

DIVERSIFIED CREDIT FUND

As at April 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

\$744.8 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)	0.66	1.16	4.43	3.60	4.58	3.94	4.62
Fund (net)	0.60	1.01	4.14	3.04	4.22	3.35	4.04
Benchmark [#]	0.30	0.83	1.60	2.37	0.81	1.11	2.28
Excess return [*]	0.30	0.18	2.54	0.67	3.41	2.24	1.76

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

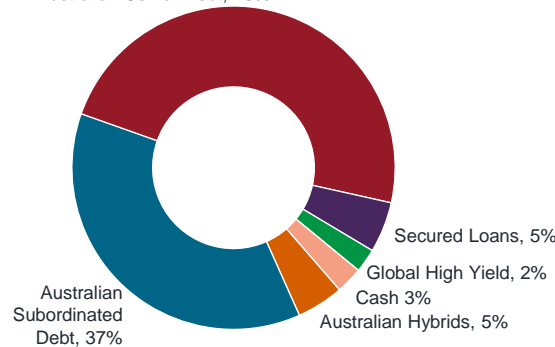
Gross return is gross of management costs and sell spread.

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.

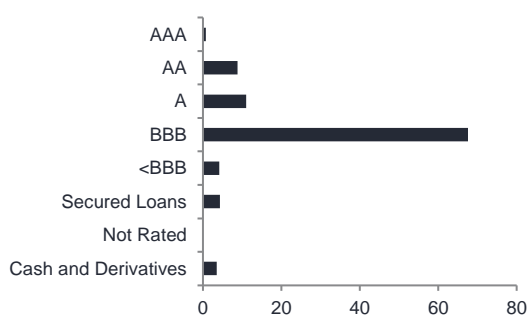
Sector allocation

Australian Senior Debt, 48%

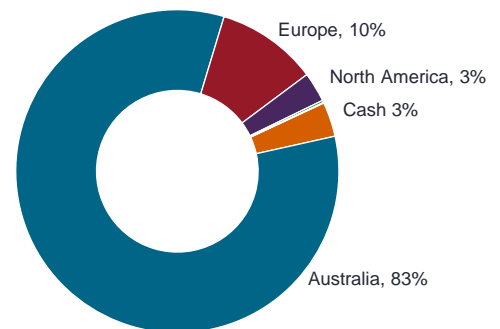


Rounding accounts for small +/- from 100%.

Credit rating distribution (%)



Region of issue



Portfolio statistics

Portfolio Yield ¹	5.62
Running Yield	4.58
Spread Duration	3.10
Modified Duration	0.10
Weighted Average Credit Quality	A
Number of Securities ²	445

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	3.16
CBA Subordinated FRN Basel III T2 6.86% 09/11/2032	3.05
ANZ Subordinated Basel III T2 5.906% 12/08/2027	2.92
CBA Subordinated FRN Basel III T2 14/4/2032	2.68
Brisbane Airport Corp Senior Secured 4.5% 01/10/2030	2.66
ANZ Subordinated FRN Basel III T2 26/02/2026	2.60
Australia Pacific Airports (Melbourne) Senior Secured 3.763% 25/11/2031	2.35
ANZ Subordinated FRN Basel III T2 26/07/2024	2.03
Westpac Banking 4.4536% 2028	2.02
Bank Australia 5.0724% 2027	1.92

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.

DIVERSIFIED CREDIT FUND

(continued)



Portfolio Manager
Shan Kwee

Fund performance

The Janus Henderson Diversified Credit Fund (Fund) returned 0.60% (net) and 0.66% (gross). The Fund outperformed the Bloomberg AusBond Bank Bill Index (Benchmark) by 0.3% (net) in April, which returned 0.3% on the month. The Fund continues its outperformance, beating the Benchmark over the longer term including by 1.23% (gross) over the year, and 3.77% (gross) over a three year rolling period.

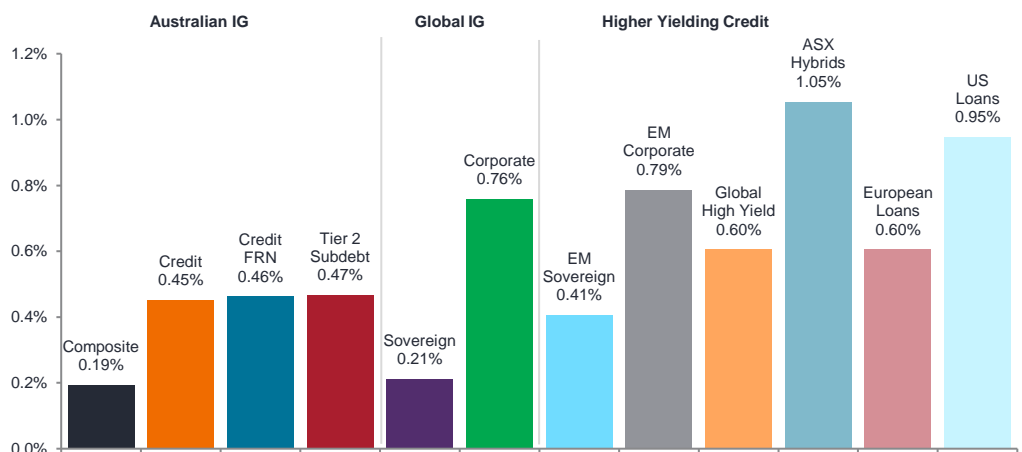
April was a good month for credit, with most of the attribution coming from higher coupon income as credit spreads stabilised. The Fund added additional alpha by taking advantage of opportunities that arose after the Silicon Valley Bank collapse and Credit Suisse merger. Some of the safest segments from a default risk perspective cheapened as the baby was thrown out with the bath water. These rebounded well in April as rationality prevailed. We took the opportunity to take some profit on those trades that had rallied/rolled down. We remain cautious on the corporate debt sector whilst harnessing the income from taking larger positions in the highest quality credit segments. We remain under invested in higher beta securities with powder dry for future acquisition.

Higher yielding credit sectors were beneficiaries in the more stable credit conditions where positive returns were largely supported by the higher level of income. We remain cautiously positioned with reduced allocations to sub investment grade, illiquid and heavily structured credit sectors moving into the latter stages of the credit cycle.

In April the additional income carry profile of the portfolio delivered outperformance from allocations favouring Australian investment grade credit and Tier 2 securities which outperformed bonds and cash. Bank senior and Tier 2 securities have resumed normal trading and end April around levels that existed prior to the March weakness. We observe deterioration in offshore credit conditions and therefore are inclined to begin profit taking on some of the senior and Tier 2 positions accumulated and higher spreads over the past 12 months to replenish liquidity to be in a position to take advantage of widening spreads and new issuance.

During April we took some profit on a swap rate positions implemented during March. In addition, we observe relatively benign conditions in VIX and CDS markets, so during the month we took the opportunity to add 0.3yrs spread duration of credit protection via US IG CDX.

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 below 0.2 years. The Fund's strong allocations towards high quality investment grade credit, loans and selective Tier 2 securities have outperformed. We remain patient and under allocated to ASX-listed hybrids and high yield.



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 (HWOC)), SolActive Hybrids Gross Franking, Credit Suisse (Western European Leveraged Loan Index), S&P LTSA US Loans Index as at 30 April 2023

DIVERSIFIED CREDIT FUND

(continued)

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

Market review

Volatility eased as offshore banking sector concerns faded, allowing for a recovery in risk appetite that supported equity and credit markets. Three- and 10-year government bond yields ended the month 6 basis points (bps) and 4bps higher at 3.00% and 3.34%. The Australian bond market, as measured by the Bloomberg AusBond Composite 0+ Yr Index, rose 0.19%. Credit markets calmed down in April as investor focus shifted from recent offshore banking crises to northern hemisphere Q1 corporate earnings. The Australian fixed and floating credit indices returned +0.45% and +0.46% respectively.

Market Outlook and Investment Strategy

The current tightening cycle is maturing and heading towards the plateau phase. While the March quarter CPI recorded broad based inflation, the rate of inflation has begun to slow, and with trimmed inflation lifting by 1.2%, the RBA doesn't have the smoking gun needed to make a May tightening a certainty.

We still think there is a case for one final tightening taking the peak to 3.85% given labour market strength and building wage pressures.

We currently see market pricing of a small chance of one further tightening, with an easing fully priced by April 2024 and a cash rate of around 3.1% by the end of 2024 as not that wildly off the mark.

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 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 in investment grade corporates and higher up in the bank capital structure. We continue to look for opportunities within securities producing higher yields as the broader market more rationally reprices risk.

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-May23.

DIVERSIFIED CREDIT FUND

(continued)

Data out this month showed that globally Green, Social, Sustainability and Sustainability-Linked bond issuance has significantly grown quarter on quarter.

Environmental, Social and Governance (ESG)

Data out this month showed that globally Green, Social, Sustainability and Sustainability-Linked bond issuance has significantly grown quarter on quarter. This positive momentum should bode well for further growth in the Australian market.

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.