

# CASH FUND - INSTITUTIONAL

## As at April 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

\$768.5 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

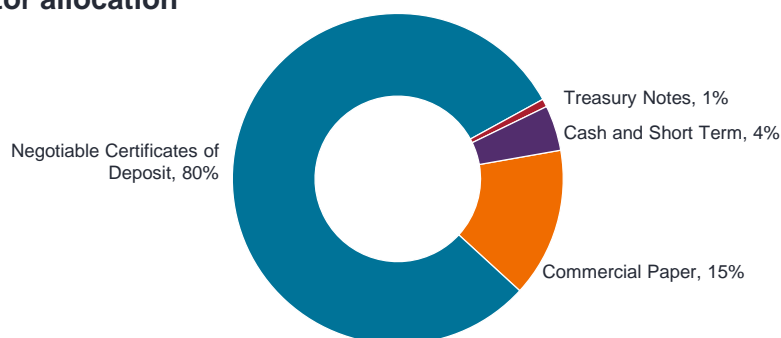
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Performance	1 month (%)	3 months (%)	6 months (%)	1 year (%)	3 years (%p.a.)	5 years (%p.a.)	10 years (%p.a.)	Since inception (%p.a.)
Fund (gross)	0.00	0.02	0.07	0.17	1.28	1.60	2.55	3.09
Fund (net)	-0.01	-0.01	-0.01	0.02	1.10	1.41	2.34	2.88
Benchmark	0.00	0.00	0.02	0.07	1.06	1.36	2.27	2.78
Excess return*	-0.01	-0.01	-0.03	-0.05	0.04	0.05	0.07	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) <sup>1</sup>	0.09
Benchmark EWAYTM	0.04

<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	0.19
Benchmark	0.13
Active Position	0.06

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(continued)



**Head of Australian  
Fixed Interest**  
Jay Sivapalan

### Fund performance

Money market yields have been rising gradually in the past three months as markets began pricing in the return of local banks to funding markets during 2021 as the Term Funding Facility (TFF) comes close to an end. The Reserve Bank of Australia's (RBA) forward guidance for an extended period of highly accommodative policy will however restrict the extent of the lift in money market yields at the end of TFF. Three-month bank bills edged higher to 4.0 basis points (bps), while six-month bank bills rose 1.1bps to 9.6bps.

The Janus Henderson Cash Fund - Institutional (Fund) was flat (gross), performing in line with the Bloomberg AusBond Bank Bill Index (Benchmark) which was also flat for the month.

The rise in money market yields over the month has eroded the monthly interest income for both the Fund and the Benchmark. This is part of the adjustment process as value is returned to money market yields. As yields are reset at higher levels, we expect returns in cash to improve as new opportunities to create alpha increase.

### Market review

Prospects for an extended period of accommodative fiscal and monetary policy settings, along with positive economic news, helped support risk appetite. Equity markets performed strongly, while credit markets were well-supported. There was some flattening in the domestic yield curve as longer-dated government bond yields edged lower. The Australian bond market, as measured by the Bloomberg AusBond Composite 0+ Yr Index, ended April 0.56% higher.

Yields at the shorter end of the yield curve remained anchored around the RBA's 0.10% cash rate and three-year government bond yield target, but lifted beyond that as markets began to discount future tightening. The November 2024 government bond yield ended the month at 0.297%, 4bps below its intra-month peak.

After February's sharp lift, longer-dated government bond yields continued to trade in a relatively narrow range even though economic and prices data printed on the stronger side. The 10-year government bond yield traded in a 14bps range to end the month 4bps lower at 1.75%. The 30-year government bond finished 9bps lower at 2.67%.

Partial demand indicators point to strong March quarter momentum spilling over into the June quarter. Business conditions, along with business and consumer confidence, have roared back, in some cases to record high levels.

Labour market conditions continued to improve despite the Jobseeker program concluding at the end of March. The number of jobs lifted by a stronger than expected 70,700 over March, while the participation rate lifted to a record high of 66.3% and the unemployment rate fell to 5.6%. In line with improving business conditions, hiring intentions remained very strong.

On the prices side of the economy, the March quarter Consumer Price Index (CPI) came in a weaker than expected 0.6%, with government housing and education policies limiting gains. The yearly rate lifted to 1.1%, still well below the RBA's 2% to 3% target band. Core inflation was also relatively subdued, with the average of the RBA's underlying inflation measures lifting by 0.4% for a 1.3% yearly rate.

Money market rates remained very low given the 0.10% official cash rate and RBA forward guidance for an extended period of highly accommodative policy. Three-month bank bills ended the month 0.5bps higher at 4bps, while six-month bank bills ended 1bps higher at 9.5bps.

### Market outlook

The global economy is in an uneven expansion phase, supported by procyclical policy settings and vaccination programs. The IMF are looking for world growth of 6% in 2021 after a 3.3% contraction in 2020. World growth of 4.4% is forecast for 2022.

Though goods and services PMIs are rebounding strongly, central banks have signalled that they will look through any near-term inflation pressures from restocking. Rather, the tone of central bank messaging has been on the dovish side, with the focus on supporting activity and full employment goals.

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**The Australian economy looks to be at peak growth rates as it makes up for lost time spent in lockdown.**

The Australian economy looks to be at peak growth rates as it makes up for lost time spent in lockdown. Businesses and consumers are bullish on the outlook and the labour market has improved quicker than expected, limiting hysteresis effects. We look for the economy to expand by around 5% over 2022 before growth moderates to just under 3% the year after.

A much stronger than anticipated recovery gives the Government more headroom in the upcoming May Budget. While the budget deficit will be significantly lower than projected, the Treasurer has already signalled there will be no premature shift to austerity, with Budget repair contingent on the unemployment rate falling to below 5%.

While we expect the RBA to upgrade their forecasts in the upcoming May Monetary Policy Statement, we don't expect them to shift from their dovish outcomes-based stance.

In our view, the stance of monetary policy will only change once the tightening trifecta conditions have been met. These are:

1. an unemployment rate close to 4%;
2. actual inflation at 2% or above on a sustainable basis; and,
3. wages growth of at least 3%.

While the RBA has signalled it doesn't see policy tightening until 2024, markets are looking at 2023. With the domestic yield curve steepening significantly over recent months, markets have the future cash rate lifting to over 2% from 2026 and above our estimates of the neutral cash rate. This implies restrictive policy settings over the second half of the decade and is premature in our view.

We suspect that an emerging grand bargain between fiscal and monetary policy will help limit the upside on longer-dated yields from cyclical pressures as central banks use forward guidance and quantitative easing measures to keep term structures low and provide governments with fiscal space. We see the ten-year government bond yield of 1.74% at the time of writing as being broadly fairly valued.

### 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 the RBA's forward guidance, we expect money market yields to trade in a range between zero and 10bps for the foreseeable future. Given this, we are currently neutral on duration and will opportunistically extend the duration of the Fund if bank bill rates rise above 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](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. Dollar figures shown are in Australian Dollars (AUD), unless otherwise stated.