3Q19
Fixed Income

FUND COMMENTARY

Multi-Sector Income Fund

Market Environment

- The Bloomberg Barclays U.S. Aggregate Bond Index returned 2.27% over the quarter as slowing global growth and central banks' continued pivot toward accommodative monetary policy provided a supportive environment for bonds.
- Early in 2019, the U.S. economy largely resisted the global slowdown, but increasing trade tensions and slowing industrial production growth raised doubts during the quarter. The Federal Reserve (Fed) responded by lowering its target rate a quarter of a percentage point in both July and September.
- Yields fell across the Treasury curve, with the 10-year yield falling to 1.66% from 2.01% in June. The yield on the 5-year note closed September at 1.54%, down from 1.77%.
- Corporate yields over Treasuries (spreads) fluctuated, but ultimately finished near where they began. Investment grade outperformed high yield, with the rally in Treasuries driving the majority of returns for both during the quarter.

Performance Summary

The Janus Henderson Multi-Sector Income Fund underperformed its benchmark, the Bloomberg Barclays U.S. Aggregate Bond Index, for the quarter ended September 30, 2019. The Fund's interest rate risk positioning was the largest detractor. However, our asset allocation decisions and ability to harvest more yield than the index helped us to capture a significant portion of the period's upside.

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

Portfolio Discussion

The global economic slowdown continues to give us pause, and we are growing increasingly concerned with the outlook for company earnings. In our view, the tail end of the credit cycle is nearing. We adopted a more defensive posture over the quarter by reducing our corporate credit exposure and seeking to further diversify the Fund's yield sources. We also added interest rate risk, with duration closing September at 3.79 years. However, we still hold materially less interest rate risk than the index, which held back results in a period where longer-dated bonds outperformed. Many of our shorter-dated and floating rate positions in securitized credit, investment-grade bonds and bank loans detracted on a relative basis.

The Fund's plus sectors, including higher-yielding debt instruments and equity-like securities, are used to support our goal of generating greater monthly income than the benchmark. Our out-of-index allocation to high-yield corporate bonds was among the top asset class contributors. We added to our bank loan allocation, and while it was an overall detractor, it did generate robust income for the Fund.

The Fund's core sectors, including investment-grade credit, agency mortgage-backed securities (MBS) and Treasuries – are employed with the goal of dampening the volatility of our plus-sector positioning. Despite helping to generate income over the

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period, our investment-grade corporate holdings ultimately detracted on a relative basis, largely due to the shorter-dated nature of our exposure. Positioning in MBS was a strong relative contributor. Our underweight proved beneficial as MBS struggled to keep pace with the strong rally in rates. A supply/demand imbalance as the Fed has stepped back from asset purchases, coupled with lower rates enticing borrowers to refinance have also weighed on the asset class. We increased our allocation on weakness, anticipating MBS will offer a stable source of yield in the months ahead.

On a single-name basis, Sprint was the largest single corporate detractor from relative performance. Bonds sold off fairly dramatically when a group of state attorneys general filed a lawsuit to block its merger with T-Mobile. We exited our position.

Our long-standing overweight in food processor JBS USA supported relative returns. The company has strongly benefited from a tighter pork market and higher pricing as a result of African swine flu.

Top Contributors	Average Weight (%)	Relative Contribution (%)
US 5yr Note (Cbt) Sep19	18.49	0.24
US Long Bond (Cbt) Sep19	1.07	0.08
FNR 2010-109 Bs	0.16	0.04
US Ultra Bond Cbt Sep19	0.31	0.04
JBS USA	0.80	0.02

Top Detractors	Average Weight (%)	Relative Contribution (%)
US 5yr Note (Cbt) Dec19	14.29	-0.12
Fannie Mae or Freddie Mac	5.19	-0.06
Sprint Corp	0.70	-0.04
Apollo Global Management	0.42	-0.03
US Long Bond (Cbt) Dec19	1.08	-0.03

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 and tickers not held in the portfolio are excluded. Certain derivatives, such as Interest Rate Swaps, may be excluded.

Manager Outlook

We proactively reduced portfolio risk with an aim to have a more conservative portfolio in the final quarter of the year. We are increasingly concerned about economic weakness adversely affecting corporate credit, and high yield in particular, whether by directly hurting company fundamentals or indirectly leading to higher-volatility periods as the market debates the extent and impact of the slowdown. In our view, the true impact of unresolved trade tensions has yet to be realized at the company level, and the eventual effect may be severely underestimated. The next round of earnings bears close watching.

In general, we look to avoid exposure to companies that are disproportionately impacted by trade and political risk, as these variables have been, and are likely to remain, sources of volatility. Mindful of the importance of diversification at this late stage of the cycle, we are seeking sources of steady income outside the realm of traditional corporate bonds, in senior, more defensive bank loans; asset-backed securities that are tied to the strength of the consumer, such as restaurant franchises; and high-quality MBS. We believe heightened selectivity is required at this late stage of the credit cycle as we seek to deliver high current income with lower volatility than a dedicated high-yield strategy.

Portfolio Management

Seth Meyer, CFA

John Kerschner, CFA

John Lloyd

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

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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 9/30/19 the top ten portfolio holdings of Janus Henderson Multi-Sector Income Fund are: Fannie Mae or Freddie Mac (2.50%), Fannie Mae or Freddie Mac (1.75%), Fannie Mae or Freddie Mac (1.26%), Fannie Mae or Freddie Mac (1.24%), Fannie Mae Pool (1.05%), CSC Holdings LLC (0.86%), UBM PLC (0.84%), Aleris International Inc (0.82%), Upstart Securitization Trust 2019-2 (0.82%) and Freeport-McMoRan Inc (0.78%). There are no assurances that any portfolio currently holds these securities or other securities mentioned.

The opinions are as of 9/30/19 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.

High-yield or "junk" bonds involve a greater risk of default and price volatility and can experience sudden and sharp price swings.

Derivatives can be highly volatile and more sensitive to changes in economic or market conditions than other investments. This could result in losses that exceed the original investment and may be magnified by leverage.

There are special risks associated with selling securities short. Stocks sold short have the potential risk of unlimited losses.

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

Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based measure of the investment grade, US dollar-denominated, fixed-rate taxable bond market.

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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