Janus Henderson

TACTICAL INCOME FUND

Janus Henderson INVESTORS

As at July 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

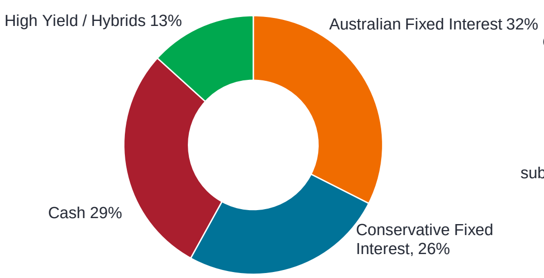
APIR code
IOF0145AU

ASX mFund
JHI02

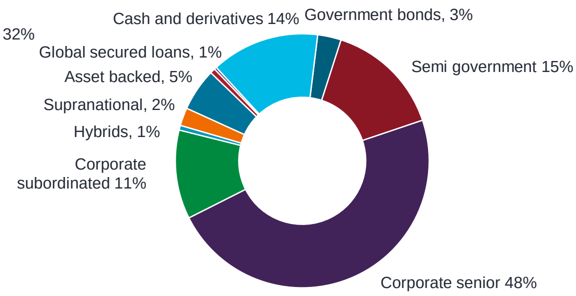
Performance	1 month (%)	3 months (%)	6 months (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	10 years (% p.a.)	Since inception (% p.a)
Fund (gross)	0.65	1.39	2.52	3.90	1.49	2.38	3.17	4.65
Fund (net)	0.61	1.27	2.29	3.44	1.05	1.92	2.71	4.18
Growth (Net)	0.61	-0.49	0.31	0.85	-2.32	-1.06	-0.53	0.21
Distribution (Net)	0.00	1.77	1.98	2.58	3.37	2.98	3.23	3.97
Benchmark	0.45	-0.84	0.57	0.83	-1.16	0.92	2.07	3.10
Excess return*	0.16	2.11	1.72	2.61	2.21	1.00	0.64	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*

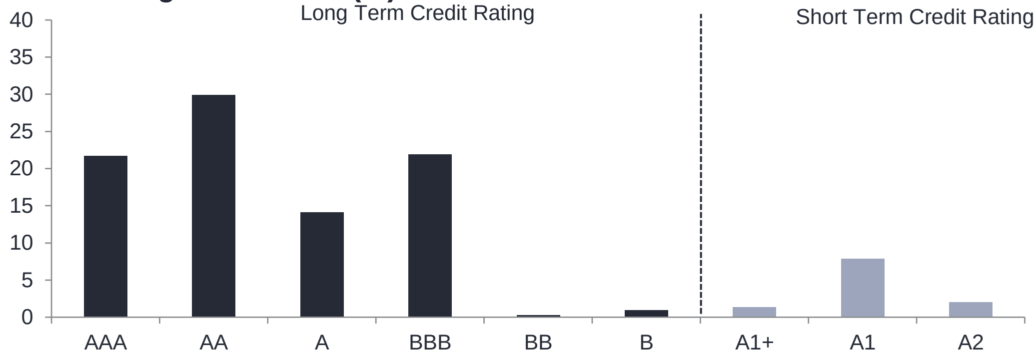


Sector allocation



*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]	5.08
Running Yield	4.13
Benchmark EWAYTM	4.22
Weighted Average Credit Quality	AA+
Number of Securities (on a look through basis)	496

[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	1.59
Benchmark	2.62
Active Position	-1.03

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 0.61% (net) and 0.65% (gross). The Fund outperformed the 50% Bloomberg AusBond Bank Bill; 50% Bloomberg AusBond Composite 0+ Yr (Benchmark) by 0.16% (net) in July, which returned 0.45% over the month. The Fund continues its outperformance, beating the Benchmark over the longer term including by 2.61% (net) over the year, and 1.08% (net) since inception per annum.

We hold an overweight position in semi government bonds, mostly via New South Wales, as well as overweight swap yields over government bond yields. The fall in yields benefitted these positions while on a relative basis to government bonds the spread was broadly unchanged.

It was a good month of outperformance from credit, returns benefitting from both additional income and some spread tightening. Overweight credit allocations were a positive contributor as a result.

With markets adjusting expectations for a gentler path for policy tightening and slowing growth, this aided higher beta credit sectors across loans, emerging market debt, high yield and hybrids, with all performing well. We remain very modestly allocated across these sectors as market sentiment remains fickle and the impacts of policy tightening are slowly feeding through, with asymmetric downside in our view. Australian Tier 2 continued to exhibit strong outperformance from spreads and income and has been our preferred substitute for lower quality sectors.

The Fund had another strong positive return in this month, outperforming its Benchmark significantly. This is on the back of a strong FY23 return for the Fund which delivered 4.88% (net of fees) outperforming bonds, cash and credit floating-rate note (FRN) market benchmarks over the past 12 months.

Turning points in policy can be tricky for markets to price, but we continue to remain active. We have added duration at much better yield levels. After beginning April with a slight negative duration position, we have started to see some value presented in bond yields and accelerated repositioning late in June moving to 1.6 years by the end of July.

More recently, the Fund has also been profit taking into the rally in spread sectors. We actively moved overweight in bank credit, longer semi government positions, and swap rate positions during 2022 when spreads were cheap and elevated well above average. These positions have contributed strongly to performance over the last few months. At this juncture we remain overweight but have moderated positioning as we look forward for further opportunities and keep powder dry.

With higher yields on offer, returns in the Tactical Income Fund should continue to move higher by virtue of its starting point and with successful active management.

TACTICAL INCOME FUND

(continued)

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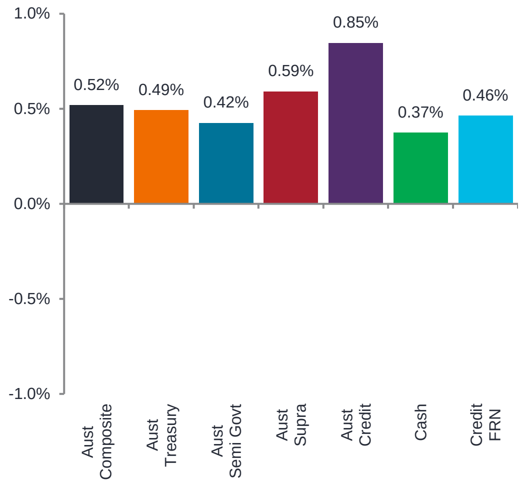
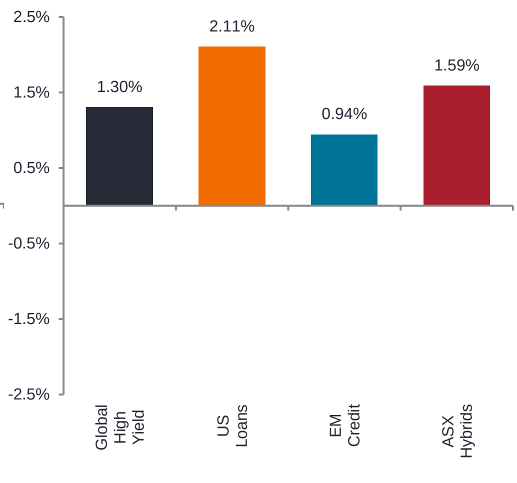
Investment grade



Source: Bloomberg AusBond Indices
Period of 1 July 2023 – 31 July 2023

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 July 2023 – 31 July 2023

Market review

As central banks edge closer to their policy peak, markets are starting to hope that the inflation genie is back in the bottle, without much detriment to economic growth. This allowed for some divergence across bond tenors. Shorter dated markets see a near term peak in policy, but policy held steady for longer, while longer dated markets eased long term risks. Three-year government bond yields ended the month 18 basis points (bps) lower at 3.87%, while 10-year government bond yields were 4bps higher at 4.06%.

Market Outlook and Investment Strategy

The RBA are now monitoring the balance between the slowing household sector, the strong labour market, and high wages growth. We know that the labour market lags the economy, reflecting the monetary policy conditions seen almost a year before, but the turn is difficult to pinpoint. We remain in the midst of the peaking of the economy but believe that policy will continue to grip and slow economic growth, with a shallow recession starting early next year not off the table.

We have reduced the probability of the very last hike in the cycle, with our central case now seeing one more hike to 4.35%. This may come through in either of the next two meetings. However, the longer the RBA leave it, the worse the coincident economic data appears and the harder it is for them to raise rates to tackle inflation. We currently see market pricing of one more rate hike, but delayed until 2024, and then policy held for an extended time, as underestimating the economic headwinds in 2024. We currently see the Australian yield curve as modestly under-valued. We remain on the lookout for tactical opportunities to add further duration on spikes in yields triggered by 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.

We are avoiding illiquidity, complexity and leveraged sectors, where we anticipate balance sheets will have to contend with a painful period of adjustment in a higher cost of capital environment. Lastly, 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.

TACTICAL INCOME FUND

(continued)

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We remain patient on sub investment grade and more illiquid credit, with a strong preference to earn reasonable income up in quality for now.

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. Both Senior and Tier 2 spreads rallied strongly during FY23 from elevated levels, and we have trimmed some active positions as a result. 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.

We remain patient on sub investment grade and more illiquid credit, with a strong preference to earn reasonable income up in quality for now. Our expectation remains for lower quality credit spreads to widen as investors digest weakening corporate fundamentals in a higher cost of capital and slowing growth environment. We are withholding risk and liquidity capacity in anticipation of more attractive entry points for global high yield and loans. After the risk rally Credit Default Swaps are now providing cheaper entry points for credit protection and we have increased levels of protection as we approach the point in the cycle where effects of policy tightening should become more apparent.

For in-depth economic analysis and the Australian Fixed Interest Team's outlook, visit go.janushenderson.com/Viewpoint-Aug23

Environmental, Social and Governance (ESG)

Domestically, primary markets were generally quiet in July, which included only a few labelled ESG bond deals. Two were small private placement new green bond issues, both from supranationals, however we were able to access the two following deals for clients via primary markets. NZ Local Government Funding Agency (NZ LGFA) helps to fund the local councils across New Zealand, who provide services such as public transport, public housing, water treatment, and recycling collection. They also have a strong sustainability framework which can lend funds to borrowers at a discounted loan margin when they commit to address greenhouse gas (GHG) emissions aligned to science-based trajectory. During July they chose to issue a non labelled bond in Australian Dollars. LaTrobe University issued their inaugural green bond on the last day of July. As well as their social impact through research and education, the University is committed to implementing, maintaining and continually improving environmental management processes to reduce its environmental footprint. Proceeds of the bond can be targeted toward projects aligned with green buildings, renewable energy, energy efficiency, clean transportation, pollution prevention, sustainable water and waste management as well as terrestrial and aquatic biodiversity conservation.