

CASH FUND – INSTITUTIONAL

As at November 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

\$653.7 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

IOF0141AU

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)	0.03	0.02	0.05	0.12	0.84	1.35	2.26	2.96
Fund (net)	0.02	0.00	0.00	-0.01	0.69	1.17	2.05	2.75
Benchmark	0.01	0.01	0.01	0.02	0.68	1.14	1.98	2.66
Excess return*	0.01	-0.01	-0.01	-0.03	0.01	0.03	0.07	0.09

*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	0.16
Benchmark EWAYTM	0.04
Running yield	0.17
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	0.37
Benchmark	0.13
Active Position	0.24

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**Head of Australian
Fixed Interest**
Jay Sivapalan

Fund performance

After a sharp rise in October, money market yields fell during the month of November as market expectations pushed back the Reserve Bank of Australia's (RBA) first cash rate hike. This followed dovish RBA minutes and a speech by Governor Philip Lowe during the month, stating that a rate hike in 2022 was 'extremely unlikely', whilst acknowledging that 'it is now plausible that a lift in the cash rate could be appropriate in 2023'. Further to this COVID-19 concerns also weighed on yields, as markets considered a potential delay to the reopening and activity by global central banks in light of the new Omicron strain. As a result of this, the three-month bank bill swap rate (BBSW3M) ended the month 2 basis points (bps) lower at 0.05%, and the six-month bank bill rate ended 6bps lower at 0.14%.

The Janus Henderson Cash Fund - Institutional (Fund) returned 0.02% (net) outperforming the Bloomberg AusBond Bank Bill Index (Benchmark) which returned 0.01% on the month.

The fall in yields was a positive contributor to the outperformance as the Fund had a slight overweight duration against the Benchmark. Other factors driving excess returns were the Fund's allocation to non-major banks and commercial paper issued by high quality corporates. These have been offering attractive margins over bank bill swap rates.

Market review

- Dovish commentary from the RBA and less hawkish than expected behaviour from offshore central banks was pegged against high inflation prints coming out of the US, Europe and Asia. Domestically, the reopening of the eastern states saw early-stage recovery underway with promising economic activity. Higher COVID-19 cases entering winter in the northern hemisphere resulted in lockdowns for the Netherlands, Slovakia and Austria and rising cases elsewhere in Europe and parts of Asia. These factors added volatility.
- The start of November saw the bond markets quickly retreat (from October's fall) and reprice as yields fell across the curve, while rates have continued to be buffeted around throughout the month. Yields took a further leg down as the threat of the new COVID-19 variant Omicron spooked markets towards the end of the month. In the final hours of trade for the month, the US Federal Reserve (Fed) chair stirred up markets further by commenting that bond purchases might be tapered earlier, and it was time to retire the word 'transitory' regarding inflation.
- The story of rising global inflation continued as economies open up. Commodity prices, shortages of key inputs and shipping disruptions, labour shortages and elevated energy prices have sustained inflation pressures.

Market outlook

- Our expectation for a fall in yields was realised over November. Even with the pullback, we see the three-year government bond yield at 0.90% at the time of writing as still offering some value given our view on the likely tightening profile by the RBA.
- The fall in 10-year government bond yields to 1.69% (at time of writing) is where we consider fair value and offers adequate compensation for term risk. Markets appear unsure of the next direction, as the current uncertainties from the COVID-19 situation tussles against global inflationary forces.
- Pockets of credit have begun widening from tight spread levels, and we expect some further softening as markets reconcile the ongoing threat of the pandemic while seeking greater liquidity premium as unconventional policies are being unwound.
- We continue to remain very active and selective in this environment, favouring relative value in sub-sectors set to benefit from reopening in Australia, whilst being cautious on overall credit beta, in preparation to access higher spreads should further volatility emerge.

For in-depth economic analysis and the Australian Fixed Interest Team's outlook, visit go.janushenderson.com/Viewpoint-Dec21

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The gradual rise in money market yields is creating opportunities 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 – The gradual rise in money market yields is creating opportunities for the Fund to extend its duration. With the market continuing to bring forward the first RBA cash rate hike and an aggressive hiking cycle, we will seek to be nimble and actively add duration 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 – We are observing early signs of banks returning to short term funding markets. Given the end of the Term Funding Facility offered by the RBA in June and the ongoing strong credit growth, banks' appetite for short term funding is increasing. Signs of competitive tensions are emerging in institutional term deposits as margins have started to increase. We will continue to monitor the situation and add to exposure once attractive margins are being offered.

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.