

TACTICAL INCOME FUND

As at February 2023

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

\$4.9 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

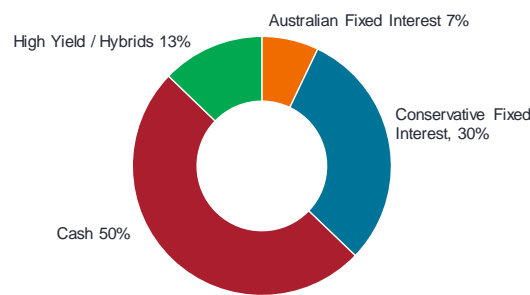
Performance	1 month (%)	3 months (%)	6 months (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	10 years (% p.a.)	Since inception (% p.a.)
Fund (gross)	0.67	2.07	2.47	0.37	1.68	2.29	3.20	4.66
Fund (net)	0.64	1.96	2.24	-0.08	1.21	1.82	2.73	4.19
<i>Growth (Net)</i>	0.64	1.68	1.66	-4.14	-2.39	-1.14	-0.64	0.24
<i>Distribution (Net)</i>	0.00	0.27	0.58	4.06	3.60	2.97	3.38	3.94
Benchmark	-0.54	0.04	0.92	-2.34	-1.38	0.96	2.07	3.11
Excess return*	1.18	1.92	1.32	2.26	2.59	0.86	0.66	1.08

*Excess return is measured against net performance.

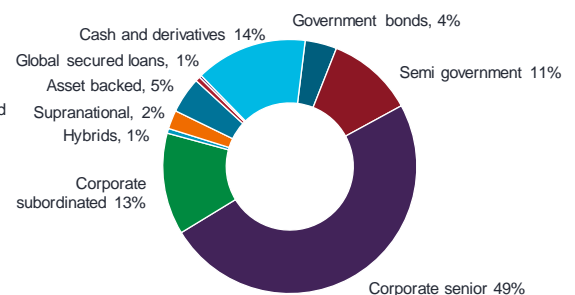
Gross performance is calculated gross of management costs and sell spread.

Past performance is not a reliable indicator of future performance.

Asset allocation*

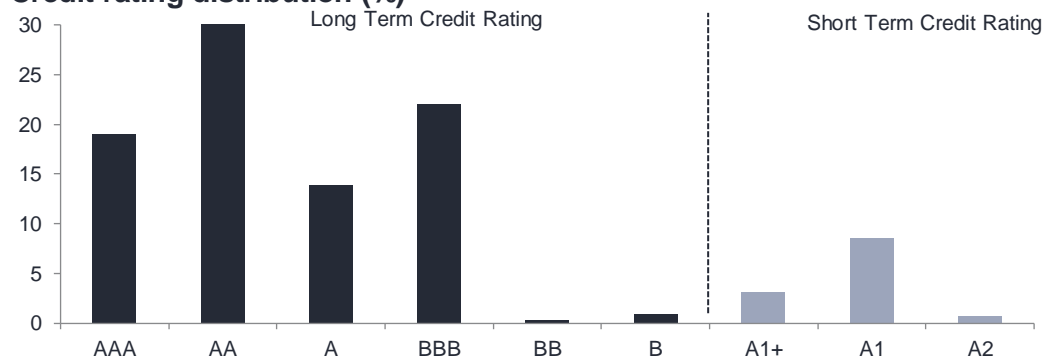


Sector allocation



*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	4.78
Running Yield	4.60
Benchmark EWAYTM	3.74
Weighted Average Credit Quality	AA
Number of Securities (on a look through basis)	486

¹Estimated 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	0.06
Benchmark	2.62
Active Position	-2.56

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

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(continued)



**Head of Australian
Fixed Interest**
Jay Sivapalan

Fund performance

The Janus Henderson Tactical Income Fund (Fund) returned 0.64% (net) and 0.67% (gross). The Fund outperformed the Bloomberg AusBond Bank Bill Index and Bloomberg AusBond Composite 0+ Yr Index (equally weighted) (Benchmark) by 1.18% (net) in February, which returned -0.54% on the month. The Fund continues its outperformance, beating the Benchmark over the longer term, including by 2.26% (net) over the year, and 1.08% (net) since inception per annum.

Bond yields rose over the month, unwinding half of the strong positive return gained in the month prior. The price fall on the short end of the yield curve outpaced longer-term bond moves as the curve re-adjusted to the Reserve Bank of Australia's (RBA) hawkish stance, indicating more rate rises to come.

We have remained cautious on adding duration, as our outlook for further central bank tightening is broadly aligned with market pricing. Meanwhile, overweight duration to swap rates over government bonds yields has been a positive contributor.

Spreads on semi-government bonds tracked tighter versus Treasuries, contributing positively to performance on a relative basis.

Globally, credit spreads weakened over the month, with Australia outperforming with local spreads 5 basis points (bps) tighter despite strong supply. Generous coupon income also helped buoy performance in the month. Floating rate credit outperformed fixed rate notes given the rise in bond yields. Active allocations to Tier 2 debt were a strong driver of returns as these assets significantly outperformed. We have favoured generating excess returns by having larger positions in high quality assets with greater liquidity, complemented with sub-sectors like Tier 2 where attractive value has been on offer.

Our minimised allocation to global high yield and no emerging market (EM) exposure protected the portfolio. In addition, having fully divested from domestic listed hybrids was beneficial as we believe they still appear poor value relative to other local credit.

Overall, February was a good month for performance, following on from a strong December and January result. Active management was fruitful in the backdrop of a weaker performance month for most sectors within fixed income. The Fund has remained cautious on duration, pairing back duration to near zero. This has helped preserve capital given the back up in yields in February. High coupon income and selective rotation in subsectors of credit enhanced returns. Looking forward, the high yields now built into portfolios are already assisting performance and we expect this to continue in 2023.

Market review

Stubborn inflation and hawkish central banks led to higher yields as markets moved to discount further monetary tightening. Risk appetite waned, with both equity and credit markets softening.

Short-term money markets remained volatile as monetary tightening expectations pivoted on RBA signalling. Three- and six-month bank bill yields ended 19bps and 21bps higher at 3.56% and 3.93%. In terms of the tightening cycle, markets are now looking for the cash rate to peak around 4.25% during the second half of the year.

Against this backdrop, the Australian bond market, as measured by the Bloomberg AusBond Composite 0+ Yr Index, fell 1.32% after gaining 2.76% the previous month.

While February's 0.25% lift in the cash rate to 3.35% was widely anticipated, subsequent hawkish messaging from the RBA, including that they considered a 0.5% move, led markets to reassess the likely peak in the cash rate. Three and 10-year government bond yields ended the month 42 bps and 30bps higher at 3.60% and 3.85%.

In credit markets, investors re-evaluated the implications of a 'higher for longer' interest rate regime for economic growth, margins, earnings and cashflows. Concurrently, a number of corporate treasurers utilised a window of opportunity to access the global primary debt markets in order to get ahead of further anticipated rises in the cost of debt. The new supply was relatively easily absorbed by investors eager to deploy elevated cash holdings into assets with attractive outright yields. The Australian iTraxx Index closed 5bps wider at 87bps, while the Australian fixed and floating credit indices returned -0.62% and +0.43% respectively.

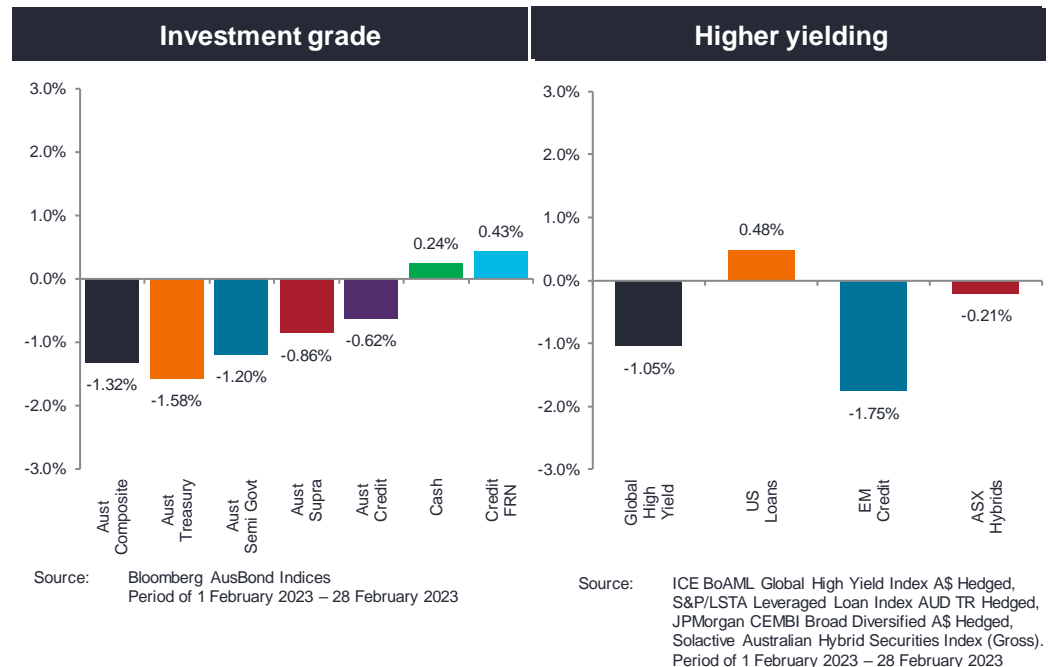
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(continued)

While monetary policy is a blunt instrument and operates with long and variable lags, it seems the slowdown in activity late last year hasn't carried over into early 2023.

In the domestic credit market, Westpac followed on from CBA a month earlier, issuing \$4.25 billion of senior unsecured bonds across three- and five-year tenors in both floating and fixed rate formats. Similarly meeting solid demand (~\$7.5 billion order book), these bonds priced at credit spreads of +78bps and +95bps, and fixed rate coupons of 4.6% and 4.8% respectively.

Global High Yield and Emerging Market Corporate Debt underperformed as offshore bond yields rose, while floating rate loans generated modest positive returns predominantly through income. Despite rising cash rates in Australia, the listed bank hybrid market delivered negative returns for the second month in a row as spreads widened into supply, which is in stark contrast to Tier 2, which has seen spreads tighten over 50bps to start 2023 as a clear sector outperformer.



Market outlook and investment strategy

While monetary policy is a blunt instrument and operates with long and variable lags, it seems the slowdown in activity late last year hasn't carried over into early 2023. Despite low levels of consumer sentiment and cost of living pressures, the January NAB Business Survey recorded improving business conditions, forward orders and capacity utilisation. Labour and purchase costs continued to lift at a fast pace.

This resilience was also evident offshore, particularly in the US, where markets shifted from looking through the tightening cycle to building in more tightening. Central banks, including the RBA, look set to continue their strategy of providing a dose of concentrated tightening, risking recession, to stop higher inflation from becoming entrenched.

A hawkish RBA, clearly anxious about the inflation outlook and indicating that work still needs to be done, has led us to factor in a 4.1% peak in the cash rate by mid-year. Given the change to our cash rate forecasts, we currently see yields as broadly fairly valued. We remain on the lookout for opportunities to add duration on spikes in yields as we enter the more mature phase of the tightening cycle.

Investors should remain focused on improved compensation for risk as monetary policy tightens further. We continue to observe that the repricing across different pockets of credit and risk premia remains uneven, providing outperformance opportunities through active rotation.

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(continued)

Janus Henderson
INVESTORS

We continue to stay abreast of new issuance of Green, Social and Sustainable bonds.

Attractive yields on high quality credit spreads have seen demand return from defensive income investors. We anticipate that as conditions tighten further, global spreads will suffer decompression. We continue to favour being positioned up in quality and seniority in capital structures, leaving powder dry for when compensation for investors escalates.

Domestically, we remain unimpressed by the relatively tight spreads on offer in the bank hybrid market, instead allocating elsewhere within the bank capital structure (higher rated Tier 2 bank bonds) and to the broader global bank capital market.

Mindful that weaker issuers could be disproportionately affected by a challenging macro environment, we remain cautious of high credit beta sectors. In this environment, rather than risk giving up yield to credit, our preference is to focus on high quality carry instruments with strong roll down potential. Our expectation remains for lower quality credit spreads to incrementally widen as investors digest weaker corporate fundamentals in a higher cost of capital / tighter liquidity environment. In the meantime, we continue to remain patient and build risk-taking capacity in anticipation of more attractive entry levels in Global High Yield.

For in-depth economic analysis and the Australian Fixed Interest Team's outlook, visit go.janushenderson.com/Viewpoint-Mar23

Environmental, Social and Governance (ESG)

We continue to stay abreast of new issuance of Green, Social and Sustainable bonds. Of note, the domestic market welcomed a Sustainable bond from Bank Australia and a Green bond from QTC in February. Our ongoing ESG-specific engagement meetings with companies remain a focus and we look to 2023 with optimism.

Important information

A Product Disclosure Statement and Additional Information Guide for the Fund dated 30 September 2022 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.