

AUSTRALIAN FIXED INTEREST FUND

As at April 2022

Fund objective

The Fund seeks to achieve a total return after fees that exceeds the total return of the Benchmark, over rolling three-year periods.

Investment approach

The Fund is an actively managed portfolio of high quality interest bearing securities that seeks to provide a high level of capital protection. The Manager's investment approach is fundamentally driven and seeks to take advantage of situations where market pricing has become misaligned with economic and investment fundamentals. The Manager seeks to add value to the benchmark using a combination of active strategies including duration and yield curve management, sector allocation and security selection.

Benchmark

Bloomberg AusBond Composite 0+ Yr Index

Risk profile

Medium

Suggested timeframe

3 years

Inception date[^]

31 August 1994

Fund size

\$732.0 million

Minimum investment

\$25,000

Management cost (%)

0.45 p.a.

Buy/sell spread (%)

0.00/0.08^{^^}

Distribution frequency

(if any)
Quarterly

ARSN code

087 719 739

APIR code

IOF0046AU

ASX mFund

JHI05

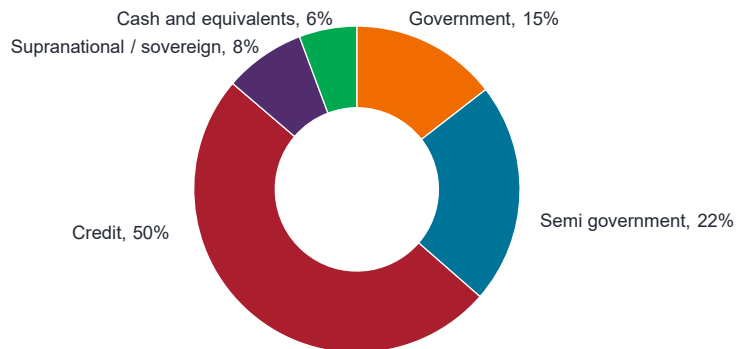
Performance	1 month (%)	3 months (%)	6 months (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	10 years (% p.a.)	Since inception (% p.a.)
Fund (gross)	-1.97	-7.54	-6.13	-8.08	-0.30	1.80	3.78	6.68
Fund (net)	-2.01	-7.65	-6.34	-8.50	-0.78	1.32	3.29	6.12
Benchmark	-1.49	-6.33	-5.27	-7.47	-0.91	1.40	3.12	5.94
Excess return*	-0.52	-1.32	-1.07	-1.03	0.13	-0.08	0.17	0.18

*Excess return is measured against net performance.

Gross return is gross of management costs and sell spread.

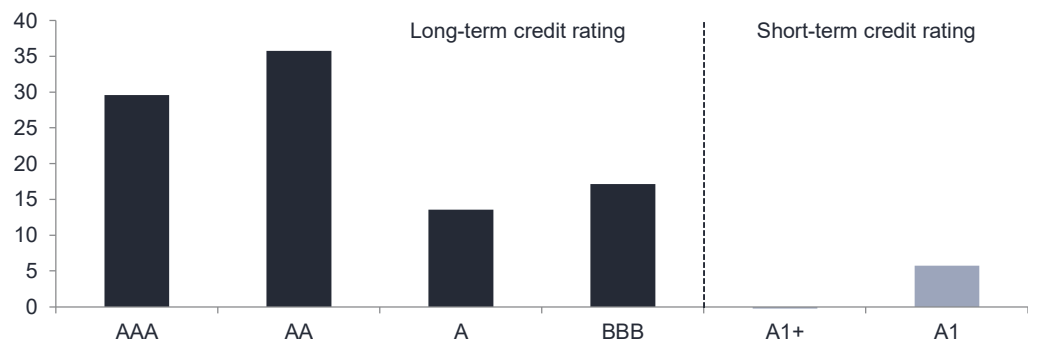
Past performance is not a reliable indicator of future performance.

Sector allocation



Rounding accounts for small +/- from 100%.

Credit rating distribution (%)



Portfolio characteristics

Estimated Weighted Average Yield to Maturity (EWAYTM) ¹	3.61
Benchmark EWAYTM	2.97
Running Yield	2.77
Weighted Average Credit Quality	AA

¹ Estimated Weighted Average Yield to Maturity is a measure of the average annual yield of all securities in the Fund.

Modified duration	Years
Fund	6.56
Benchmark	5.38
Active Position	1.18

Benchmark duration is as at month end and therefore does not include rebalancing.

[^] Fund inception for performance reporting purposes is at end of month, whereby the actual fund inception date may be earlier in the month.

^{^^} For more information and most up to date buy/sell spread information visit

www.janushenderson.com/en-au/investor/buy-sell-spreads

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(continued)

Janus Henderson
INVESTORS



Head of Australian Fixed Interest
Jay Sivapalan

Fund performance

The Janus Henderson Australian Fixed Interest Fund (Fund) returned -2.01% (net) and -1.97% (gross). The Fund underperformed the Bloomberg AusBond Composite 0+ Yr Index (Benchmark) by -0.52% (net) in April, which fell by -1.49% on the month. However, the Fund continues to beat the Benchmark by 0.18% (net) since inception per annum.

Rates strategies are actively managed in the Fund and performance was impacted by further upward movements in bond yields. Over the month, the Fund added more duration. Markets have, in our assessment, overshot fair value and we've therefore leaned against current pricing, meaning near-term underperformance. Seeing the opportunity to lock in what we assess as attractive 'all-in yields' caused by dislocated markets reflecting a cash rate profile that is unlikely to be delivered by the Reserve Bank of Australia (RBA) over the next couple of years, we started adding meaningful duration to the Fund. Implementing this strategy while bond yields continued to rise detracted from performance over the month. However, bond investing is rarely about the direction of cash rates, but rather about what's already priced in relative to how fundamentals may eventuate. As opportunities became clearer, we continued to add duration, looking to lock in the current yields for investors.

The Fund holds good exposure to inflation-linked bonds, bought cheaply when inflation was low. As inflation expectations rose over the month, so did inflation break even rates, resulting in these bonds outperforming nominals and aiding performance.

In terms of credit, the strategy had a good level of credit protection going into 2022 through credit default swaps (CDS) as the tide that supported risk assets was likely to go out. Having initially employed an effective credit hedge, this was reduced, taking profit as CDS spreads widened in March. In April, we reintroduced some more credit protection. We remain slightly cautious on credit spreads as the higher interest rate environment gets digested by markets. We also took profit on some longer duration credit that has done its job over the last couple of years. This reduced overall credit sensitivity of the Fund. As physical credit spreads continued to widen over the month, this contributed to the Fund's negative performance.

While noting the negative performance this month, we have boosted our running yield advantage by utilising the opportunities available from market pricing. The Fund's yield to maturity is now notably higher than its Benchmark. We believe this sets us up for a strong period ahead, with high levels of conviction.

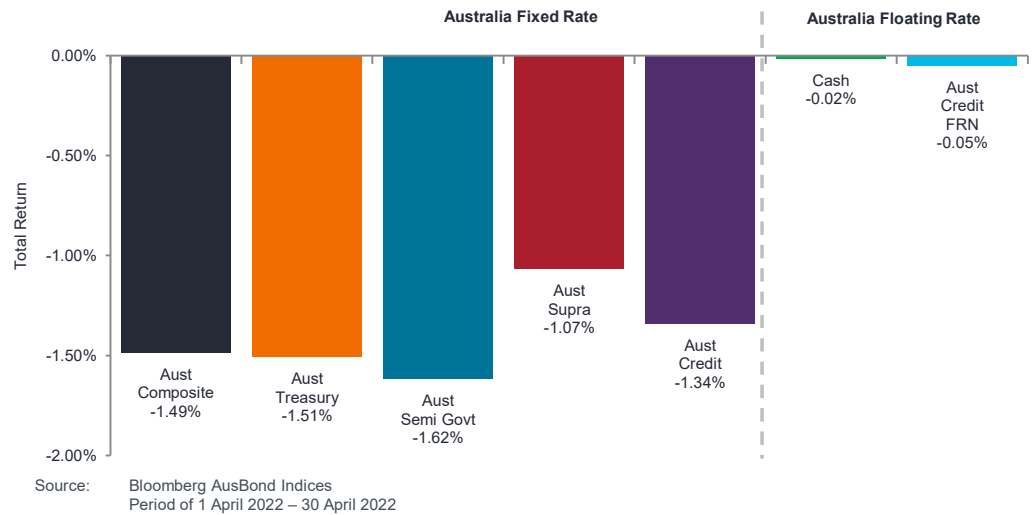
Market review

- Offshore and domestic yields continued to rise, reflecting inflation pressures and expectations for a more aggressive and front-end loaded central bank tightening cycle.
- Risk sentiment continued to be impacted by the prospect of aggressively tightening financial conditions to tackle elevated inflation, with consequent negative implications for medium-term growth. Equity and credit markets were softer, while inflation expectations edged upwards.
- Higher yields across the curve meant that the Australian bond market, as measured by the Bloomberg AusBond Composite 0+ Yr Index fell 1.49%.
- The key economic release was the March quarter Consumer Price Index (CPI). A much higher than expected 2.1% quarterly rise in the headline rate.
- Market pricing for RBA rate rises remains aggressive, with futures markets pricing in a 2.50% cash rate by December and 3.25% by mid-2023.

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(continued)

Our base case has the cash rate lifting to 0.25% and the RBA signalling that it will allow maturing bonds to roll off its balance sheet on maturity.



Market outlook

- Three consecutively higher core inflation readings provide the RBA with the smoking gun needed for a May lift-off in the cash rate. Our base case has the cash rate lifting to 0.25% and the RBA signalling that it will allow maturing bonds to roll off its balance sheet on maturity.
- Market pricing remains aggressive, and such a lift would take monetary conditions from accommodative to restrictive and runs the risk of creating financial instability via falling asset prices and outright recession.
- We view a more moderate tightening cycle, which has the cash rate at 1% at the end of this year and 2% at the end of 2023. This gives the RBA the best chance to meet its full employment, welfare and inflation objectives.

For in-depth economic analysis and the Australian Fixed Interest Team's outlook, visit go.janushenderson.com/Viewpoint-May22

Investment strategy

Interest rates:

At month end levels, we still see value at the shorter end of the yield curve. Likewise, we see 10-year government bond yields at month end levels of 3.13% as beginning to offer value, providing investors with term premia at a time of heightened inflation risk.

Sector allocation:

Inflation-linked bonds: We hold onto our inflation protection strategies, especially as the Russian invasion elevates oil prices and exacerbates supply chain pressures. Furthermore, there remains the tail risk that the RBA allows the labour market to overheat and lead to an upward wage/price spiral.

Semi-government bonds: We remain attracted to semi-government securities, particularly those issued by NSW, as market pricing has adjusted to the removal of formal quantitative easing from the RBA. We hold a positive longer-term macro outlook for the state and the strong fiscal position of the NSW government. These are AA+ rated liquid government securities.

Investment grade credit: Recent spread widening has allowed us to access high quality names at attractive levels. We are very selective, targeting high grade credit. We have also added back in CDS protection as we remain cautious on overall credit beta as macro policy settings transition from accommodative to more neutral levels.

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(continued)

From an ESG perspective, we continue to engage with intermediaries and issuers on growing Australia's positive impact bond market.

Our investment focuses are:

- A 'normalising' in cash rates around the globe lifting risk-free yields;
- Navigating bond markets, adding duration when yields overshoot to the upside and taking profit when yields retreat;
- Inflation protection when it's cheap;
- Targeted income bid (spread sectors, including credit), but wary of the policy support tide going out;
- Using credit protection for left field events and policy mistakes;
- Investing with a cautious mindset – managing ESG/stranded asset risk and deploying capital to positive impact opportunities;
- Aiming to fully participate in the cyclical growth uplift;
- Remaining active and able to pivot should a derailment to the recovery unfold;
- Aiming to 'lock in' attractive yields for investors.

Environmental, Social and Governance (ESG)

From an ESG perspective, we continue to engage with intermediaries and issuers on growing Australia's positive impact bond market. We seek to participate where valuations make sense.

Important information

A Product Disclosure Statement and Additional Information Guide for the Fund dated 30 September 2021 is available at www.janushenderson.com/australia.

Past performance is not a reliable indicator of future performance. Performance source: Morningstar, Janus Henderson. Performance figures are calculated using the exit price net of fees and assume distributions are reinvested. The Gross performance methodology was updated at the end of March 2020 to reflect the Gross return to be Gross of Management costs and Sell Spread. Due to rounding the figures in the holdings, breakdowns may not add up to 100%. The information in this monthly report was prepared by Janus Henderson Investors (Australia) Funds Management Limited ABN 43 164 177 244, AFS Licence 444268 and should not be considered a recommendation to purchase, sell or hold any particular security. Securities and sectors mentioned in this monthly report are presented to illustrate companies and sectors in which the Fund has invested. Holdings are subject to change daily. This monthly report contains general information only and does not take account of your individual objectives, financial situation or needs. 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. None of Janus Henderson Investors (Australia) Funds Management Limited nor any of the Janus Henderson group entities nor their respective related bodies corporate, associates, affiliates, officers, employees, agents or any other person are, to the extent permitted by law, responsible for any loss or damage suffered as a result of any reliance by any reader or prospective investor. You should consider the current PDS, available at www.janushenderson.com/australia, before making a decision about the Fund. Target Market Determinations for funds issued by Janus Henderson are available here: www.janushenderson.com/TMD. Dollar figures shown are in Australian Dollars (AUD), unless otherwise stated.