4Q19
Fixed Income

FUND COMMENTARY

Global Bond Fund

Market Environment

- The Bloomberg Barclays Global Aggregate Bond Index returned 0.49% over the quarter.
- Corporate credit generated positive returns as accommodative central banks and stabilization in global economic indicators increased the appetite for riskier assets. Clarity on the Brexit process and late-period progress in U.S.-China trade relations also supported corporate bonds.
- The U.S. Federal Reserve (Fed) lowered its policy rate for the third time this year and signaled it would continue with accommodative actions if the U.S. economy showed further signs of weakening. The Fed also purchased Treasury bills to help stabilize the short-term borrowing market. Meanwhile, the European Central Bank (ECB) reinstated its asset purchase program.
- As fears of recession and geopolitical uncertainties receded, government bond yields across much of the developed world continued rising from late-summer lows, holding the index back. The ascent slowed by year-end, leaving yields generally range-bound in the later part of the period.

Performance Summary

The Global Bond Fund underperformed its benchmark, the Bloomberg Barclays Global Aggregate Bond Index, for the quarter ending December 31, 2019. Relative underperformance was driven in large part by our sovereign bond allocation. We maintained our duration (a measure of a bond price's sensitivity to changes in interest rates) overweight in the asset class, positioning that proved unfavorable as yields rose and developed world sovereign curves generally steepened. Our underweight in investment-grade corporate bonds also detracted from performance as credit markets rallied.

For detailed performance information, please visit janushenderson.com/performance.

Portfolio Discussion

We remained overweight interest rate duration and underweight investment-grade corporate bonds over the quarter, particularly in the U.S. In our view, the current economic cycle may not yet have turned toward stronger growth, but our positioning weighed on results as markets were quick to price in a more optimistic outlook for the U.S. economy. We are mindful that consumer strength has largely carried the U.S. economy and are monitoring job openings, jobless claims and private payrolls, which suggest U.S. employment may be at or near its peak. U.S. retail sales also saw softness during the quarter relative to the recent past. While none of these indicators signal economic weakness on their own, we remain mindful that it may prove too early for markets to be pricing in a return to steady U.S. economic growth. Certainly, headwinds remain in the form of the U.S. election and the ongoing international trade dispute – which will likely generate headlines well into 2020.

Janus Henderson
INVESTORS

That said, given the strength in developed world rates in 2019, we sought to shift some of our duration exposure toward emerging markets, particularly those countries in which we expect softer economic conditions and falling interest rates in the months ahead. A position in the government bonds of Mexico proved particularly accretive. Mexican rates were volatile, but our position ultimately benefited when the central bank cut its benchmark interest rate in response to a weakening economy and moderating inflation.

In Europe, we were mostly underweight interest rates, which also helped performance, though our overweight in Italy detracted. Italian sovereign bonds faced what we believe to be near-term challenges as the market expressed concern around a potential referendum that could upend the current government.

Given our less-sanguine outlook for the U.S. economy and the minimal yield corporate bonds offered over Treasuries during the quarter, we continued to believe that there is significantly less upside in owning U.S. corporate credit than there is risk. While we were more positive on European credit – given valuations there appear less asymmetric, in our view – our underweight to the asset class as a whole was a significant detractor in a quarter when riskier assets performed well. In an attempt to heighten our credit risk and capitalize on attractively priced securities, we increased the Fund's allocation to mortgage-backed securities over the quarter.

Top Contributors	Average Weight (%)	Relative Contribution (%)
Mexican Bonos	7.99	0.16
Japan (Government of)	3.54	0.07
France OATs	0.29	0.06
China (Government of)	3.05	0.04
Indonesia (Government of)	2.74	0.02

Top Detractors	Average Weight (%)	Relative Contribution (%)
Sweden (Government of)	4.55	-0.20
Italy (Government of)	5.87	-0.13
U.S. Treasury N/B	33.48	-0.11
United Kingdom Gilt	4.20	-0.07
Australia (Government of)	1.63	-0.05

The holdings identified in this table, in compliance with Janus Henderson policy, do not represent all of the securities purchased, held or sold during the period. To obtain a list showing every holding as a percentage of the portfolio at the end of the most recent publicly available disclosure period, contact 800.668.0434 or visit janushenderson.com/info.

Relative contribution is the difference between the contribution by ticker to the portfolio's performance versus that ticker's contribution to the benchmark's performance. It reflects how the portfolio's holdings impacted return relative to the benchmark. Cash, tickers not held in the portfolio and certain derivatives, such as Interest Rate Swaps, may be excluded.

Manager Outlook

Looking into the new year, we remain cautious about the pace of the U.S. economic recovery and thus maintain our bias toward long interest rate duration and underweight U.S. investment-grade credit. To be sure, there were encouraging events in December, with better news on the trade front, and we believe the results of the British election reduced the chances of a hard Brexit. But in both cases, the devil is in the details, and while risks – broadly – may have receded, they remain a potential source of not only volatility but also economic weakness. And should global economies remain in need of support in the quarters ahead, the question not yet answered is whether central banks' monetary policy tools will be effective. If not, the political support for, and the results of, fiscal policy stimulus remain unclear. Our base case remains that U.S. GDP will slow in the first half of 2020, and government bond markets are likely to return to pricing in rate cuts in the latter half of the year.

The primary risks to our outlook are stronger economic growth in the U.S. and a turn toward aggressive fiscal stimulus in Europe. But neither scenario is likely, in our view. While we will continue to monitor global economic data closely, we believe our more defensive stance remains the most suitable approach as we seek to generate strong risk-adjusted returns and capital preservation for our clients.

Portfolio Management

Chris Diaz, CFA

Andrew Mulliner, CFA

For more information, please visit **janushenderson.com.**

Please consider the charges, risks, expenses and investment objectives carefully before investing. For a prospectus or, if available, a summary prospectus containing this and other information, please call Janus Henderson at 800.668.0434 or download the file from janushenderson.com/info. Read it carefully before you invest or send money.

Past performance is no guarantee of future results. Call 800.668.0434 or visit janushenderson.com/performance for current month-end performance.

Discussion is based on the performance of Class I Shares.

As of 12/31/19 the top ten portfolio holdings of Janus Henderson Global Bond Fund are: Mexican Bonos (5.44%), Japanese Government CPI Linked Bond (4.79%), United States Treasury Note/Bond (4.03%), United States Treasury Note/Bond (3.62%), Ginnie Mae (3.47%), Spain Government Bond (3.35%), United States Treasury Note/Bond (3.27%), United Kingdom Gilt (3.08%), United States Treasury Note/Bond (3.03%) and Sweden Government Bond (3.01%). There are no assurances that any portfolio currently holds these securities or other securities mentioned.

The opinions are as of 12/31/19 and are subject to change without notice. Janus Henderson may have a business relationship with certain entities discussed. The comments should not be construed as a recommendation of individual holdings or market sectors, but as an illustration of broader themes.

For fixed income portfolios, relative contribution is calculated by rolling up securities by ticker and comparing the daily returns for securities in the portfolio relative to those in the index. Relative contribution is based on returns gross of advisory fees, and may differ from actual performance.

Investing involves risk, including the possible loss of principal and fluctuation of value.

Foreign securities are subject to additional risks including currency fluctuations, political and economic uncertainty, increased volatility, lower liquidity and differing financial and information reporting standards, all of which are magnified in emerging markets.

Fixed income securities are subject to interest rate, inflation, credit and default risk. The bond market is volatile. As interest rates rise, bond prices usually fall, and vice versa. The return of principal is not guaranteed, and prices may decline if an issuer fails to make timely payments or its credit strength weakens.

Increased portfolio turnover may result in higher expenses and potentially higher net taxable gains or losses.

Bloomberg Barclays Global Aggregate Bond Index is a broad-based measure of the global investment grade fixed-rate debt markets.

Index performance does not reflect the expenses of managing a portfolio as an index is unmanaged and not available for direct investment.

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