

CASH FUND – INSTITUTIONAL

As at March 2022

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

\$628.2 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

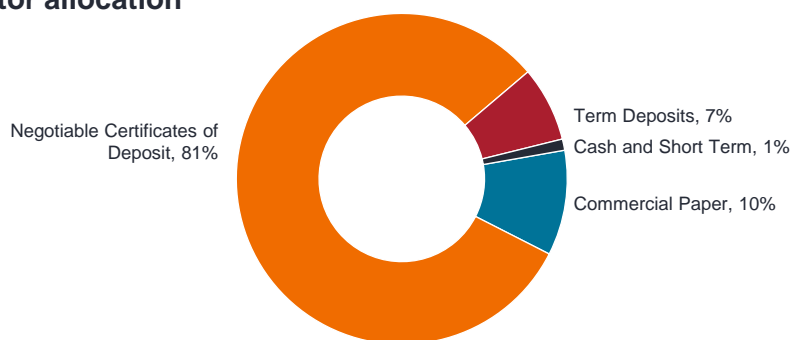
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Performance	1 month (%)	3 months (%)	6 months (%)	1 year (%)	3 years (%p.a.)	5 years (%p.a.)	10 years (%p.a.)	Since inception (%p.a.)
Fund (gross)	0.00	0.04	0.07	0.12	0.59	1.22	2.10	2.89
Fund (net)	-0.01	0.02	0.02	0.01	0.45	1.04	1.90	2.68
Benchmark	0.00	0.01	0.02	0.04	0.46	1.02	1.83	2.60
Excess return*	-0.01	0.01	0.00	-0.03	-0.01	0.02	0.07	0.08

*Excess return is measured against net performance.

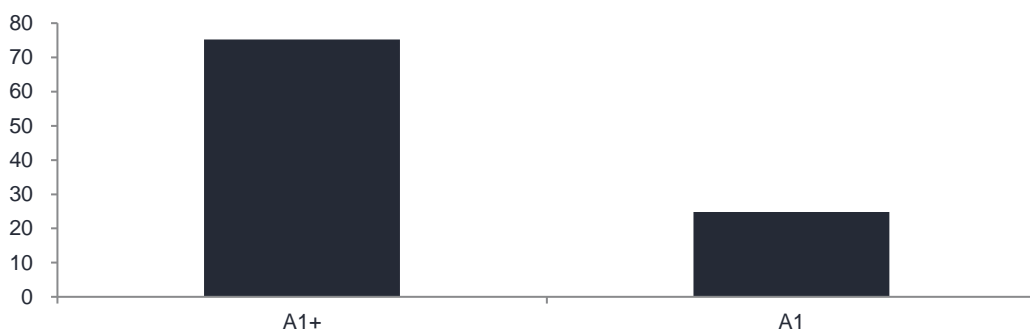
Past performance is not a reliable indicator of future performance.

Sector allocation



Rounding accounts for small +/- from 100%.

Credit rating distribution (%)



Portfolio characteristics

Estimated Weighted Average Yield to Maturity (EWAYTM) ¹	0.22
Benchmark EWAYTM	0.11
Running yield	0.22
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	0.16
Benchmark	0.13
Active Position	0.03

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(continued)



**Head of Australian
Fixed Interest**
Jay Sivapalan

Fund performance

Money market yields ended the month higher as the fear of inflation resulted in markets factoring in aggressive RBA monetary tightening. This was despite the Reserve Bank of Australia's (RBA) reiterating a patient stance. Short-term money market yields are now reflecting the shift in expectations towards an earlier and larger tightening cycle. The three-month bank bill yield ended the month 15 basis points (bps) higher at 23bps, while six-month bank bills ended 45.5bps higher at 70.5bps.

The Janus Henderson Cash Fund – Institutional (Fund) returned -0.01% (net), underperforming the Bloomberg AusBond Bank Bill Index (Benchmark) for the month. Given the low three-month bank bill swap rate (BBSW3M), the key drivers of return continue 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.

Rising short-term money market yields over the past few months are 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 continue to take advantage of this situation by extending the average maturity of the Fund's investments.

Market review

- The economy grew by 3.4% over the December quarter, with most of the gain driven by a post-lockdown surge in consumption. The unemployment rate fell from 4.2% to 4.0% as the labour market continued to tighten up.
- The impact of higher fuel prices, talk of higher mortgage rates and Russia's Ukraine invasion was evident in a sharp fall in consumer sentiment over March. In a pre-election Federal Budget, fiscal policy responded to rising cost of living measures via a range of tax breaks and a temporary reduction in the fuel excise.
- Offshore and domestic yields rose sharply following hawkish commentary from the US Federal Reserve (Fed) after its first tightening. Inflation expectations rose as the impact of Russia's invasion of Ukraine on global supply chains, commodities and energy prices became more apparent.
- Markets have now fully priced in a 1.75% cash rate by year end and a 3.25% cash rate by the end of next year. To put this into context, a tightening cycle of 3% in such a short period of time has never occurred in Australia. Current pricing for this 300bps of tightening implies a mortgage rate by late next year of around 6%.
- Credit spreads on high quality financials (such as major banks) had been widening due to a combination of needing to find natural market pricing following the ceasing of the RBA's term funding facility (TFF) last year, other policy withdrawal and the more recent 'risk-off' episode driven by the Russian invasion.

Market outlook

- We suspect the most likely scenario is one where the RBA removes policy accommodation steadily with the goal to extend, not end, the current cycle. Our base case view has the cash rate lifting from 1% at the end of this year to 1.75% by the end of 2023 and to 2% by the end of 2024.
- While we still look for policy normalisation, we remain sceptical of the speed and quantum of tightening currently priced in.
- We continue to expect further bouts of volatility caused by geo-political events, pandemic machinations, and central bank actions to roil credit markets. These periods can provide opportunities when spread widening is in excess of fundamentals.

For in-depth economic analysis and the Australian Fixed Interest Team's outlook, visit go.janushenderson.com/Viewpoint-Apr22.

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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 continue to 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 signs of competitive tensions emerging in institutional term deposits as margins have started to increase. We have started increasing term deposit exposure as margin are getting close to pre-COVID levels.

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.