

CASH FUND - INSTITUTIONAL

As at October 2020

Fund objective

The Fund seeks to achieve a total return after fees that exceed the total return of the Benchmark, over rolling annual periods.

Investment approach

The Fund is an actively managed portfolio of high quality short term securities that seek to provide investors with low risk exposure to secure cash investments and returns that closely track the prevailing level of short-term interest rates. The manager seeks to add value using a combination of interest rate and yield enhancement strategies.

Benchmark

Bloomberg AusBond Bank Bill Index

Risk profile

Low

Suggested timeframe

1 year

Inception date

31 July 2008

Fund size

\$1.7 billion

Minimum investment

\$100,000

Management cost (%)

0.15 p.a.

Buy/sell spread (%)

0.00/0.00

Distribution frequency

Monthly

ARSN code

127 731 006

APIR code

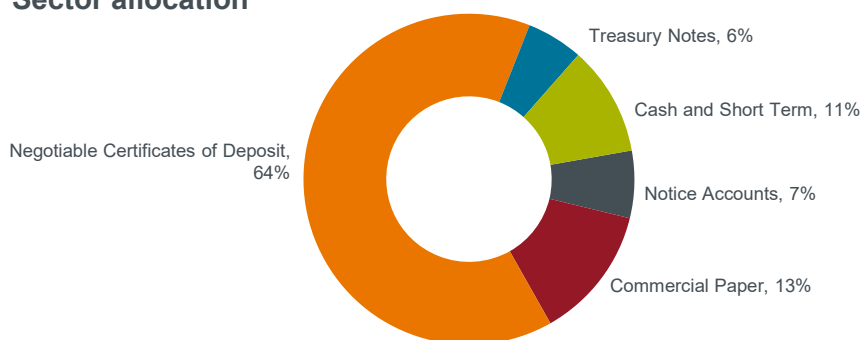
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Performance	1 month (%)	3 months (%)	6 months (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	10 years (% p.a.)	Since inception (% p.a.)
Fund (gross)	0.02	0.06	0.10	0.63	1.58	1.84	2.82	3.21
Fund (net)	0.01	0.02	0.03	0.48	1.39	1.64	2.60	3.00
Benchmark	0.01	0.03	0.05	0.51	1.35	1.59	2.52	2.90
Excess return*	0.00	-0.01	-0.02	-0.03	0.04	0.05	0.08	0.10

*Excess return is measured against net performance.

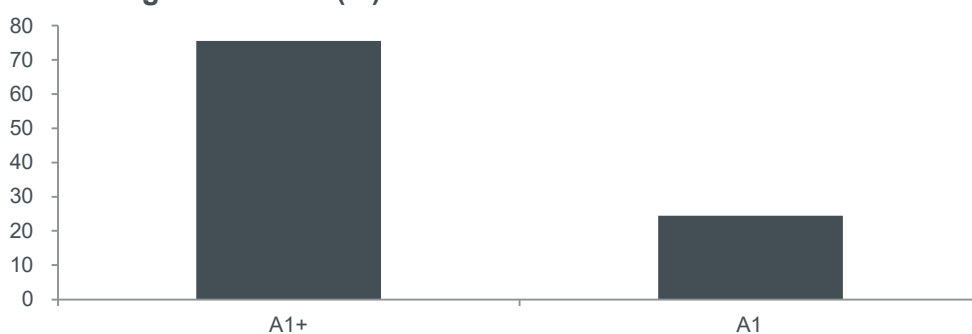
Past performance is not a reliable indicator of future performance.

Sector allocation



Rounding accounts for small +/- from 100%.

Credit rating distribution (%)



Portfolio characteristics

Estimated Weighted Average Yield to Maturity (EWAYTM) ¹	0.14
Benchmark EWAYTM	0.08

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

Modified duration	Years
Fund	0.16
Benchmark	0.12
Active Position	0.04

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**Head of Australian
Fixed Interest**
Jay Sivapalan

Fund performance

In money markets, rates eased over the month of October as expectations lifted for an imminent cut to the official cash rate. Through the month, the Reserve Bank of Australia's (RBA) signalled to the market a range of further monetary policy actions that the Board was considering in order to support the economy. The range of central bank measures included cutting the official cash rate by 15 basis points (bps) to 10bps and reducing the rate earned by banks on deposits at the RBA (i.e. Exchange Settlement balance) from 10bps to a range from 5bps to zero. As a result, the three-month bank bill swap rate (BBSW3M) ended the month 3bps lower at 6bps and the six-month bank bill rate ended 5.5bps lower at 6.5bps.

The Janus Henderson Cash Fund - Institutional (Fund) returned 0.02% (gross) and 0.01% (net), inline with the Bloomberg AusBond Bank Bill Index (Benchmark) which returned 0.01% for the month. The Fund's sector allocation was accretive to performance. Interest rate strategies did not detract or add to the Fund's relative performance as money market yields were steady over the month.

We continue to maintain a cautious investment strategy with a focus on liquidity in the Fund to provide all clients liquidity to manoeuvre if necessary, during a period of heightened uncertainty. As part of our sector allocation strategy to balance utmost liquidity while providing enhanced performance, we favoured allocation to Commonwealth Government Treasury Notes which yield a margin above bank bills for less than six month tenors, while selectively investing in commercial paper as margins over bank bills are attractive even for high quality issuers.

Market review

Fiscal and prospective conventional and unconventional monetary easing helped buffer Australian asset markets from rising volatility caused by a COVID-19 resurgence in the Northern hemisphere and upcoming US election. The Australian equity market outperformed offshore markets, credit spreads continued to narrow and there was a modest lift in inflation expectations. Whilst Australian money market and short term government bond yields ended lower as expectations for a near-term easing in monetary conditions firmed.

The brightest economic news was the gradual release of the Victorian economy from severe lockdown measures, which had been a drag on national growth. Retail sales fell by 4% in August, while employment dropped by 29,500 in September and the unemployment rate edged up to 6.9%.

There were also signs of policy support working with business conditions and confidence improving in the September NAB Business Survey. The Budget appears to have been well received, with consumer confidence bouncing strongly in October. There was also a lift in prices, with the unwinding of childcare support and working from home-related spending pushing the Consumer Price Index up 1.6% over the September quarter and lifting the yearly rate to 0.7%. Core inflation remained subdued, with the average of the RBA statistical measures lifting by 0.4% over the quarter for a 1.2% yearly rate.

Money market rates moved to factor in an imminent easing in monetary conditions. Three-month bank bills ended the month 3bps lower at 6bps, while six-month bank bills ended 5.5bps lower at 6.5bps. The December 30-day cash futures contract fell from 8bps to 4.5bps, with markets factoring in a 3bps cash rate at the end of 2021.

Yields at the shorter end of the Australian government yield curve rallied following a seminal mid-month speech by the RBA Governor in which the RBA updated its reaction function to include a greater emphasis on full employment and shift from targeting expected inflation to actual inflation. The three-year government bond yield ended the month 4bps lower at 0.12%.

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Market outlook

Australian policy remains highly accommodative, with the October Federal Budget pivoting fiscal policy from playing a 'support' role to a 'rebuilding' role. The widening in the budget deficit to \$213.7bn or 11% of GDP in 2020-21 provides a strong positive fiscal pulse at a time when the economy needs help in recovering from the damage caused by the COVID-19 lockdown measures.

While the RBA held off moving in October to allow fiscal policy to take centre stage, we see a slightly better than expected inflation outcome, the RBA calling a positive quarter of growth in Q3 and the opening up of the Victorian economy, as no barrier to a November easing.

Easing is most likely to take the form of a cut in the cash rate, three-year government bond yield target and TFF rate by 15bps from 0.25% to 0.10%. Negative rates remain highly unlikely and we believe the door remains wide open to the RBA extending its Quantitative Easing (QE) program to include a Large-Scale Asset Purchase Program (LSAP) targeting government and semi-government bonds in the five- to 10-year part of the yield curve.

Greater use of its balance sheet would help it meet its revised reaction function, where the RBA placed a stronger emphasis on reaching full employment and targeting actual, rather than expected inflation. A LSAP targeting the five- to 10-year part of the curve would help support jobs growth by lowering the term structure and economy-wide borrowing rates at a time when Federal and State governments are borrowing heavily.

We still regard cyclical and structural factors as pointing to many years of ultra-low cash rates and remain attracted to duration while the yield curve is positively sloped. We see periods of excessive curve steepening as opportunities.

Despite ever-present solvency risks, we expect spread sectors to be shored up by the outlook for an extended period of low yields on money market and government securities, unprecedented levels of central bank support for both sovereign and non-sovereign debt markets and investor demand for income.

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Investment strategy

The following is a summary of the key strategies in the Fund:

Interest rates:

Neutral duration: With BBSW rates at relatively low levels as future RBA cash rate cuts are fully priced in, yields on longer-dated money market securities are relatively unattractive. Given this, we are comfortable allowing the Fund's duration to remain in line with the Benchmark.

Sector allocation:

Non-major banks: Non-major banks pay a premium above major banks to compete for funding. The Fund has allocated a prudent proportion to this sector in order for investors to enjoy slightly higher yields. However over October, the Fund maintained limited exposure outside of the major banks to ensure good liquidity and extra security in a highly volatile environment.

Term deposits and notice accounts: Banks continue to pay a reasonable premium to take deposit funding in the form of term deposits and notice accounts. Whilst we remain invested in these higher yielding investments, it is much lower than what we would ordinarily invest, as we acknowledge our clients may have a heightened level of liquidity needs.

Important information

A new Product Disclosure Statement and Additional Information Guide for the Fund dated 30 September 2020 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. 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. Dollar figures shown are in Australian Dollars (AUD), unless otherwise stated.