Janus Henderson

TACTICAL INCOME FUND

Janus Henderson INVESTORS

As at April 2022

Fund objective
The Fund seeks to achieve a total return after fees that exceeds the total return of the Benchmark, by investing in a diversified portfolio of predominantly Australian income producing assets.

Investment approach
The Fund is actively managed and designed to make tactical investment decisions between cash, longer duration fixed interest securities and higher yielding securities, through every step of the investment cycle.

Benchmark
Bloomberg AusBond Bank Bill Index and Bloomberg AusBond Composite 0+ Yr Index (equally weighted)

Risk profile
Low-medium

Suggested timeframe
3 years

Inception date^
30 June 2009

Fund size
$4.8 billion

Minimum investment
$25,000

Management cost (%)
0.45 p.a.

Buy/sell spread (%)
0.00/0.04^^

Base currency
AUD

Distribution frequency (if any)
Quarterly

ARSN code
130 944 866

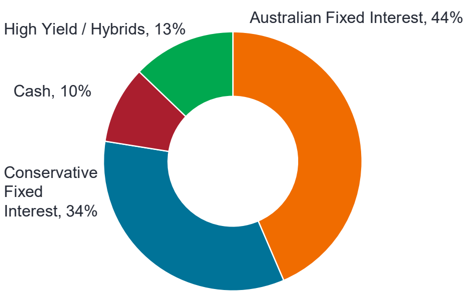
APIR code
IOF0145AU

ASX mFund
JHI02

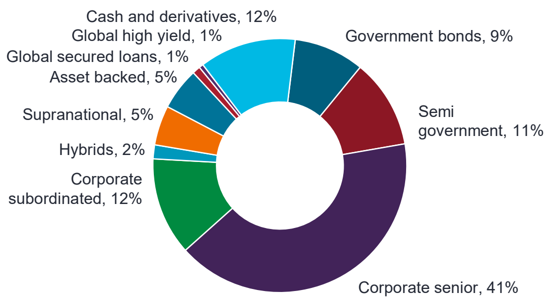
Performance	1 month (%)	3 months (%)	6 months (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	10 years (% p.a.)	Since inception (% p.a)
Fund (gross)	-1.18	-2.13	-1.62	-1.52	1.60	2.34	3.63	4.77
Fund (net)	-1.21	-2.23	-1.83	-1.96	1.13	1.88	3.16	4.30
Growth (Net)	-1.21	-2.89	-2.66	-4.32	-1.65	-0.72	-0.32	0.37
Distribution (Net)	0.00	0.66	0.83	2.37	2.79	2.59	3.48	3.93
Benchmark	-0.75	-3.21	-2.65	-3.78	-0.24	1.21	2.47	3.30
Excess return*	-0.46	0.98	0.82	1.82	1.37	0.67	0.69	1.00

*Excess return is measured against net performance.
Gross performance is calculated gross of management costs and sell spread.
Past performance is not a reliable indicator of future performance.

Asset allocation*

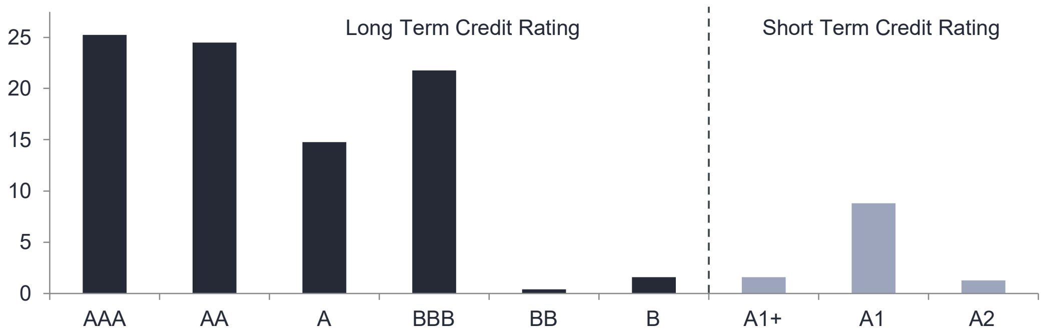


Sector allocation



*Asset allocation shown as effective exposure of asset classes.
Rounding accounts for small +/- from 100%.

Credit rating distribution (%)



Portfolio characteristics

Estimated Weighted Average Yield to Maturity (EWAYTM)[1]	3.38
Running Yield	4.43
Benchmark EWAYTM	1.68
Weighted average credit quality	AA
Number of securities (on a look through basis)	533

[1]Estimated Weighted Average Yield to Maturity is a measure of the average annual yield of all securities in the Fund (Grossed up for franking credits, where applicable)

Modified duration	Years
Fund	3.35
Benchmark	2.75
Active position	0.60

Benchmark duration is as at month end and therefore does not include rebalancing.

^ Fund inception for performance reporting purposes is at end of month, whereby the actual fund inception date may be earlier in the month.
^^ For more information and most up to date buy/sell spread information visit www.janushenderson.com/en-au/investor/buy-sell-spreads

TACTICAL INCOME FUND

(continued)

Head of Australian Fixed Interest
Jay Sivapalan

Fund performance

The Janus Henderson Tactical Income Fund (Fund) returned -1.21% (net) and -1.18% (gross). The Fund underperformed the Bloomberg AusBond Bank Bill Index and Bloomberg AusBond Composite 0+ Yr Index (equally weighted) (Benchmark) by -0.46% (net) in April, which fell by -0.75% on the month. However, the Fund continues its outperformance, beating the Benchmark across all periods including by 1.82% (net) over the year, and 1.00% (net) since inception per annum.

While a negative month is not ideal, for the most part over the last year the Fund had preserved capital owing to its nimble interest rate strategy navigating this rising rate environment. To give context, the Australian bond market (as measured by the Bloomberg AusBond Composite 0+ Yr Index) has fallen 7.47% in the last 12 months as yields have risen since August. This has seen a brutal 10% fall in the index in eight months (annualised at -14.7%) – unheard of for a defensive asset class. In contrast, the Fund has managed to cushion much of this impact with a more modest -1.52% (gross of fees) decline over the year.

In the month of April, the Fund was not immune to another drawdown in bond markets. However, once again, heightened level of volatility that lifted bond yields and leaked spreads wider offered up more targeted investment opportunities for the Fund. We continued to take advantage of this by locking in good assets at discounted prices.

Over the month, the Fund added more duration. Rates strategies in the Fund are actively managed through exposure to the Janus Henderson Australian Fixed Interest Fund and interest rate derivatives. The Fund commenced the year with a strong capital preservation focus and a defensive low duration stance at around 0.5 years. Seeing the opportunity to lock in what we assess as attractive 'all-in yields' caused by dislocated markets reflecting a cash rate profile that is unlikely to be delivered by the Reserve Bank of Australia (RBA) over the next couple of years, we started adding meaningful duration to the Fund. While in hindsight we added earlier than we would have liked, and this has detracted from performance over the month, as rates continued to rise in April, this only added to our conviction levels. The Fund's duration was taken to 3.35 years at month end, which is our highest ever level, as we look to lock in the current attractive yields for investors. The Fund now has a decent yield advantage, and we are confident in future outcomes of higher performance in the coming months.

Inflation-linked notes outperformed nominal bonds in the month as inflation break-even levels lifted further. This added relative performance to the Fund in the month.

In terms of credit, the strategy had a good level of credit protection going into 2022 through credit default swaps (CDS) as the tide that supported risk assets was likely to go out. Having initially employed an effective credit hedge, this was reduced, taking profit as CDS spreads widened in March. In April, we reintroduced some more credit protection. We remain a bit cautious on credit spreads as the higher interest rate environment gets digested by markets. We also took profit on some longer duration credit that has done its job over the last couple of years. This reduced overall credit sensitivity of the Fund. As physical credit spreads continued to widen over the month, this contributed to the Fund's negative performance.

In addition, the Fund is currently allocated on an opportunistic basis to higher yielding sectors. The Fund has favoured secured loans, which are a floating rate product, as well as major bank hybrids. The small allocation the Fund has to secured loans was marginally lower in the month but did outperform other higher yielding sectors such as emerging market debt and global high yield.

Of the underlying funds that the Fund invests in, the Janus Henderson Australian Fixed Interest, Diversified Credit Fund and Conservative Fixed Interest Funds underperformed their respective benchmarks, while the Cash Fund – Institutional performed broadly in line with its benchmark.

TACTICAL INCOME FUND
(continued)

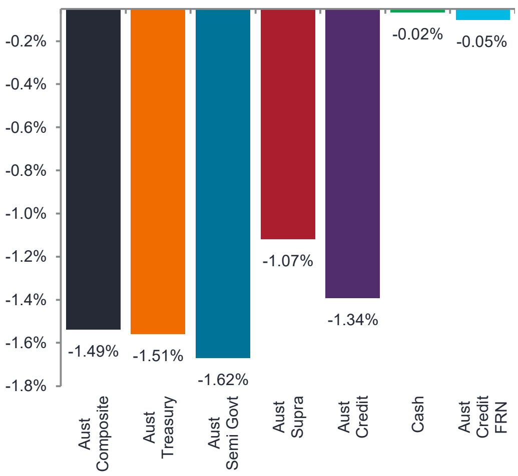
Janus Henderson INVESTORS

Offshore and domestic yields continued to rise, reflecting inflation pressures and expectations for a more aggressive and front-end loaded central bank tightening cycle.

Market review

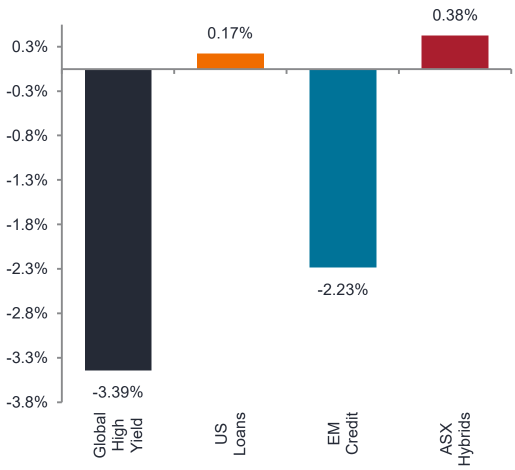
- Offshore and domestic yields continued to rise, reflecting inflation pressures and expectations for a more aggressive and front-end loaded central bank tightening cycle.
- Risk sentiment continued to be impacted by the prospect of aggressively tightening financial conditions to tackle elevated inflation, with consequent negative implications for medium-term growth. Equity and credit markets were softer, while inflation expectations edged upwards.
- Higher yields across the curve meant that the Australian bond market, as measured by the Bloomberg AusBond Composite 0+ Yr Index fell 1.49%.
- The key economic release was the March quarter Consumer Price Index (CPI). A much higher than expected 2.1% quarterly rise in the headline rate.
- Market pricing for RBA rate rises remains aggressive, with futures markets pricing in a 2.50% cash rate by December and 3.25% by mid-2023.

Investment grade



Source: Bloomberg AusBond Indices
Period of 1 April 2022 – 30 April 2022

Higher yielding



Source: ICE BoAML Global High Yield Index A$ Hedged, S&P/LSTA Leveraged Loan Index AUD TR Hedged, JPMorgan CEMBI Broad Diversified A$ Hedged, Solactive Australian Hybrid Securities Index (Gross).
Period of 1 April 2022 – 30 April 2022

Market outlook

- Three consecutively higher core inflation readings provide the RBA with the smoking gun needed for a May lift-off in the cash rate. Our base case has the cash rate lifting to 0.25% and the RBA signalling that it will allow maturing bonds to roll off its balance sheet on maturity.
- Market pricing remains aggressive, and such a lift would take monetary conditions from accommodative to restrictive and runs the risk of creating financial instability via falling asset prices and outright recession.
- We view a more moderate tightening cycle, which has the cash rate at 1% at the end of this year and 2% at the end of 2023. This gives the RBA the best chance to meet its full employment, welfare and inflation objectives.

For in-depth economic analysis and the Australian Fixed Interest Team's outlook, visit go.janushenderson.com\Viewpoint-May22.

At month end levels, we still see value at the shorter end of the yield curve.

Investment strategy

Interest rates:

At month end levels, we still see value at the shorter end of the yield curve. Likewise, we see 10-year government bond yields at month end levels of 3.13% as beginning to offer value, providing investors with term premia at a time of heightened inflation risk.

Sector allocation:

Inflation-linked bonds: We hold onto our inflation protection strategies, especially as the Russian invasion elevates oil prices and exacerbates supply chain pressures. Furthermore, there remains the tail risk that the RBA allows the labour market to overheat and lead to an upward wage/price spiral.

Semi-government bonds: We remain attracted to semi-government securities, particularly those issued by NSW, as market pricing has adjusted to the removal of formal quantitative easing from the RBA. We hold a positive longer-term macro outlook for the state and the strong fiscal position of the NSW government. These are AA+ rated liquid government securities.

Investment grade credit: Recent spread widening has allowed us to access high quality names at attractive levels. We are very selective, targeting high grade credit. We have also added back in CDS protection as we remain cautious on overall credit beta as macro policy settings transition from accommodative to more neutral levels.

Higher yielding credit: As markets provided a brief improvement in risk sentiment this allowed us to resume reducing sensitivity to higher beta subsectors of the credit market. We reimplemented credit protection via CDS across both investment grade and sub investment grade, whilst also decreasing allocations to leveraged loans and hybrids. We continue to expect credit valuations to gradually cheapen into the year as supply and normalising global liquidity conditions cause investors to command improved compensation for risk premia. We favour moving up in quality and seniority in capital structures in anticipation. We don't think this increasing compensation has yet been adequately reflected in more structured, levered, and illiquid sectors of the market. We also note that typically higher yield sectors, such as emerging markets and high yielding (highly levered) companies have less capacity to deal with rising interest rates and input cost inflation.

Our focuses for investing are:

- A 'normalising' in cash rates around the globe lifting risk-free yields;
- Navigating bond markets, adding duration when yields overshoot to the upside and taking profit when yields retreat;
- Inflation protection when it's cheap;
- Targeted income bid (spread sectors, including credit), but wary of the policy support tide going out;
- Using credit protection for left field events and policy mistakes;
- Investing with a cautious mindset – managing ESG/stranded asset risk and deploying capital to positive impact opportunities;
- Aiming to fully participate in the cyclical growth uplift;
- Remaining active and able to pivot should a derailment to the recovery unfold;
- Aiming to 'lock in' attractive yields for investors.

Environmental, Social and Governance (ESG)

From an ESG perspective, we continue to engage with intermediaries and issuers on growing Australia's positive impact bond market. We seek to participate where valuations make sense.

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.

Further information
www.janushenderson.com/australia