

CASH FUND – INSTITUTIONAL

As at May 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

\$464.9 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

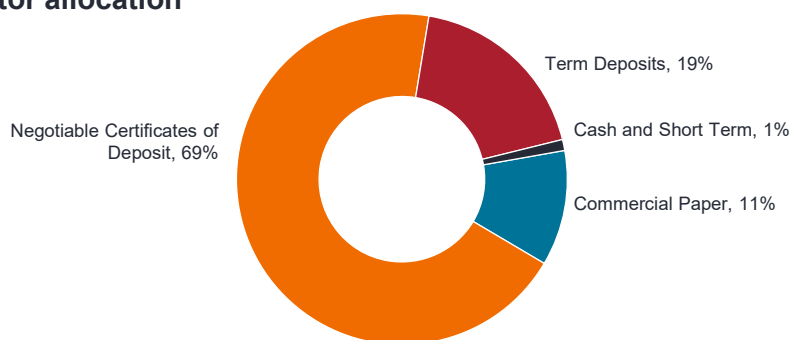
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Performance	1 month (%)	3 months (%)	6 months (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	10 years (% p.a.)	Since inception (% p.a.)
Fund (gross)	0.06	-0.04	0.01	0.07	0.46	1.14	2.01	2.85
Fund (net)	0.05	-0.07	-0.04	-0.04	0.33	0.97	1.82	2.65
Benchmark	0.03	0.02	0.04	0.05	0.36	0.97	1.76	2.57
Excess return*	0.02	-0.09	-0.08	-0.09	-0.03	0.00	0.06	0.08

*Excess return is measured against net performance.

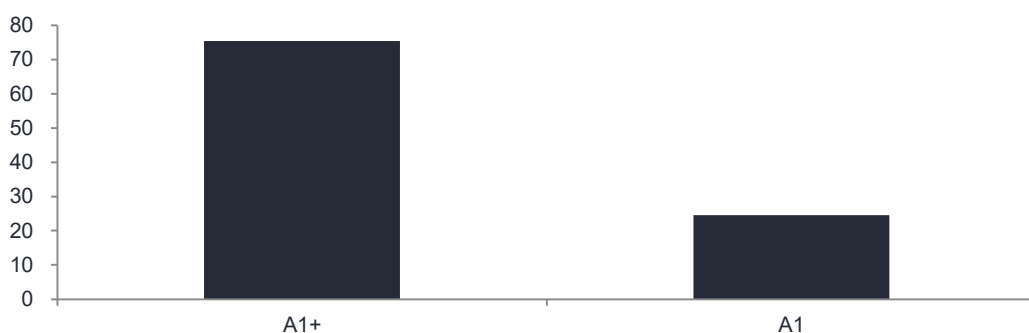
Past performance is not a reliable indicator of future performance.

Sector allocation



Rounding accounts for small +/- from 100%.

Credit rating distribution (%)



Portfolio characteristics

Estimated Weighted Average Yield to Maturity (EWAYTM) ¹	1.48
Benchmark EWAYTM	0.74
Running yield	1.49
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	0.33
Benchmark	0.13
Active Position	0.20

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(continued)



**Head of Australian
Fixed Interest**
Jay Sivapalan

Fund performance

The Reserve Bank of Australia (RBA) May meeting marked lift off with the RBA hiking the official cash rate by 25 basis points (bps) at the start of month. Whilst the market had been anticipating the RBA to start the hiking cycle with only a 15bps hike, the 25bps and a hawkish statement was enough to drive money market yields higher. Money market yields rose significantly in May as the three-month bank bill yield ended the month 46.5bps higher at 1.18%, while six-month bank bills (BBSW6M) ended 47bps higher at 1.93%.

The Janus Henderson Cash Fund - Institutional (Fund) returned 0.05% (net) outperforming the Bloomberg AusBond Bank Bill Index (Benchmark) which returned 0.03% on the month.

Rising yields are restoring value in money markets especially, interest income. We have started extending the duration of the Fund to take advantage of higher yields on offer in longer tenor money markets. Whilst this has increased the daily volatility of the Fund, the higher income offered providing the Fund a higher income as well as some cushion to adverse rate movements.

The key contributor to performance this month was 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.

Interest rate duration was a modest detractor to performance as yields rose and the Fund maintained an overweight duration position, with the excess yield available in the Fund more than compensating investors allowing for outperformance. We see further opportunity to increase the Fund's duration as money market yields rise and the spread available in bank bill yields rises further above RBA cash rate expectations.

Market review

- Offshore and domestic yields continued to rise, reflecting inflation pressures and expectations for a more aggressive and front-end loaded central bank tightening cycle.
- Domestic yields peaked following the RBA's decision to lift the cash rate by 0.25% to 0.35% early in the month and signal further moves over the period ahead.
- Higher yields across the curve with steepening in the mid-to-longer part of the yield curve resulted in the Australian bond market, as measured by the Bloomberg AusBond Composite 0+ Yr Index, falling by 0.89%.
- Aggressive global central bank policy action to tackle soaring inflation "at all costs", hurt risk assets. Concerns around weakening sentiment, demand and growth outlooks intensified resulting in weaker equity and credit markets.

Market outlook

- The RBA has joined other central banks in a pivot to a quicker return to neutral policy settings at a minimum to quell cyclical inflation pressures and just as importantly, anchor longer-term inflation expectations.
- We expect the RBA to tighten consecutively at its next three meetings, with a 40bps move on the cards. We have also pencilled in another 25bps move in November, which means we are looking for a 1.5% cash rate by year end.
- Market pricing in early May was extreme, discounting a 3% cash rate by December and almost 4% by late 2023. By month end, tightening expectations had been wound back by around 50 to 75bps to a 2.5% cash rate by year end and 3.25% by late 2023. These still appear too aggressive in our assessment.

For in-depth economic analysis and the Australian Fixed Interest Team's outlook, visit go.janushenderson.com/Viewpoint-Jun22.

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(continued)

The rise in money market yields is creating opportunities for the Fund to extend its duration.

Investment strategy

Overweight duration – The 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 to take advantage of the higher yields on offer, and the expansion in the spread between bank bill yields and RBA cash rate expectations.

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 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. Margins on commercial paper have been widening, creating opportunity to further enhance yield pick-up for the Fund.

Term Deposit – We are observing signs of competitive tensions emerging in institutional term deposits as margins have started to increase. We continue to seek opportunities to increase term deposit exposures as margins reset back 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.