

# JANUS HENDERSON HORIZON FUND – EURO HIGH YIELD BOND FUND

A2 EUR ISIN LU0828815570

## At a glance

### Performance

The Fund returned 0.11%, the Index returned 0.38% and the Sector returned 0.47%.

### Contributors/detractors

Security selection was the driver of outperformance during the month, while sector allocation slightly detracted.

### Outlook

Despite some volatility in single issuers, we remain cautiously optimistic on the outlook for high yield markets and believe credit spreads have the potential to tighten a little more.

## Portfolio management



Thomas Ross



Tim Winstone, CFA

## Investment environment

- The European high yield bond market posted a small positive return in March. However, excess returns (versus equivalent government debt) were negative as the positive impact from lower government bond yields was offset by wider spreads.
- In Europe, high yield spreads widened as volatility increased following news that telecommunications firm Altice France will need to undergo a balance-sheet restructuring that could see bondholders taking a haircut.
- Elsewhere, the European Central Bank (ECB) suggested it could begin easing borrowing conditions from June as it reduced its outlook for inflation. Eurozone annual inflation cooled to 2.6% in February, which was slightly higher than predicted, from 2.8% in January.
- In terms of ratings, BB-rated bonds posted a positive excess return, while B-rated and CCC-rated bonds were negative, primarily due to the weakness in Altice France and associated transmission to other lower-quality issuers.
- In terms of sectors, non-financials outperformed financials. In non-financials, energy, retail and

transportation tightened the most, while media, telecommunications, technology and capital goods underperformed.

## Portfolio review

Security selection contributed positively to returns, as did the fund's marginal overweight position to interest rate duration relative to the benchmark, as government bond yields fell over the month. Sector allocation slightly detracted.

At the sector level, overweight positions in the telecommunications and utilities sectors (driven mostly by Thames Water) and an underweight position in capital goods detracted from performance. An overweight position in banks contributed positively to returns. Security selection in basic industry and transportation was negative for performance, although security selection in real estate, telecommunications and healthcare contributed strongly. From a ratings perspective, the fund's underweight allocation to and security selection in CCC-rated bonds contributed positively.

At the issuer level, overweight positions in UK water utility Thames Water and packaging company Ardagh detracted from performance. Thames Water's bonds fell in March following continued public anger around sewage dumping and investor concerns about the company's ability to

### Marketing communication

#### Past performance does not predict future returns.

References made to individual securities do not constitute a recommendation to buy, sell or hold any security, investment strategy or market sector, and should not be assumed to be profitable. Janus Henderson Investors, its affiliated advisor, or its employees, may have a position in the securities mentioned.

service its debt stack. Not owning French satellite operator Eutelsat also hurt relative returns after its bonds performed well following a refinancing deal. Similarly, not owning some real estate issuers also hurt performance, including REIT Heimstaden Bostad and its holding company Heimstaden.

More positively, the fund benefited from overweight positions in real estate companies CPI Property and Aroundtown after their bonds rebounded, along with the wider real estate sector, as interest rate expectations improved. The fund's positioning in the Altice complex contributed positively to relative performance.

As a highly levered, mature business, Altice France (SFR) has struggled in the higher rate environment over the last 12 months. In March, the company announced that it would need to undergo debt restructuring that could see bondholders lose out, which led to a significant drop in its bond prices.

The fund benefited from its zero-weight position in Altice France's senior unsecured bonds, which saw the biggest drop in price, and holds senior secured bonds, so our overall position added to performance. A lack of exposure to technology company Atos also helped relative returns, as the company is heavily indebted and the bonds were trading at highly stressed levels.

## Manager outlook

Macroeconomic data in March has showed that the risk of an economic hard landing in the US has diminished. However, inflation is proving more stubborn, particularly in services and wages. In Europe, it seems like the weakest period for growth is behind us, with first-quarter GDP growth in the eurozone and the UK likely to be modestly positive.

Meanwhile, eurozone inflation is now close to the ECB's target level. That said, we still expect to see volatility in the coming months as expectations change around the timing and magnitude of interest rate cuts. Market dynamics remain relatively positive, and we believe there will be a tailwind of investment into risk assets this year, given the

higher rate environment and the reinvestment risk investors will face once the interest rate cuts that have been priced in start to materialise.

Despite some single-issuer volatility in the high yield bond market in March, we remain cautiously optimistic on the outlook for the asset class and believe credit spreads have the potential to tighten a little more, given the current benign macroeconomic backdrop. We believe the biggest risk for high yield bonds is interest rates staying higher for longer, as a continued high rate environment will negatively impact bigger, more mature business with large capital structures.

These companies tend to be lower-rated issuers and, as a result, the fund is fully underweight in CCC-rated issuers across all high yield markets.

We are also wary of overly optimistic valuations, particularly as the macroeconomic picture is far from clear. Geopolitical risks remain elevated, with conflicts such as Russia's invasion of Ukraine looking more likely to escalate than deescalate in the near future. The political risk fuelled by general elections is high on our watch list as nearly 60% of the world's democratic population - including the US and the UK - goes to the polls over the year.

Technicals remain solid for the asset class, with still-elevated supply being met with positive demand. We think this should turn into a tailwind in the second quarter as supply is expected to drop sharply as companies start to enter earnings-related blackout periods. However, as we navigate expectations around interest rate cuts and an approaching debt maturity wall, we remain cautious on the companies with increasing leverage and lower interest rate coverage ratios but positive on companies that continue to have reasonably good interest cover ratios and strong free cash flow measures.

We continue to position the portfolio to benefit from a positive credit backdrop, but remain focused on relative and idiosyncratic value while also managing risks in order to deliver attractive risk-adjusted returns.

Performance (%)

Returns	Cumulative				Annualised			
	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	
A2 EUR (Net) with sales charge	-4.90	-3.76	-3.76	3.82	-2.82	0.18	2.35	
Index	0.38	1.74	1.74	10.65	0.80	2.38	3.28	
Sector	0.47	1.36	1.36	9.38	0.29	1.45	2.31	
A2 EUR (Net)	0.11	1.30	1.30	9.28	-1.15	1.21	2.87	

Calendar year	YTD at Q1					
	2024	2023	2022	2021	2020	2019
A2 EUR (Net)	1.30	10.38	-14.39	2.04	2.44	11.63
Index	1.74	12.04	-11.72	3.31	2.69	10.76
Sector	1.36	9.63	-10.44	2.54	0.90	8.82

Performance is on a net of fees basis, with gross income reinvested. Source: at 31/03/24. © 2024 Morningstar, Inc. All rights reserved. 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 does not predict future returns. 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.**

Fund charges will impact the value of your investment. In particular, the ongoing charges applicable to each fund will dilute investment performance, particularly over time. For further explanation of charges please visit our Fund Charges page at [www.janushenderson.com](http://www.janushenderson.com).

Note that any differences among portfolio securities currencies, share class currencies and costs to be paid or represented in currencies other than your home currency will expose you to currency risk. Costs and returns may increase or decrease as a result of currency and exchange rate fluctuations.

Past performance does not predict future returns.

Fund details

Inception date	19 November 2012
Total net assets	€333.40m
Asset class	Fixed Income
Domicile	Luxembourg
Structure	SICAV
Base currency	EUR
Index	ICE BofA European Ccy Non-Financial High Yield Constrained Index (100% Hedged)
Morningstar sector	EUR High Yield Bond
SFDR category	Article 8

In accordance with the Sustainable Finance Disclosure Regulation, the Fund is classified as Article 8 and promotes, among other characteristics, environmental and/or social characteristics, and invests in companies with good governance practices.

Investment objective

The Fund aims to provide a return, from a combination of income and capital growth over the long term. The Fund invests at least 70% of its assets in high yield (non-investment grade, equivalent to BB+ rated or lower) corporate bonds, denominated in Euros or Sterling. The Fund may invest up to 20% of its net assets in contingent convertible bonds (CoCos).

### Fund specific risks

When the Fund, or a share/unit class, seeks to mitigate exchange rate movements of a currency relative to the base currency (hedge), the hedging strategy itself may positively or negatively impact the value of the Fund due to differences in short-term interest rates between the currencies. The Fund could lose money if a counterparty with which the Fund trades becomes unwilling or unable to meet its obligations, or as a result of failure or delay in operational processes or the failure of a third party provider. CoCos can fall sharply in value if the financial strength of an issuer weakens and a predetermined trigger event causes the bonds to be converted into shares/units of the issuer or to be partly or wholly written off. An issuer of a bond (or money market instrument) may become unable or unwilling to pay interest or repay capital to the Fund. If this happens or the market perceives this may happen, the value of the bond will fall. When interest rates rise (or fall), the prices of different securities will be affected differently. In particular, bond values generally fall when interest rates rise (or are expected to rise). This risk is typically greater the longer the maturity of a bond investment. The Fund invests in high yield (non-investment grade) bonds and while these generally offer higher rates of interest than investment grade bonds, they are more speculative and more sensitive to adverse changes in market conditions. Some bonds (callable bonds) allow their issuers the right to repay capital early or to extend the maturity. Issuers may exercise these rights when favourable to them and as a result the value of the Fund may be impacted. If a Fund has a high exposure to a particular country or geographical region it carries a higher level of risk than a Fund which is more broadly diversified. The Fund may use derivatives to help achieve its investment objective. This can result in leverage (higher levels of debt), which can magnify an investment outcome. Gains or losses to the Fund may therefore be greater than the cost of the derivative. Derivatives also introduce other risks, in particular, that a derivative counterparty may not meet its contractual obligations. If the Fund holds assets in currencies other than the base currency of the Fund, or you invest in a share/unit class of a different currency to the Fund (unless hedged, i.e. mitigated by taking an offsetting position in a related security), the value of your investment may be impacted by changes in exchange rates. Securities within the Fund could become hard to value or to sell at a desired time and price, especially in extreme market conditions when asset prices may be falling, increasing the risk of investment losses. Some or all of the ongoing charges may be taken from capital, which may erode capital or reduce potential for capital growth.

FOR MORE INFORMATION PLEASE VISIT [JANUSHENDERSON.COM](https://www.janushenderson.com)

**Janus Henderson**  
INVESTORS

Source: Janus Henderson Investors, as at 31 March 2024, unless otherwise noted.

Issued in Singapore by Janus Henderson Investors (Singapore) Limited, licensed and regulated by the Monetary Authority of Singapore, Company Registration No. 199700782N. **This advertisement has not been reviewed by the Monetary Authority of Singapore.** The content herein is produced for information purposes only and does not constitute investment advice or as an offer to sell, buy or a recommendation for any security. Janus Henderson Investors is not responsible for any unlawful distribution of this document to any third parties, in whole or in part, and do not make any warranties with regards to the results obtained from its use. In preparing this document, Janus Henderson Investors has reasonable belief to rely upon the accuracy and completeness of all information available from public sources. **Past performance does not predict future returns. Investing involves risk, including the possible loss of principal and fluctuation of value.** The Fund may employ investment techniques and instruments for investment purposes, such as trading in futures, options and swaps and other financial derivative instruments. This document has been prepared by Janus Henderson Investors (Singapore) Limited, the Singapore Representative of the Fund. The Fund is distributed by authorised distributors. The prospectus and Product Highlights Sheet ("PHS") of the Fund are available and may be obtained from the Singapore Representative's office and the authorized distributors' offices. Investors should read the prospectus and PHS before deciding whether to invest in the shares of the Fund. Investors are warned that they should only make their investments based on the most recent offering documents which contains information about fees, expenses and risks, which is available from appointed intermediaries, and which should be read carefully. An investment in the Fund may not be suitable for all investors and is not available to all investors in all jurisdictions; it is not available to US persons. The rate of return may vary and the principal value of an investment will fluctuate due to market and foreign exchange movements. Shares, if redeemed, may be worth more or less than their original cost. Investors are advised to consult your intermediary who will give you advice on the product suitability and help you determine how your investment would be consistent with your own investment objectives. The investment decisions are yours and an investment in the Fund may not be suitable for everyone. If in doubt, please contact your intermediary for clarification. Portfolio holdings are subject to change without notice. © 2024 Morningstar. All Rights Reserved. CFA® and Chartered Financial Analyst® are trademarks owned by CFA Institute. Janus Henderson is a trademark of Janus Henderson Group plc or one of its subsidiary entities. ©Janus Henderson Group plc.