

Janus Henderson Strategic Bond I Inc

November 2021

Investment Research



Overview

The aim of the fund is to generate income, along with some capital growth over a market cycle. The level of income is not explicitly targeted and may vary depending on market conditions. It is currently towards the lower end of its historical range, reflecting the environment in which we currently live, namely one of low interest rates and relatively high bond prices. Capital growth is not guaranteed, and the capital value of the fund may fluctuate, particularly over short to medium time periods.



Square Mile Expected Outcome

We believe outperforming the composite benchmark (50% global corporates, 30% Dev Mkts Sovereigns, 20% global high yield -all hedged to GBP) over rolling five years periods is a reasonable expectation.

Active/Passive: Active	Domicile: United Kingdom
Asset Class: Fixed Income	IA Sector: IA Sterling Strategic Bond
Launch Date: 11/10/1986	Fund Size (as at 12 Nov 2021): £3410.7m
Yield: 3.41%	Distribution Pay Date: Jan 01, Apr 01, Jul 01 (Final), Oct 01
Fund Manager: Jenna Barnard, John Pattullo	Ongoing Charge Figure: 0.70%
	Transaction Cost ex Ante: 0.20%



Fund Opinion

Mr Pattullo and Ms Barnard are experienced investors who work very well as a team and have proved themselves adept at managing macroeconomic, market and security specific risks over a range of market conditions. The thoughtful process and flexible mandate mean that the fund should be well positioned to benefit in various economic scenarios, with the managers aiming to take advantage of wherever they see the best opportunities in bond markets. Indeed, they can invest across the fixed income universe, and will rotate through different parts of the market depending on where they see the most value.

The fund tends to have a focus on corporate bonds and is therefore likely to perform strongly when these markets are rising, but this can be at the expense of performance in falling markets. Thus, it may be suitable for investors seeking a mixture of income and capital growth over a market cycle, but who are prepared to accept a degree of capital volatility, particularly over the shorter term.

Mr Patullo and Ms Barnard have worked together for many years, and have fine tuned the process applied to this fund. The managers also have a small team of analysts around them who provide individual stock ideas and challenge for the fund, in addition these analysts make use of the wider fixed income resources at Janus Henderson. We like the collaborative approach that the two managers take in running the fund, playing off each other's strengths and combining their knowledge and expertise to great effect.

Fund Description

The fund is co-managed by John Pattullo and Jenna Barnard. Mr Pattullo joined Janus Henderson Investors (then Henderson Global Investors) in 1997 having previously spent 4 years as a chartered accountant at PriceWaterhouseCoopers. Ms Barnard joined the firm in 2002, prior to which she worked as a credit analyst at Orbitex Investments. Mr Pattullo and Ms Barnard are the Co-Heads of Strategic Fixed Income at Janus Henderson Investors and are supported by a small team, as well as the wider fixed income resources of the company. Janus Henderson Investors is a large, multi national asset management company with capabilities across a range of asset classes worldwide.

The managers believe that different fixed income assets will perform well at different stages of the economic cycle, and that taking a flexible approach to managing portfolios is therefore the key to delivering sustainable returns. It is expected that the fund will generate a significant amount of its performance from asset allocation decisions, and historically the managers have not been afraid to move the fund around to express their views, an area where we believe they have considerable skill.

The investment process considers three key factors: fundamentals, valuations and market momentum. The importance of each of these factors will vary depending on the individual market and the time horizon involved, and thus the process allows some flexibility to account for this. The fundamental analysis takes into account such elements as secular trends, the point in the economic cycle and monetary policy conditions. This fundamental view is then combined with an opinion on valuations, both in absolute and relative terms, and momentum indicators (technical and sentiment) to identify the most attractive parts of the market at any given point in time. Most of the positions in the fund will be taken with a medium- to long-term view, but the managers can also take shorter-term tactical positions if they deem it appropriate. Once the most attractive markets have been identified, the managers undertake extensive and rigorous bottom-up analysis on individual companies and bonds so as to populate the portfolio with attractive securities. The result should be a well-diversified portfolio with varied sources of risk and return.

The fund has a flexible mandate to allow it to take full advantage of the managers' asset allocation skills and can invest freely across the fixed income spectrum including government bonds, investment grade bonds and sub-investment grade bonds. In addition, it can hold up to 50% in convertible bonds, 30% in emerging market bonds, 50% in preference shares and 20% in equities (although this equity allocation is seldom used). Cash can be used as part of the asset allocation process to express both long-term and short-term views if the managers deem it appropriate. The fund will be at least 80% hedged back to sterling.

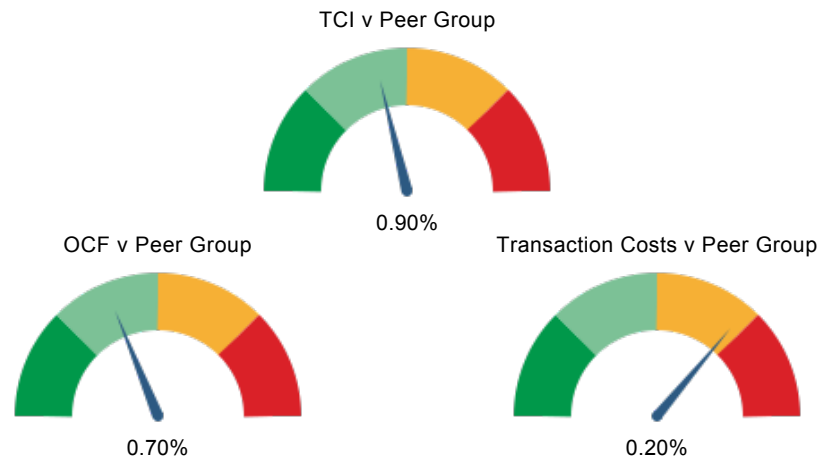
Risk Summary

This fund's managers invest in fixed interest markets and are relatively active in terms of rotating through markets. Thus, it may be exposed to various different risks at times, including interest rate, credit, currency, emerging market and derivative risks, although the managers look to control these risks through active asset allocation and careful security selection. As the risks are varied, it is unlikely that they will all be pointing in the same direction at the same time, and indeed some may offset each other to some extent. Over time, the most significant risks are likely to be interest rate risk and credit risk. Interest rate positioning is used to express views, and can generate significant returns, but can also lead to volatility in the capital value of the fund at times. Credit risk will be prevalent in the corporate bond holdings of the fund and, whilst the managers carry out detailed fundamental credit research in order to avoid credit issues, such risk is likely to be present in the fund, to a greater or lesser extent, most of the time. The fund can invest in both investment grade and sub-investment grade credit. If default rates in these areas of the market increase, it is likely to have an adverse impact on the fund and, whilst any impact should be softened by the extensive credit research which the team undertakes, there is always a possibility that a bond in the fund could default on its obligations. Though, as the fund is well diversified, the impact of any individual bond defaulting should be small. Whilst risk cannot be completely eliminated from a fund such as this, and indeed should not be, as this would eliminate all sources of return, we believe that the managers take a sensible approach to managing risk in this fund, only taking it on where they believe they are properly rewarded to do so.

Value for Money

The total cost of investment (TCI) of the clean share class of this fund is below that of the median for the peer group. We believe that this figure represents good value for money, given the level of experience and the knowledge of the managers of the fund, their access to the wider resources at Janus Henderson Investors, and the flexible mandate of the fund, which calls upon the managers to use both asset allocation skills and security analysis to generate the desired outcome for investors.

In line with MiFID II regulations, asset management firms are required to disclose all of the costs and charges related to the running and administration of their funds, which can include items outside of the OCF, such as research costs. Janus Henderson absorbs the costs associated with its research, which should slightly reduce the overall fee paid by investors.



ESG Integration

Company Assessment	0	1+	2	3
The company has made ESG factors available to the investment teams as an input to their analysis, but they are not compelled to consider that as a factor when making investment decisions.				
UN PRI Strategy & Governance Rating	A			
Fund Assessment	0	1+	2	3
ESG factors are available to the fund managers as an input to their analysis, but they are not compelled to consider them as a factor when making investment decisions				

Responsible Investing Approach

Exclusion	Responsible Practices	Sustainability	Impact
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional Information

Annualised Return	6.74%
Annualised Volatility	6.61%
Max Drawdown	-10.73%
Max Gain	10.24%
Max Loss	-10.73%
Sharpe Ratio	0.95
Sortino Ratio	0.74

(3 years data to last month end unless otherwise stated)

Currency of Share Class

GBP

Fund Price (as at 12 Nov 2021)

144.3 pence

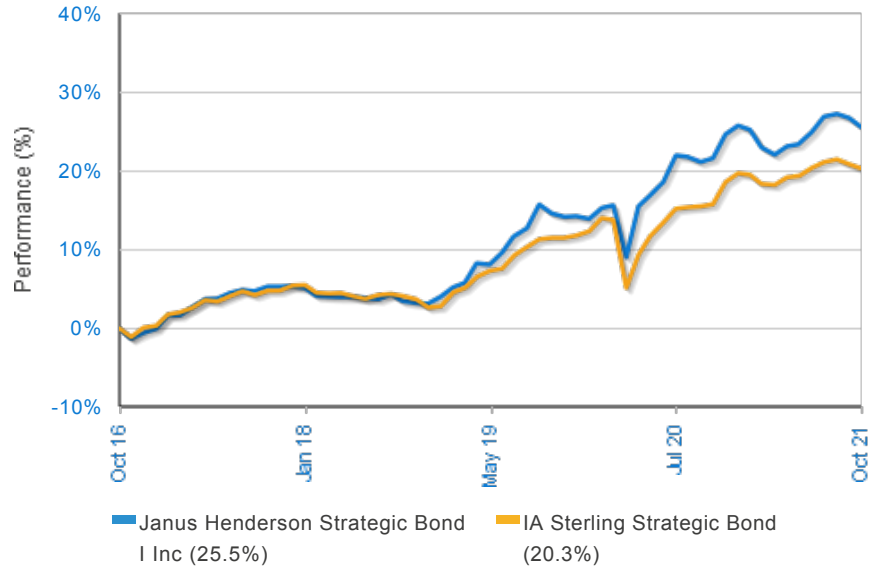
Benchmark

Composite: 50% ICE BofA Global Corporate Index 30% ICE BofA Developed Markets Sovereign Bond 20% ICE BofA Developed Markets High Yield Constrained

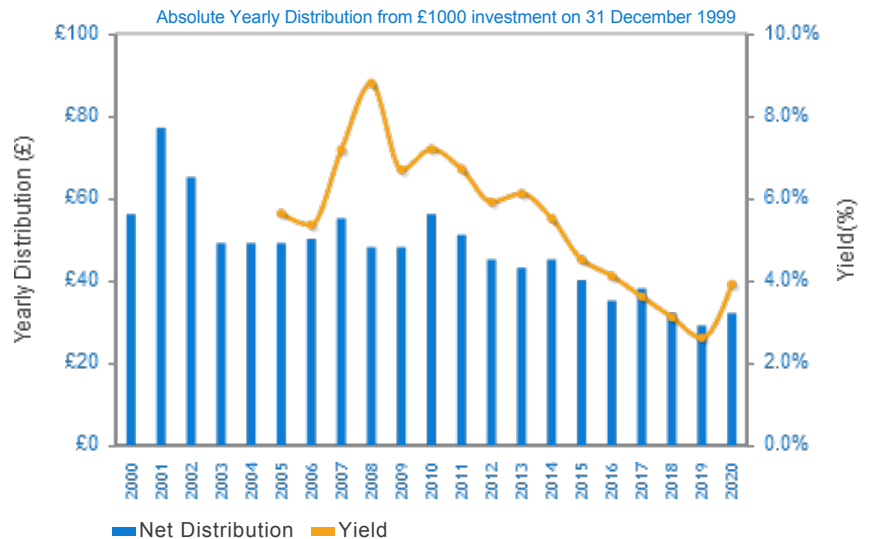
Discrete Annual Performance to Last Quarter End

Period	Fund (%)	Sector (%)	Quartile Ranking
0-12m	4.6	4.6	2
12-24m	5.7	3.6	1
24-36m	10.7	7.1	1
36-48m	-1.2	-0.1	4
48-60m	3.2	3.3	3

Capital Growth

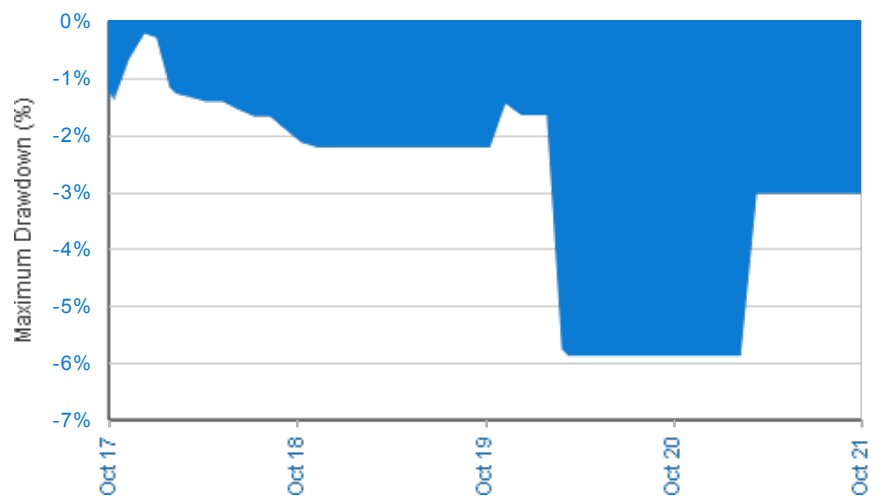


Income



This graph assumes that income is distributed to shareholders and not reinvested. Yield represents share price fluctuations.

Maximum Drawdown (Rolling 12 Months)



Credit Rating (Data as at 31 Oct 2021)

Name	%
AAA	3.0
AA	8.6
A	8.8
BBB	34.7
BB	21.6
B	8.9
Cash	7.6
Non-Rated / Others	6.5

Asset Allocation Positioning

Name	%
Global Investment Grade Fixed Interest	32.6
North American High Yield Fixed Interest	19.2
Global Investment Grade Fixed Interest	9.2
Global Investment Grade Fixed Interest	8.8
UK High Yield Fixed Interest	7.4
Money Market	5.7
European High Yield Fixed Interest	5.1
Others	12.0

(Data as at 30 Sep 2021)

Top Ten Holdings

(Data as at 30 Sep 2021)

Company Name	%
CANADIAN GOVERNMENT BOND 0.25% 2023	3.1
HM TREASURY UNITED KINGDOM DMO 0.125% TREASURY GT 31/01/23 GBP0.01	2.0
AUSTRALIA(COMMONWEALTH OF) 0.25% TB 21/11/25 AUD100	1.9
ALPHABET INC 1.998% BDS 15/08/26 USD2000	1.6
STICHTING AK RABOBANK CERTIFICATEN 19.4365% 2170	1.3
MICROSOFT CORP 2.4% BDS 08/08/26 USD2000	1.2
NETFLIX 3.625% 2030	1.1
BALL CORP 2.875% BDS 15/08/30 USD2000	1.0
BUPA FINANCE PLC 4.125% SUB NTS 14/06/35 GBP100000	1.0
NATWEST GROUP 3.622% 2030	0.9

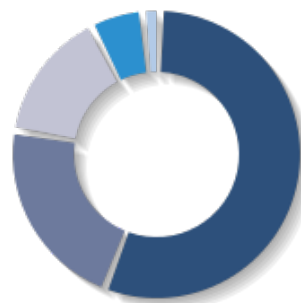
Sector Breakdown

(Data as at 30 Sep 2021)

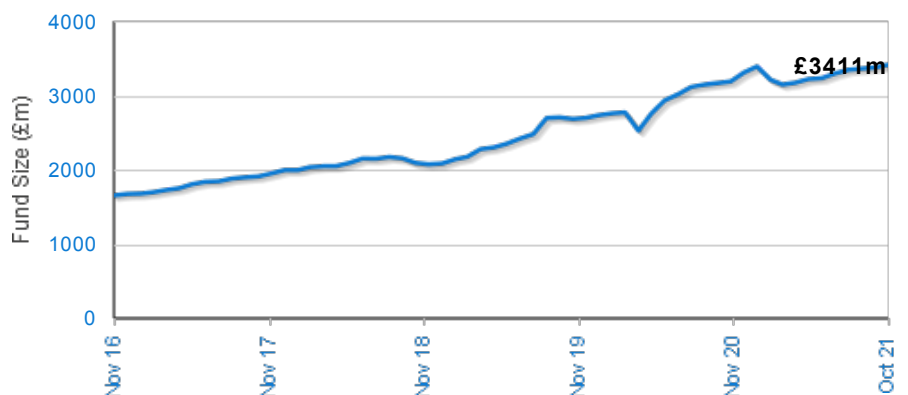


Geographic Breakdown

(Data as at 30 Sep 2021)



Assets Under Management



Qualitative Risk Assessment

	Significant	Potentially Significant	Not Significant
Equity Risk			●
Interest Rate Risk		●	
Credit Risk	●		
Exchange Rate Risk			●
Liquidity Risk		●	
Emerging Markets Risk			●
Derivative Risk		●	
Manager Risk	●		

Equity Risk

The fund has no material direct exposure to shares.

Interest Rate Risk

The fund is predominately invested in fixed interest markets. The fund price may fall if interest rates climb more rapidly than expected.

Credit Risk

The fund can take exposure to both investment grade and sub-investment grade credit. Credit defaults and downgrades may adversely impact the fund price, typically this occurs at times of economic weakness.

Exchange Rate Risk

The fund has exposure to assets denominated in foreign currencies but the manager intends to largely hedge the foreign exchange risks away.

Liquidity Risk

The fund invests in assets which could be difficult to sell at certain times. In extreme circumstances the fund may have to resort to selling assets at below fair value. The risks of this happening are most acute at times of financial distress.

Emerging Markets Risk

The fund predominantly invests in securities issued by governments or companies in developed markets.

Derivative Risk

The fund employs derivative strategies to mitigate and more accurately manage the risks within the fund. These are complex instruments and investors should be aware that there is a chance that they may not behave in a manner that the manager intends.

Manager Risk

The managers are seen as a critical element in Square Mile's rating of the fund. Square Mile is likely to downgrade the fund if the managers were to leave.

FE Risk Rating: 32.00

SRRI: 4

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