Janus Henderson

CASH FUND - INSTITUTIONAL

Janus Henderson INVESTORS

As at March 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
Low

Suggested timeframe
1 year

Inception date
31 July 2008

Fund size
$788.9 million

Minimum investment
$100,000

Management cost (%)
0.15 p.a.

Buy/sell spread (%)
0.00/0.00

Distribution frequency
Monthly

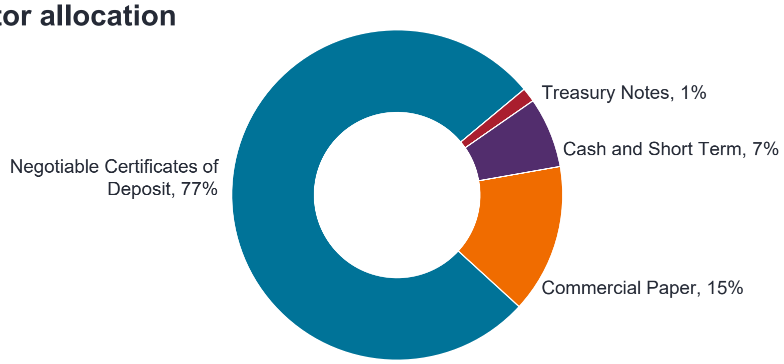
ARSN code
127 731 006

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)	0.02	0.04	0.09	0.22	1.34	1.65	2.60	3.11
Fund (net)	0.01	0.00	0.01	0.07	1.16	1.45	2.39	2.90
Benchmark	0.00	0.00	0.02	0.11	1.12	1.40	2.31	2.80
Excess return*	0.01	0.00	-0.01	-0.04	0.04	0.05	0.08	0.10

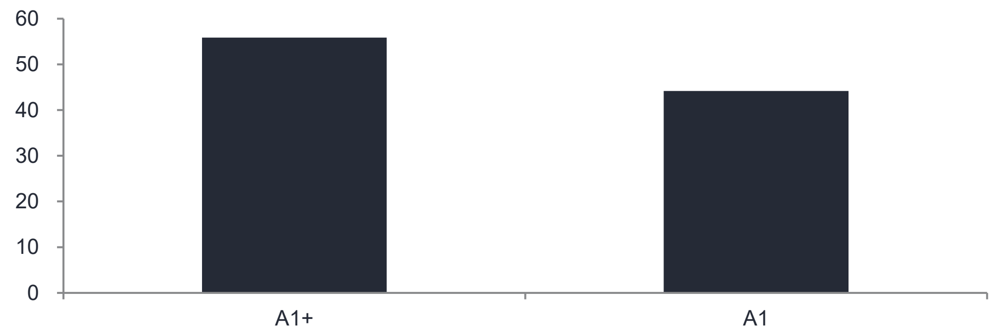
*Excess return is measured against net performance.
Past performance is not a reliable indicator of future performance.

Sector allocation



Rounding accounts for small +/- from 100%.

Credit rating distribution (%)



Portfolio characteristics

Estimated Weighted Average Yield to Maturity (EWAYTM)[1]	0.09
Benchmark EWAYTM	0.04

[1]Estimated Weighted Average Yield to Maturity is a measure of the average annual yield of all securities in the Fund.

Modified duration	Years
Fund	0.20
Benchmark	0.13
Active Position	0.07

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(continued)

Head of Australian Fixed Interest
Jay Sivapalan

Fund performance

Money market rates remained very low given Reserve Bank of Australia (RBA) forward guidance for an extended period of highly accommodative policy. Three-month bank bills edged higher to 3.5 basis points (bps), while six-month bank bills rose 6bps to 8bps as markets expect local banks to return to funding markets during 2021 as the Term Funding Facility (TFF) closes at the end of June.

The Janus Henderson Cash Fund - Institutional (Fund) returned 0.01% (net), outperforming the Bloomberg AusBond Bank Bill Index (Benchmark) which was flat on the month. The Fund's sector allocation was accretive to performance. Despite the increase in money market yields, interest rate strategies did not negatively impact on the Fund's relative performance against the Benchmark given the Fund's duration was relatively in line with the Benchmark.

The key factors driving excess returns have been 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

Bond markets remained volatile in March. The recovery story picked up pace in the US market, backed by strong economic data, a rapid vaccine rollout, an expansion of the Biden stimulus package and a central bank that is willing to tolerate an inflation overshoot, whilst keeping interest rates at the lower bound. While Australia also showed promise of a strong recovery with some good economic data, the other contributing factors in the US opened a divergence between Australia and the US. Australian bond yields shifted lower (prices higher) over the month, while the US 10-year yield reached a 14-month intra-month high. Credit markets were relatively stable over the month. The Australian bond market recouped some of last month's losses, with the Bloomberg AusBond Composite 0+ Yr Index ending March 0.80% higher.

Yields at the shorter end of the yield curve drifted higher than the RBA's 0.10% cash rate and three-year government bond yield target. The three-year government bond edged slightly higher, ending the month at 0.11%.

Australian fourth quarter 2020 GDP figures were released this month, with a stronger than expected lift in growth by 3.1%. The driver was a sharp rebound in production and a surge in commodity prices, particularly the price of iron ore. This flows into a significant improvement in the Australian Government budget, as tax receipts rose, coupled with lower than predicted expenditure.

Domestic employment figures were strong, with employment lifting by 88,000 in February, beating the consensus estimates of a rise of 30,000. The participation rate stayed at 66.1% in the month and hours worked returned to pre-pandemic levels. The unemployment rate dropped to 5.8% from 6.3% in the month prior.

Credit growth remained subdued in February, printing below expectations at 0.2% month on month (m/m), with investor credit disappointing. This was unsurprising given the current property boom as most of the credit growth came from the housing market, particularly owner-occupiers (+0.6% m/m). This coincides with a rise in residential building approvals up 21.6% m/m in February (consensus was for a 3.0% increase).

We expect the recovery story to continue to play out, noting cracks in achieving global synchronisation.

Market outlook

We expect the recovery story to continue to play out, noting cracks in achieving global synchronisation. The US looks set to steam ahead, with a further boost to the US economy from the Biden fiscal packages. The most recent announcements of an initial infrastructure package worth around US$2.25 trillion, followed by another worth more than US$1 trillion to be announced in April, cannot be underestimated. The 8-year roll out will not provide an immediate sugar hit to the economy, but instead a more measured and stable stimulus. Corporates will be the ones footing the bill, which will be paid for over 15 years by raising the corporate tax rate to 28% from 21% and increasing taxes on companies' foreign earnings to 21% from 10.5%. While the tax increase is significant, the rate is still lower than the 35% it was prior to the Trump administration.

The uneven roll out of the vaccine is also likely to affect the recovery pathway in some countries. The US has now given first doses to 73.1% of its over 65 years population, while the UK has administered more than 30 million first round doses and 4 million second doses. This is directly translating into fewer deaths and the easing of restrictions. In contrast, the European growth rebound is likely to be hampered as a slow vaccine rollout on the continent dampens economic activity. Restrictions continue, with France announcing a four-week nationwide lockdown, while Italy is expected to extend its current lockdown. While Australian economic data surprised to the upside in March, due to our lack of vaccine supply, snap lockdowns and hotspot border restrictions are still being relied upon to curb infections. This may ultimately widen the divergence between the US and Australian recovery story.

The recent floods in NSW and QLD are likely to detract from GDP in the near term, as well as leading to sectorial imbalances (e.g. the insurance sector). Disruptions to coal production (as QLD's primary coal producing region was impacted) and the loss of crop (and lowering of quality) for the agricultural sector will be the largest detractors. The RBA has forecasted a 0.5% hit to GDP growth in the March quarter as a result. However, over a longer time frame, the rebuilding process will provide a boost. Houses need to be repaired, cars and household contents replaced, and farms, businesses and public infrastructure will need to be restored.

It is unsurprising that the bond market unwound some of the violent sell-off from February as markets are known to overshoot. While we do expect the cyclical rebound and greater tolerance by central banks for inflation to run higher to keep the rates curve relatively steep, we are mindful of the market getting ahead of itself as the global road to recovery is not straightforward. A further tightening of monetary conditions through higher yields and currency strength should act as a drag on growth and require the RBA to keep monetary conditions accommodative. An expansion/extension of its quantitative easing program may be warranted to support medium-term growth prospects and support lower yields.

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Given the uplift in market expectations and RBA forward guidance, we expect money market yields to trade in range between zero and 10bps for the foreseeable future.

Investment strategy

The following is a summary of the key strategies in the Fund:

Interest rates:

Neutral duration: Given the uplift in market expectations and RBA forward guidance, we expect money market yields to trade in range between zero and 10bps for the foreseeable future. Given this, we will opportunistically extend the duration of the Fund should bank bills rise close to 10bps.

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.

Important information
A new Product Disclosure Statement and Additional Information Guide for the Fund dated 30 September 2020 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. Dollar figures shown are in Australian Dollars (AUD), unless otherwise stated.