

DIVERSIFIED CREDIT FUND

As at March 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

\$751.1 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.)	Since inception (% p.a.)
Fund (gross)	-0.43	1.82	3.91	2.02	5.37	3.90	4.59
Fund (net)	-0.48	1.68	3.63	1.47	5.09	3.30	4.01
Benchmark [#]	0.28	0.79	1.54	2.04	0.73	1.08	2.27
Excess return [*]	-0.76	0.89	2.09	-0.57	4.36	2.22	1.74

^{*}Excess return is measured against net performance.

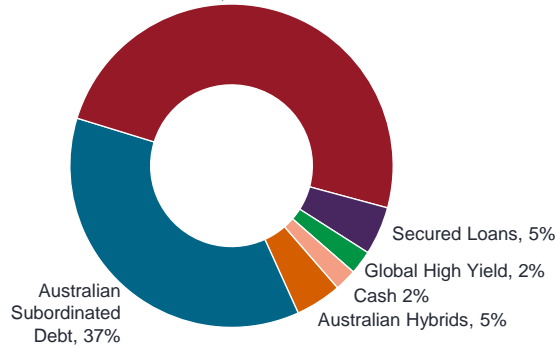
Gross return is gross of management costs and sell spread.

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.

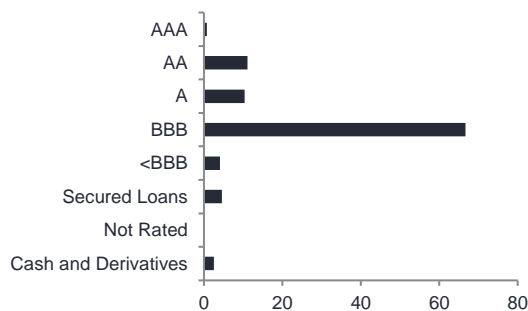
Sector allocation

Australian Senior Debt, 49%

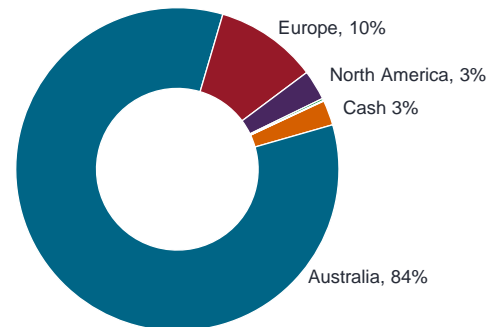


Rounding accounts for small +/- from 100%.

Credit rating distribution (%)



Region of issue



Portfolio statistics

Portfolio Yield ¹	5.76
Running Yield	4.55
Spread Duration	3.20
Modified Duration	0.12
Weighted Average Credit Quality	A
Number of Securities ²	440

¹Estimated 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)
²Number of Securities is on a look through basis and excludes cash and derivatives.

Top 10 holdings ³	Fund weight (%)
CBA Subordinated FRN Basel III T2 10/09/2025	3.12
CBA Subordinated FRN Basel III T2 6.86% 09/11/2032	3.00
ANZ Subordinated Basel III T2 5.906% 12/08/2027	2.87
CBA Subordinated FRN Basel III T2 14/4/2032	2.67
Brisbane Airport Corp Senior Secured 4.5% 01/10/2030	2.62
ANZ Subordinated FRN Basel III T2 26/02/2026	2.56
Australia Pacific Airports (Melbourne) Senior Secured 3.763% 25/11/2031	2.32
ANZ Subordinated FRN Basel III T2 26/07/2024	2.03
Westpac Banking 4.4536% 2028	2.02
CBA Subordinated FRN Basel III T2 09/11/2027	1.99

³Top 10 is on a look through basis.

[^] For more information and most up to date buy/sell spread information visit

www.janus Henderson.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.

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(continued)



Portfolio Manager
Shan Kwee

Fund performance

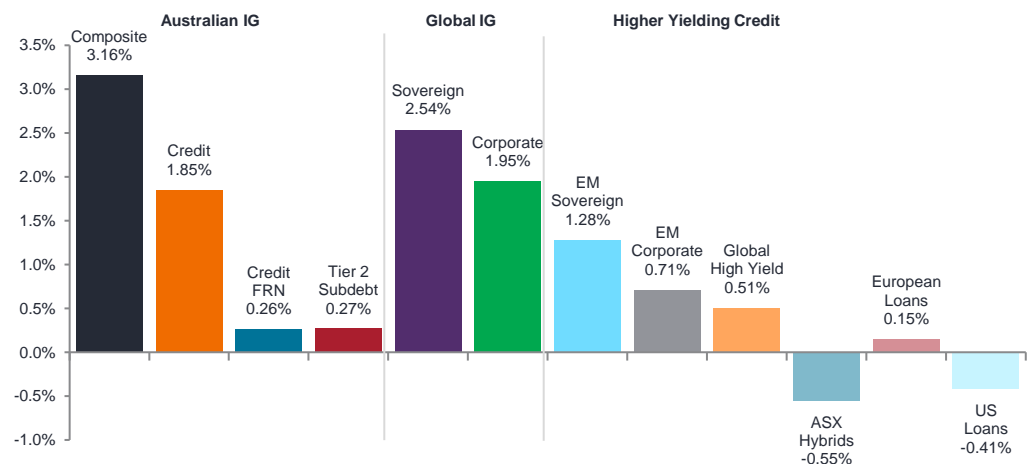
The Janus Henderson Diversified Credit Fund (Fund) returned -0.48% (net) and -0.43% (gross). The Fund underperformed the Bloomberg AusBond Bank Bill Index (Benchmark) by -0.76% (net) in March, which returned 0.28% on the month.

Credit spreads weakened over the month, which was a detractor to performance. Generous coupon income helped to preserve capital in what was a challenging month for physical credit. Floating rate credit outperformed fixed rate as investors shifted out of fixed rate bonds and into floating rate notes following the rally in bond yields. Fixed rate bank and corporate credit, including Tier 2 debt, underperformed government bond equivalents.

Our minimised allocation to global high yield, and no allocation to Emerging Markets protected the portfolio from weakening credit returns. In addition, having fully divested from domestic listed hybrids was beneficial as they continued their run of underperformance for the calendar year, underperforming versus cash by -1.6% and underperforming higher ranking Tier 2 securities by -2.5% for the quarter.

After a strong start to 2023, part of the credit rally was given back during March as local credit spreads softened in sympathy with offshore credit events. The Fund was shielded from any direct return impacts from Silicon Valley Bank (SVB) and Credit Suisse, but negative contributions from a broader widening in spreads more than offset income generation for the month.

Yield levels in the Fund remain attractive between 5.5% to 6.0%. Further increases in cash rates in the months ahead can boost income returns for floating rate securities. Interest rate duration remained conservatively positioned over the month between 0.2 years and 0.3 years. The Fund's strong allocations towards high quality investment grade credit, loans and selective Tier 2 securities have outperformed. Avoiding allocations to ASX-listed hybrids, emerging market corporate debt, and high yield has preserved capital as these sector spreads underperformed investment grade markets over the month.



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 31 March 2023

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(continued)

Current market pricing is more consistent with a developing recession that crunches inflation and allows the RBA to ease sooner.

Market review

Volatility flared again, with a rapidly evolving offshore banking crisis eliciting policy support and a fall in shorter-term and longer-end yields. Three- and 10-year government bond yields ended the month 66 basis points (bps) and 55bps lower at 2.94% and 3.30%. The Australian bond market, as measured by the Bloomberg AusBond Composite 0+ Yr Index, had a very strong month, gaining 3.16%. Credit markets were also gripped by the banking crisis in the US which spread rapidly to Europe, causing credit spreads on physical bonds to move wider. Coupon income cushioned performance on floating rate bonds, while duration supported returns from fixed rate credit. The Australian fixed and floating credit indices returned +1.85% and +0.26%, respectively.

The Reserve Bank of Australia (RBA) lifted the cash rate by another 0.25% to 3.60% in early March. While maintaining that further tightening was likely, the tone of the RBA's commentary was less hawkish than February's communications. Further to this, short-term money markets remained volatile as offshore banking sector developments led markets to shift from pricing in further monetary tightening to pricing in a 3.60% cash rate peak for this cycle, with a high chance of a 0.25% cut in the cash rate by year's end. Three-month bank bill yields ended 15bps higher at 3.72%, a little over the prevailing cash rate. Six-month bank bill yields picked up the change in monetary policy expectations, ending 14.5bps lower at 3.79%.

Market Outlook and Investment Strategy

With banking sector sentiment still skittish, we suspect the RBA will be inclined to take the pragmatic path and leave monetary settings unchanged in April. We look for the RBA to lift the cash rate by 0.25% in May to 3.85%, using March quarter CPI data as a smoking gun.

Our sense is that market pricing of a 3.60% peak in the cash rate is too low and pricing of an easing cycle starting late this year/early next year is too early.

Current market pricing is more consistent with a developing recession that crunches inflation and allows the RBA to ease sooner.

Strategically, we remain on the lookout for opportunities to add duration on spikes in yields on central bank signalling and data flows, as we enter the later stages of the economic cycle. However, tactically we remain cautious with the current level of monetary policy easing already priced in.

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 non-cyclical issuers (backed by hard assets) that can survive and thrive through a range of macro-economic scenarios. As we navigate the latter stages of the business cycle, we believe it is better to take bigger risks in safer segments than many smaller risks in lower quality credit sectors/issuers blindly pursuing yield. By adopting a patient and disciplined approach to extending risk and reserving ample investment capacity, we believe we will be well placed to take advantage of any further market dislocations.

Domestically, we remain unimpressed by the relatively tight spreads on offer in the bank hybrid market, instead allocating elsewhere within the capital structure, looking for opportunities within securities producing higher yields as the broader global bank capital market more rationally reprices risk.

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(continued)

In this environment we remain patient, earning reasonable income in high quality credit with strong roll down potential.

As the global macro environment continues to weaken, we remain cautious of high credit beta sectors. In this environment we remain patient, earning reasonable income in high quality credit with strong roll down potential. Our expectation remains for lower quality credit spreads to incrementally widen as investors digest weakening corporate fundamentals in a higher cost of capital / tighter liquidity environment. We continue to favour withholding some risk and liquidity capacity in anticipation of further volatility and more attractive entry points for global high yield and loans.

For in-depth economic analysis and the Australian Fixed Interest Team's outlook, visit go.janushenderson.com/Viewpoint-Apr23.

Environmental, Social and Governance (ESG)

Volatile credit markets meant that domestically, primary market issuance was effectively shut for the month. This included limited Green, Social and Sustainable issuance.

Important information

A Product Disclosure Statement and Additional Information Guide for the Fund dated 30 September 2021 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. The Gross performance methodology was updated at the end of March 2020 to reflect the Gross return to be Gross of Management costs and Sell Spread. 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. Target Market Determinations for funds issued by Janus Henderson are available here: www.janushenderson.com/TMD. Dollar figures shown are in Australian Dollars (AUD), unless otherwise stated.