



MARKET OVERVIEW

Collateralized Loan Obligations (CLOs)

JAAA seeks to provide exposure to the high-quality, floating-rate CLO market.

Collateralized Loan Obligations (CLOs)

are managed portfolios of bank loans that have been securitized into different instruments of varying credit risk and thus varying credit ratings. CLOs are increasingly the linkage between the needs of smaller companies seeking financing and investors seeking higher yields.

LEVERAGED
LOAN MARKET

\$1.4T

CLO DEBT
MARKET

\$700B

AAA
CLOs

\$485B

BANK LOANS form the building blocks of CLOs and are issued by banks to smaller companies that cannot typically access the bond markets. The loans carry credit ratings below investment grade and are often used by companies to refinance their existing debt, make an acquisition, or recapitalize their company.

SECURITIZATIONS are financial instruments created via the pooling of bank loans (in the case of CLOs), home mortgages, auto loans, or other assets that generate revenue. These bundles are then sold to investors, who collect the income from the underlying loans or assets.

■ CLOs may offer many advantages over bank loans

	LOANS	CLOs
FLOATING-RATE YIELDS	✓	✓
GREATER DIVERSITY	X	✓
INVESTMENT GRADE	X	✓
CASH-FLOW PROTECTIONS	X	✓

70% OF COMPANIES IN AMERICA HOLD RATINGS BELOW INVESTMENT GRADE

Because CLOs are portfolios of loans, and actively managed by a specialist CLO manager, they have had lower default rates than the broader loan market.

■ Liquidity improved in 2020

When bond market volatility peaked during the COVID pandemic, the most severe liquidity crisis in a decade, trading volumes in many fixed income markets fell. But volumes surged in CLOs and the AAA rated tranches comprising the majority of the volume, setting a new monthly record for the asset class.

Size of the Leveraged Loan Market, size of the CLO Debt Market and size of the AAA CLO Market: JPMorgan, as of 30 June 2022.

Percent of American companies with below-investment-grade ratings: Security Industry / Financial Market Association (SIFMA), 2019.

CLOs have had lower default rates than loans: JPMorgan, as of 31 July 2020.

Improving Liquidity: Bank of America Merrill Lynch.

Growth over the last five years: JPMorgan, as of 30 June 2022.

Growth rate of CLO managers: JPMorgan, as of June 2021.

Monthly issuance of CLOs: JPMorgan, as of 30 June 2022.

Please see back page for sources, definitions, and disclaimers



■ Rapid growth allows more investors to participate.

Historically, most CLOs were privately placed into the hands of large institutional investors. But as the CLO market has grown, more opportunities for investors to include CLOs in their portfolios are emerging.

GROWTH OVER THE LAST 5 YEARS

100%

GROWTH RATE OF CLO MANAGERS

2x SINCE 2015

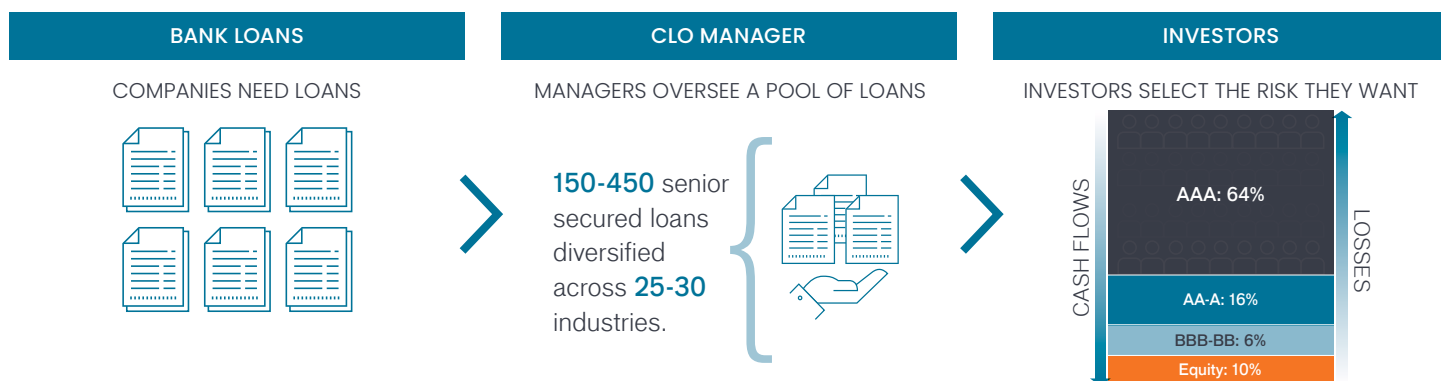
MONTHLY ISSUANCE OF CLOs

\$13 BILLION

AGE OF THE CLO ASSET CLASS

~30 YEARS

■ CLOs are constructed by a CLO manager who selects loans to put in a portfolio. With the pool as collateral, the manager issues different-rated securities to investors. As the underlying pool of leveraged loans pays income or principal, distributions are made to the securities.



■ CLOs are designed to prioritize the AAA securities. CLO managers regularly test whether the security has sufficient collateral; if not, the structure diverts cash flows originally intended for the lower-rated tranches to the highest tranches, starting with AAA.

DEFAULT RATE NEEDED OVER THE LIFE OF THE STRUCTURE TO IMPAIR AAA RATED CLO

80%

HIGHEST DEFAULT RATE SEEN IN THE GLOBAL FINANCIAL CRISIS (GFC)

12%

DEFAULTS IN AAA CLOs IN THE 30 YEARS THEY HAVE BEEN ISSUED

0

■ **Highly rated bonds are scarce.** Even U.S. Treasuries are not AAA rated by S&P.

AAA CREDIT ENHANCEMENT

↑ 62%

IMPROVEMENT SINCE THE GFC. THIS HAS HELPED THE CLO MARKET GROW AND EXPAND.

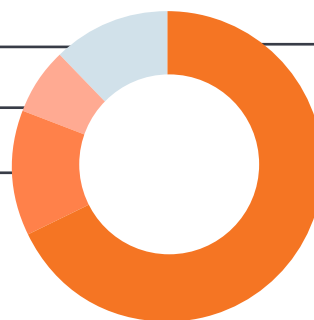
OVER 80% OF CLOs ARE ISSUED WITH AN A OR HIGHER CREDIT RATING

BELOW A: 12%

CLOs RATED A: 7%

CLOs RATED AA: 13%

CLOs RATED AAA



68%

JAAA: JANUS HENDERSON AAA CLO ETF BUYS AT LEAST

90%
AAA RATED

JANUS HENDERSON AAA CLO ETF

- ▶ Primarily invests in floating-rate AAA rated CLOs
- ▶ Provides the lower cost, transparency and liquidity of an Exchange-Traded Fund (ETF)

Default rate needed over the life of the structure to impair a AAA rated CLO: Janus Henderson, as of 30 June 2022.

Highest default rate seen in the Global Financial Crisis: JPMorgan, "CLOs: not the CDOs of yore," June 2020.

Number of defaults in AAA or AA rated CLOs: Security Industry / Financial Market Association (SIFMA).

AAA credit enhancement since the GFC: JPMorgan, "CLOs: not the CDOs of yore," June 2020.

Percentage of CLOs by rating: JPMorgan, as of 31 March 2021

Note that JAAA fund pursues its investment objectives by investing, under normal circumstances, at least 90% of its net assets (plus any borrowings made for investment purposes) in CLOs of any maturity that are rated AAA (or equivalent by a nationally recognized statistical rating organization at the time or purchase, or if unrated, determined to be of comparable credit quality by Janus Capital).

Investors select the risk they want: Tranche breakdown is based on a CLO structure that Janus Henderson believes is typical of recent primary CLO issues.

■ CLOs can be an attractive addition to a diverse portfolio of government and corporate bonds, and can complement other securitized holdings, such as mortgage-backed securities (MBS) and asset-backed securities (ABS).

Yield potential

CLOs have offered a premium over corporate bonds across the rating spectrum.

5-YEAR AVERAGE CLO VS. CORPORATE SPREADS (%)



■ AAA CLOs' 5-year average yield is 2.85%.

U.S. CORPORATE BOND ISSUERS THAT WERE RATED AAA



Floating rates

High-quality floating-rate bonds are difficult to find in the U.S. Investors have traditionally favored the bank loan market but had to accept lower credit quality to do so. With CLOs, investors can achieve floating-rate exposure from AAA assets.

■ Floating-rate securities pay a yield that rises and falls with the prevailing interest rate, making their prices less sensitive to changes in rates. When investors are concerned about the potential for interest rates to rise, increasing allocations to floating-rate securities can be prudent.

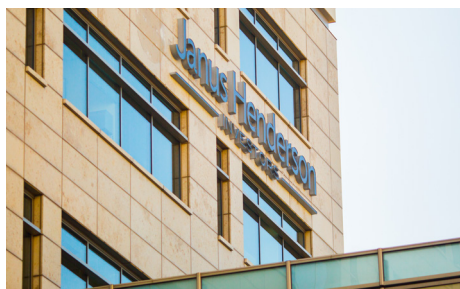
Diversification

AAA CLOs may help diversify a traditional fixed income portfolio as they have historically had very low or negative correlations to U.S. equities and many bond markets.

CLOs' CORRELATION TO U.S. EQUITIES AND U.S. INVESTMENT-GRADE FIXED INCOME

LOW CORRELATIONS ↓

■ CLOs' 10-year correlations to both U.S. Treasuries and the U.S. Aggregate Bond Index are below 0.25. Relative to U.S. investment-grade corporates and U.S. equities the correlation is closer to 0.5.



We believe our rigorous CLO issuer due diligence and portfolio construction process can provide consistent risk-adjusted returns and low correlation to traditional fixed income asset classes.

CLO spreads are calculated using CLOIE Index discount margin (DM) and compared to option-adjusted spread over Treasuries for corporates. Source: JPMorgan, Bloomberg, as of 30 June 2022.

AAA CLO 10-year correlations to equities and other fixed income asset classes: Bloomberg, as of 30 June 2022. Note: Indices used to represent asset classes; U.S. Equities (S&P 500), U.S. Investment Grade (iBoxx USD Investment Grade Corporate Bond Index), U.S. Government 1-5 Year (Bloomberg U.S. Gov/Credit Float Adjusted 1-5 YR Index), U.S. Aggregate Bond (Bloomberg U.S. Aggregate Bond Index).

AAA CLO yield: JPMorgan, as of 30 June 2022.

THE JANUS HENDERSON SECURITIZED TEAM

- ▶ JAAA has three Portfolio Managers
- ▶ Global securitized research team of 9 analysts, with an average 10 years of experience
- ▶ Supported by 21 global credit analysts and 38 global equity analysts



John Kerschner, CFA

Head of U.S. Securitized Products

John Kerschner is Head of U.S. Securitized Products at Janus Henderson Investors and a Portfolio Manager on the Multi-Sector Credit strategy and the Mortgage-Backed Securities and AAA CLO ETFs. Mr. Kerschner primarily focuses on mortgage-backed securities and other structured products. Prior to joining Janus in 2010, Mr. Kerschner was director of portfolio management at BBW Capital Advisors. Before that, he worked for Woodbourne Investment Management, where he was global head of credit investing. Mr. Kerschner began his career at Smith Breeden Associates as an assistant portfolio manager and was promoted several times over 12 years, becoming a principal, senior portfolio manager and director of the ABS-CDO group.

Mr. Kerschner received his bachelor of arts degree in biology from Yale University, graduating cum laude. He earned his MBA from Duke University, Fuqua School of Business, where he was designated a Fuqua Scholar. Mr. Kerschner holds the Chartered Financial Analyst designation and has 32 years of financial industry experience.



Nick Childs, CFA

Portfolio Manager

Nick Childs is a Portfolio Manager at Janus Henderson Investors, a position he has held since 2018. He is responsible for co-managing the Mortgage-Backed Securities, AAA CLO and the Sustainable & Impact Core Bond ETFs. He was a securitized products analyst for both U.S. and global multi-sector fixed income portfolios at the firm from 2017 to 2022. Prior to joining Janus, Mr. Childs was a portfolio manager at Proprietary Capital, LLC from 2012 to 2016 where he managed alternative fixed income strategies specializing in MBS, absolute return investing. He also managed all major U.S. interest rate and MBS risks, modeling borrower behavior and MBS deal structure, and advancing market-neutral hedging strategies. Before that, he was vice president at Barclays Capital in capital markets, where he focused on securitized products from 2007. Earlier, he was vice president at Lehman Brothers. He began his career at State Street Global Advisors in 2003.

Mr. Childs received his bachelor of science degree in finance with a minor in economics from the University of Denver. He holds the Chartered Financial Analyst designation and has 19 years of financial industry experience.



Jessica Shill

Portfolio Manager

Jessica Shill is a Portfolio Manager and Securitized Products Analyst at Janus Henderson Investors responsible for the AAA and BBB CLO ETFs. Ms. Shill became associate portfolio manager in 2020 and has held the analyst position since joining the firm in 2019. Prior to this, she was an intern and an analyst for the Wells Fargo Investment Portfolio.

Ms. Shill received her bachelor of arts degree in economics from Bryn Mawr College, where she graduated cum laude. She has 5 years of financial industry experience.

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iBoxx USD Investment Grade Corporate Bond Index measures the USD denominated, investment grade, corporate bond market.

Bloomberg U.S. Aggregate Bond Index is a broad-based measure of the investment grade, US dollar-denominated, fixed-rate taxable bond market. The opinions and views expressed are as of the date published and are subject to change without notice. They are for information purposes only and should not be used or construed as an offer to sell, a solicitation of an offer to buy, or a recommendation to buy, sell or hold any security, investment strategy or market sector. No forecasts can be guaranteed.

Bloomberg U.S. Government/Credit Float Adjusted 1-5 Year Index is a float-adjusted version of the U.S. 1-5 year Government/Credit Index

S&P 500® Index reflects U.S. large-cap equity performance and represents broad U.S. equity market performance.

Index performance does not reflect the expenses of managing a portfolio as an index is unmanaged and not available for direct investment.

Floating-rate yields: Floating-rate securities pay a yield that rises and falls with the prevailing interest rate, making their prices less sensitive to changes in rates.

Investment-grade securities: A security typically issued by governments or companies perceived to have a relatively low risk of defaulting on their payments.

The higher quality of these bonds is reflected in their higher credit ratings when compared with bonds thought to have a higher risk of default, such as high-yield bonds.

Cash-flow protections: The manager of a CLO is required to periodically ensure that there is more than enough collateral in the underlying loans to support the interest and principal for each tranche (or rating tier) of the CLO, starting with the AAA tranche and working down the rating tiers. If, at any point, there is insufficient collateral, the cash flows originally intended for the lower-rated tranches are diverted to the highest-rated tranches. As such, in a time of stress, the AAA tranches could be repaid sooner than expected, as opposed to later or less.

Tranche: In securitized products like CLOs, a tranche is one of a number of related securities offered as part of the same transaction, with each representing a different degree of risk and carrying a commensurate credit rating.

Credit quality ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest).

Collateralized Loan Obligations (CLOs) are debt securities issued in different tranches, with varying degrees of risk, and backed by an underlying portfolio consisting primarily of below investment grade corporate loans. The return of principal is not guaranteed, and prices may decline if payments are not made timely or credit strength weakens. CLOs are subject to liquidity risk, interest rate risk, credit risk, call risk and the risk of default of the underlying assets.

Concentrated investments in a single sector, industry or region will be more susceptible to factors affecting that group and may be more volatile than less concentrated investments or the market as a whole.

Derivatives can be more volatile and sensitive to economic or market changes than other investments, which could result in losses exceeding the original investment and magnified by leverage.

Actively managed portfolios may fail to produce the intended results. No investment strategy can ensure a profit or eliminate the risk of loss.

Brokerage commissions may apply to ETF purchases and would reduce returns

OBJECTIVE: Janus Henderson AAA CLO ETF (JAAA) seeks capital preservation and current income by seeking to deliver floating-rate exposure to high quality AAA-rated collateralized loan obligations ("CLOs").

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