

AUSTRALIAN FIXED INTEREST FUND

As at March 2023

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

\$788.5 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

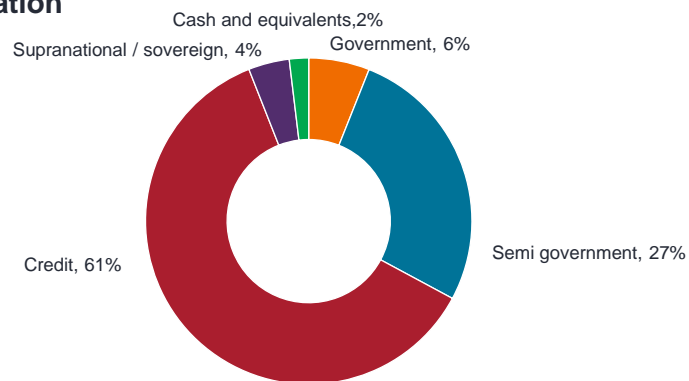
Performance	1 month (%)	3 months (%)	6 months (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	10 years (% p.a.)	Since inception (% p.a.)
Fund (gross)	2.90	5.21	5.98	0.40	-1.44	1.69	3.24	6.55
Fund (net)	2.86	5.10	5.74	-0.05	-1.75	1.21	2.75	5.99
Benchmark	3.16	4.60	4.99	0.35	-2.37	1.27	2.78	5.81
Excess return*	-0.30	0.50	0.75	-0.40	0.62	-0.06	-0.03	0.18

*Excess return is measured against net performance.

Gross return is gross of management costs and sell spread.

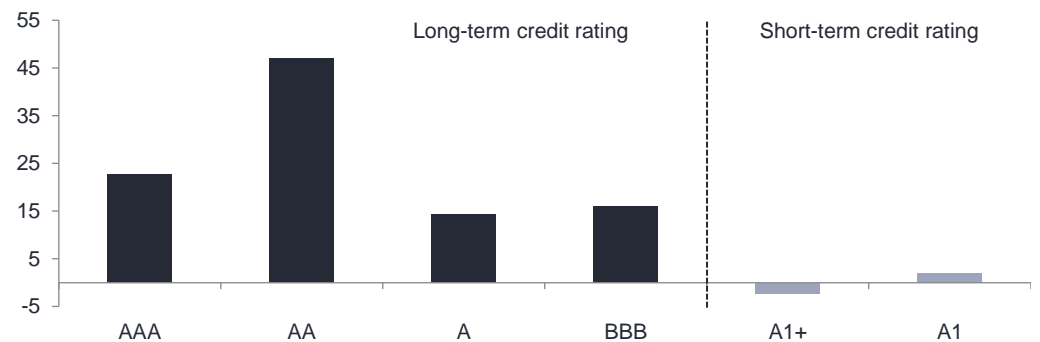
Past performance is not a reliable indicator of future performance.

Sector allocation



Rounding accounts for small +/- from 100%.

Credit rating distribution (%)



Portfolio characteristics

Estimated Weighted Average Yield to Maturity (EWAYTM) ¹	4.38
Benchmark EWAYTM	3.52
Running Yield	3.49
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	5.24
Benchmark	5.16
Active Position	0.08

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)



Head of Australian Fixed Interest
Jay Sivapalan

Fund performance

The Janus Henderson Australian Fixed Interest Fund (Fund) returned 2.86% (net), 2.90% (gross). The Fund underperformed the Bloomberg AusBond Composite 0+ Yr Index (Benchmark) by -0.30% (net) in March, which returned by 3.16% on the month.

Bond yields fell dramatically, which contributed strongly to the performance of long duration positioned portfolios.

Spreads on semi-government bonds tracked wider versus Treasuries, contributing negatively to performance on a relative basis.

Credit spreads weakened over the month, which was a detractor to performance. Generous coupon income helped to preserve capital in what was a challenging month for physical credit. Floating rate credit outperformed fixed rate as investors shifted out of fixed rate bonds and into floating rate notes following the rally in bond yields. Fixed rate bank and corporate credit, including Tier 2 debt, underperformed government bond equivalents.

March was a strong month for performance, given the significant fall in bond yields. However, the Fund underperformed on a relative basis, opting for a neutral to slightly short duration versus the Benchmark. The Fund's overweight to credit was also a detractor versus the Benchmark given the weakness in credit spreads.

The Fund has a strong yield advantage versus the Benchmark, which could contribute to relative outperformance in 2023.

Market review

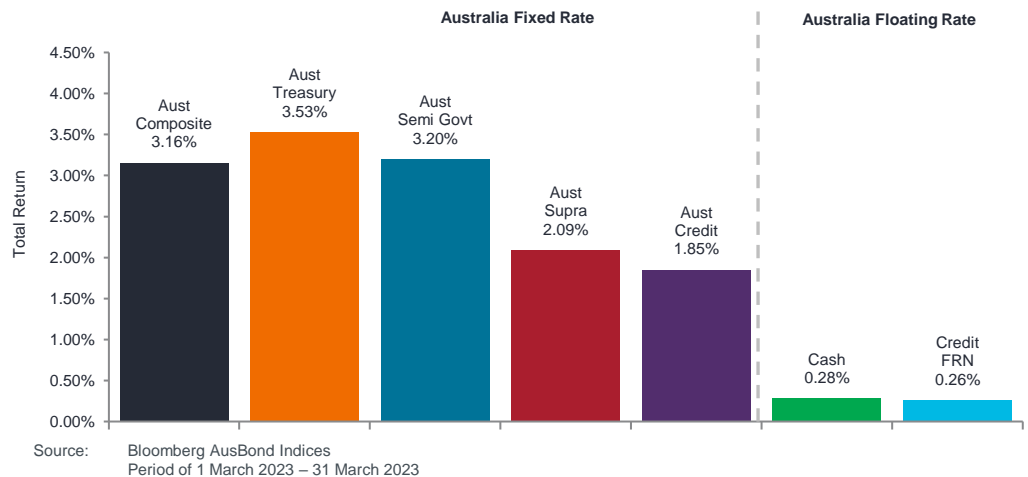
Volatility flared again, with a rapidly evolving offshore banking crisis eliciting policy support and a fall in shorter-term and longer-end yields. Three- and 10-year government bond yields ended the month 66 basis points (bps) and 55bps lower at 2.94% and 3.30%. The Australian bond market, as measured by the Bloomberg AusBond Composite 0+ Yr Index, had a very strong month, gaining 3.16%. Credit markets were also gripped by the banking crisis in the US which spread rapidly to Europe, causing credit spreads on physical bonds to move wider. Coupon income cushioned performance on floating rate bonds, while duration supported returns from fixed rate credit. The Australian fixed and floating credit indices returned +1.85% and +0.26%, respectively.

The Reserve Bank of Australia (RBA) lifted the cash rate by another 0.25% to 3.60% in early March. While maintaining that further tightening was likely, the tone of the RBA's commentary was less hawkish than February's communications. Further to this, short-term money markets remained volatile as offshore banking sector developments led markets to shift from pricing in further monetary tightening to pricing in a 3.60% cash rate peak for this cycle, with a high chance of a 0.25% cut in the cash rate by year's end. Three-month bank bill yields ended 15bps higher at 3.72%, a little over the prevailing cash rate. Six-month bank bill yields picked up the change in monetary policy expectations, ending 14.5bps lower at 3.79%.

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(continued)

With banking sector sentiment still skittish, we suspect the RBA will be inclined to take the pragmatic path and leave monetary settings unchanged in April.



Market outlook and investment strategy

With banking sector sentiment still skittish, we suspect the RBA will be inclined to take the pragmatic path and leave monetary settings unchanged in April. We look for the RBA to lift the cash rate by 0.25% in May to 3.85%, using March quarter CPI data as a smoking gun.

Our sense is that market pricing of a 3.60% peak in the cash rate is too low and pricing of an easing cycle starting late this year/early next year is too early.

Current market pricing is more consistent with a developing recession that crunches inflation and allows the RBA to ease sooner.

Strategically, we remain on the lookout for opportunities to add duration on spikes in yields on central bank signalling and data flows, as we enter the later stages of the economic cycle. However, tactically we remain cautious with the current level of monetary policy easing already priced in.

As the cumulative impact of tighter financial conditions continues to grip and the cycle ages, our focus in the credit space is towards defensiveness, with a keen focus on risk-adjusted returns. Our strong bias is towards high-quality, liquid credit and non-cyclical issuers (backed by hard assets) that can survive and thrive through a range of macro-economic scenarios. As we navigate the latter stages of the business cycle, we believe it is better to take bigger risks in safer segments than many smaller risks in lower quality credit sectors/issuers blindly pursuing yield. By adopting a patient and disciplined approach to extending risk and reserving ample investment capacity, we believe we will be well placed to take advantage of any further market dislocations.

For in-depth economic analysis and the Australian Fixed Interest Team's outlook, visit go.janushenderson.com/Viewpoint-Apr23

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Volatile credit markets meant that domestically, primary market issuance was effectively shut for the month.

Environmental, Social and Governance (ESG)

Volatile credit markets meant that domestically, primary market issuance was effectively shut for the month. This included limited Green, Social and Sustainable issuance.

Important information

A Product Disclosure Statement and Additional Information Guide for the Fund dated 30 September 2022 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.