

# Janus Henderson Horizon Total Return Bond Fund

Q3 2021

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For professional investors only

## Fund Managers Names

Andrew Mulliner, CFA, Helen Anthony, CFA

## Macro backdrop

The third quarter was very much one of two halves. July and early August saw a strong summer seasonal kick in for government bonds given a lack of supply, but September saw a large reversal in government bond markets, with UK gilts leading the way higher with the ten-year gilt yield rising by 30bps. The US Federal Reserve and European Central Bank paved the way for tapering asset purchases, while the Bank of England moved towards raising rates. Corporate debt outperformed government bonds despite troubled Chinese property group Evergrande weighing on sentiment. Within credit markets, high-yield outperformed investment-grade. The US dollar index (DXY) reached a year-to-date high as the US dollar strengthened versus the euro, yen and sterling.

## Fund performance and activity

The portfolio delivered a positive return over the quarter, with the allocations to higher yielding credit markets and government bond / rates positioning, the major contributors.

A preference for European high-yield debt was additive. We continue to prefer high-yield debt over investment-grade bonds given investors' ongoing hunt for yield and an outlook for defaults that remains benign. Exposure to issuers in the China corporate sector detracted from relative performance (as Evergrande concerns spilled over into other issuers), and within European high yield exposure to Adler, the German residential property company which saw its equity and bond prices suffer.

Floating rate assets such as Asset/Mortgage-backed securities performed resiliently. Our allocation is at the top end of the range having added to Collateralised Loan Obligations (CLOs) during the quarter.

Government bond and rates positioning was beneficial for performance. In July, we added exposure to Eurozone sovereign debt on a tactical basis, which performed well as Eurozone yields moved lower over the summer resulting in price gains. We subsequently reduced interest rate duration (sensitivity) in the second half of the period, by positioning for yields to rise in the UK, Sweden and Germany. In addition, holdings in Indonesian and Chinese government bonds aided returns over the quarter. Inflation strategies detracted, where the portfolio was positioned for UK breakeven inflation pricing to fall from elevated levels, and the position was closed.

## Outlook/strategy

We expect next year to bring above trend growth and inflation that is unlikely to fall as much as previously expected. As a result, we remain cautious on core government markets given the hawkish tone from central banks in the face of continued supply bottlenecks, commodity price inflation and rising inflation expectations. However, with more rate hikes priced in, we believe there will be increased scope to differentiate and weight exposure to markets where hikes are less likely. We remain constructive on higher-yielding areas such as high yield corporate debt and emerging markets, but own very little investment-grade corporate debt given the rise in rates volatility and tight spreads compared to history.

Source: Janus Henderson Investors, as at 30 September 2021

# Janus Henderson Horizon Total Return Bond Fund

## 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                                  | -0.2     | 0.0   | -0.5   | 2nd              | -          | -              |
| YTD                                      | -0.9     | -0.4  | 0.2    | 3rd              | -          | -              |
| 1 year                                   | 1.9      | -0.6  | 3.5    | 3rd              | -          | -              |
| 3 years (annualised)                     | 3.1      | -0.5  | 2.6    | 2nd              | -          | -              |
| 5 years (annualised)                     | 1.4      | -0.4  | 1.5    | 2nd              | 2.6        | 2.1            |
| 10 years (annualised)                    | -        | -     | -      | -                | -          | -              |
| Since inception 09 May 2012 (annualised) | 1.8      | -0.2  | 2.1    | -                | 3.1        | 2.3            |

Source: at 30 Sep 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 Sep 2020 to 30 Sep 2021  | 1.9      | -0.6  | 3.5    | 3.1        | 1.9            |
| 30 Sep 2019 to 30 Sep 2020  | 3.2      | -0.5  | 0.6    | 4.5        | 1.9            |
| 30 Sep 2018 to 30 Sep 2019  | 4.3      | -0.4  | 3.7    | 5.6        | 2.1            |
| 30 Sep 2017 to 30 Sep 2018  | -3.2     | -0.3  | -2.3   | -2.1       | 2.1            |
| 30 Sep 2016 to 30 Sep 2017  | 1.2      | -0.3  | 2.3    | 2.4        | 2.1            |

Source: at 30 Sep 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.**

# Janus Henderson Horizon Total Return Bond Fund

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

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