Janus Henderson

DIVERSIFIED CREDIT FUND

Janus Henderson INVESTORS

As at May 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
$760.5 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

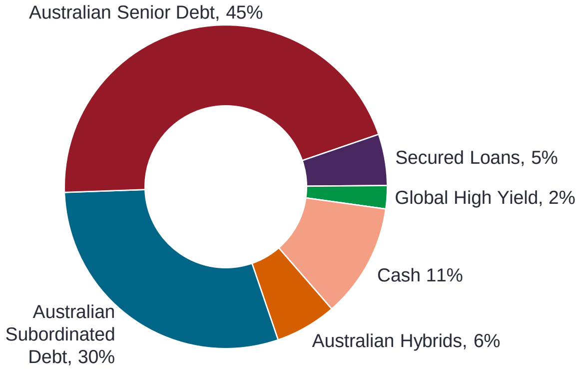
APIR code
IOF0127AU

ASX mFund
JHI04

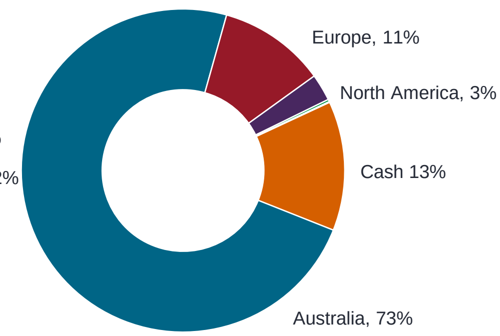
Performance	1 month (%)	3 months (%)	6 months (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	Since inception (% p.a)
Fund (gross)	0.51	0.73	3.91	5.18	4.04	4.05	4.63
Fund (net)	0.47	0.59	3.63	4.63	3.59	3.46	4.05
Benchmark #	0.29	0.89	1.65	2.64	0.91	1.14	2.29
Excess return*	0.18	-0.30	1.98	1.99	2.68	2.32	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

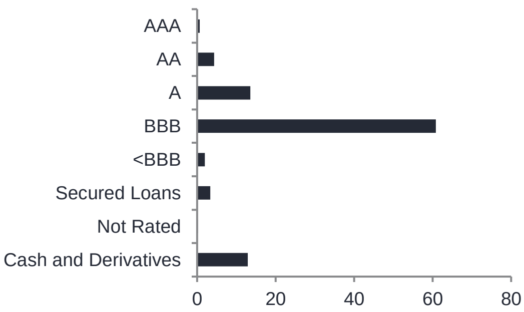


Region of issue



Rounding accounts for small +/- from 100%.

Credit rating distribution (%)



Portfolio statistics

Portfolio Yield[1]	5.55
Running Yield	4.29
Spread Duration	2.71
Modified Duration	0.38
Weighted Average Credit Quality	A
Number of Securities[2]	438

[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 (%)
Brisbane Airport Corp Senior Secured 4.5% 01/10/2030	2.57
ANZ Subordinated FRN Basel III T2 26/02/2026	2.53
CBA Subordinated FRN Basel III T2 10/09/2025	2.45
Australia Pacific Airports (Melbourne) Senior Secured 3.763% 25/11/2031	2.06
ANZ Subordinated FRN Basel III T2 26/07/2024	1.99
CBA Subordinated FRN Basel III T2 09/11/2027	1.95
CBA Subordinated FRN Basel III T2 6.86% 09/11/2032	1.91
ANZ Subordinated Basel III T2 5.906% 12/08/2027	1.90
Westpac Banking 4.4536% 2028	1.87
ANZ Bank/UK 6.75% Fix/FRN Perp USD	1.70

[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.

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(continued)

Portfolio Manager
Shan Kwee

Fund performance

The Janus Henderson Diversified Credit Fund (Fund) returned 0.47% (net) and 0.51% (gross). The Fund outperformed the Bloomberg AusBond Bank Bill Index (Benchmark) by 0.18% (net) in May, which returned 0.3% on the month. The Fund continues its outperformance, beating the Benchmark over the longer term including by 1.99% (net) over the year, and 2.68% (net) over a three year rolling period.

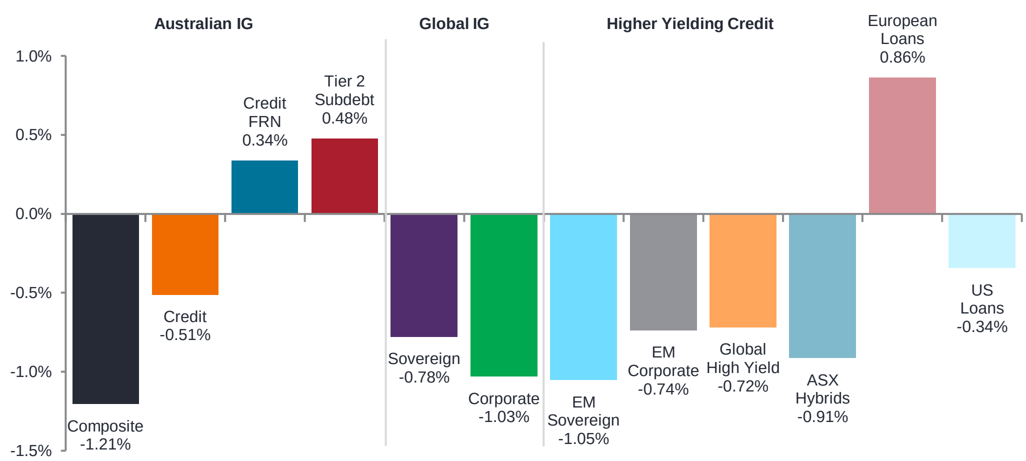
Overweight credit allocations were a positive contributor, benefiting during the month mainly from additional income and constructive spread movements.

Higher yielding credit sectors largely were able to benefit from additional income in the more stable credit conditions. European Loans were the top performing sub sector, followed by Australian Tier 2 with floating rate credit classes outperforming in the rising bond yield environment. ASX listed hybrids underperformed due to new supply from CBA who issued new hybrids pushing market spreads higher. We remain patient and cautiously positioned with reduced allocations to sub investment grade, illiquid and heavily structured credit sectors moving into the latter stages of the credit cycle with pockets of repricing continuing through the year.

The Fund delivered solid performance in a tougher market environment. A cautious interest rate duration position immunised the Fund from rising bond yields and floating rate assets benefitted from further increases in RBA cash rates. Allocation across the credit sectors was key with Australian floating rate notes (FRNs) and Tier 2 securities and Loans outperforming bonds, cash and hybrids.

Whilst we expect resolution to the US debt ceiling concerns, there are darker clouds looming ahead as macro conditions and credit fundamentals are anticipated to weaken. We used the market conditions in May to build liquidity and dry powder into the back half of the year. We took profit on bank FRNs and Tier 2 which have performed very well since Q4 2022. We replenished liquidity levels to above 10% awaiting good value primary issuance levels as opportunities to redeploy. Fund spread duration was shortened by 0.4 years as a result.

Yield levels in the Fund remain attractive hovering between 5.5% to 6.0% even as we have been lowering risk positions. Further increases in cash rates in the months ahead further boost income return for floating rate securities. As bond yields climb we start to see value in adding some interest rate duration to lock in higher yield levels for income investors, it also serves as a defensive buffer if risk markets wobble. The Fund’s strong allocations towards high quality investment grade credit, loans and selective Tier 2 securities have continued to outperform. We remain patient and significantly underallocated 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 (HW0C)), SolActive Hybrids Gross Franking, Credit Suisse (Western European Leveraged Loan Index), S&P LTSA US Loans Index as at 31 May 2023

DIVERSIFIED CREDIT FUND

(continued)

Janus Henderson INVESTORS

Bond yields lifted across the month as growing concerns over the US debt ceiling negotiations came up against inconsistent signals from the local and global economy.

Market review

Bond yields lifted across the month as growing concerns over the US debt ceiling negotiations came up against inconsistent signals from the local and global economy. Markets were leaning towards the more positive data sets, inflation concerns, and downplaying signs of policy gripping. This drove a rise in volatility, and a re-pricing of higher terminal cash rates. Short and longer dated government bond yields rose sharply after last month's modest moves. Against this backdrop, the Australian bond market, as measured by the Bloomberg AusBond Composite 0+ Yr Index, fell 1.20%. The Australian fixed and floating credit indices returned -0.51% and +0.34% respectively.

Market Outlook and Investment Strategy

As we approach the end of the RBA's extraordinary tightening cycle, the immediate path is often murky. The economic data tends to be inconsistent, as the famous long and variable lags tend to grip some sectors sooner than others. This drives market volatility, amid policy uncertainty. As the news starts to come in consistently, that enables markets to price the next, downward, phase.

We see the RBA raising the cash rate twice more, to a peak of 4.60%. The RBA raised the stakes at their June meeting, with a rise in emphasis on the risks from higher wages and low productivity on inflation. They acknowledge the pressures on households but have warned of the risks to the whole economy if inflation does not moderate to target as expected. We have a modest tilt to further tightening by the RBA, which is contingent on a more resilient economy than expected.

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. After the rally in financials spreads this year, we looked to lock in profits and rebuild liquidity positions. 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.

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. 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.

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 and slowing growth 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-Jun23.

DIVERSIFIED CREDIT FUND

(continued)

Janus Henderson INVESTORS

The Australian Office of Financial Management (AOFM), the funding arm of the federal government, will launch the nation's first sovereign green bond in 2024.

Environmental, Social and Governance (ESG)

May brought with it a green bond deal roadshow from the Western Australian government, a sustainability bond from Australia Post and confirmation that the Australian Office of Financial Management (AOFM), the funding arm of the federal government, will launch the nation's first sovereign green bond in 2024.