Janus Henderson INVESTORS

JANUS HENDERSON HORIZON FUND - GLOBAL HIGH YIELD BOND FUND

A2 USD ISIN LU0978624194

At a glance

Performance
The Fund returned 1.35%, the Index returned 1.12% and the Sector returned 0.90%.

Contributors/detractors
Security selection was the main contributor to outperformance, while sector allocation slightly detracted.

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

Portfolio management

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Investment environment

- The global high yield bond market strengthened in March, due to the positive impact from both lower government bond yields and tighter spreads. Excess returns (versus equivalent government debt) were positive.
- US high yield credit spreads tightened as confidence increased among investors that major central banks would loosen monetary policy in the coming months.
- Macroeconomic data indicated continued resilience in the US economy, although inflation data remained mixed, with the Federal Reserve (Fed)'s preferred personal consumption expenditures measure rising slightly, from January's 2.4% to 2.5% in February. At its March meeting, the Fed kept interest rates at 5.5% but said it still expected to cut them three times in 2024.
- 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.
- Emerging market high yield bonds outperformed in excess return terms, followed by US high yield bonds. European high yield bonds posted a negative excess return, due primarily to the weakness in Altice France and associated transmission to other lower-quality issuers.
- In the US, CCC-rated bonds outperformed on a risk-adjusted basis, followed by BB-rated bonds and then B-rated bonds.
- In Europe, BB-rated bonds posted a positive excess return, while B-rated and CCC-rated bonds were negative.

Portfolio review

The main driver of outperformance was security selection. The fund's overweight credit beta position relative to the benchmark also added to returns as credit spreads tightened.

At the sector level, the fund's underweight positions and security selection in telecommunications and media contributed strongly to returns, while underweight positions in energy and real estate detracted from performance. Security selection in real estate, healthcare and technology and electronics contributed positively, whereas security selection in utilities and basic industry detracted.

Regionally, security selection in the US and Europe contributed, while it detracted in emerging markets.

At the issuer level, an overweight position in real estate company CPI Property contributed strongly to performance after its bonds rebounded, along with the wider real estate sector, as interest rate expectations improved. The fund's positioning in the Altice complex also 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. This news led to a significant drop in its bond prices. The fund has a zero-weight position in Altice France's senior unsecured bonds, which saw the biggest drop in price, and holds senior secured bonds, so the overall position added to performance.

Overweight positions in packaging company Ardagh, chemicals company Lenzing and French electricity firm EDF detracted from performance.

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-name 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 think 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. 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 1 Month	3 Month	YTD	1 Year	Annualised 3 Year	5 Year	10 Year
A2 USD (Net) with sales charge	-3.72	-2.58	-2.58	5.66	-2.43	1.60	3.59
Index	1.12	2.05	2.05	11.60	1.48	3.73	4.44
Sector	0.90	1.27	1.27	10.01	0.68	2.74	2.53
A2 USD (Net)	1.35	2.54	2.54	11.22	-0.74	2.65	4.12

Calendar year	YTD at Q1 2024	2023	2022	2021	2020	2019
A2 USD (Net)	2.54	11.13	-14.61	0.41	6.17	17.96
Index	2.05	12.97	-11.38	3.04	6.48	14.54
Sector	1.27	11.68	-11.67	2.43	5.33	12.41

Performance is on a net of fees basis, with gross income reinvested. Source: at 31/03/24. **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.

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.

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Fund details

Inception date	19 November 2013
Total net assets	$897.73m
Asset class	Fixed Income
Domicile	Luxembourg
Structure	SICAV
Base currency	USD
Index	ICE BofA Global High Yield Constrained Index (100% Hedged)
Morningstar sector	Global 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 an income with the potential for capital growth over the long term. The Fund invests at least 80% of its assets in high yield (non-investment grade, equivalent to BB+ rated or lower) corporate bonds, in any country. The Fund may invest up to 20% of its net assets in contingent convertible bonds (CoCos).

Fund specific risks

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. High yielding (non-investment grade) bonds are more speculative and more sensitive to adverse changes in market conditions. 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. In addition to income, this share class may distribute realised and unrealised capital gains and original capital invested. Fees, charges and expenses are also deducted from capital. Both factors may result in capital erosion and reduced potential for capital growth. Investors should also note that distributions of this nature may be treated (and taxable) as income depending on local tax legislation. 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. 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. 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. Emerging markets expose the Fund to higher volatility and greater risk of loss than developed markets; they are susceptible to adverse political and economic events, and may be less well regulated with less robust custody and settlement procedures. 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. 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. The Fund may incur a higher level of transaction costs as a result of investing in less actively traded or less developed markets compared to a fund that invests in more active/developed markets.

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