

# Janus Henderson Sterling Bond Unit Trust

Q2 2020

For promotional purposes

## 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 such as corporate credit.

Sterling corporate bond market returns were up 7% over the quarter (as measured by the Iboxx Sterling Non Gilt Index) 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 main contributors to fund performance were positions in 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 exposure to the overall market by adding credit exposure in the second quarter, which was also beneficial given the rally in credit markets.

The positive contribution from the real estate sector came from high yield issuer Vivion which saw some recovery after price falls in March. The fund also held no exposure to Intu which left the index in May as it moved towards restructuring. We reduced positions in the real estate sector as a whole following a sector review reflecting the ongoing challenges for tenants in meeting rent obligations and potential for a drawn out period of operating below capacity. Within utilities, the sector performed well with spreads supported by the Bank of England's purchase program and demand from buy and maintain investors given it is one of the largest sectors. Welsh Water was a top contributor for the fund, and we reduced exposure to EDF energy following increased uncertainty about its reorganisation, which may put downward pressure on the credit rating.

We added exposure through new issues in Equinor, Total in US dollars, BP in euros and sterling-denominated bonds through Experian, GlaxoSmithKline, Wells Fargo, Credit Suisse and Aviva (Tier 2). Detractors from performance were the fund's lack of exposure to sectors such as travel and leisure (airports), autos and basic resources. These are areas that we believe could continue to struggle from a fundamental perspective given the weak economic environment so while there are opportunities we also remain selective - as an example, we added a position in Swedish commercial vehicle manufacturer Scania.

Source: Janus Henderson Investors, as at 30 June 2020

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## Fund information

**Index** Markit iBoxx GBP Non-Gilts all maturities Index  
**Index usage** Target, Comparator

The Markit iBoxx Non-Gilts all maturities Index is a measure of the combined performance of investment grade corporate bonds issued in pounds sterling. 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 a sustainable level of income (via a consistent level of distribution) with the potential for capital growth over the long term.

**Performance target** To outperform the Markit iBoxx GBP Non-Gilts all maturities Index by 1.25% 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	1.5	1.2	1.5	3rd	-	-
YTD	4.0	3.3	2.7	1st	-	-
1 year	6.9	6.4	5.7	1st	-	-
3 years (annualised)	4.6	4.3	4.0	1st	-	-
5 years (annualised)	5.6	5.4	4.8	1st	6.4	6.7
10 years (annualised)	6.1	6.1	5.3	2nd	6.8	7.4
Since inception (annualised)	7.0	-	5.8	-	7.8	-

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	6.9	6.4	5.7	7.6	7.7
30 Jun 2018 to 30 Jun 2019	6.4	5.9	5.6	7.1	7.2
30 Jun 2017 to 30 Jun 2018	0.8	0.6	0.7	1.5	1.9
30 Jun 2016 to 30 Jun 2017	7.9	5.3	6.3	8.7	6.6
30 Jun 2015 to 30 Jun 2016	6.4	9.0	6.0	7.1	10.3

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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**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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## Important information

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