

# AUSTRALIAN FIXED INTEREST FUND

## As at September 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<sup>^</sup>

31 August 1994

### Fund size

\$816.7 million

### Minimum investment

\$25,000

### Management cost (%)

0.45 p.a.

### Buy/sell spread (%)

0.00/0.08<sup>^^</sup>

### Distribution frequency

(if any)  
Quarterly

### ARSN code

087 719 739

### APIR code

IOF0046AU

### ASX mFund

JHI05

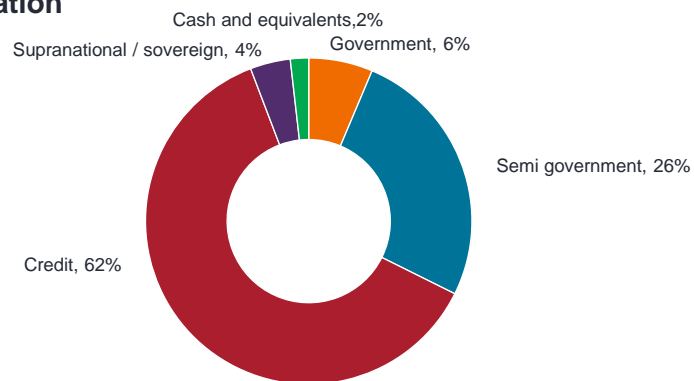
Performance	1 month (%)	3 months (%)	6 months (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	10 years (% p.a.)	Since inception (% p.a.)
Fund (gross)	-1.83	-0.14	-2.75	3.06	-3.55	0.82	2.71	6.33
Fund (net)	-1.86	-0.25	-2.98	2.60	-3.98	0.34	2.23	5.77
Benchmark	-1.53	-0.28	-3.22	1.61	-3.93	0.34	2.29	5.59
Excess return*	-0.33	0.03	0.24	0.99	-0.05	0.00	-0.06	0.18

\*Excess return is measured against net performance.

Gross return is gross of management costs and sell spread.

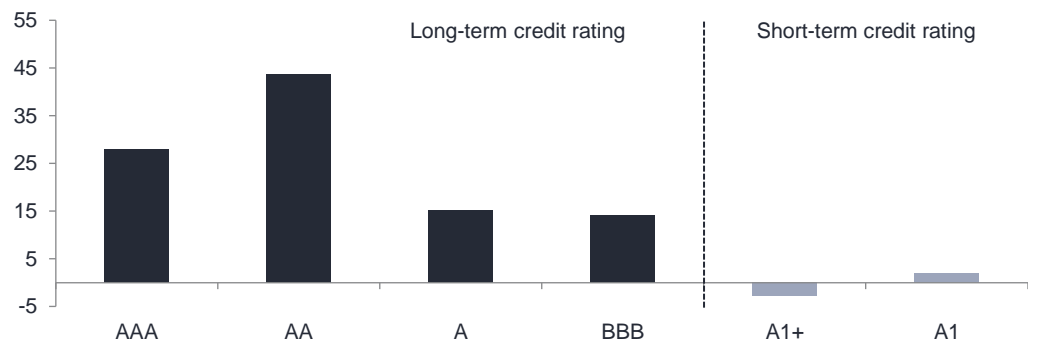
Past performance is not a reliable indicator of future performance.

### Sector allocation



Rounding accounts for small +/- from 100%.

### Credit rating distribution (%)



### Portfolio characteristics

Estimated Weighted Average Yield to Maturity (EWAYTM) <sup>1</sup>	5.10
Benchmark EWAYTM	4.53
Running Yield	3.83
Weighted Average Credit Quality	AA+

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

Modified duration	Years
Fund	5.82
Benchmark	4.98
Active Position	0.84

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

<sup>^</sup> Fund inception for performance reporting purposes is at end of month, whereby the actual fund inception date may be earlier in the month.

<sup>^^</sup> For more information and most up to date buy/sell spread information visit

[www.janushenderson.com/en-au/investor/buy-sell-spreads](http://www.janushenderson.com/en-au/investor/buy-sell-spreads)

# AUSTRALIAN FIXED INTEREST FUND

(continued)



**Head of Australian Fixed Interest**  
Jay Sivapalan

## Fund performance

The Janus Henderson Australian Fixed Interest Fund (Fund) returned -1.86% (net) and -1.83% (gross). The Fund underperformed the Bloomberg AusBond Composite 0+ Yr Index (Benchmark) by -0.33% (net) in September, which returned -1.53% over the month. The Fund continues its outperformance, beating the Benchmark over the longer term including by 0.99% (net) over the year, and 0.18% (net) since inception per annum.

Despite higher levels of income, yields rose over the month resulting in negative capital returns for longer duration bonds. We remained disciplined with adding duration throughout the month and whilst valuations are becoming attractive, we are continuing to look for better entry levels to increase conviction and active portfolio overweights.

We favour overweight positioning in semi government bonds versus government yields, mostly via New South Wales, which contributed positively as semi yields outperformed by 8bps. Active overweights in swap versus bond yields has continued its positive contribution to excess returns as spreads continue to rally to below long term averages. We are electing to take this as an opportunity to take profit and further reduce our overweight exposures.

Australian credit performed positively in September, buoyed by the embedded elevated yields while spreads were broadly unchanged. We remain cautious and selective on credit, buying in the industries we like such as inflation protected industries, senior bank paper, and high quality well collateralised Asset Backed Security (ABS) structures.

The Fund underperformed versus the Benchmark during a weak month for bonds. Despite this, the Fund has significantly outperformed in the last 12 months.

A cautious overweight duration position was a negative contributor as yields rose. During September we remained patient and left duration unchanged while we await more extreme yield overshoots as an opportunity to move further overweight.

The Fund is overweight to credit versus the Benchmark, benefitting from higher levels of income. It has maintained its level of credit protection (via credit default swaps), allowing for capacity to add again into any credit weakness.

## Market review

Bond market volatility continued, with the August price gains reversing in September and the sell-off extended late in the month. The Reserve Bank of Australia (RBA) remain uncertain, and continued their cautious pause, at 4.10%, at their September meeting. Three-year government bond yields ended the month 34 basis points (bps) higher at 4.08%, while 10-year government bond yields were 46bps higher at 4.49%.

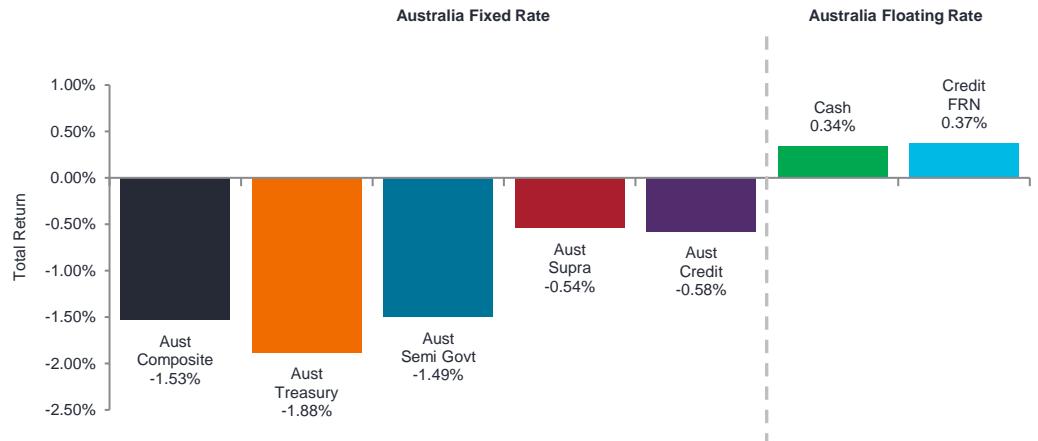
Against this backdrop, the Australian bond market, as measured by the Bloomberg AusBond Composite 0+ Yr Index, fell -1.53%.

Global credit markets were downbeat as investors returned from the northern hemisphere summer break and contemplated a murky forward macro outlook. Sentiment was further weakened by a sharp rise in bond yields towards quarter end. Soft-landing probabilities were re-assessed and an increasingly credible scenario of weaker growth alongside a higher-for-longer rate environment to combat sticky inflation was contemplated (i.e. Stagflation), with negative implications for risk assets more broadly. The Australian iTraxx Index ended 3bps wider (roll adjusted) at 88bps, while the Australian fixed and floating credit indices returned -0.58% and +0.37% respectively.

# AUSTRALIAN FIXED INTEREST FUND

(continued)

We currently see market pricing of one hike and easing in 2025 as underestimating the economic headwinds in 2024.



Source: Bloomberg AusBond Indices  
Period of 1 September 2023 – 30 September 2023

## Market Outlook and Investment Strategy

The RBA are now monitoring the balance between the slowing household sector, the strong labour market, and high wages growth. We remain in the midst of the peaking of the economy but believe that policy will continue to grip and slow economic growth, with a shallow recession starting early next year not off the table. The RBA are closely monitoring the rise in oil prices as well as global economic slowing as risks to the outlook.

We currently see market pricing of one hike and easing in 2025 as underestimating the economic headwinds in 2024. We currently see the Australian yield curve as under-valued at points in the curve. We remain on the lookout for tactical opportunities to add further duration on spikes in yields triggered by central bank signalling and data flows.

Our credit strategy remains skewed towards high-quality, investment grade issuers with resilient business models, solid earnings power and conservative balance sheets. We have been actively and selectively taking advantage of the attractive yields on offer in highly rated corporate bonds and structured credit.

We continue to identify pockets of opportunity where perceived risks have been overly discounted into the valuations of what would traditionally be considered stable and sustainable credits. We have begun to access such opportunities where a strong case can be made for capital gains over-and-above already attractive cash yields, setting up for outstanding risk adjusted returns for patient investors with a medium term investment horizon.

For in-depth economic analysis and the Australian Fixed Interest Team's outlook, visit [go.janushenderson.com/Viewpoint-Oct23](https://go.janushenderson.com/Viewpoint-Oct23)

For further insights on our duration view please visit: <https://go.janushenderson.com/bond-markets-much-ado-about-duration-monthly-reports>

# AUSTRALIAN FIXED INTEREST FUND

(continued)

Janus Henderson  
INVESTORS

In offshore markets, despite global green bond issuance remaining healthy at over \$400 billion this year, the 'greenium' appears to be narrowing.

## Environmental, Social and Governance (ESG)

The domestic green, social, and sustainability bond market was relatively inactive in September with only a handful of smaller deals coming to market, while over the pond, Auckland Council and Transpower NZ both issued green bonds in New Zealand Dollars.

In offshore markets, despite global green bond issuance remaining healthy at over \$400 billion this year, the 'greenium' appears to be narrowing. A greenium refers to the discount in borrowing costs that a company receives from issuing a green labelled bond relative to their normal funding curve.

## Important information

The Product Disclosure Statement for the Fund, dated 29 September 2023, and the Additional Information Guide, dated 29 September 2023, are available at [www.janushenderson.com/australia](http://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](http://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](http://www.janushenderson.com/TMD). Dollar figures shown are in Australian Dollars (AUD), unless otherwise stated.