4Q18 Portfolio Commentary

Janus Henderson INVESTORS

Global Bond Fund

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Investment Environment

Slowing economic growth in Europe and China and weakening U.S. data shook investor confidence over the period. U.S.-China trade relations, Brexit and Italian politics generated additional uncertainty. Central banks continued to withdraw liquidity, with the European Central Bank (ECB) confirming the end of its asset purchase program, and the Federal Reserve (Fed) raising interest rates for the fifth consecutive quarter. Fed rhetoric added to market volatility as it created concern over the possibility that the central bank might maintain its hiking cadence despite economic and market weakness. Oil prices also made headlines with major benchmarks tumbling more than 40% intra-quarter. Amid these events, a risk-off mindset prevailed. Weakness in equity markets and increasing risk premiums contributed to widening corporate credit spreads (the difference in yield between a security and its underlying risk-free benchmark). Global investment-grade spreads widened nearly 38% from September. High yield fared worse, widening 57%. As financial conditions tightened, liquidity became more challenged, exacerbating market volatility late in the period.

Investors turned to "risk-free" assets, and yields fell across most major sovereign curves, including the U.S., Germany, Japan, Canada and the UK. A repricing in market expectations for the Fed's ability to hike in 2019 also contributed to falling Treasury yields. Aided by the rally in rates, the Bloomberg Barclays Global Aggregate Bond Index returned 1.20%.

Performance Discussion

The Fund underperformed its primary benchmark, the Bloomberg Barclays Global Aggregate Bond Index.

Tightening financial conditions, diminished liquidity and the downgrades of two large U.S. investment-grade complexes helped to confirm our view that we are progressing through the later stages of the credit cycle. Given our late-cycle concerns and the darkening global macroeconomic backdrop, we continued lowering the Fund's risk exposure during the period. We reduced our corporate bond allocation to just 8% by quarter end and increased our sovereign exposure to 70%. We extended duration (a measure of sensitivity to changes in interest rates) to 101% versus the index.

Despite our efforts to reduce risk, our modest out-of-index allocation to high-yield corporate credit weighed heavily on relative results. We seek higher-quality, high-yield names, with consistent free-cash-flow generation potential and management teams committed to paying down debt, but even those names were challenged amid the dramatic spread widening in the asset class. One of the

Highlights

- Slowing global economic growth, political uncertainties and the removal of central bank accommodation challenged risk assets during the quarter.
- The Fund underperformed its benchmark, with our modest out-of-index exposure to high yield weighing heavily on performance.
- We expect volatile markets in the months ahead, which may present opportunities, but will also require a nimble approach and diligent risk management.

leading detractors for the quarter was Freeport-McMoRan. The copper miner's balance sheet improvement progress was overshadowed by fears of a slowdown in China coupled with trade war uncertainty, given that China consumes a significant portion of the world's copper. We appreciate the value of Freeport's assets, and ultimately expect the miner to benefit from limited supply and growing demand for copper – an essential component of electric vehicles – as the electrification of vehicles accelerates. We also like the company's commitment to deleveraging and expect management to continue paying down debt in coming months.

An out-of-index position in Telecom Italia was also challenged during the period, by both general high-yield spread widening and Italy's budget troubles with the European Union. While we felt that the company was a candidate for investment-grade ratings, and a budget agreement was ultimately reached late in the period, we sold our position given our broader market concerns.

An allocation to commercial mortgage-backed securities also detracted from relative results. Our position in Starwood Retail Property Trust, which is collateralized by four shopping malls, was negatively impacted by general weakness in brick-and-mortar retail and the tightening in capital markets. We grew increasingly concerned with Starwood's ability to refinance its deal and extend its debt maturity, and significantly reduced our position by quarter end.

With risk-off sentiment prevailing during the quarter, our large underweight and more conservative security selection in investment-grade corporate credit were strong contributors to relative results. Our sovereign bond allocation also aided performance amid the flight to quality. We were long risk-free duration across the globe and both our overweight and our yield curve positioning proved beneficial. At the issuer level, U.S. Treasuries were a leading contributor to performance; our overweight allocation benefited from the strong rally in Treasury yields. Our allocations to the government bonds of Japan, Canada, Germany and the UK were also accretive as yields fell.

For detailed performance information, please visit janushenderson.com/performance.

Outlook

We expect mounting late-cycle challenges and slowing global economic growth, unresolved trade disputes, Brexit uncertainties and the potential for Fed policy error to create bouts of volatility in the months ahead. As we venture further into quantitative tightening by the major central banks, we anticipate the removal of liquidity from the broader economy coupled with diminished liquidity in fixed income trading to exacerbate that volatility.

Monitoring U.S. economic data, particularly inflation figures, as well as Fed rhetoric will be key in assessing the likelihood of the Fed hiking in excess of what is warranted and potentially accelerating a U.S. slowdown, versus it pausing in 2019. We view the balance between GDP growth and inflationary pressures as critical, considering risk assets will come under greater pressure should growth slow and inflation rise. Continued dollar weakness could be the greatest threat to the currently benign inflation environment.

Despite recent corporate credit spread widening, we generally do not believe current levels offer just compensation for the stated risk factors and the likely increase in defaults and downgrades to come. Amid these challenges, we believe defensive positioning is prudent. We intend to mitigate spread-product risk to our highest conviction positions, emphasizing liquid issuers higher on the ratings spectrum, with limited cyclicality of earnings, strong balance sheets and a commitment to deleveraging. Given varying degrees of central bank postures, our goal is to capitalize on attractive relative value opportunities in both rates and currencies.

While these volatile periods should present opportunities, a nimble approach to investing balanced by a robust risk management framework will be critical as we seek to deliver capital preservation and strong risk-adjusted returns for our clients.

Top Relative Contributors and Detractors Held for the Quarter Ended 12/31/18

Top Contributors	Average Weight (%)	Relative Contribution (%)	Top Detractors	Average Weight (%)	Relative Contribution (%)
U.S. Treasury Notes/Bonds	23.08	0.20	Starwood / Srpt 2014-Star C	0.71	-0.14
Japan (Government of)	8.88	0.08	Freeport-McMoRan Inc.	0.49	-0.09
Canada (Government Of)	4.87	0.04	Globalworth Real Estate	0.86	-0.05
Germany (Federal Republic)	4.97	0.04	Italy (Republic of)	5.62	-0.05
United Kingdom	2.81	0.02	Telecom Italia SpA	0.45	-0.04

The holdings identified in this table, in compliance with Janus Henderson policy, do not represent all of the securities purchased, held or sold during the period. To obtain a list showing every holding as a percentage of the portfolio at the end of the most recent publicly available disclosure period, contact 800.668.0434 or visit janushenderson.com/info.

Relative contribution is the difference between the contribution by ticker to the portfolio's performance versus that ticker's contribution to the benchmark's performance. It reflects how the portfolio's holdings impacted return relative to the benchmark. Cash and tickers not held in the portfolio are excluded. Certain derivatives, such as Interest Rate Swaps, may be excluded.

For more information, please visit **janushenderson.com.**

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Past performance is no guarantee of future results. Call 800.668.0434 or visit janushenderson.com/performance for current month-end performance.

Discussion is based on the performance of Class I Shares.

As of 12/31/18 the top ten portfolio holdings of Janus Henderson Global Bond Fund are: Italy Buoni Poliennali Del Tesoro (3.87%), United States Treasury Note/Bond (3.72%), Japan Government Ten Year Bond (3.68%), United States Treasury Note/Bond (3.28%), Spain Government Bond (3.22%), United States Treasury Note/Bond (2.89%), United States Treasury Note/Bond (2.55%), Bundesrepublik Deutschland Bundesanleihe (2.52%), Australia Government Bond (2.22%) and Canadian Government Bond (2.20%). There are no assurances that any portfolio currently holds these securities or other securities mentioned.

The opinions are as of 12/31/18 and are subject to change without notice. Janus Henderson may have a business relationship with certain entities discussed. The comments should not be construed as a recommendation of individual holdings or market sectors, but as an illustration of broader themes.

For fixed income portfolios, relative contribution is calculated by rolling up securities by ticker and comparing the daily returns for securities in the portfolio relative to those in the index. Relative contribution is based on returns gross of advisory fees, and may differ from actual performance.

Performance may be affected by risks that include those associated with non-diversification, portfolio turnover, short sales, potential conflicts of interest, foreign and emerging markets, initial public offerings (IPOs), high-yield and high-risk securities, undervalued, overlooked and smaller capitalization companies, real estate related securities including Real Estate Investment Trusts (REITs), derivatives, and commodity-linked investments. Each product has different risks. Please see the prospectus for more information about risks, holdings and other details.

There are special risks associated with selling securities short. Stocks sold short have the potential risk of unlimited losses.

Increased portfolio turnover may result in higher expenses and potentially higher net taxable gains or losses.

Fixed income securities are subject to interest rate, inflation, credit and default risk. The bond market is volatile. As interest rates rise, bond prices usually fall, and vice versa. The return of principal is not guaranteed, and prices may decline if an issuer fails to make timely payments or its credit strength weakens.

Foreign securities are subject to additional risks including currency fluctuations, political and economic uncertainty, increased volatility, lower liquidity and differing financial and information reporting standards, all of which are magnified in emerging markets.

Derivatives can be highly volatile and more sensitive to changes in economic or market conditions than other investments. This could result in losses that exceed the original investment and may be magnified by leverage.

Bloomberg Barclays Global Aggregate Bond Index is a broad-based measure of the global investment grade fixed-rate debt markets.

Index performance does not reflect the expenses of managing a portfolio as an index is unmanaged and not available for direct investment.

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C-1218-21433 04-15-19

188-42-29107 01/19