

TACTICAL INCOME FUND

As at April 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

\$5.0 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

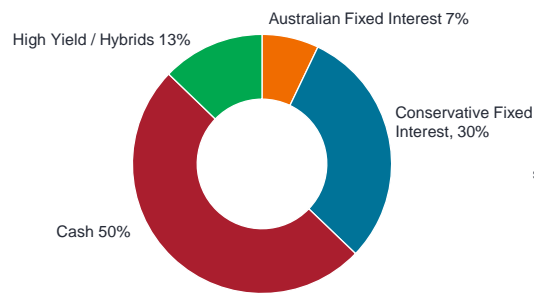
Performance	1 month (%)	3 months (%)	6 months (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	10 years (% p.a.)	Since inception (% p.a.)
Fund (gross)	0.60	1.11	3.61	2.93	1.77	2.29	3.15	4.63
Fund (net)	0.57	1.00	3.38	2.47	1.35	1.83	2.69	4.16
<i>Growth (Net)</i>	0.57	0.81	2.90	-1.22	-2.25	-0.97	-0.51	0.25
<i>Distribution (Net)</i>	0.00	0.20	0.48	3.69	3.60	2.80	3.20	3.91
Benchmark	0.25	1.42	2.93	2.27	-0.72	1.27	2.18	3.22
Excess return*	0.32	-0.42	0.45	0.20	2.07	0.56	0.51	0.94

*Excess return is measured against net performance.

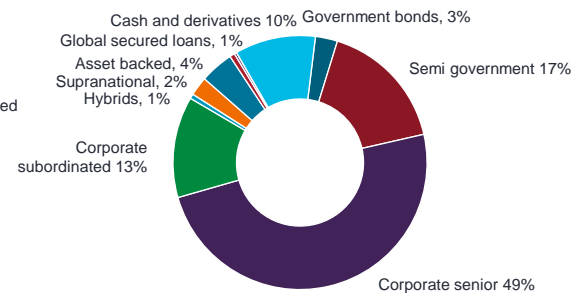
Gross performance is calculated gross of management costs and sell spread.

Past performance is not a reliable indicator of future performance.

Asset allocation*

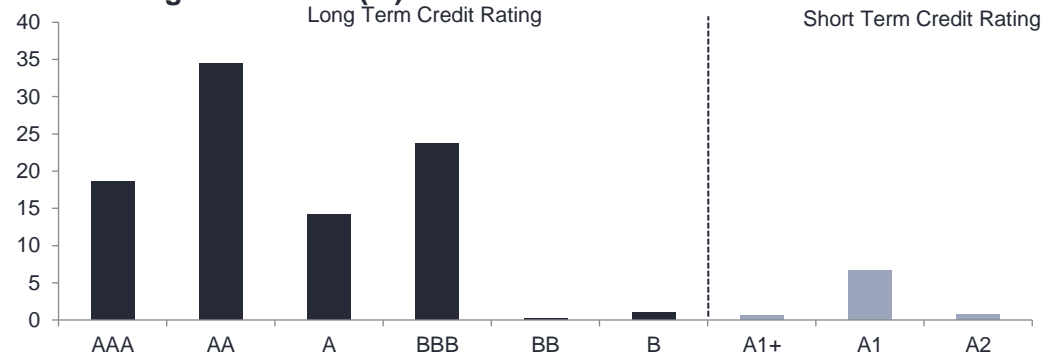


Sector allocation



*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	4.50
Running Yield	4.05
Benchmark EWAYTM	3.59
Weighted Average Credit Quality	AA
Number of Securities (on a look through basis)	491

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	0.32
Benchmark	2.71
Active Position	-2.39

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 0.57% (net) and 0.60% (gross). The Fund outperformed the 50% Bloomberg AusBond Bank Bill; 50% Bloomberg AusBond Composite 0+ Yr (Benchmark) by 0.32% (net) in April, which returned 0.25% on the month. The Fund continues its outperformance, beating the Benchmark over the longer term including by 0.2% (net) over the year, and 0.94% (net) since inception per annum.

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

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.

The strong performance result in April for the Fund, despite bond yields tracking higher, is a good reminder of why simply adding duration to portfolios isn't as straight forward as it sounds. Our Tactical management of duration (kept very low in April) was vindicated. While we prefer structurally more duration as the economy enters the later stages of the cycle, it pays to be patient. In addition, we took the opportunity to add some credit protection.

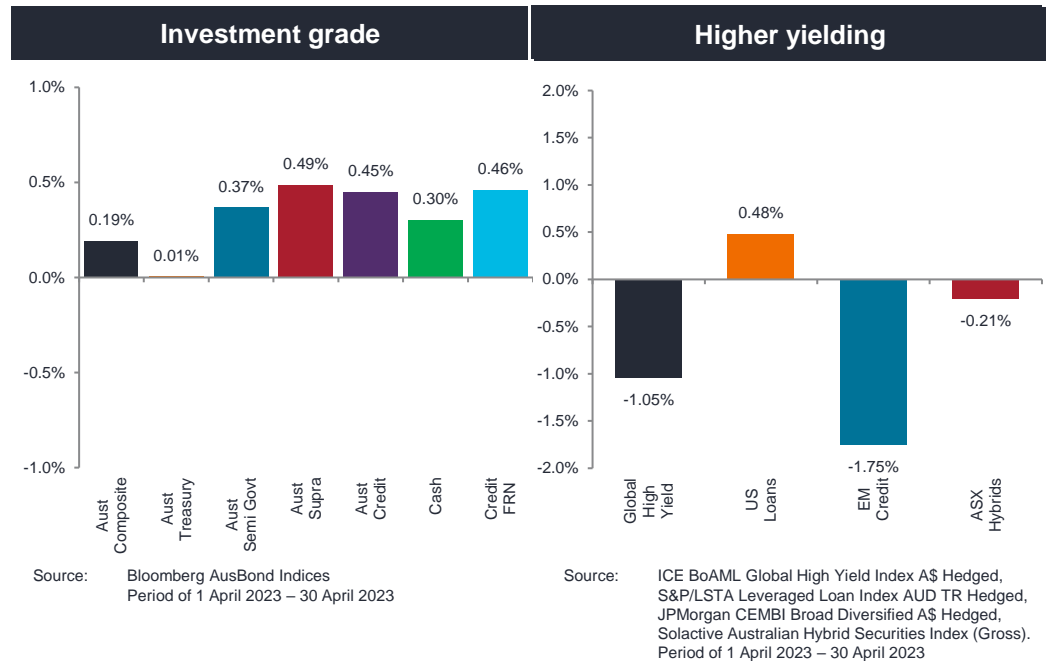
Market review

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.

TACTICAL INCOME FUND

(continued)

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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

TACTICAL INCOME 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 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.