

CASH FUND – INSTITUTIONAL

As at December 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

\$651.9 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)	0.01	0.03	0.05	0.12	0.79	1.31	2.21	2.94
Fund (net)	0.00	0.00	0.00	-0.01	0.64	1.14	2.01	2.73
Benchmark	0.00	0.01	0.01	0.03	0.63	1.11	1.94	2.65
Excess return*	0.00	-0.01	-0.01	-0.04	0.01	0.03	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	0.17
Benchmark EWAYTM	0.05
Running yield	0.18
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	0.29
Benchmark	0.13
Active Position	0.16

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(continued)

Janus Henderson
INVESTORS



**Head of Australian
Fixed Interest**
Jay Sivapalan

Fund performance

Money market yields edged higher on offshore central bank leads toward rate normalisation. Locally, three-month bank bills rose 2 basis points (bps) to 7bps, while six-month bank bills ended 7bps higher at 21bps. Cash futures point to a 0.75% cash rate by the end of 2022.

The Janus Henderson Cash Fund - Institutional (Fund) returned 0.01% (gross), outperforming the Bloomberg AusBond Bank Bill Index (Benchmark) which was flat. Given the low three-month bank bill swap rate (BBSW3M), the key drivers of return continues to be the Fund's allocation to major bank term deposits, notice period accounts and securities issued by regional banks at margins over bank bill swap rates.

Short-term money market yields increased over the month providing the opportunity to access higher yields than what has typically been available over the past year or so. This rise in yields was driven by an increase in demand from Australian Banks for wholesale funding as credit growth remains relatively strong. We have sought to take advantage of this situation by extending the average maturity of the Fund's investments.

Market review

- Investor concerns shifted from fretting about inflation and the timing and speed of offshore central bank tightening, to calibrating the impacts of the rapidly spreading Omicron variant.
- There was some flattening in the yield curve, with shorter-dated yields higher and longer-dated yields mixed.
- In credit markets, sentiment was sensitive to Omicron news flow, which also coincided with reduced liquidity and conservative investor positioning ahead of the holiday season. While early findings are for lower severity as it relates to health outcomes, the sheer contagiousness of Omicron has resulted in mobility restrictions being reimposed globally, with associated negative impacts on economic activity expected going into the new year.

Market outlook

- Markets are priced for a 0.75% cash rate by the end of 2022 and 1.25% by mid-2023. While we agree there will be some cash rate tightening (from accommodative to neutral settings), our view is that current market pricing for lift-off is too early.
- Instead, we look for the initial lift in the cash rate early in 2023 and for a 1% cash rate by the end of 2023. We have sympathy for the overall narrative but suspect more time will be needed for tightening labour market conditions to translate into higher wages.
- If health systems can cope with the Omicron caseload, spread sectors are likely to remain well-supported, with corporate fundamentals continuing to benefit from the tailwinds of a cyclical recovery and cashed-up consumers. Though monetary conditions are set to normalise, it is worth bearing in mind that overall settings still remain accommodative and pro-cyclical.

For in-depth economic analysis and the Australian Fixed Interest Team's outlook, visit go.janushenderson.com/Viewpoint-Jan22.

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(continued)

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.