

AUSTRALIAN FIXED INTEREST FUND

As at May 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

\$793.5 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

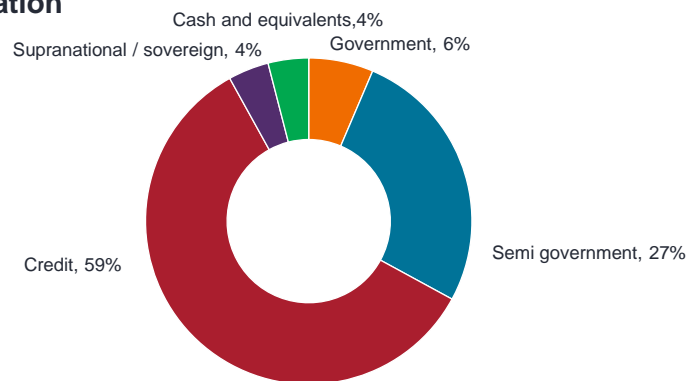
ASX mFund

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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)	-1.15	2.09	2.45	2.75	-2.05	1.44	2.98	6.48
Fund (net)	-1.20	1.96	2.21	2.29	-2.48	0.96	2.49	5.92
Benchmark	-1.21	2.11	1.40	1.73	-2.77	1.00	2.52	5.74
Excess return*	0.01	-0.15	0.81	0.56	0.29	-0.04	-0.03	0.18

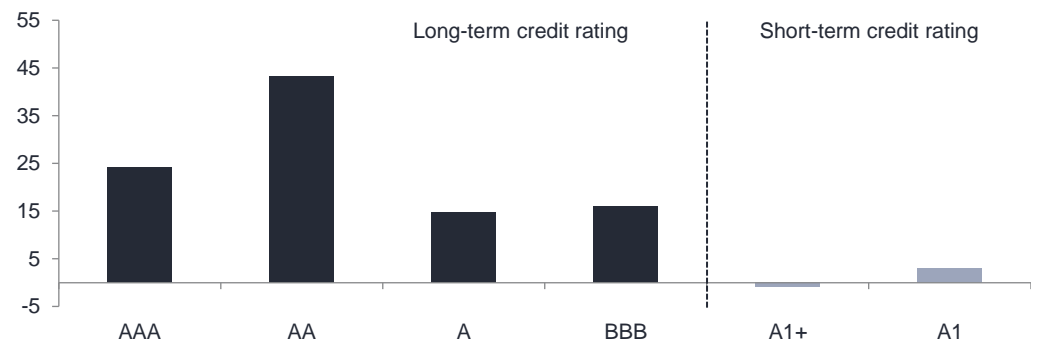
*Excess return is measured against net performance.
Gross return is gross of management costs and sell spread.
Past performance is not a reliable indicator of future performance.

Sector allocation



Rounding accounts for small +/- from 100%.

Credit rating distribution (%)



Portfolio characteristics

Estimated Weighted Average Yield to Maturity (EWAYTM) ¹	4.53
Benchmark EWAYTM	3.87
Running Yield	3.77
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	5.40
Benchmark	5.24
Active Position	0.16

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 -1.20% (net) and -1.15% (gross). The Fund outperformed the Bloomberg AusBond Composite 0+ Yr Index (Benchmark) by 0.01% (net) in May, which returned -1.21% on the month. The Fund continues its outperformance, beating the Benchmark over the longer term including by 0.56% (net) over the year, and 0.18% (net) since inception per annum.

Rising yields were a headwind for interest rate duration during the month, generating negative capital returns for longer duration bonds despite higher levels of income returns in 2023.

Throughout the month we continued to favour overweight positions in semi government bonds, mostly via New South Wales. This position was increased opportunistically during March volatility when spreads became more elevated. Spreads have rallied about 15bps since then and during May we reduced overweights prior to the Victorian government budget announcement, taking profit and contributing positively to performance. Swap linked positions also outperformed government bond yields and overweight positioning added alpha as spreads continued to tighten.

Overweight credit allocations were a positive contributor, benefiting during the month mainly from additional income and constructive spread movements.

The Fund's neutral Benchmark duration position resulted in a market beta drawdown in terms of performance which was in-line with the Benchmark return. The Fund has also been active in de-risking into the rally, taking profit on credit and semi government positions and adding some credit protection at cheapened levels.

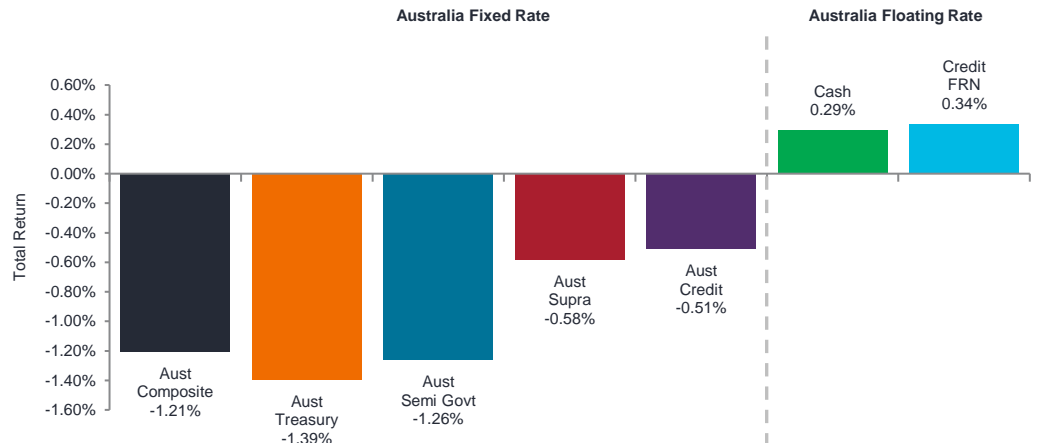
Market review

Bond yields lifted across the month as growing concerns over the US debt ceiling negotiations came up against inconsistent signals from the local and global economy. Markets were leaning towards the more positive data sets, inflation concerns, and downplaying signs of policy gripping. This drove a rise in volatility, and a re-pricing of higher terminal cash rates. Short and longer dated government bond yields rose sharply after last month's modest moves. Against this backdrop, the Australian bond market, as measured by the Bloomberg AusBond Composite 0+ Yr Index, fell 1.20%. The Australian fixed and floating credit indices returned -0.51% and +0.34% respectively.

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(continued)

After the rally in financials spreads this year, we looked to lock in profits and rebuild liquidity positions.



Source: Bloomberg AusBond Indices
Period of 1 May 2023 – 31 May 2023

Market Outlook and Investment Strategy

As we approach the end of the RBA's extraordinary tightening cycle, the immediate path is often murky. The economic data tends to be inconsistent, as the famous long and variable lags tend to grip some sectors sooner than others. This drives market volatility, amid policy uncertainty. As the news starts to come in consistently, that enables markets to price the next, downward, phase.

We see the RBA raising the cash rate twice more, to a peak of 4.60%. The RBA raised the stakes at their June meeting, with a rise in emphasis on the risks from higher wages and low productivity on inflation. They acknowledge the pressures on households but have warned of the risks to the whole economy if inflation does not moderate to target as expected. We have a modest tilt to further tightening by the RBA, which is contingent on a more resilient economy than expected.

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 issuers that can survive and thrive through a range of macro-economic scenarios. After the rally in financials spreads this year, we looked to lock in profits and rebuild liquidity positions. By adopting a patient and disciplined approach to extending risk and reserving ample investment capacity, 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-Jun23

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The Australian Office of Financial Management (AOFM), the funding arm of the federal government, will launch the nation's first sovereign green bond in 2024.

Environmental, Social and Governance (ESG)

May brought with it a green bond deal roadshow from the Western Australian government, a sustainability bond from Australia Post and confirmation that the Australian Office of Financial Management (AOFM), the funding arm of the federal government, will launch the nation's first sovereign green bond in 2024.

Important information

The Product Disclosure Statement for the Fund, dated 30 September 2022, and the Additional Information Guide, dated 30 May 2023, are 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.