

CONSERVATIVE FIXED INTEREST FUND

As at August 2023

Fund objective

The Fund seeks to achieve a total return before fees that exceeds the total return of the Benchmark by 0.50% p.a., over rolling three-year periods.

Investment approach

The Fund is an actively managed portfolio of high quality interest bearing securities that seeks to provide returns in excess of cash and a high level of capital protection. The Manager seeks to add value using a combination of interest rate and yield enhancement strategies.

Benchmark

Bloomberg AusBond Bank Bill Index

Risk profile

Low

Suggested timeframe

3 year

Inception date[^]

31 August 1994

Fund size

\$53.0 million

Minimum investment

\$25,000

Management cost (%)

0.30 p.a.

Buy/sell spread (%)

0.00/0.02^{^^}

Distribution frequency (if any)

Quarterly

ARSN code

087 720 401

APIR code

IOF0047AU

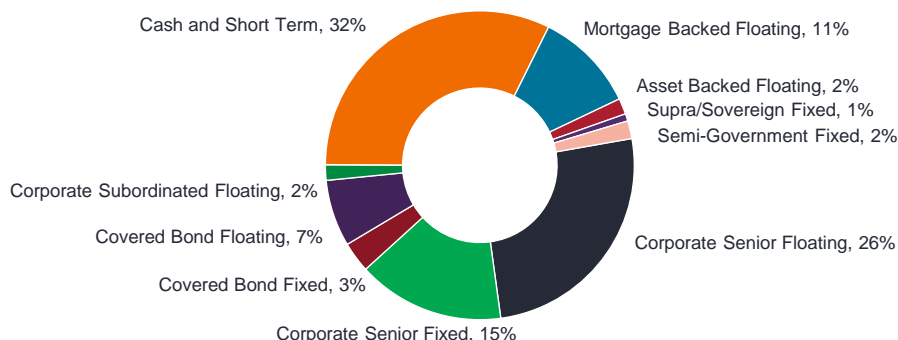
Performance	1 month (%)	3 months (%)	6 months (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	10 years (% p.a.)	Since inception (% p.a.)
Fund (gross)	0.51	1.42	2.37	4.51	1.69	1.98	2.54	4.89
Fund (net)	0.49	1.34	2.23	4.20	1.37	1.64	2.16	4.42
Benchmark	0.37	1.04	1.94	3.37	1.25	1.24	1.72	4.21
Excess return*	0.14	0.38	0.43	1.14	0.44	0.74	0.82	0.68

*In line with the fund objective, the excess return is measured against gross performance.

Gross return is gross of management costs and sell spread.

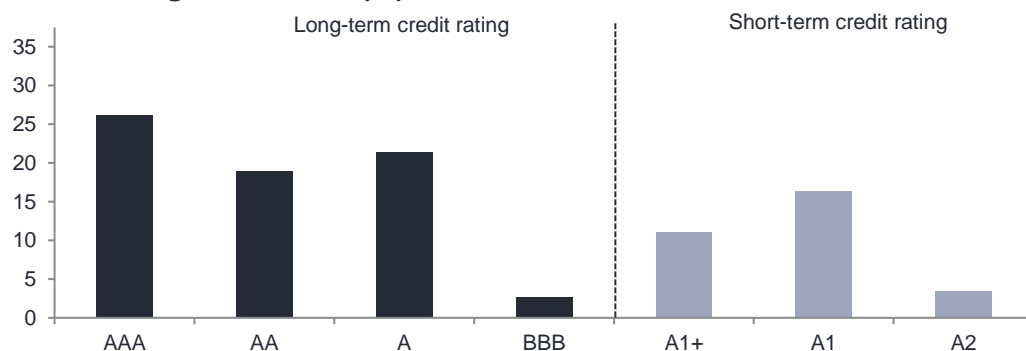
Past performance is not a reliable indicator of future performance.

Sector allocation



Rounding accounts for small +/- from 100%.

Credit rating distribution (%)



Portfolio characteristics

Estimated Weighted Average Yield to Maturity(EWAYTM) ¹	4.73
Benchmark EWAYTM	3.45
Running Yield	4.43
Weighted Average Credit Quality	AA+

¹Estimated Weighted Average Yield to Maturity is a measure of the average annual yield of all securities in the Fund.

Modified duration	Years
Fund	0.27
Benchmark	0.12
Active Position	0.15

[^] 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)

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Portfolio Manager
Shan Kwee

Fund performance

The Janus Henderson Conservative Fixed Interest Fund (Fund) returned 0.51% (gross). The Fund outperformed the Bloomberg AusBond Bank Bill Index (Benchmark) by 0.14% (gross) in August. The Fund continues its outperformance, beating the Benchmark over the longer term including by 1.14% (gross) over the year, and 0.68% (gross) since inception per annum.

Credit performed well in August, buoyed by the embedded elevated yields which offset some spread widening. We took profit on some of the credit in the portfolio, whilst maintaining high quality credit positions that we are comfortable with.

Returns from both money market rates and high quality credit continued to deliver good results for investors. Income generation remains strong and local Australian high grade credit continues to add value this year with credit spreads rallying further.

We have remained patient and neutral on duration to navigate the ongoing volatility in the yield environment, but as the tightening cycle reaches a mature phase, we are biased to lock in some of the yield levels via adding duration to the portfolio at attractive yields. During August we added a modest amount of duration as bond yields hit new highs mid-month.

Market review

It has been a volatile month for bond yields, moving back to cyclical highs and then dropping again. The economic narrative is uncertain, and markets reflected that. The Reserve Bank of Australia (RBA) are also uncertain, and continued with their cautious pause, at 4.10%, at their August meeting. Three-year government bond yields ended the month 13 basis points (bps) lower at 3.74%, while 10-year government bond yields were 3bps lower at 4.03%.

Throughout the month, credit markets were relatively resilient despite sharp gyrations in bond yields. Investor expectations swivelled between soft-landing, recession and deflationary scenarios, depending on the day. Against this back-drop, many Australian Companies handed down their full-year results for the financial year ended 30 June 2023. In what has been a recurring theme, earnings broadly continued to fare better than initially feared. However, in the detail, there is evidence emerging that rising costs of living and tighter financial conditions are finally starting to impact consumers and corporates alike, though impacts are being felt highly un-evenly.

The Australian primary market was active post corporate reporting. New issuance was readily absorbed, investors attracted by attractive yields on offer in investment grade credit. Notable transactions included CBA and ANZ issuing jumbo \$5+ billion deals comprising three- and five-year AA- rated senior bonds at credit spreads of 75bps and 93-95bps above swaps respectively. Both of these deals attracted record demand in excess of \$7.5 billion each. Lower down the capital structure, UK national champion bank Lloyds Banking Group issued an inaugural \$750m BBB- rated Australian Dollar denominated Tier 2 bond callable in five years, at an attractive yield of 7.09% (swaps +290bps). NAB issued its latest AT1 ASX Listed Hybrid, NAB Capital Notes 7. Similarly rated BBB-, this \$1 billion transaction was issued at margin of +280bps over the three-month bank bill swap rate (including franking). Lastly, structured credit markets were also active with a notable transaction being ING Bank's \$2 billion IDOL RMBS deal where senior AAA notes were issued at a margin of +110bps over the one-month bank bill swap rate.

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 will now be monitoring the global economy closely for signs of faster than expected slowing.

We currently see market pricing of less than one hike and easing in very late 2024 as underestimating the economic headwinds in 2024. We currently see the Australian yield curve as 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.

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(continued)

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The green, social, and sustainability bond market was relatively active in August.

In recognition of the complex investment environment, 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, particularly in the primary markets where transactions have come with new issue concessions. While we believe that the cumulative impacts of tightening financial conditions will become evident, we remain open-minded to a wider range of potential economic outcomes that include scenarios less dire than ones revolving around deep recession.

For in-depth economic analysis and the Australian Fixed Interest Team's outlook, visit go.janushenderson.com/Viewpoint-Sep23.

Environmental, Social and Governance (ESG)

The green, social, and sustainability bond market was relatively active in August. LaTrobe University issued their inaugural green bond on the last day of July, which settled this month. Brighte, a home energy focused financier issued their fourth green asset-backed security trust in the bond market. This consists of loans from Australian homeowners who are repaying borrowings from residential solar, battery installations and other energy efficient home improvements. NBN also came to market, raising capital for more energy efficient technology on their fibre optic connections, purchasing renewable electricity to power operations, and deployment of the broadband network to remote communities. A selection of offshore banks also issued green bonds into the Australian market over the month.

Important information

The Product Disclosure Statement for the Fund, dated 30 September 2022, and the Additional Information Guide, dated 9 August 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.