChina Company Limited Class H	96	Ford Motor Company	98	Daimler AG	104
7	AT&T Inc.	93	Petroleo Brasileiro SA	97	Ford Motor Company	104
8	Daimler AG	90	PetroChina Company Limited Class H	95	Petroleo Brasileiro SA	95
9	Ford Motor Company	88	Daimler AG	94	Bayerische Motoren Werke AG	95
10	Bayerische Motoren Werke AG	84	Bayerische Motoren Werke AG	90	General Electric Company	91
Top 10		**1,205**		**1,115**		**1,117**
% of global top 900 net debt		**20%**		**18%**		**17%**
11	Deutsche Telekom AG	79	Deutsche Telekom AG	77	Royal Dutch Shell Plc Class A	89
12	Telefonica SA	73	Telefonica SA	74	SoftBank Group Corp.	82
13	China Petroleum & Chemical Corporation Class H	71	SoftBank Group Corp.	68	PetroChina Company Limited Class H	81
14	SoftBank Group Corp.	70	Walmart Inc.	58	Deutsche Telekom AG	76
15	Walmart Inc.	66	Comcast Corporation Class A	50	Telefonica SA	69
16	Korea Electric Power Corporation	57	China Petroleum & Chemical Corporation Class H	49	Charter Communications, Inc. Class A	61
17	Mitsubishi Corporation	55	Nissan Motor Co., Ltd.	48	Walmart Inc.	58
18	Electricite de France SA	53	Electricite de France SA	48	General Motors Company	58
19	Rosneft Oil Co.	50	Mitsubishi Corporation	46	Comcast Corporation Class A	58
20	Orange SA	48	Royal Dutch Shell Plc Class A	46	Electricite de France SA	57
Next 10		**622**		**563**		**690**
Top 20		**1,827**		**1,678**		**1,807**
% of global top 900 net debt		**30%**		**27%**		**27%**

Source: Janus Henderson, June 2020

MOST CASH-RICH COMPANIES – US$ BILLIONS

Rank	Company	2014	Company	2015	Company	2016
1	China Mobile Limited	57	Alphabet Inc. Class A	58	Alphabet Inc. Class A	72
2	Microsoft Corporation	50	China Mobile Limited	53	Samsung Electronics Co., Ltd.	60
3	Alphabet Inc. Class A	49	Samsung Electronics Co., Ltd.	50	China Mobile Limited	54
4	Samsung Electronics Co., Ltd.	46	Microsoft Corporation	48	Microsoft Corporation	47
5	Cisco Systems, Inc.	31	Cisco Systems, Inc.	35	Cisco Systems, Inc.	37
6	QUALCOMM Incorporated	16	Johnson & Johnson	19	Vestas Wind Systems A/S	24
7	Johnson & Johnson	14	Vestas Wind Systems A/S	18	Facebook, Inc. Class A	19
8	Vestas Wind Systems A/S	13	Hon Hai Precision Industry Co., Ltd.	13	Johnson & Johnson	15
9	Oracle Corporation	12	Oracle Corporation	12	Taiwan Semiconductor Manufacturing Co., Ltd.	11
10	Surgutneftegas PJSC	12	Alibaba Group Holding Ltd. Sponsored ADR	12	Hon Hai Precision Industry Co., Ltd.	10
Top 10		**301**		**318**		**350**

Source: Janus Henderson, June 2020

TOP COMPANIES (CONTINUED)

LARGEST BORROWERS – US$ BILLIONS (continued)

Rank	Company	2017	Company	2018	Company	2019
1	Volkswagen AG	172	AT&T Inc.	193	Volkswagen AG	192
2	Verizon Communications Inc.	136	Volkswagen AG	185	AT&T Inc.	176
3	AT&T Inc.	136	Daimler AG	141	Daimler AG	151
4	Daimler AG	129	Verizon Communications Inc.	130	Toyota Motor Corp.	138
5	Toyota Motor Corp.	128	SoftBank Group Corp.	130	SoftBank Group Corp.	135
6	Ford Motor Company	115	Toyota Motor Corp.	129	Verizon Communications Inc.	129
7	SoftBank Group Corp.	107	Ford Motor Company	120	Ford Motor Company	122
8	Anheuser-Busch InBev SA/NV	104	Comcast Corporation Class A	108	Bayerische Motoren Werke AG	114
9	Bayerische Motoren Werke AG	100	Anheuser-Busch InBev SA/NV	103	Comcast Corporation Class A	104
10	General Electric Company	94	CVS Health Corporation	88	Anheuser-Busch InBev SA/NV	96
Top 10		**1,222**		**1,327**		**1,358**
% of global top 900 net debt		**17%**		**17%**		**16%**
11	Petroleo Brasileiro SA	85	Bayerische Motoren Werke AG	86	Deutsche Telekom AG	87
12	Deutsche Telekom AG	85	Deutsche Telekom AG	86	CVS Health Corporation	81
13	Royal Dutch Shell Plc Class A	83	General Electric Company	78	Petroleo Brasileiro SA	79
14	Telefonica SA	72	General Motors Company	76	Royal Dutch Shell Plc Class A	78
15	PetroChina Company Limited Class H	72	Charter Communications, Inc. Class A	73	General Motors Company	78
16	Charter Communications, Inc. Class A	71	Telefonica SA	72	Charter Communications, Inc. Class A	77
17	General Motors Company	69	Petroleo Brasileiro SA	69	PetroChina Company Limited Class H	76
18	British American Tobacco p.l.c.	61	Royal Dutch Shell Plc Class A	67	Walmart Inc.	63
19	Comcast Corporation Class A	61	PetroChina Company Limited Class H	66	Duke Energy Corporation	62
20	Rosneft Oil Co.	59	Nissan Motor Co., Ltd.	61	Korea Electric Power Corporation	60
Next 10		**717**		**735**		**741**
Top 20		**1,938**		**2,062**		**2,099**
% of global top 900 net debt		**27%**		**27%**		**25%**

Source: Janus Henderson, June 2020

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

Rank	Company	2017	Company	2018	Company	2019
1	Alphabet Inc. Class A	88	Alphabet Inc. Class A	95	Alphabet Inc. Class A	104
2	Samsung Electronics Co., Ltd.	60	Samsung Electronics Co., Ltd.	77	Samsung Electronics Co., Ltd.	78
3	China Mobile Limited	60	China Mobile Limited	50	Microsoft Corporation	47
4	Cisco Systems, Inc.	37	Microsoft Corporation	33	China Mobile Limited	47
5	Facebook, Inc. Class A	32	Facebook, Inc. Class A	31	Facebook, Inc. Class A	44
6	Microsoft Corporation	31	Vestas Wind Systems A/S	24	Vestas Wind Systems A/S	19
7	Vestas Wind Systems A/S	28	Cisco Systems, Inc.	21	Surgutneftegas PJSC	16
8	Surgutneftegas PJSC	18	Taiwan Semiconductor Manufacturing Co., Ltd.	16	Sony Corporation	14
9	QUALCOMM Incorporated	14	Alibaba Group Holding Ltd. Sponsored ADR	13	Alibaba Group Holding Ltd. Sponsored ADR	13
10	Taiwan Semiconductor Manufacturing Co., Ltd.	14	Baidu, Inc. Sponsored ADR Class A	11	Taiwan Semiconductor Manufacturing Co., Ltd.	13
Top 10		**383**		**372**		**395**

Source: Janus Henderson, June 2020

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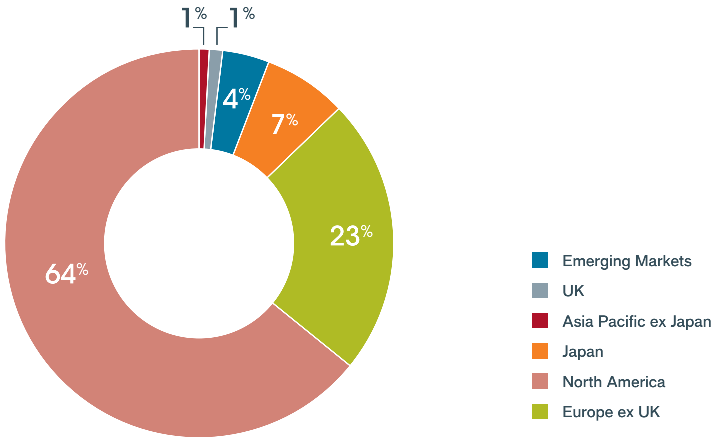
BOND MARKETS

Globally the corporate bond market is worth around $13 trillion, according to S&P[5], once the bonds of financial companies are excluded. The likelihood that companies will choose to borrow via the bond markets or from banks depends on cultural factors, the size of the company, the sector it operates in, the depth of the bond markets to which it has access, and the terms on which it can borrow. Generally speaking, companies in North America are much more likely to use bond markets for borrowing than those in other parts of the world, though this has been changing. For this reason, around three-fifths of bond debts are owed by North American firms, though they only owe just over half of all debts on company balance sheets. Companies in Asia and Japan are more likely to rely on banks. The very biggest companies, almost all of which are in our index, are among the most likely to issue bonds, wherever they are. Approximately half the debts of the companies in our index are in the form of listed bonds with more than a year to run.

In the first five months of 2020, bond issuance grew substantially as the coronavirus pandemic took hold. Companies in our index raised $384bn on the global bond markets, an increase of 6.6% since December 2019. 2020 has also seen a flight to quality that has widened the gap between the interest rates paid by the most creditworthy companies and those considered riskier. As the so-called yield gap has widened, the prices of bonds for riskier companies have fallen, making it more expensive for them to raise finance. The 'high-yield' segment, where investors accept riskier bonds in exchange for higher interest rates saw the average yield rise to 5.1%[6] for companies in our index by the end of May, compared to 3.4% at the end of 2019. But for investment-grade bonds, yields fell to 2.0% down from 2.2%. The gap is even wider for companies outside the biggest 900 companies we cover.

In addition, a number of companies have had their credit ratings downgraded, notably Occidental owing to the huge debts it took on to buy Anadarko, Ford, BMW, Daimler and Exxon Mobil to name few. The 'high-yield' segment grew almost three times faster than investment grade loans between January and May. Part of this increase reflects the simple reclassification as 'high yield' of those companies being downgraded from investment grade (the so-called fallen angels) and part reflects the greater need for capital in this group to see them through the crisis.

BOND MARKET BORROWINGS (JHCDI CONSTITUENTS)
JUNE 2020



Source: Janus Henderson, June 2020

IN THE FIRST FIVE MONTHS OF 2020, BOND ISSUANCE GREW SUBSTANTIALLY AS THE CORONAVIRUS PANDEMIC TOOK HOLD. COMPANIES IN OUR INDEX RAISED $384BN ON THE GLOBAL BOND MARKETS, AN INCREASE OF 6.6% SINCE DECEMBER.

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5. S&P Global Corporate Debt Market – The State of Play 2019

6. Unweighted average

OUTLOOK & VIEWPOINT

Companies have scrambled to issue new bonds and borrow from banks this year to ensure they have enough ready cash to weather lockdowns of varying severity around the world. Central banks and governments have provided unprecedented support to ensure a cash crisis doesn't make the downturn worse. Not all the new borrowing will be spent, meaning the net effect on balance sheets will be smaller than the startling headline figures. Some companies will also have taken emergency government support during the worst of the crisis when funding themselves commercially became very expensive for a time. With market conditions calmer, thanks to central-bank support and a gradual reopening of economies, companies will want to reduce their reliance on state hand-outs, so we expect bond issuance to rise further. Many companies will issue new shares too when market conditions are favourable to ensure their finances do not become too debt-dependent.

by **Tom Ross,** Corporate Credit Portfolio Manager at Janus Henderson Investors

For investors in bonds, 2020 presents interesting opportunities. With interest rates low, crucially companies are on the whole able to service their debts. As long as companies have enough cash to bridge the lockdown gap, we think that corporate bonds returns may look increasingly attractive to investors.

As with all things, some companies do things better than others. As bond investors, we care most about a company's ability to repay its debts. Most importantly we will be looking for signs that a company is strengthening its position when conditions improve – using surplus cash flow to pay down debts rather than spending it, or even issuing new shares to rebalance the financing mix between equity and borrowing. This tends to push bond prices higher, generating capital gains for investors.

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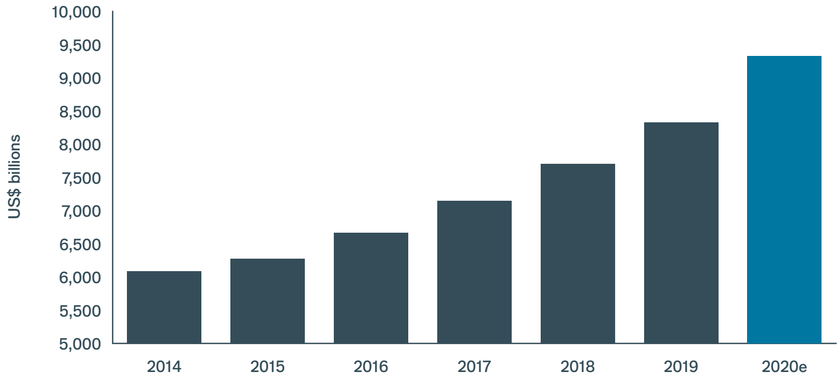
Being active managers also has significant advantages in bonds markets. Just because a company has a lot of debt, does not mean it is necessarily a sound borrower. Active managers can choose those companies with the best debt dynamics, rather than the most debt, picking those where the picture is improving most. Also, new bonds are issued all the time (much more often than shares) as old debt gets retired or new projects come along. There are better terms for investors who take part in a fund raising than there are for those who buy bonds on the market as passive managers have to. Moreover, passive managers cannot buy a newly-issued bond until it is in the index. Active fund managers can therefore get ahead of them. With so much new issuance in the market this year, all of these factors play to our advantage.

Acquisitions, share buybacks and dividends each funded by debt often precede an economic downturn. This has certainly been the case this time round. As the global recession takes hold, profits and cash flow will be sharply lower. Borrowing needs will be very large this year, even though companies in our index are set to cut their dividends by \$140bn to \$300bn[6] this year, are slashing share buybacks, putting acquisitions on hold and reducing capital expenditure. Much will depend upon the extent to which new borrowing is spent or held as cash reserves, and on how much companies issue in new shares to bolster their balance sheets. It's clear, however, that 2020 will see net corporate debts soar to another new record, perhaps as much as \$1 trillion higher than 2019.

COMPANY NET DEBT – GLOBAL



Source: Janus Henderson, June 2020

SOME COMPANIES WILL ALSO HAVE TAKEN EMERGENCY GOVERNMENT SUPPORT DURING THE WORST OF THE CRISIS WHEN FUNDING THEMSELVES COMMERCIALLY BECAME VERY EXPENSIVE FOR A TIME.

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6. Source: Janus Henderson Global Dividend Index, Edition 36 May 2020

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.

Memo on IFRS 16: international accounting standards recently changed the accounting for lease commitments, counting them as equivalent to a debt liability. Companies did not restate prior-year accounts for this change. By not doing so, the apparent increase in company debt would have more than doubled year-on-year. To remove this distortion, we have reviewed the annual reports in detail for companies worth two-thirds of the total balance-sheet value for our index and adjusted historic data to account for the change, increasing reported prior-year debt by $545bn. For the remaining companies we have made a statistical adjustment rather than a bespoke one, increasing prior-year debt by $283bn.

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	2014	2015	2016	2017	2018	2019
Basic Materials	409	391	377	367	388	408
Communications & Media	916	995	1,072	1,110	1,229	1,277
Consumer Basics	598	603	680	797	841	860
Consumer Discretionary	985	1,012	1,093	1,239	1,267	1,370
Healthcare & Pharmaceuticals	310	467	507	552	726	780
Industrials	1,176	1,078	1,065	1,089	1,228	1,300
Oil, Gas & Energy	917	949	991	977	930	1,079
Technology	-138	-90	-53	0	39	127
Utilities	908	869	932	1,019	1,051	1,125
ALL	6,083	6,274	6,664	7,149	7,700	8,325

Source: Janus Henderson, June 2020

NET DEBT BY SECTOR IN USD BILLIONS

Industry	Sector	2014	2015	2016	2017	2018	2019
Basic Materials	Metals & Mining	268	250	217	186	163	168
	Chemicals	87	81	97	116	158	165
	Building Materials	34	43	41	45	48	42
	Paper & Packaging	21	18	21	20	19	33
Communications & Media	Media	82	98	145	133	184	203
	Telecoms	833	897	927	977	1,045	1,074
Consumer Basics	Food & Drug Retail	176	172	171	188	197	204
	Food	133	149	153	179	211	209
	Household & Personal Products	58	50	52	78	77	83
	Beverages	164	160	231	233	229	241
	Tobacco	67	72	73	119	126	123
Consumer Discretionary	General Retail	110	114	132	153	138	142
	Consumer Durables & Clothing	45	34	14	21	19	26
	Vehicles & Parts	705	735	795	912	943	1,011
	Leisure	125	130	154	156	171	195
	Other Consumer Services	-1	-1	-2	-2	-4	-4
Healthcare & Pharmaceuticals	Pharmaceuticals & Biotech	116	208	214	229	315	375
	Health Care Equipment & Services	195	260	293	323	411	405
Industrials	Aerospace & Defence	33	64	68	63	111	134
	General Industrials	562	467	427	437	430	450
	Transport	267	261	281	310	365	371
	Construction, Engineering & Materials	254	235	239	227	257	272
	Support Services	47	49	52	58	56	56
	Electrical Equipment	13	1	-1	-6	9	18
Oil, Gas & Energy	Oil & Gas Producers	759	776	810	765	724	868
	Oil & Gas Equipment & Distribution	155	166	180	210	211	220
	Energy - non-oil	4	6	1	3	-5	-9
Technology	IT Hardware & Electronics	-68	-36	-33	11	-2	-28
	Software & Services	-39	-36	-20	0	29	103
	Semiconductors & Equipment	-31	-18	0	-12	12	51
Utilities	Utilities	908	869	932	1,019	1,051	1,125
ALL		6,083	6,274	6,664	7,149	7,700	8,325

Source: Janus Henderson, June 2020

APPENDICES (CONTINUED)

NET DEBT BY REGION IN USD BILLIONS

Region	2014	2015	2016	2017	2018	2019
North America	2,558	2,850	3,131	3,462	3,937	4,204
Emerging Markets	692	628	615	582	555	626
Europe Ex Uk	1,554	1,487	1,545	1,687	1,749	1,905
Uk	406	412	468	483	492	539
Japan	640	578	602	615	676	734
Asia Pacific ex Japan	234	321	303	322	290	316
ALL	**6,083**	**6,274**	**6,664**	**7,149**	**7,700**	**8,325**

Source: Janus Henderson, June 2020

NET DEBT BY COUNTRY IN USD BILLIONS

Region	Country	2014	2015	2016	2017	2018	2019
Asia Pacific ex Japan	Hong Kong	91	170	175	187	156	150
	Australia	48	59	57	55	53	48
	Singapore	32	32	32	37	49	52
	South Korea	63	70	53	59	47	80
	Taiwan	0	-12	-14	-16	-15	-14
Emerging Markets	China	248	208	166	132	126	166
	India	62	65	80	84	107	104
	Brazil	159	148	154	133	110	120
	Russia	90	79	88	109	97	105
	South Africa	4	5	7	7	1	3
	Indonesia	5	4	3	4	6	6
	Mexico	54	50	50	47	46	51
	United Arab Emirates	2	1	0	0	-1	-1
	Thailand	22	22	22	18	17	27
	Colombia	12	15	14	12	9	10
	Philippines	4	5	5	6	6	6
	Malaysia	17	14	15	16	16	15
	Chile	8	6	7	9	12	11
	Czech Republic	6	5	5	5	3	5
Europe ex UK	Switzerland	49	71	66	69	84	92
	France	348	301	319	337	350	403
	Germany	552	551	554	641	671	762
	Benelux	150	147	210	217	202	202
	Denmark	11	-1	-3	-3	-7	1
	Spain	183	180	167	183	175	159
	Italy	153	140	131	142	175	175
	Norway	28	29	34	31	25	36
	Sweden	34	34	34	35	35	34
	Finland	4	-7	-4	-4	2	3
	Ireland	6	10	8	10	11	10
	Austria	11	10	9	8	8	9
	Israel	-1	-1	-1	-1	-2	-2
	Portugal	25	23	21	22	19	21
Japan	Japan	640	578	602	615	676	734
North America	United States	2,342	2,643	2,908	3,191	3,662	3,908
	Canada	216	207	223	271	275	296
UK	United Kingdom	406	412	468	483	492	539
ALL		**6,083**	**6,274**	**6,664**	**7,149**	**7,700**	**8,325**

Source: Janus Henderson, June 2020

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APPENDICES (CONTINUED)

DEBT/EQUITY RATIO BY INDUSTRY %

Industry	2014	2015	2016	2017	2018	2019
Basic Materials	48	52	48	35	35	40
Communications & Media	69	74	72	66	66	64
Consumer Basics	67	67	72	72	76	78
Consumer Discretionary	75	76	78	78	74	78
Healthcare & Pharmaceuticals	31	42	44	44	54	55
Industrials	86	80	80	72	78	80
Oil, Gas & Energy	38	43	43	39	36	41
Technology	-11	-7	-4	0	3	8
Utilities	109	111	122	118	118	120
ALL	**54**	**57**	**58**	**55**	**56**	**59**

Source: Janus Henderson, June 2020

DEBT/EQUITY RATIO BY SECTOR %

Industry	Sector	2014	2015	2016	2017	2018	2019
Basic Materials	Metals & Mining	55	65	54	41	36	36
	Chemicals	32	29	34	25	29	38
	Building Materials	54	54	51	53	55	46
	Paper & Packaging	102	112	125	94	83	115
Communications & Media	Media	21	23	27	22	27	25
	Telecoms	89	97	97	92	89	91
Consumer Basics	Food & Drug Retail	74	75	70	78	78	82
	Food	56	52	55	60	72	69
	Household & Personal Products	34	31	33	43	43	48
	Beverages	75	86	106	93	92	93
	Tobacco	198	222	159	94	98	102
Consumer Discretionary	General Retail	58	58	61	62	48	48
	Consumer Durables & Clothing	27	20	8	10	8	9
	Vehicles & Parts	87	88	90	89	88	94
	Leisure	91	100	124	127	153	178
	Other Consumer Services	-99	-89	-102	-99	-107	-110
Healthcare & Pharmaceuticals	Pharmaceuticals & Biotech	17	29	29	30	40	46
	Health Care Equipment & Services	60	65	69	69	74	68
Industrials	Aerospace & Defence	30	58	75	54	91	119
	General Industrials	96	84	81	76	74	76
	Transport	98	95	102	95	107	103
	Construction, Engineering & Materials	107	96	90	75	81	79
	Support Services	70	75	68	69	67	63
	Electrical Equipment	13	1	-1	-5	7	14
Oil, Gas & Energy	Oil & Gas Producers	34	39	39	34	31	36
	Oil & Gas Equipment & Distribution	94	110	118	107	100	107
	Energy - non-oil	7	11	2	5	-10	-17
Technology	IT Hardware & Electronics	-11	-6	-5	2	0	-4
	Software & Services	-10	-10	-5	0	7	18
	Semiconductors & Equipment	-13	-7	0	-3	3	13
Utilities	Utilities	109	111	122	118	118	120
ALL		**54**	**57**	**58**	**55**	**56**	**59**

Source: Janus Henderson, June 2020

APPENDICES (CONTINUED)

DEBT/EQUITY RATIO BY REGION %

Region	2014	2015	2016	2017	2018	2019
North America	60	66	70	70	75	76
Emerging Markets	47	46	41	34	32	33
Europe ex UK	69	69	70	65	67	72
UK	50	58	64	57	56	65
Japan	48	45	45	42	41	43
Asia Pacific ex Japan	20	27	25	22	19	20
ALL	**54**	**57**	**58**	**55**	**56**	**59**

Source: Janus Henderson, June 2020

DEBT/EQUITY RATIO BY COUNTRY %

Region	Country	2014	2015	2016	2017	2018	2019
Asia Pacific ex Japan	Hong Kong	20	36	38	36	27	25
	Australia	48	70	68	62	57	56
	Singapore	42	42	40	40	51	50
	South Korea	16	17	12	11	8	14
	Taiwan	0	-8	-9	-9	-8	-7
Emerging Markets	China	49	37	29	20	18	22
	India	38	39	47	41	50	46
	Brazil	71	113	98	82	69	74
	Russia	26	26	23	25	24	21
	South Africa	14	19	24	19	2	6
	Indonesia	35	25	20	22	29	27
	Mexico	104	120	111	97	91	100
	United Arab Emirates	15	7	2	0	-5	-7
	Thailand	49	52	48	34	29	42
	Colombia	41	110	93	73	50	55
	Philippines	76	82	79	87	85	86
	Malaysia	65	61	63	63	62	56
	Chile	40	35	41	50	71	55
	Czech Republic	55	49	47	45	33	41
Europe ex UK	Switzerland	19	25	23	23	28	33
	France	55	51	54	46	46	52
	Germany	103	107	109	98	99	108
	Benelux	77	81	92	86	81	80
	Denmark	15	-1	-5	-5	-11	2
	Spain	117	126	117	111	109	98
	Italy	89	95	85	82	104	107
	Norway	45	59	74	59	46	71
	Sweden	45	47	50	46	49	46
	Finland	11	-17	-7	-8	4	5
	Ireland	37	59	45	44	47	41
	Austria	57	61	63	49	47	49
	Israel	-34	-34	-37	-37	-44	-44
	Portugal	153	161	141	128	123	138
Japan	Japan	48	45	45	42	41	43
North America	United States	59	65	69	69	75	76
	Canada	75	81	78	76	81	80

Source: Janus Henderson, June 2020

GLOSSARY

BOND	– A bond is 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.
EBIT	– Earnings before interest and tax, commonly called operating profit.
EQUITY	– The amount of money left over for shareholders if all 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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