

TACTICAL INCOME FUND

As at September 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

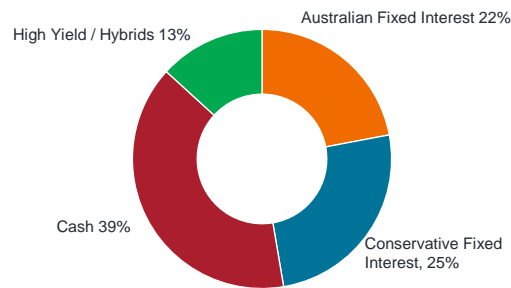
Performance	1 month (%)	3 months (%)	6 months (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	10 years (% p.a.)	Since inception (% p.a.)
Fund (gross)	0.00	1.46	2.83	5.73	1.56	2.45	3.14	4.65
Fund (net)	-0.04	1.35	2.60	5.26	1.11	1.98	2.68	4.18
<i>Growth (Net)</i>	-0.64	0.74	0.20	2.32	-2.19	-1.03	-0.50	0.22
<i>Distribution (Net)</i>	0.60	0.61	2.40	2.94	3.30	3.01	3.18	3.97
Benchmark	-0.60	0.40	-0.63	2.63	-1.28	0.84	2.03	3.06
Excess return*	0.56	0.95	3.23	2.63	2.39	1.14	0.65	1.12

*Excess return is measured against net performance.

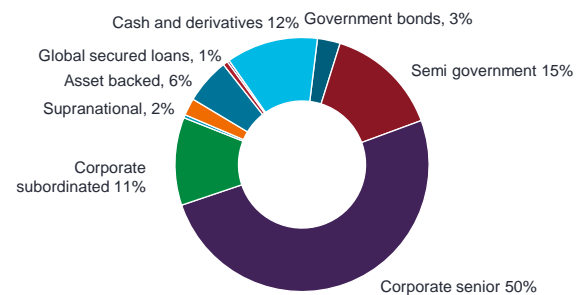
Gross performance is calculated gross of management costs and sell spread.

Past performance is not a reliable indicator of future performance.

Asset allocation*

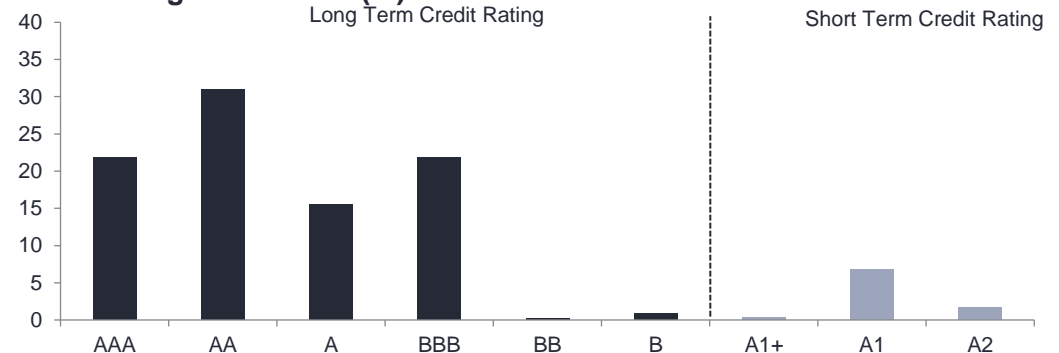


Sector allocation



*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	5.12
Running Yield	4.41
Benchmark EWAYTM	4.31
Weighted Average Credit Quality	AA+
Number of Securities (on a look through basis)	484

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	1.70
Benchmark	2.55
Active Position	-0.85

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 -0.04% (net) and 0.00% (gross). The Fund outperformed the 50% Bloomberg AusBond Bank Bill; 50% Bloomberg AusBond Composite 0+ Yr (Benchmark) by 0.56% (net) in September, which returned -0.60% over the month. The Fund continues its outperformance, beating the Benchmark over the longer term including by 2.63% (net) over the year, and 1.12% (net) since inception per annum.

Primary markets globally saw a raft of new issuance. Notable local transactions included Westpac who issued a \$2.4 billion five-year AA- rated senior unsecured bond at a credit spread of 93bps, and 5% coupon. Leading general insurer Suncorp Group issued a \$600m A- rated Tier 2 floating rate note callable in 5.75 years at a credit spread of +235bps above swaps, yielding comfortably above 6% which was well oversubscribed. Sydney toll-road group WestConnex returned to the market with its second Australian Dollar denominated bond transaction. Rated BBB+, this \$550m seven-year fixed rate bond was issued at an attractive credit spread of +170bps and a healthy yield of 6.15% for defensive monopolistic infrastructure assets.

We favour overweight positioning in semi government bonds versus government yields, mostly via New South Wales, which contributed positively as semi yields outperformed by 8bps. Active overweights in swap versus bond yields has continued its positive contribution to excess returns as spreads continue to rally to below long term averages. We are electing to take this as an opportunity to take profit and further reduce our overweight exposures.

Australian credit performed positively in September, buoyed by the embedded elevated yields while spreads were broadly unchanged. We remain cautious and selective on credit, buying in the industries we like such as inflation protected industries, senior bank paper, and high quality well collateralised Asset Backed Security (ABS) structures.

Floating rate credit subsectors outperformed for the month with domestic listed hybrids and global loans the top subsectors, while emerging market debt and high yield underperformed due to higher US treasury yields and spreads beginning to widen. Australian Tier 2 continued to outperform delivering returns above bank bills mainly through income advantage, while the hybrid market rebounded from a negative previous month as well as some support driven by APRA announcing a consultation into the local use of additional Tier 1 capital instruments. Now that Tier 2 valuations have moved from attractive to fair, we have actively increased capacity for future issuance that may come with better concessions in tougher market conditions. Relative value opportunities continue to present with some of the domestic primary corporate transactions proving very popular and outperforming the broader market, with spreads rallying 10-15bps despite weaker broader spread conditions.

While not being completely immune to the significant sell off in long duration bonds, for the most part the Tactical Income Fund successfully protected capital over the month. By preserving capital during these periods means it is easier to deliver overall stronger returns over the year. The duration position of the Tactical Income Fund was broadly unchanged in September with duration at 1.69 years at month end.

We remain overweight credit but have moderated positioning as we look for further opportunities and keep powder dry. We have also added credit protection through credit default swaps, creating a high-quality liquid buffer to take advantage of dislocations / opportunities.

Market review

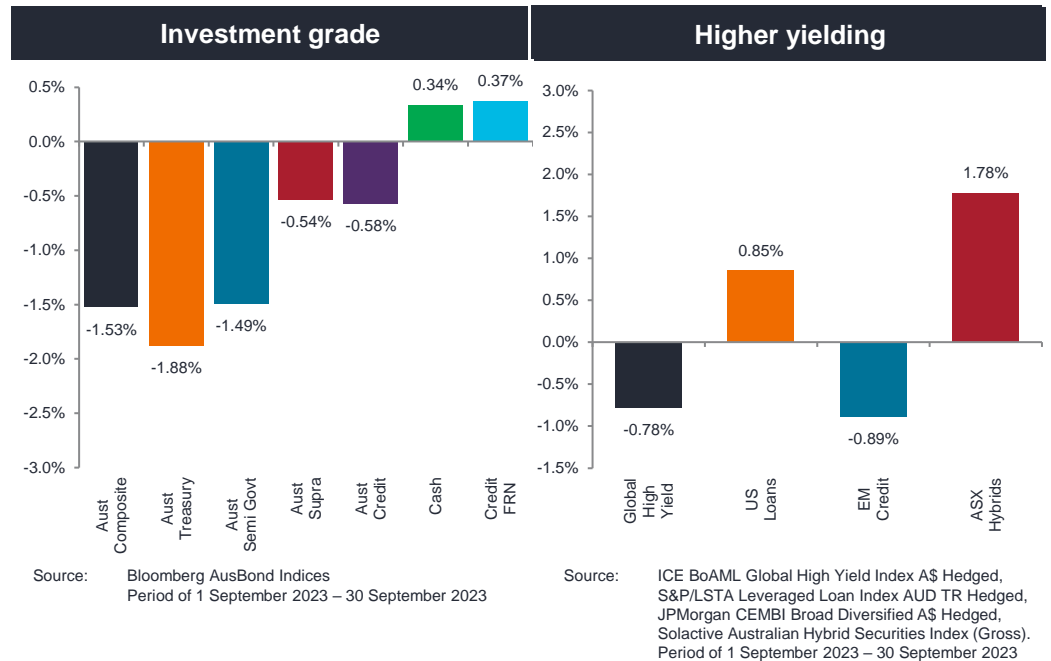
Bond market volatility continued, with the August price gains reversing in September and the sell-off extended late in the month. The Reserve Bank of Australia (RBA) remain uncertain, and continued their cautious pause, at 4.10%, at their September meeting. Three-year government bond yields ended the month 34 basis points (bps) higher at 4.08%, while 10-year government bond yields were 46bps higher at 4.49%.

Against this backdrop, the Australian bond market, as measured by the Bloomberg AusBond Composite 0+ Yr Index, fell -1.53%.

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(continued)

Global credit markets were downbeat as investors returned from the northern hemisphere summer break and contemplated a murky forward macro outlook.



Global credit markets were downbeat as investors returned from the northern hemisphere summer break and contemplated a murky forward macro outlook. Sentiment was further weakened by a sharp rise in bond yields towards quarter end. Soft-landing probabilities were re-assessed and an increasingly credible scenario of weaker growth alongside a higher-for-longer rate environment to combat sticky inflation was contemplated (i.e. Stagflation), with negative implications for risk assets more broadly. The Australian iTraxx Index ended 3bps wider (roll adjusted) at 88bps, while the Australian fixed and floating credit indices returned -0.58% and +0.37% respectively.

Primary markets globally saw a raft of new issuance. Notable local transactions included Westpac who issued a \$2.4 billion five-year AA- rated senior unsecured bond at a credit spread of 93bps, and 5% coupon. Leading general insurer Suncorp Group issued a \$600m A- rated Tier 2 floating rate note callable in 5.75 years at a credit spread of +235bps above swaps, yielding comfortably above 6% which was well oversubscribed. Sydney toll-road group WestConnex returned to the market with its second Australian Dollar denominated bond transaction. Rated BBB+, this \$550m seven-year fixed rate bond was issued at an attractive credit spread of +170bps and a healthy yield of 6.15% for defensive monopolistic infrastructure assets.

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 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. The RBA are closely monitoring the rise in oil prices as well as global economic slowing as risks to the outlook.

We currently see market pricing of one hike and easing in 2025 as underestimating the economic headwinds in 2024. We currently see the Australian yield curve as under-valued at points in the curve. We remain on the lookout for tactical opportunities to add further duration on spikes in yields triggered by central bank signalling and data flows.

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(continued)

In offshore markets, despite global green bond issuance remaining healthy at over \$400 billion this year, the 'greenium' appears to be narrowing.

Our credit strategy remains skewed towards high-quality, investment grade issuers with resilient business models, solid earnings power and conservative balance sheets. We have been actively and selectively taking advantage of the attractive yields on offer in highly rated corporate bonds and structured credit.

We continue to identify pockets of opportunity where perceived risks have been overly discounted into the valuations of what would traditionally be considered stable and sustainable credits. We have begun to access such opportunities where a strong case can be made for capital gains over-and-above already attractive cash yields, setting up for outstanding risk adjusted returns for patient investors with a medium term investment horizon.

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, senior and secured AAA 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 now look to 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 are electing to be under allocated to sub investment grade and 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-Oct23

For further insights on our duration view please visit: <https://go.janushenderson.com/bond-markets-much-ado-about-duration-monthly-reports>

Environmental, Social and Governance (ESG)

The domestic green, social, and sustainability bond market was relatively inactive in September with only a handful of smaller deals coming to market, while over the pond, Auckland Council and Transpower NZ both issued green bonds in New Zealand Dollars.

In offshore markets, despite global green bond issuance remaining healthy at over \$400 billion this year, the 'greenium' appears to be narrowing. A greenium refers to the discount in borrowing costs that a company receives from issuing a green labelled bond relative to their normal funding curve.

Important information

The Product Disclosure Statement for the Fund, dated 29 September 2023, and the Additional Information Guide, dated 29 September 2023, are 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.