

CASH FUND – INSTITUTIONAL

As at October 2021

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

Very Low

Suggested timeframe

1 year

Inception date

31 July 2008

Fund size

\$668.4 million

Minimum investment

\$100,000

Management cost (%)

0.10 p.a.

Buy/sell spread (%)

0.00/0.00

Distribution frequency (if any)

Monthly

ARSN code

127 731 006

APIR code

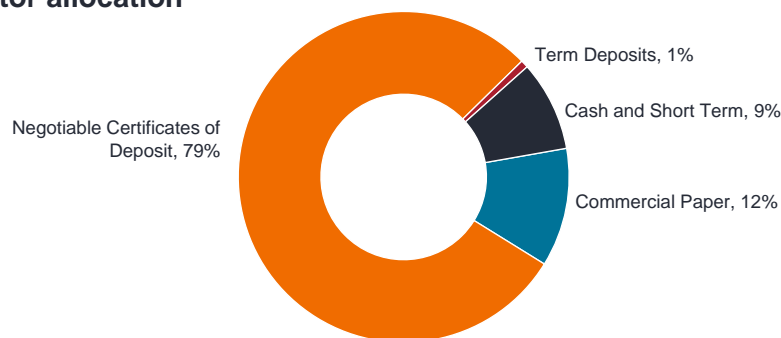
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Performance	1 month (%)	3 months (%)	6 months (%)	1 year (%)	3 years (%p.a.)	5 years (%p.a.)	10 years (%p.a.)	Since inception (%p.a.)
Fund (gross)	-0.01	0.01	0.04	0.11	0.89	1.38	2.30	2.97
Fund (net)	-0.02	-0.02	-0.02	-0.03	0.74	1.19	2.09	2.76
Benchmark	0.00	0.00	0.01	0.03	0.73	1.17	2.02	2.68
Excess return*	-0.02	-0.02	-0.03	-0.06	0.01	0.02	0.07	0.08

*Excess return is measured against net performance.

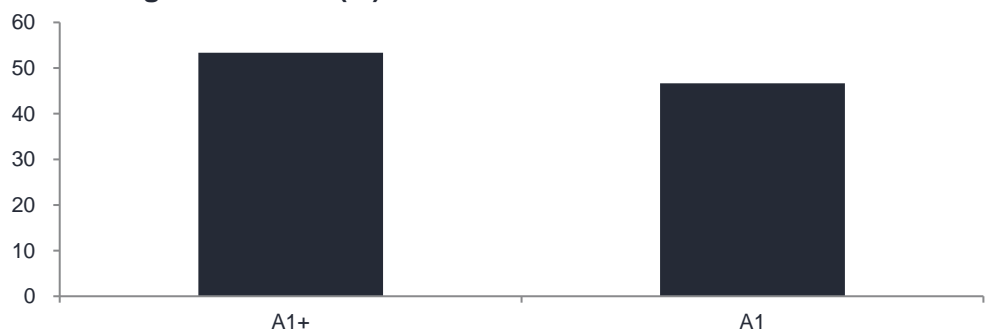
Past performance is not a reliable indicator of future performance.

Sector allocation



Rounding accounts for small +/- from 100%.

Credit rating distribution (%)



Portfolio characteristics

Estimated Weighted Average Yield to Maturity (EWAYTM) ¹	0.10
Benchmark EWAYTM	0.05
Running yield	0.10
Weighted Average Credit Quality	AAA

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

Modified duration	Years
Fund	0.13
Benchmark	0.12
Active Position	0.01

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(continued)



**Head of Australian
Fixed Interest**
Jay Sivapalan

Fund performance

Money market yields rose during the month, as market expectations brought forward the Reserve Bank of Australia's (RBA) first cash rate hike to late 2022, following a strong CPI in the third quarter. The market also priced in a much more aggressive RBA rate hike cycle. This placed upward pressure on the premium investors required in order to lend to banks in money markets. As a result of this, the three-month bank bill swap rate (BBSW3M) ended the month 5 basis points (bps) higher at 0.07%, and the six-month bank bill rate ended 20bps higher at 0.20%.

The Janus Henderson Cash Fund – Institutional (Fund) returned -0.02% (gross) and -0.01% (net), underperforming the Bloomberg AusBond Bank Bill Index (Benchmark), which was flat.

The rise in yields was enough to outweigh the monthly income accrual and margin pickup earned from non-major banks and commercial paper. Given yields have now adjusted to higher levels, the Fund can now benefit from higher yields.

Market review

- The Australian bond market, as measured by the Bloomberg AusBond Composite 0+ Yr Index fell by 3.55% over October as 10-year and 30-year government bond yields ended 60bps and 41bps higher at 2.09% and 2.78%. Inflation expectations surged, with the 10-year breakeven inflation rate rising 18bps to 2.15%.
- Activity indicators point to a turnaround late in the September quarter. Labour markets have yet to turn, with jobs down a more than expected 138,000 over September. A sharp fall in the participation rate limited the rise in the unemployment rate to 4.6%. A slightly higher than expected core inflation reading saw the market shorten the timeframe to the start of the next tightening cycle.
- Corporate earnings for the most part were strong. Notwithstanding generally improving corporate fundamentals, inflation concerns buffeted global fixed interest markets. Local credit was not spared. Australian fixed and floating rate credit indices both ended the month 5bps wider, while the trend towards ESG themed issuance continued.

Market outlook

- The economy is only just turning the corner after a likely fall of around 3% in the September quarter. We expect growth to surge late this year and early next year as mainland South East Australia exits lockdowns and makes up for lost time, but should ease back towards trend levels quickly over 2023.
- Our view is that the tightening profile implied by the market risks triggering a major slowdown over 2023, making it difficult for the RBA to meet its tightening pre-conditions of an unemployment rate below 4% and wages growth above 3%. Premature tightening will make it harder for inflation to sustainably stay in the target band.
- We anticipate lift-off in the cash rate around a year later than current market pricing. We see value in a three-year government bond at month end levels of 1.22%. At the longer end, we also see value beginning to emerge with the 10-year government bond yield at 2.09% at the end of the month.
- Spread sectors are likely to remain well-supported, with corporate fundamentals continuing to benefit from the tailwinds of a cyclical recovery and accommodative policy settings, however we expect some normalisation in spreads and liquidity premia as unconventional policies are unwound. We continue to remain very active and selective in this environment.

For in-depth economic analysis and the Australian Fixed Interest Team's outlook, visit go.janushenderson.com/Viewpoint-Nov21

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Rising money market yields are providing an opportunity for the Fund to extend its duration.

Investment strategy

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

Interest rates:

Overweight duration – Rising money market yields are providing an opportunity for the Fund to extend its duration. With markets bringing forward the first RBA cash rate hike and an aggressive hiking cycle, we view this as a window to lock-in short term yields at attractive levels. If yields continue rising, we will seek to increase the duration of the Fund, in order to take advantage of the higher yields on offer.

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.

Commercial Paper – We favour a selective allocation to high quality commercial paper as the available yield premium is relatively attractive versus other money market instruments.

Term Deposit – The availability of institutional term deposits remains relatively limited as excess liquidity in funding markets continues to limit bank appetite for funding. With the ending of the Term Funding Facility offered by the RBA, we are expecting banks to return to the market for funding in coming months. When this happens, we are likely to take advantage accordingly as we recently did with the new green term deposit.

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. 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.