HORIZON STRATEGIC BOND FUND

At a glance

Performance*
The Fund returned -1.04%, the Sector returned 0.44%

Contributors/detractors
Gilts were a notable detractor, as they seemed somewhat overbought in November and December and yields bounced back a little.

Outlook
The key focus for the market now seems to be the economic growth and employment picture.

Portfolio management

John Pattullo

Jenna Barnard, CFA

Oliver Bardot, CFA

Investment environment

- Bond markets paused for breath in January after the significant re-appraisal of interest rate expectations in November and December. Markets do not move in straight lines and sometimes run ahead of themselves. It can feel like macroeconomic purgatory, whereby some of the economic data appears contradictory and is hard to interpret. However, we continue to make good progress on falling inflation, which does seem to have been more supply-side based than many thought, as the European Central Bank (ECB) has recently highlighted. Wage growth is also fading at a reasonable speed. However, there remains little sign of the US employment market cracking, albeit accepting that it is in much better balance, as evidenced by the falling wage inflation.
- The lags in monetary policy are well known, and we believe the spring and summer will be a critical test of its impacts on hiring and economic expansion. US macroeconomic data has strengthened, while in core Europe and China it remains subdued. UK gilts were notable underperformers. Gilts often act as a higher beta (correlation) proxy on the general bond market, and again seemed to have been overbought coming into the end of 2023.
- We saw record issuance in sovereign and investment grade bonds, and this was taken well by the market. Oil prices - often a good signal of the economy - rose only modestly, which seems notable given the various geopolitical tensions around the world. European gas prices have fallen significantly compared to last year, which is very helpful for the inflation backdrop. Core European economies looks recessionary to us, with monetary policy seeming too tight.

Portfolio review

Activity was modest as we remain comfortable and confident in the fund's current positioning. We did add a few select quality investment grade holdings at the 10-year level and below. We also added to the fund's US mortgage-backed security (MBS) allocation as we continue to feel these are relatively attractively priced compared to alternative assets. Moreover, MBS bonds have tended to trade with interest rate volatility, which we expect to decline in due course.

Manager outlook

The key focus for the market now seems to be the economic growth and employment picture. A 'soft landing' appears to be achievable if wage inflation continues to fall and monetary policy is loosened sufficiently to avoid demand destruction. Given the long and variable lags of monetary policy, central banks need to be good (and even

*For benchmark and sector, if applicable, refer to Fund details on page 3. For relevant descriptions, risks and the Fund's investment policy statement, refer to Additional fund information on page 4.

lucky) to perfectly land the economy. As credit markets seem pretty much priced for perfection, we see little potential from these levels.

We remain heavily overweight sovereign bond duration, with some exposure to quality investment grade bonds. We continue to expect significant rate cuts this year given the encouraging fall in inflation. We would anticipate more cuts if unemployment rose materially. At worst, we expect bond yields to tread water for a while until interest rate cuts occur.

Performance (%)

Returns	Cumulative 1 Month	3 Month	YTD	1 Year	Annualised 3 Year	5 Year	10 Year	Since inception (26/07/17)
A2 USD (Net)	-1.04	9.71	-1.04	0.31	-4.61	0.74	—	0.91
Sector	0.44	6.78	0.44	5.67	-0.19	2.40	—	2.13

Calendar year	2023	2022	2021	2020	2019	2018	2017 from 26 Jul
A2 USD (Net)	5.62	-17.17	-0.20	10.68	10.13	-0.66	1.41
Sector	8.01	-8.56	0.11	5.59	9.48	-1.53	1.51

Performance is on a net of fees basis, with gross income reinvested. Source: at 31/01/24. **Past performance does not predict future returns.** Performance/performance target related data will display only where relevant to the share class inception date and annualised target time period. **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.** Source for target returns (where applicable) - Janus Henderson Investors.

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.

Investment objective

The Fund aims to provide a return, from a combination of income and capital growth, over the long term (5 years or more).

For the fund’s investment policy, refer to the Additional fund information on page 4.
Past performance does not predict future returns.

Fund details

Inception date	26 July 2017
Total net assets	292.47m
Asset class	Fixed Income
Domicile	Luxembourg
Structure	SICAV
Base currency	USD
Index	Not Applicable
Morningstar sector	Global Flexible Bond - USD Hedged
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.

Additional fund information

Tax assumptions and reliefs depend upon an investor's particular circumstances and may be subject to change. With effect from 1 January 2023, the Key Investor Information document (KIID) changed to the Key Information Document (KID), except in the UK where investors should continue to refer to the KIID. Availability of share classes shown may be limited by law in certain jurisdictions. Performance records/scenarios are detailed within the fund's specific KIID/KID; fees and charges, and the respective risk rating may vary. Further information can be found in the fund's prospectus and KIID/KID, which must be reviewed before investing. Please consult your local sales representative and/or financial adviser if you have any queries. From 1 January 2023 Oliver Bardot also manages this fund. From 16 March 2023 the Fund changed its investment policy. Past performance shown before this date was achieved under circumstances that no longer apply. Investment into the fund will acquire units/shares of the fund itself and not the underlying assets owned by the fund.

Investment policy

The Fund invests in bonds of any quality, including high yield (non-investment grade) bonds, asset-backed and mortgage-backed securities and distressed debt, issued by governments, companies or any other type of issuer, in any country. The Fund may invest up to 50% of its net assets in total return swaps. Where investments are made in assets in currencies other than the base currency of the Fund, the Fund will seek to hedge those assets back to the base currency to remove the risk of currency exchange rate movements. The Fund may also invest in other assets including perpetual bonds, convertible bonds, contingent convertible bonds (CoCos), company shares (equities), preference shares, cash and money market instruments. The investment manager may use derivatives (complex financial instruments), including total return swaps, with the aim of making investment gains in line with the Fund's objective, to reduce risk or to manage the Fund more efficiently. The Fund is actively managed without reference to a benchmark. The investment manager has complete freedom to choose individual investments for the Fund and to vary allocations between different types of bonds. The Fund invests in bonds of any quality, including high yield (non-investment grade) bonds, asset-backed and mortgage-backed securities and distressed debt, issued by governments, companies or any other type of issuer, in any country. The Fund may invest up to 50% in total return swaps. Where investments are made in assets in currencies other than the base currency of the Fund, the Fund will seek to hedge those assets back to the base currency to remove the risk of currency exchange rate movements. The Fund may also invest in other assets including perpetual bonds, convertible bonds, contingent convertible bonds (CoCos), company shares (equities), preference shares, cash and money market instruments. The Investment Manager may use derivatives (complex financial instruments), including total return swaps, with the aim of making investment gains in line with the Fund's objective, to reduce risk or to manage the Fund more efficiently. The Fund is actively managed without reference to a benchmark. The Investment Manager has complete freedom to choose individual investments for the Fund and to vary allocations between different types of bonds.

Investment strategy

The Investment Manager follows a flexible strategy that seeks to deliver total returns (capital appreciation and income) from investments across the entire spectrum of fixed income assets. Using careful macroeconomic research and credit analysis, the portfolio managers actively vary the allocation to different types of bonds to suit the prevailing economic environment. The investment manager follows a flexible strategy that seeks to deliver total returns (capital appreciation and income) from investments across the entire spectrum of fixed income assets. Using careful macroeconomic research and credit analysis, the portfolio managers actively vary the allocation to different types of bonds to suit the prevailing economic environment.

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. 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**

Janus Henderson INVESTORS

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

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