Janus Henderson

DIVERSIFIED CREDIT FUND

Janus Henderson INVESTORS

As at June 2023

Fund objective
The Fund seeks to achieve a total return before fees that exceeds the total return of the Benchmark by 2.00% p.a. over rolling three year periods.

Investment approach
The Fund is an actively managed portfolio of Australian and global higher yielding securities that seeks to provide investors with a diversified exposure to a wide range of fixed income securities including corporate debt, asset backed securities, secured loans and emerging markets corporate debt securities.

Benchmark#
Bloomberg AusBond Bank Bill Index

Risk profile
Medium

Suggested timeframe
3 years

Inception date
31 October 2012

Fund size
$775.7 million

Minimum investment
$25,000

Management cost (%)
Management fee 0.55 p.a.
Indirect costs – 0.01 p.a.*
*Based on costs incurred during the financial year ended 30 June 2022.

Buy/sell spread (%)
0.10/0.20^

Base currency
AUD

Currency hedging
$AUD hedged^^

Distribution frequency (if any)
Monthly

ARSN code
127 727 431

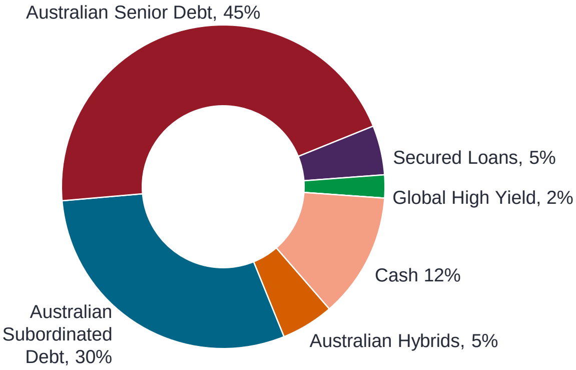
APIR code
IOF0127AU

ASX mFund
JHI04

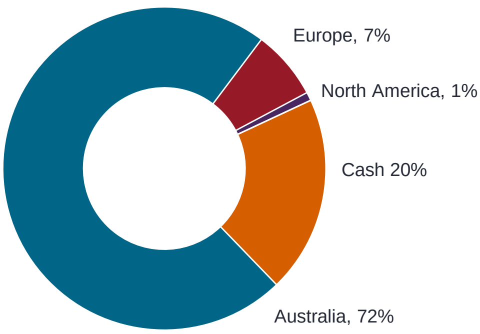
Performance	1 month (%)	3 months (%)	6 months (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	10 years (% p.a.)	Since inception (% p.a)
Fund (gross)	0.61	1.78	3.64	7.06	3.77	4.07	4.47	4.66
Fund (net)	0.57	1.65	3.36	6.49	3.26	3.48	3.89	4.08
Benchmark	0.30	0.90	1.70	2.89	1.01	1.17	2.16	2.30
Excess return*	0.27	0.75	1.66	3.60	2.25	2.31	1.73	1.78

*Excess return is measured against net performance.
Gross return is gross of management costs and sell spread.
Past performance is not a reliable indicator of future performance.
#As at 29 September 2017, the Benchmark is the Bloomberg AusBond Bank Bill Index. Prior to this date, the Benchmark was Bloomberg AusBond Credit FRN 0+ Yr Index.

Sector allocation

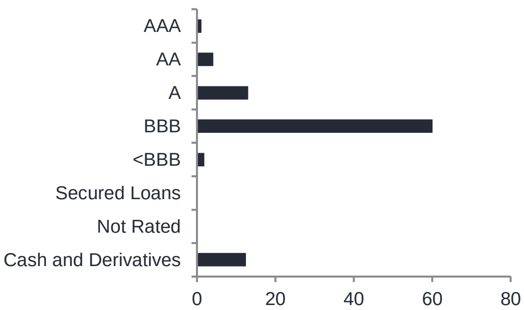


Region of issue



Rounding accounts for small +/- from 100%.

Credit rating distribution (%)



Portfolio statistics

Portfolio Yield[1]	6.18
Running Yield	4.57
Spread Duration	2.54
Modified Duration	0.86
Weighted Average Credit Quality	A+
Number of Securities[2]	111

[1]Estimated Weighted Average Yield to Maturity (EWAYTM) is a measure of the average annual yield of all securities in the Fund (Grossed up for franking credits, where applicable)
[2]Number of Securities is on a look through basis and excludes cash and derivatives.

Top 10 holdings[3]	Fund weight (%)
ANZ Subordinated FRN Basel III T2 26/02/2026	2.50
Brisbane Airport Corp Senior Secured 4.5% 01/10/2030	2.42
CBA Subordinated FRN Basel III T2 10/09/2025	2.38
Australia Pacific Airports (Melbourne) Senior Secured 3.763% 25/11/2031	1.98
ANZ Subordinated FRN Basel III T2 26/07/2024	1.97
CBA Subordinated FRN Basel III T2 09/11/2027	1.93
CBA Subordinated FRN Basel III T2 6.86% 09/11/2032	1.86
ANZ Subordinated Basel III T2 5.906% 12/08/2027	1.85
Bank Australia Ltd FRN 22/02/2027 AUD	1.84
ANZ Bank/UK 6.75% Fix/FRN Perp USD	1.59

[3]Top 10 is on a look through basis.
^ For more information and most up to date buy/sell spread information visit www.janushenderson.com/en-au/investor/buy-sell-spreads
^^Generally, 100% of the Fund's non-Australian dollar denominated exposure will be hedged back to the Australian dollar.

DIVERSIFIED CREDIT FUND
(continued)

Portfolio Manager
Shan Kwee

Fund performance

The Janus Henderson Diversified Credit Fund (Fund) returned 0.57% (net) and 0.61% (gross). The Fund outperformed the Bloomberg AusBond Bank Bill Index (Benchmark) by 0.27% (net) in June, which returned 0.3% on the month. The Fund continues its outperformance, beating the Benchmark over the longer term including by 3.6% (net) over the year, and 2.31% (net) per annum over the past 5 years.

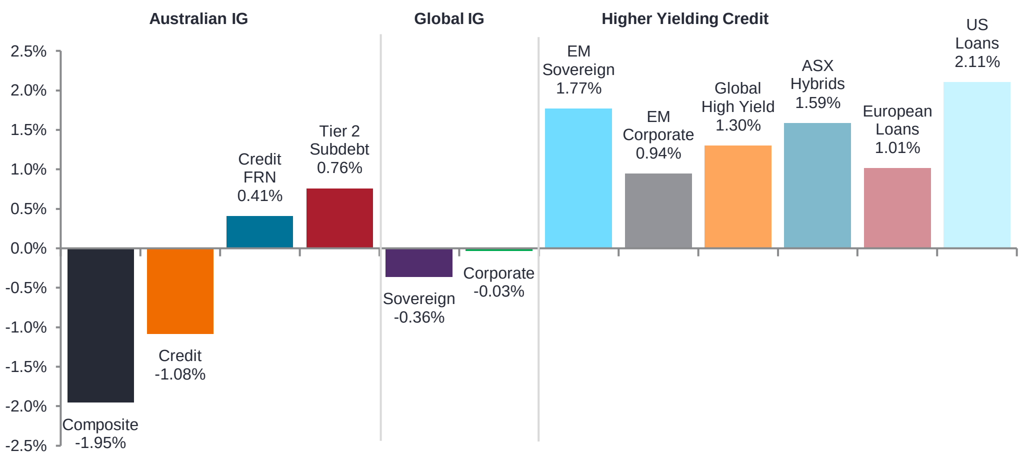
It was a good month of outperformance from credit, returns benefitting from both additional income and some spread tightening. Overweight credit allocations were a positive contributor as a result, and we continued to actively take profit on active positions added during FY23 that have moved from cheap back towards fairer valuations.

In a stronger month for credit loans, emerging market debt, high yield and hybrids all performed well. We remain very modestly allocated across these sectors as conditions remain choppy, with asymmetric downside in our view. Australian Tier 2 also exhibited outperformance from spreads and income and has been our preferred substitute for lower quality sectors.

Portfolio return was primarily driven by income with additional positive contributions from the tightening in local Tier 2 and corporate bond spreads. The Fund was cautiously positioned on interest rate duration across the quarter as sharply rising bond yields saw shorter duration and floating rate securities outperform. We used the market conditions late in the June quarter to build liquidity and begin to add duration back into the portfolio.

We remained highly active on security selection in the AUD investment grade space. We allocated into new primary deals which came with reasonable new issue concessions which included Westpac Tier 2 and QBE subordinated notes with coupon rates between 6.4 - 7.4%, while in lower beta credit also saw value in Bendigo AAA Covered bonds with an initial coupon of 5.4%. In the strong credit environment there were opportunities to maintain our liquidity, so we were also active in taking profit on other bank Tier 2 notes which were trading at tighter spreads than the new issuance, allowing us to pick up yield without adding risk to the portfolio. We also saw some attractive entry levels in credit protection and added some additional CDS protection. Portfolio spread duration was shortened by 0.2 years as a result.

The push higher in yields has seen Fund yield rise to 6.0% even as we have been reducing credit risk positions. As bond yields climb sharply, we start to see value in locking in higher yield levels for income investors via adding duration, which also serves as a defensive buffer if risk markets wobble. The Fund's selective allocations towards high quality investment grade credit have continued to outperform whilst we remain patient awaiting better valuation entry points in higher beta or more illiquid segments of the credit market.



Source: Bloomberg (Ausbond Composite Index, Ausbond Bank Bill Index, Ausbond Credit FRN Index), JPMorgan (Global Bond Index (GBI Global), JPMorgan Emerging Market Global (EMBI Global), CEMBI Broad Diversified), BofAML (BofAML ICE Global Broad Mkt Corp (G0BC), ICE Global High Yield Constrained (HW0C)), SolActive Hybrids Gross Franking, Credit Suisse (Western European Leveraged Loan Index), S&P LTSA US Loans Index as at 30 June 2023

DIVERSIFIED CREDIT FUND

(continued)

Janus Henderson INVESTORS

The positive income pulse is added to by population growth, which boosts the economy.

Market review

Persistent core inflation is keeping central banks guessing and became the biggest worry for markets in June. Central banks reassessed their risks and came down on the side of higher policy rates. Markets responded by moving yields higher and pushing back the easing cycle. Short and longer dated government bond yields rose sharply after last month's modest moves. Three and 10-year government bond yields ended the month 68bps and 42bps higher at 4.05% and 4.02%. Against this backdrop, the Australian bond market, as measured by the Bloomberg AusBond Composite 0+ Yr Index, fell 1.95%. The Australian fixed and floating credit indices returned -1.08% and +0.41% respectively.

Market Outlook and Investment Strategy

The positive income pulse is added to by population growth, which boosts the economy. This feeds into inflation, and the monthly CPI came in at 5.6% year on year (yoy) with services inflation remaining sticky. The higher policy profile leads us to believe there is more downside to the rates path through 2024, as the RBA will need to set policy for an economy nearing stall speed.

Post the early June RBA meeting, markets were surprised by RBA hawkishness and short-term money markets responded by moving to price in close to two more interest rate hikes, to near 4.60%. We raised our peak RBA cash rate, to incorporate a further 50bps of hiking, to 4.60%, as the RBA warned of a bias toward reining in inflation faster than they had previously been comfortable with. We anticipate that these hikes are likely to come over the months ahead and may be interspersed with pauses as the RBA waits for more feedback from the economy.

Strategically, we remain on the lookout for tactical opportunities to add duration on spikes in yields on central bank signalling and data flows.

As the cumulative impact of tighter financial conditions continues to grip and the cycle ages, our focus in the credit space is towards defensiveness, with a keen focus on risk-adjusted returns. Our strong bias is towards high-quality, liquid credit and issuers that can survive and thrive through a range of macro-economic scenarios. By adopting a patient and disciplined approach to extending risk and reserving ample investment capacity, we have banked returns and are well placed to take advantage of future market dislocations.

Despite ongoing widening in 2023, we remain unimpressed by relatively tight spreads on offer in the bank hybrid market and remain in favour of allocations in investment grade corporates and higher up in the bank capital structure in Tier 2 and senior debt. Both Senior and Tier 2 spreads rallied strongly during FY23 from elevated levels and we have trimmed some active positions as a result. We continue to look for opportunities within securities producing higher yields as the broader market more rationally reprices risk, with conservatively geared Australian real estate investment trust (REIT) senior spreads showing attractive relative value.

We remain patient on sub investment grade and more illiquid credit, with a strong preference to earn reasonable income up in quality for now. Our expectation remains for lower quality credit spreads to widen as investors digest weakening corporate fundamentals in a higher cost of capital and slowing growth environment. We are withholding risk and liquidity capacity in anticipation of more attractive entry points for global high yield and loans. After the June rally Credit Default Swaps are now providing cheaper entry points for credit protection and we have increased levels of protection as we approach the point in the cycle where policy tightening is intended to grip more forcefully.

For in-depth economic analysis and the Australian Fixed Interest Team's outlook, visit go.janushenderson.com/Viewpoint-Jul23.

DIVERSIFIED CREDIT FUND

(continued)

Janus Henderson INVESTORS

WA and Transpower both priced Green bonds, while the Supranationals both issued Social bonds.

Environmental, Social and Governance (ESG)

In June four new ESG bond deals hit the local market, with $2.8 billion in primary issued by Western Australia (WA), Supranationals and Transpower New Zealand. WA and Transpower both priced Green bonds, while the Supranationals both issued Social bonds.

Further information
www.janushenderson.com/australia