

Janus Henderson Institutional Long Dated Credit Fund

Q2 2020

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For professional investors only

Fund Managers Names

Philip Payne, CFA, James Briggs, ACA, CFA

Macro backdrop

Government bond yields fell (prices rose) over the quarter as expectations for further interest rate cuts grew, the Bank of England announced a further £100 billion of quantitative easing in June, and markets assessed the severity and duration of the recession. Over the period, gilt yields reached new lows, which has supported demand for higher yielding assets of investment grade quality.

Sterling corporate bond market returns were up over the quarter as credit spreads snapped back, delivering the highest quarterly excess returns (versus government equivalents) since 2009. Throughout the pandemic, investment grade bond markets have seen huge issuance as companies have sought to raise cash through debt financing, with over \$1 trillion of new corporate bond issuance in the US. In contrast, issuance in sterling has been more muted but began to pick up as the quarter continued, with a total of £39 billion year-to-date, although £22 billion of this was from the financial sector and just £17 billion from corporates.

Fund performance and activity

The fund returned 13.3% and performed in-line with the benchmark index, the Markit iBoxx GBP Non-Gilts 15 + Index, which returned 13.3%, over the quarter.

The main contributors were overweight positions to utilities, real estate, food retail and exposure to US dollar-denominated bonds (on a currency hedged basis) as the US dollar credit market led the recovery. We increased the fund's exposure to the overall market by adding credit exposure in the second quarter, and this was also beneficial given the rally back in credit markets. However, underweight positions to some of the larger issuers in the banking sector such as Wells Fargo, HSBC, Standard Chartered and ultra-long maturity debt issued by the Wellcome Trust detracted.

The utilities sector performed well with spreads supported by the Bank of England purchase program and demand from buy and maintain investors, given that it is one of the largest sectors in sterling non-financials. Thames Water was a top contributor to fund performance, as was United Utilities, where we increased exposure through a new issue in May. We reduced exposure to EDF energy following increased uncertainty about its reorganisation, which we felt may put further pressure on its single-A credit rating. The positive contribution from the real estate sector came from issuers such as AroundTown as the sector saw some recovery after the price falls in March. Positions in higher quality food and beverage issuers such as Walmart, Tesco and Mars contributed positively, with the former seeing credit spreads tighten back to January levels.

Financials were the biggest detractor from performance with the largest underweight positions in Wells Fargo, Standard Chartered and Allianz detracting the most. The underweight exposure to UK housing associations also detracted and this is one sector where we increased fund exposure through new issuance as liquidity in the secondary market still remains limited. Improved sentiment also saw a recovery in UK airports with the underweight position to Gatwick Airport detracting, though the fund has an overweight position to Heathrow.

We added exposure to the banking/insurance sector through Wells Fargo, HSBC, Direct Line and Scottish Widows, in addition to housing associations through Guinness, Optivo and Sanctuary Capital, and the oil and gas sector through Equinor (US dollar bond) and new hybrid debt from BP.

Source: Janus Henderson Investors, as at 30 June 2020

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Fund information

Index Markit iBoxx GBP Non-Gilts greater than 15 years to maturity Index
Index usage Target,Comparator

The Markit iBoxx GBP Non-Gilts greater than 15 years to maturity Index is a measure of the combined performance of investment grade corporate bonds issued in pounds sterling with greater than 15 years to maturity. It forms the basis of the Fund's performance target and provides a useful comparison against which the Fund's performance can be assessed over time.

Peer group benchmark IA Sterling Corporate Bond
Peer group benchmark usage Comparator

The Investment Association (IA) groups funds with similar geographic and/or investment remit into sectors. The Fund's ranking within the sector (as calculated by a number of data providers) can be a useful performance comparison against other funds with similar aims.

Objective The Fund aims to provide an income with the potential for capital growth over the long term.
Performance target To outperform the Markit iBoxx GBP Non-Gilts greater than 15 years to maturity Index by 1% per annum, before the deduction of charges, over any 5 year period.

Performance in (GBP)

Performance %	I (Net)	Index	Peer group	Quartile ranking	I (Gross)	Target (Gross)
1 month	2.1	1.5	1.5	1st	-	-
YTD	9.0	7.8	2.7	1st	-	-
1 year	14.5	13.8	5.7	1st	-	-
3 years (annualised)	8.0	7.7	4.0	1st	-	-
5 years (annualised)	9.0	9.1	4.8	1st	9.6	10.2
10 years (annualised)	8.3	8.8	5.3	1st	8.9	9.8
Since inception (annualised)	6.8	7.1	4.6	-	7.3	8.2

Source: at 30 Jun 2020. © 2020 Morningstar. All rights reserved, performance is with gross income reinvested. Performance/performance target related data will display only where relevant to the share class inception date and annualised target time period.

Discrete year performance %	I (Net)	Index	Peer group	I (Gross)	Target (Gross)
30 Jun 2019 to 30 Jun 2020	14.5	13.8	5.7	15.2	15.0
30 Jun 2018 to 30 Jun 2019	9.4	9.6	5.6	10.0	10.7
30 Jun 2017 to 30 Jun 2018	0.5	0.1	0.7	1.0	1.1
30 Jun 2016 to 30 Jun 2017	8.1	7.3	6.3	8.7	8.3
30 Jun 2015 to 30 Jun 2016	12.9	15.4	6.0	13.5	16.6

Source: at 30 Jun 2020. © 2020 Morningstar. All rights reserved, performance is with gross income reinvested. Discrete performance data may change due to final dividend information being received after quarter end.

Source for target returns (where applicable) – Janus Henderson. Where quartiles are shown, 1st quartile means the share class is ranked in the top 25% of share classes in its sector.

Please note the performance target is to be achieved over a specific annualised time period. Refer to the performance target wording within the objective.

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