

Janus Henderson Horizon Total Return Bond Fund

Q2 2021

For promotional purposes
For professional investors only

Fund Managers Names

Andrew Mulliner, CFA, Helen Anthony, CFA

Macro backdrop

After the sell-off in the first quarter, longer-term government bond yields generally rallied which supported government bond returns. In contrast, front-end yields generally rose - particularly late in the period - amid expectations that central banks such as the US Federal Reserve (Fed) would not be able to ignore inflation risks. As Covid-19 vaccination rates increased and the economic outlook continued to improve, corporate credit spreads continued to grind tighter, closing the quarter at post-Global Financial Crisis lows.

Fund performance and activity

Our continued belief in the potential strength of the economic recovery led us to maintain our material overweight position in corporate credit and a preference towards emerging market and high yield corporate bonds. This was beneficial for performance as credit spreads continued to tighten toward historic lows. In recognition of that, we reduced exposure to higher-quality, lower-spread investment grade corporate bonds where prospects for further upside appear very limited, with the proceeds invested into collateralised loan obligations (CLOs).

In emerging market credit, performance was boosted by exposure to commodity-related sectors, both corporate and sovereign issuers. The allocation to the China property sector detracted as this sector was weak due to concerns that some companies with high debt loads may face more challenging financing conditions, while exposure to Turkey saw a strong rebound in the second quarter.

Within core government markets, our position in the 3 to 5-year segment of the yield curve in Australia saw gains and retraced some of the previous underperformance as markets stabilised. During April, we established a position in US Treasury futures against German bunds, which performed well as government yields in Europe rose in April and May. However, exposure to Mexican local rates, which have performed well over the longer term, suffered in June following the Fed meeting as the Banxico raised rates to 4.25% and the market priced in further interest rate hikes. At the end of the quarter, we reduced our interest rate duration at the front end of the yield curve in the dollar bloc.

Currency strategies were broadly flat in performance terms. The portfolio made gains on its position in the Indonesian rupiah. However, a position in the Norwegian krone versus the US dollar underperformed following the June Fed meeting.

Outlook/strategy

It seems that central banks will remain patient and likely avoid pre-emptive tightening of policy, but they also cannot ignore the strength of the economic data. Given the outperformance of core government bond markets, particularly at longer maturities in recent months, this leaves current yields at the lower end of the expected range in our view. Global divergence in rate cycles is likely to become more of a theme in coming years as different regions begin to adjust policy settings. Despite the pick-up in inflation, we expect this to peak later in the year and that inflation-linked bond markets have priced this in, with real yields at or close to historic lows. Within emerging market rates, we remain selective given higher inflation risks but continue to favour countries where real yields are elevated and currencies relatively stable. Within credit, while we remain constructive on higher-yielding areas of corporate credit markets, we are also cognisant that the economic recovery could be mostly priced in. We expect to maintain our material allocation towards emerging markets and sub-investment grade corporate sectors, on the expectation that economic momentum will remain positive and will benefit higher carry assets. We believe the positive fundamental landscape and supportive market technicals should continue to suppress default rates in 2021, and that despite the lower starting level for credit spreads that they will most likely remain range-bound.

Source: Janus Henderson Investors, as at 30 June 2021

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Fund information

Index	Euro Short-Term Rate
Morningstar sector	Europe OE Global Flexible Bond - EUR Hedged
Objective	The Fund aims to provide income and capital growth, exceeding that of cash, over a rolling 3-year period.
Performance target	To outperform the Euro Short-Term Rate by at least 2.5% per annum, before the deduction of charges, over any 5 year period.

Performance in (EUR)

Performance %	A2 (Net)	Index	Sector	Quartile ranking	A2 (Gross)	Target (Gross)
1 month	-0.4	0.0	0.4	4th	-	-
YTD	-1.1	-0.3	0.3	4th	-	-
1 year	2.9	-0.6	5.4	3rd	-	-
3 years (annualised)	2.8	-0.5	2.7	2nd	-	-
5 years (annualised)	1.9	-0.4	2.0	2nd	3.1	2.1
10 years (annualised)	-	-	-	-	-	-
Since inception 09 May 2012 (annualised)	1.8	-0.2	2.2	-	3.1	2.3

Source: at 30 Jun 2021. © 2021 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 %	A2 (Net)	Index	Sector	A2 (Gross)	Target (Gross)
30 Jun 2020 to 30 Jun 2021	2.9	-0.6	5.4	4.2	1.9
30 Jun 2019 to 30 Jun 2020	3.4	-0.5	-0.2	4.6	2.0
30 Jun 2018 to 30 Jun 2019	2.1	-0.4	3.1	3.3	2.1
30 Jun 2017 to 30 Jun 2018	-2.2	-0.3	-1.9	-1.0	2.1
30 Jun 2016 to 30 Jun 2017	3.4	-0.3	3.9	4.6	2.2

Source: at 30 Jun 2021. © 2021 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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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.

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For further information on the Luxembourg-domiciled Janus Henderson fund range please contact your local sales office or visit our website: www.janushenderson.com.

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Important information

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