

# CASH FUND - INSTITUTIONAL

## As at May 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

\$578.2 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

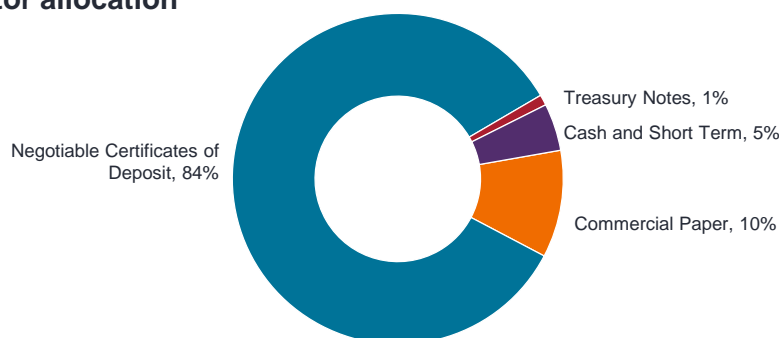
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| Performance    | 1 month (%) | 3 months (%) | 6 months (%) | 1 year (%) | 3 years (%p.a.) | 5 years (%p.a.) | 10 years (%p.a.) | Since inception (%p.a.) |
|----------------|-------------|--------------|--------------|------------|-----------------|-----------------|------------------|-------------------------|
| Fund (gross)   | 0.01        | 0.03         | 0.07         | 0.16       | 1.21            | 1.56            | 2.51             | 3.07                    |
| Fund (net)     | 0.00        | 0.00         | -0.01        | 0.01       | 1.04            | 1.37            | 2.30             | 2.86                    |
| Benchmark      | 0.00        | 0.01         | 0.01         | 0.06       | 1.01            | 1.33            | 2.23             | 2.77                    |
| Excess return* | 0.00        | -0.01        | -0.02        | -0.05      | 0.03            | 0.04            | 0.07             | 0.09                    |

\*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   | 0.03 |

<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              | 0.20  |
| Benchmark         | 0.12  |
| Active Position   | 0.08  |

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(continued)



**Head of Australian  
Fixed Interest**  
Jay Sivapalan

### Fund performance

Money market yields across the short curve remained anchored with no changes to the Reserve Bank of Australia (RBA) policy settings. The RBA's 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 Term Funding Facility (TFF). Three-month bank bills ended the month largely unchanged at 3.6 basis points (bps), while six-month bank bills ended 1bps lower at 8.5bps.

The Janus Henderson Cash Fund – Institutional (Fund) returned 0.01% (gross), outperforming the Bloomberg AusBond Bank Bill Index (Benchmark) which was flat for the month.

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

Massive fiscal and monetary stimulus boosted economic growth, both in Australia and abroad. Despite some volatility caused by a temporary surge in inflation expectations and the US Federal Reserve (Fed) raising the prospect of eventually tapering its Quantitative Easing (QE) program, risk appetite held up. Equity markets were firmer and credit markets remained well-supported. There was some further 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 May 0.36% higher.

Yields at the shorter end of the yield curve remained anchored around the Reserve Bank of Australia's (RBA) 0.10% cash rate and three-year government bond yield target. Further out along the curve, markets are still discounting future tightening, with the November 2024 government bond yield ending the month 2 basis points (bps) lower at 0.28%.

Longer-dated government bond yields spiked to mid-month highs on concerns that strong growth, supply bottlenecks and massive stimulus, particularly in the US, could lead to a breakout in inflation. After peaking at 1.81%, the 10-year government bond yield then fell to end the month 6bps lower at 1.69% as inflation fears ebbed. The 30-year government bond also finished 6bps lower at 2.61%.

Partial demand indicators point to an ongoing vigorous rebound in activity. Encouragingly, strong business conditions and high levels of confidence are starting to translate into a lift in animal spirits. Business capital investment intentions have lifted across a range of surveys and if realised, will add to the longevity and broadness of the current rebound. We look for the Australian economy to expand by around 1.0% to 1.25% over the March quarter in the upcoming national accounts release.

The rapid recovery in the labour market took a breather in April with the end of JobKeeper and an early Easter driving a fall in hours worked and labour force participation. The number of jobs fell by 30,600, while the unemployment rate edged lower to 5.5%. Forward labour demand indicators remain strong and we expect to see jobs growth resume over the months ahead, even after allowing for the Victorian COVID-19 circuit-breaker lockdown.

The improvement in labour market conditions has yet to translate into a lift in wages, one of the pre-conditions for a tightening in monetary conditions. The March quarter Wage Price Index rose by 0.6% and by 1.5% over a year ago.

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 largely unchanged at 3.6bps, while six-month bank bills ended 1bps lower at 8.5bps.

### 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.

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(continued)

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

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.

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.

**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.