

# Janus Henderson Core 3 Income Fund

Q2 2020

For promotional purposes  
This document is for use with financial advisors only

## Fund Managers Names

Dean Cheeseman, Nick Watson, CFA, Paul O'Connor

## Macro backdrop

After the market crash of February/March, the second quarter was defined by a rapid bounce in most major asset classes. Global equities rose 19% in both US dollar and sterling terms, led by a 22% recovery in US stocks. In a strong quarter, the UK and Japan were the major laggards, rising 8% and 12% respectively. Across sectors, technology again led the way as it rose 31%, followed closely by consumer discretionary companies which jumped 30%. By comparison, defensive sectors such as utilities and consumer staples both rose less than 10%.

UK gilts outperformed other major sovereign bond markets as gilt yields continued to decline where others were broadly stable. Peripheral European sovereign bonds also performed strongly as their yields continued to decline relative to German bunds. Across most markets, real yields continued to decline as inflation expectations rose. Corporate bonds and emerging market debt performed very strongly as credit spreads narrowed rapidly from the March wides and emerging market countries cut interest rates. The price of oil bounced sharply from very low levels at the start of the quarter, with gold also rising 13% over the three months. The euro and emerging market currencies were broadly stronger as the US dollar, Japanese yen and sterling fell on a trade-weighted basis.

The first quarter of the year was defined by the spread of the COVID-19 outbreak into a global pandemic and the unprecedented halt in economic activity to reduce the spread. The second quarter saw markets driven by the efficacy in dealing with the virus and the extent to which economies could reopen as restrictions were lifted. China and some surrounding countries successfully controlled the outbreaks, western Europe subdued the virus from elevated levels and the US appeared to be making progress. However, reduced restrictions led to a surge in several US states and the spread in many emerging markets continued to accelerate. Europe and China were not immune to further localised flare ups either. The progress in controlling the virus remains a key driver of asset prices and it is likely that flare ups will remain a feature for some time yet.

Despite the continuing uncertainty regarding the pandemic, risk asset prices rose strongly in response to massive policy stimulus and an unwinding of negative sentiment. Policy innovations continued to advance in response to the slump. The Federal Reserve (Fed) set up programs to purchase an array of credit instruments, including certain high yield-rated assets. The European Central Bank (ECB) and the Bank of England both expanded the size of their asset purchase programs as well. The response in terms of government spending also continued to evolve with the most significant proposal coming in the form of the European Commission's proposed €750 billion European Union Recovery Fund. The backing of Germany for some form of share EU debt was of particular note. Japan and China also announced additional measures and further spending increases are expected in the US and UK.

# Janus Henderson Core 3 Income Fund

---

## Fund performance and activity

The fund returned 6.0% (I income share class).

What a difference a quarter makes. After one of the sharpest drawdowns in market history, riskier assets staged a remarkable rebound as pessimistic positioning and huge policy actions stimulated a dramatic reappraisal of risk appetites.

Equities bounced strongly, led primarily by those sectors that had experienced the most pain amid the first quarter drawdown. More cyclical positions such as the iShares UK Dividend ETF outperformed their respective indices while defensive position such as the Trojan Income Fund lagged. This pattern was observed in every region, with the sole exception the US where the increasingly narrow incredible performance of the technology sector continued. Microsoft rallied around 30% while most other direct equity holdings in the US registered single-digit bounces.

Having bounced back very strongly in March, many alternative assets continued to eek out positive returns in the quarter. HICL Infrastructure rallied 8.1% as investors focused on the fundamental story of visible long-term revenue streams, while gold performed again as its value as a hedge against volatility became increasingly important. Property however was a continued area of weakness despite the tailwind of falling bond yields, as BMO Commercial Property fell 15.2%.

Despite the risk on tone of the quarter, sovereign bond yields fell further as dovish central banks and economic concerns drove flows into interest rate sensitive assets. The iShares Core UK Gilts ETF rallied 2.4%, while corporate bonds benefited from the additional tailwind of tightening credit spreads, which drove the Janus Henderson All Stocks Credit Fund up 7.4%. Strategic bond funds navigated the rally well with the Janus Henderson Fixed Interest Monthly Income Fund rising 9.3%.

In terms of activity, we topped up risk positions through the quarter, although the speed of the rally and concerns about optimistic virus outcomes remained. We conducted a straight switch from the Investec UK Equity Income Fund into the Trojan Income Fund based on fund manager conviction. There was also significant rotation within our direct equity allocation, selling UK bellwethers such as British American Tobacco and adding new positions in Coca Cola and Munich Re.

What we saw as more attractive valuations after the liquidity driven sell-off presented opportunities to continue rebuilding positions in infrastructure assets, including the Renewable Infrastructure Group. The BlackRock Energy and Resources Trust was completely exited after participating in the rally as dividend uncertainty continued to focus on the oil and mining sectors. Gold was also increased early in the period.

Having bought aggressively into corporate bonds at the end of the first quarter, fixed income allocations saw less dramatic moves in the second quarter as yields declined and spreads tightened across the board. The SPDR UK Gilts ETF was sold, with proceeds deployed into existing holdings in the Fixed Interest Monthly income Fund.

## Outlook/strategy

We think markets are likely to remain bumpy as investors continue to react to the ebbs and flows of COVID-19 cases. As the largest single economy in the world, the US has been a focal point to investors. There is no historical roadmap for investors to follow as they try to analyse the path of the pandemic and its effects on the global economy. In particular, market participants must deal with potentially conflicting signals that may lead to occasional large swings in sentiment and market leadership. While buy-and-hold investing has been an efficient strategy in the low volatility and trending markets of the last decade, we believe that high volatility regimes like this demand and reward a more active approach to asset allocation.

Source: Janus Henderson Investors, as at 30 June 2020

# Janus Henderson Core 3 Income Fund

## Fund information

Index Not Applicable

The Fund has no target or constraint with reference to a benchmark. Performance assessment may best be made to funds that maintain the same risk rating from the same risk rating body as the Fund. Investors should contact their financial adviser to obtain this information.

**Objective** The Fund aims to provide a sustainable level of income with the potential for capital growth, while maintaining a moderately low level of volatility, over the long term (5 years or more). Maintaining the volatility of the Fund within defined limits, while not guaranteed, is prioritised over the generation of income.

## Performance in (GBP)

Performance %	I (Net)
1 month	1.5
YTD	-2.5
1 year	0.8
3 years (annualised)	1.6
5 years (annualised)	3.2
10 years (annualised)	-
Since inception (annualised)	3.7

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)
30 Jun 2019 to 30 Jun 2020	0.8
30 Jun 2018 to 30 Jun 2019	3.8
30 Jun 2017 to 30 Jun 2018	0.2
30 Jun 2016 to 30 Jun 2017	8.9
30 Jun 2015 to 30 Jun 2016	2.7

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.

The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

**Past performance is not a guide to future performance. The value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested.**

# Janus Henderson Core 3 Income Fund

---

## Important information

Please read all scheme documents before investing. Before entering into an investment agreement in respect of an investment referred to in this document, you should consult your own professional and/or investment adviser. Past performance is not a guide to future performance. The value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested. Tax assumptions and reliefs depend upon an investor's particular circumstances and may change if those circumstances or the law change. If you invest through a third party provider you are advised to consult them directly as charges, performance and terms and conditions may differ materially. Nothing in this document is intended to or should be construed as advice. This document is not a recommendation to sell or purchase any investment. It does not form part of any contract for the sale or purchase of any investment. Any investment application will be made solely on the basis of the information contained in the Prospectus (including all relevant covering documents), which will contain investment restrictions. This document is intended as a summary only and potential investors must read the prospectus, and where relevant, the key investor information document before investing. [We may record telephone calls for our mutual protection, to improve customer service and for regulatory record keeping purposes.] The Custodian in Spain is BNP PARIBAS SECURITIES SERVICES S.C.A.

Issued by Janus Henderson Investors. Janus Henderson Investors is the name under which investment products and services are provided by Janus Capital International Limited (reg no. 3594615), Henderson Global Investors Limited (reg. no. 906355), Henderson Investment Funds Limited (reg. no. 2678531), AlphaGen Capital Limited (reg. no. 962757), Henderson Equity Partners Limited (reg. no. 2606646), (each registered in England and Wales at 201 Bishopsgate, London EC2M 3AE and regulated by the Financial Conduct Authority) and Henderson Management S.A. (reg no. B22848 at 2 Rue de Bitbourg, L-1273, Luxembourg and regulated by the Commission de Surveillance du Secteur Financier).

[Janus Henderson, Janus, Henderson, Perkins, Intech, Alphagen, VelocityShares, Knowledge Shared, Knowledge. Shared and Knowledge Labs] are trademarks of Janus Henderson Group plc or one of its subsidiaries. © Janus Henderson Group plc.