

# CASH FUND – INSTITUTIONAL

## As at June 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

\$450.0 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

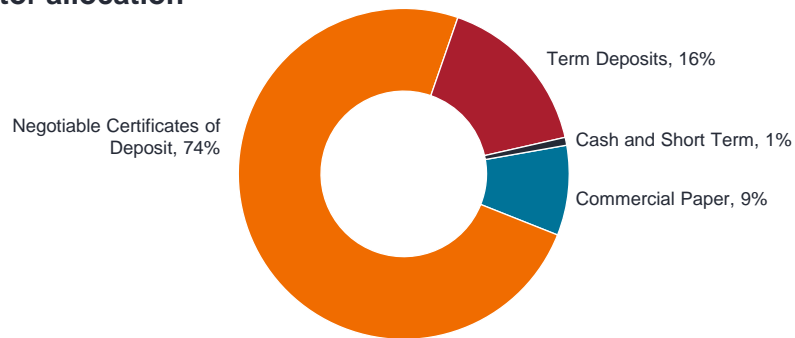
IOF0141AU

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	-0.05	-0.01	0.04	0.40	1.10	1.98	2.83
Fund (net)	-0.02	-0.08	-0.06	-0.06	0.27	0.93	1.78	2.63
Benchmark	0.05	0.07	0.08	0.10	0.33	0.95	1.73	2.56
Excess return*	-0.07	-0.15	-0.14	-0.16	-0.06	-0.02	0.05	0.07

\*Excess return is measured against net performance.

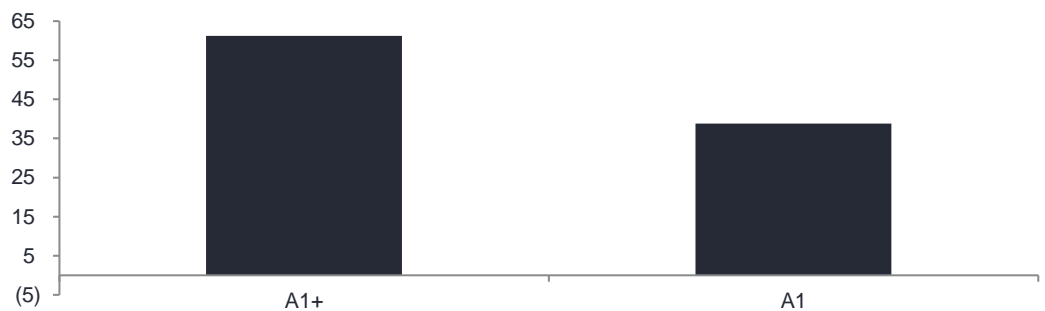
Past performance is not a reliable indicator of future performance.

## Sector allocation



Rounding accounts for small +/- from 100%.

## Credit rating distribution (%)



## Portfolio characteristics

Estimated Weighted Average Yield to Maturity (EWAYTM) <sup>1</sup>	2.15
Benchmark EWAYTM	1.36
Running yield	2.16
Weighted Average Credit Quality	AAA

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

Modified duration	Years
Fund	0.34
Benchmark	0.13
Active Position	0.21

## CASH FUND – INSTITUTIONAL

(continued)



**Head of Australian  
Fixed Interest**  
Jay Sivapalan

### Fund performance

After kicking off the rate hiking cycle in May, the Reserve Bank of Australia (RBA) lifted the official cash rate by 50 basis points (bps) at the start of June, leaving the rate at 0.85%. Whilst the market was anticipating this rate hike, the larger than usual 50bps move and continued hawkish-RBA rhetoric pushed money markets yields higher. With that, market expectations brought forward future rate hikes including another large 50bps hike in the upcoming meeting. The three-month bank bill yield ended the month 64bps higher at 1.81%, while six-month bank bills ended 75bps higher at 2.67%. In terms of the tightening cycle, markets are looking for a 3.10% cash rate by year end and around 3.75% by mid-2023.

The Janus Henderson Cash Fund - Institutional (Fund) returned -0.02% (net) underperforming the Bloomberg AusBond Bank Bill Index (Benchmark) which returned 0.05% 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, it provided the Fund with 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. 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

- Higher than expected inflation in the United States saw the Federal Reserve (Fed) respond with an outsized tightening and preparedness to push the US economy into recession to quell inflation if needed. The RBA moved in a similar fashion and against this backdrop, yields surged higher across the curve.
- The RBA lifted the cash rate by a larger than expected 0.5% in early June, dispelling earlier signalling that 'business as usual' 0.25% moves lay ahead.
- The rationale for the larger cash rate move was that the current amount of accommodation was inconsistent with the strength and resilience the RBA was observing in the economy.
- Short-term money market yields continued to rise, reflecting the shift by central banks to more front-end load tightening cycles.
- Hawkish central banks and fears that tightening financial conditions could weigh on markets going forward.

### Market outlook

- With risks rising of higher cyclical inflation becoming entrenched, the Fed moved to front-end load policy tightening. The RBA has joined the central bank pivot, with the Governor signalling that accommodative conditions were no longer required and to expect further tightening.
- However, we view that pricing is overdone. At one stage markets were discounting a 3.6% cash rate by December, lifting to 4.2% by mid-2023. While market pricing has pulled back somewhat, markets are still factoring in a 3.1% cash rate by December and 3.75% by mid-2023 and averaging just under 4% over the next decade, at the time of writing.
- Our base case view is for the cash rate to lift by 50bps at the July and August meetings before tightening increments return to 'business as usual' 25bps increments. We look for the cash rate to lift to 2.6% by December, and peak at 2.85% in H1 2023.
- Uncertainty about the durability of the current expansion and cyclical cost pressures are likely to contribute to ongoing volatility in credit markets.

For in-depth economic analysis and the Australian Fixed Interest Team's outlook, visit [go.janushenderson.com/Viewpoint-Jul22](https://go.janushenderson.com/Viewpoint-Jul22).

## CASH FUND – INSTITUTIONAL

(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 volatility in yields remaining relatively high, we will continue to actively add duration when higher yields are on offer, and the spread between bank bill yields and RBA cash rate expectations is wide.

**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 continue to widen, 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-19 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](http://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](http://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](http://www.janushenderson.com/TMD). Dollar figures shown are in Australian Dollars (AUD), unless otherwise stated.