

# Janus Henderson Preference & Bond Fund

February 2021

For promotional purposes

## Fund Managers Names

Jenna Barnard, CFA, John Pattullo, Rebecca Young, CFA

## Macro backdrop

We started the month with positive news around COVID-19 vaccinations in the UK and the US and the appointment of Mario Draghi as Prime Minister of Italy. This good news faded as February was a month for the rates history books: the "taperless tantrum" involving a flash crash in 10-year Treasury yields (from 1.4 to 1.6%) and a 7 standard deviation move in US 5-year yields on one particular day. What started as a well-flagged and predictable recovery/reflation trade in global rates markets (considered healthy) morphed into a sell-off driven by other factors mid-month. This led to the much earlier pricing in of rate hikes than central banks have guided to, and liquidity conditions freezing up in certain markets (Australia and even the US after a very poor 7-year auction). Hence "real yields" rose while long-term inflation expectations declined and yield curves flattened. This ended up being the opposite of the reflation trade. The pernicious character of the sell-off from mid-month was noticed by other asset classes and caused weakness in credit markets and volatility in equity markets.

Stepping back, what was interesting was that it was not economic data which triggered the sell-off in any country but a more generalised and frenzied market momentum into the reflation trade (short US dollar, short duration, long commodities, long equities) moves: the copper price and oil price were stand-out examples. This has left sentiment and positioning at truly notable levels. Clearly there are many catalysts for this such as COVID-19 vaccine roll-outs, US fiscal spend and getting closer to peak rate of change in economic data (April, May) but it is hard to argue any of these factors were unknown. The sentiment across these reflation assets combined is undoubtedly extreme. Our approach to this reflation trade has been that it was predictable (and likely to occur January through to April), the "wrong" kind of inflation (not self-sustaining) and ultimately an opportunity to add duration. We did not expect the liquidity-driven melt down in the final weeks of February but ultimately our take is that this has taken us to yield levels we have felt would be reached much quicker and with signs of capitulation.

## Fund performance and activity

The fund returned -1.1 for February, while the IA Sterling Strategic Bond peer group returned -1.0%, in the face of a strong start to the month which faded quickly in the last couple of weeks.

As a consequence of the backdrop discussed above, we continued to increase duration through this event with focus on Australia, the UK and the US. The fund's duration ended the month (at the peak in yield) at around 6.9 years.

Activity for the month was focused on buying attractive new issues in the primary market and also topping up some existing names in the secondary market. Names we bought in the primary market included Ancestry.com, which issued its bond following a buy-out by Blackstone. Ancestry.com is the global leader in family history and consumer genomics, with around 3.6 million subscribers and 18 million genomes in its database. We also bought Ion Analytics' term loan. The company is a leader in capital markets data, content and intelligence with a highly recurring revenue model. In addition, we bought Iceland, the UK frozen supermarket chain, which is refinancing some of its existing bonds.

## Outlook/strategy

We continue to spend our time seeking out reliable companies in predominantly non-cyclical industries that can deliver a dependable income stream. Credit markets remain relatively well supported with credit spreads priced at cycle tight.

Source: Janus Henderson Investors, as at 28 February 2021

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## Fund information

|                            |                            |
|----------------------------|----------------------------|
| Peer group benchmark       | IA Sterling Strategic Bond |
| Peer group benchmark usage | Target,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) forms the basis of the Fund's performance target and can be a useful performance comparison against other funds with similar aims.

**Objective** The Fund aims to provide a return, from a combination of income and capital growth over the long term.

**Performance target** To outperform the IA Sterling Strategic Bond sector average, after the deduction of charges, over any 5 year period.

## Performance in (GBP)

| Performance %                            | I (Net) | Peer group | Quartile ranking |
|--|---------|------------|------------------|
| 1 month                                  | -1.1    | -1.0       | 3rd              |
| YTD                                      | -1.3    | -1.1       | 3rd              |
| 1 year                                   | 6.0     | 3.8        | 1st              |
| 3 years (annualised)                     | 5.9     | 4.1        | 1st              |
| 5 years (annualised)                     | 6.4     | 4.9        | 1st              |
| 10 years (annualised)                    | 5.7     | 4.7        | 1st              |
| Since inception 31 Oct 1978 (annualised) | 7.5     | -          | -                |

Source: at 28 Feb 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 % | I (Net) | Peer group |
|-----------------------------|---------|------------|
| 31 Dec 2019 to 31 Dec 2020  | 8.6     | 6.1        |
| 31 Dec 2018 to 31 Dec 2019  | 12.1    | 9.2        |
| 31 Dec 2017 to 31 Dec 2018  | -2.5    | -2.5       |
| 31 Dec 2016 to 31 Dec 2017  | 8.2     | 5.2        |
| 31 Dec 2015 to 31 Dec 2016  | 5.7     | 7.0        |

Source: at 31 Dec 2020. © 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.**

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