Janus Henderson

TACTICAL INCOME FUND

Janus Henderson INVESTORS

As at May 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

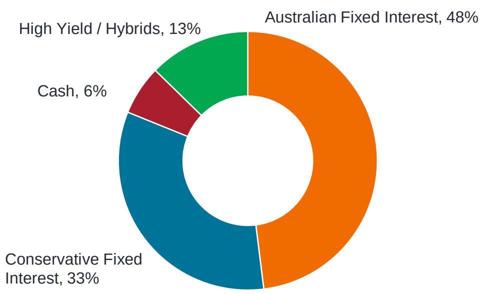
APIR code
IOF0145AU

ASX mFund
JHI02

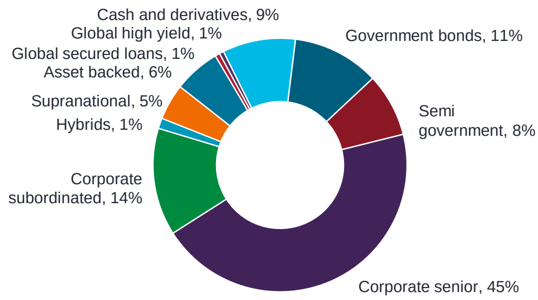
Performance	1 month (%)	3 months (%)	6 months (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	10 years (% p.a.)	Since inception (% p.a)
Fund (gross)	-0.45	-2.50	-2.59	-2.08	1.33	2.17	3.56	4.70
Fund (net)	-0.49	-2.61	-2.81	-2.52	0.87	1.70	3.09	4.23
Growth (Net)	-0.49	-3.26	-3.63	-4.87	-1.91	-0.89	-0.38	0.33
Distribution (Net)	0.00	0.66	0.82	2.35	2.78	2.59	3.47	3.90
Benchmark	-0.42	-3.04	-4.06	-4.31	-0.68	0.99	2.25	3.24
Excess return*	-0.07	0.43	1.25	1.79	1.55	0.71	0.84	0.99

*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*

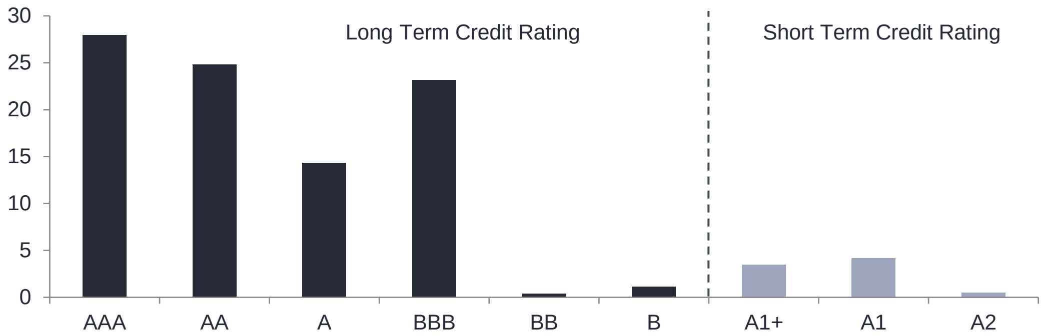


Sector allocation



*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]	3.88
Running Yield	4.48
Benchmark EWAYTM	1.96
Weighted Average Credit Quality	AA-
Number of Securities (on a look through basis)	515

[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	3.48
Benchmark	2.72
Active Position	0.76

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 -0.49% (net) and -0.45% (gross). The Fund underperformed the Bloomberg AusBond Bank Bill Index and Bloomberg AusBond Composite 0+ Yr Index (equally weighted) (Benchmark) by -0.07% (net) in May, which fell by -0.42% on the month. However, the Fund continues its outperformance, beating the Benchmark across all periods including by 1.79% (net) over the year, and 0.99% (net) since inception per annum.

As policy normalisation began, the bond market has suffered large losses. The market, as measured by the Bloomberg AusBond Composite Index, has returned -9.16% this financial year.

The Fund has not been immune to the sell off. However, comparatively, the Fund has limited the drawdown this financial year returning -2.61% versus the bond market at -9.16%.

Rates strategies in the Fund are actively managed through exposure to the Janus Henderson Australian Fixed Interest Fund and interest rate derivatives.

Our assessment is that the bond market has overpriced the actual tightening cycle that the Reserve Bank of Australia (RBA) will undertake, which has given us the opportunity to 'lock in' higher yields into the Fund. The Fund's duration was taken to and peaked at 3.52 years in May, which is our highest ever level, as we locked in the current attractive yields for investors. Throughout May, we opted to remain patient on our rates position. We expect markets to remain bumpy with much intra-month volatility. There is plenty to go on the pathway for interest rates.

While we stand ready for adverse volatility in the months ahead, our view is that the RBA won't meet the market's pricing. However, if the RBA ends up raising rates at the same pace and amount as factored into current bond market pricing (currently priced at an approximate 3.25% cash rate in 1 years' time) investors are no worse off than if we remained in floating rate assets and rode the journey with the RBA rate cycle. We see the risk of the RBA raising rates more aggressively than what is already priced in by markets as unlikely and asymmetrical. However, we do have some protective mechanisms in place to help offset this should this scenario eventuate. These include the credit spread premium that has been locked in above the risk-free rate, the carry (coupon) and the roll down as these bonds shorten in tenor. With a near 4% yield-to-maturity locked into the Fund, there is a 'buffer' before the Fund's return is wiped out over the year ahead.

Inflation-linked notes underperformed nominal bonds in the month. They were affected by inflation break-even levels falling together with longer dated bonds selling off more aggressively than the shorter end of the yield curve. The Fund took profit on much of its exposure to inflation-linked bonds when inflation expectations were at their peak.

The Fund also de-risked its semi-government exposure over the month, taking profit and neutralising the position.

Global credit markets reacted violently to a combination of rate volatility, weakening fundamentals, and recession fears, with spreads pushing wider across the course of the month. The Fund's credit strategies have hindered performance which were adversely affected along with other risk assets. However, the propensity for them to deliver is high, as default is all but remote in these high-quality assets, and this month's drag is just shifting the time for better returns.

Credit is undergoing a period of price discovery. Sectors that were previously supported by central bank policy (e.g. the banks and RMBS securities) are feeling the pinch as heightened risk sentiment in credit is coupled with an increase in supply, as primary market issuance increases, pushing domestic spreads in line with senior global market spreads. While we don't know where they will peak, the Fund's strategy is to accumulate high quality credit, e.g. AAA and AA rated assets, and be more disciplined with BBB's, which we have benefitted from in the last few years.

In addition, the Fund does allocate on an opportunistic basis to higher yielding sectors. The Fund has been de-risking exposure in these more volatile sectors including secured loans and high yield, as recessionary fears from higher rates dampens our enthusiasm for these assets. The Fund currently holds a very small allocation to below investment grade securities.

TACTICAL INCOME FUND

(continued)

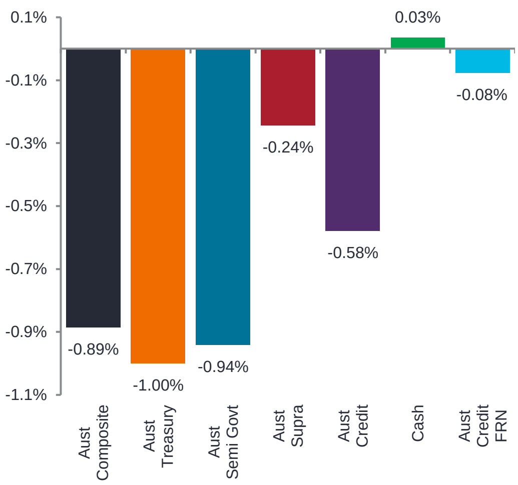
Offshore and domestic yields continued to rise, reflecting inflation pressures and expectations for a more aggressive and front-end loaded central bank tightening cycle.

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 outperformed its benchmark.

Market review

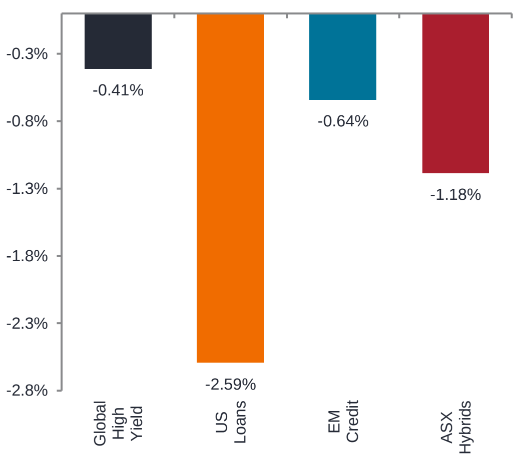
- Offshore and domestic yields continued to rise, reflecting inflation pressures and expectations for a more aggressive and front-end loaded central bank tightening cycle.
- Domestic yields peaked following the RBA's decision to lift the cash rate by 0.25% to 0.35% early in the month and signal further moves over the period ahead.
- Higher yields across the curve with steepening in the mid-to-longer part of the yield curve resulted in the Australian bond market, as measured by the Bloomberg AusBond Composite 0+ Yr Index falling by 0.89%.
- Aggressive global central bank policy action to tackle soaring inflation "at all costs", hurt risk assets. Concerns around weakening sentiment, demand and growth outlooks intensified resulting in weaker equity and credit markets.

Investment grade



Source: Bloomberg AusBond Indices
Period of 1 May 2022 – 31 May 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 May 2022 – 31 May 2022

Market outlook

- The RBA has joined other central banks in a pivot to a quicker return to neutral policy settings at a minimum to quell cyclical inflation pressures and just as importantly, anchor longer-term inflation expectations.
- We expect the RBA to tighten consecutively at its next three meetings, with a 40 basis points (bps) move on the cards. We have also pencilled in another 25bps move in November, which means we are looking for a 1.5% cash rate by year end.
- Market pricing in early May was extreme, discounting a 3% cash rate by December and almost 4% by late 2023. By month end, tightening expectations had been wound back by around 50 to 75bps to a 2.5% cash rate by year end and 3.25% by late 2023. These still appear too aggressive in our assessment.

For in-depth economic analysis and the Australian Fixed Interest Team's outlook, visit go.janushenderson.com\Viewpoint-Jun22.

We still see market pricing as extreme with value in the front end of the curve.

Investment strategy

Interest rates:

We still see market pricing as extreme with value in the front end of the curve. We expect that the path of interest rates will be shallower than that factored in by markets. While we remain agnostic on the longer end of the yield curve, we are mindful that term compensation is improving and that there is ultimately scope for capital gain if central banks overdo the tightening cycle and trigger a recession.

Sector allocation:

Inflation-linked bonds: We have taken profit on most of our inflation -linked securities. We built up this position when inflation expectations were low and trimmed as inflation break evens peaked. We clutch onto a small holding of our inflation protection strategies, given the Russian invasion continues and as a tail risk should the labour market overheat and lead to an upward wage/price spiral.

Semi-government bonds: We have de-risked our overweight to semi-government bonds, favouring high quality pockets of the credit market.

Investment grade credit: Recent spread widening has allowed us to access high quality names at attractive levels. We remain active and selective, favouring relative value within sub-sectors, whilst being judicious on overall credit beta. Uncertainty about the durability of the current expansion and cyclical cost pressures are likely to contribute to ongoing volatility.

Higher yielding credit: We continued to reduce sensitivity to higher beta subsectors of the credit market. We reduced exposure to leveraged loans and hybrids where relatively expensive valuations are not adequately compensating for the lack of liquidity and tail risks. While investment grade spreads have normalised swiftly this year, we expect widening pressure to endure as global liquidity conditions are tightened. We expect that lower quality and illiquid credit subsectors will be more impacted as investors should command greater spreads to compensate for risk premia, and has not yet been adequately reflected in more structured, levered and illiquid sectors of the market. We favour moving up in quality and seniority in capital structures in anticipation, retaining capacity to add risk when yields are appropriately higher.

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.

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.

TACTICAL INCOME FUND
(continued)

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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