

CONSERVATIVE FIXED INTEREST FUND

As at November 2022

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

\$63.2 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

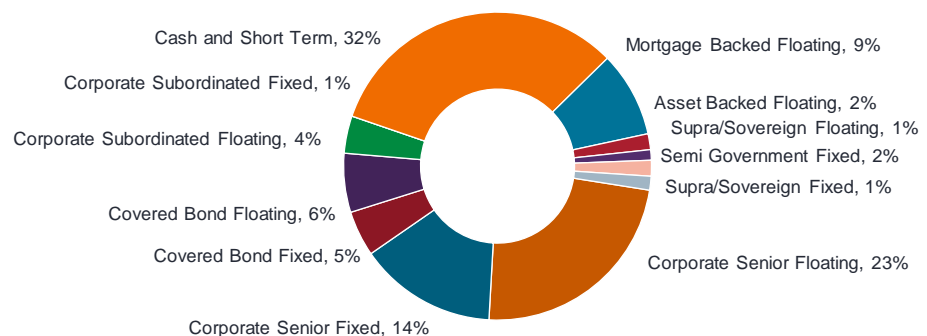
Performance	1 month (%)	3 months (%)	6 months (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	10 years (% p.a.)	Since inception (% p.a.)
Fund (gross)	0.49	0.71	1.06	0.25	1.08	1.59	2.53	4.89
Fund (net)	0.46	0.64	0.90	-0.05	0.75	1.23	2.14	4.41
Benchmark	0.25	0.64	0.97	1.01	0.49	0.99	1.68	4.22
Excess return*	0.24	0.07	0.09	-0.76	0.59	0.60	0.85	0.67

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

Gross return is gross of management costs and sell spread.

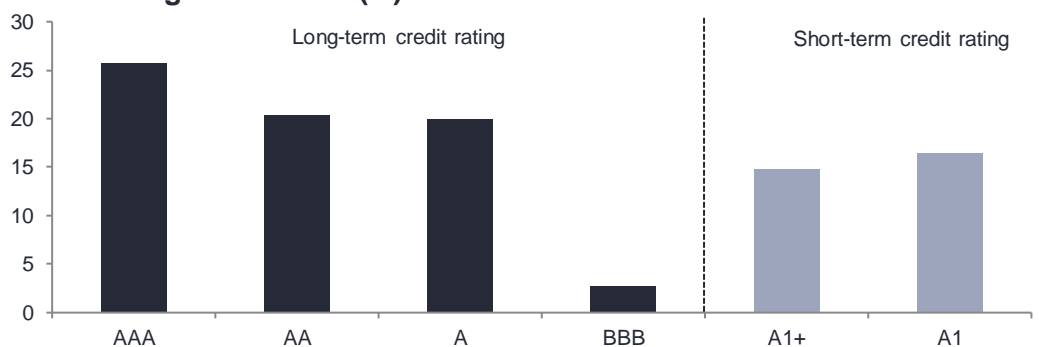
Past performance is not a reliable indicator of future performance.

Sector allocation



Rounding accounts for small +/- from 100%.

Credit rating distribution (%)



Portfolio characteristics

Estimated Weighted Average Yield to Maturity(EWAYTM) ¹	4.19
Benchmark EWAYTM	2.99
Running Yield	3.74
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	0.16
Benchmark	0.13
Active Position	0.03

[^] 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 0.49% (gross). The Fund outperformed the Bloomberg AusBond Bank Bill Index (Benchmark) by 0.24% (gross) in November, which returned by 0.25% on the month.

A decent rally in credit spreads together with generous coupon income led to outperformance in investment grade credit. Fixed rate major bank senior outperformed floating rate notes. This proved to be a strong contributor given the Fund's recent active selection bias towards fixed rate securities which have been outperforming due to ongoing investor demand.

Income from higher cash yields and credit spread carry remain healthy contributors to total return. The cheapening in credit spreads in late October was sustained into the first half of November offering attractive entry points into AAA and AA rated new primary issuance which we took advantage of. Ongoing investor demand subsequently saw a decent spread rally of about 10-20 basis points which contributed strongly to performance. A tightening in swap yields versus government bond yields also helped fixed rate credit allocations to further outperform.

Market review

Yields drifted lower after an earlier lift as markets increasingly took the view that the pace of central bank tightening was set to moderate. Risk appetite continued to recover, with both equity and credit performing strongly. With few signs yet of a significant slowing in activity and the risk that the latest round of inflation pulses end up being recycled into a higher core inflation rate via pass-through effects, the Reserve Bank of Australia (RBA) has little choice but to tighten monetary conditions further.

The RBA lifted the cash rate by a widely expected 0.25% increment in early November, taking the cash rate to 2.85%. While noting monetary policy was not on a pre-set path, the RBA signalled that further tightening was likely over the period ahead. In a break from months of large gains in yields, and markets factored in a vigorous tightening cycle, short-term money market yields were flat to lower in November. Three-month bank bills ended largely unchanged at 3.09% while six-month bank bill yields ended the month 10 basis points (bps) lower at 3.56%. In terms of the tightening cycle, markets are looking for the cash rate to peak at around 3.85% in late 2023.

In credit markets, investor focus is shifting from the macro to the micro. Cognisant that the impacts of slower growth will be unevenly distributed and disproportionately felt, the trajectory of corporate earnings and credit fundamentals across sectors and sub-sectors are being closely scrutinised. Early indications of a slowing in the pace of rate tightening globally, broadly conservative balance sheet settings, combined with attractive all-in yields, drove strong demand for credit into month-end. The Australian iTraxx Index closed 40bps tighter at 90bps, while the Australian fixed and floating credit indices returned 1.35% and 0.43% respectively.

Domestically, primary markets were active, but limited to the financials and government-linked sectors, while non-financial corporates remained on the side-lines. Notable transactions included Westpac, NAB, Airservices Australia and Transpower New Zealand issuing senior unsecured bonds, and ING Bank issuing covered bonds, all at attractive levels. CBA also issued a large Tier 2 transaction at a margin of 2.7% (just 15bps lower than their recent hybrid), with a generous fixed rate coupon of 6.9%, just prior to APRA serving a reminder to the market about navigating capital instrument risks through a potentially challenging market environment ahead.

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(continued)

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In navigating the environment ahead, investors should be on the lookout for improved compensation for risk as monetary policy tightens further.

Market outlook and investment strategy

With few signs yet of a significant slowing in activity and the risks that the latest round of inflation pulses end up being recycled into a higher core inflation rate via pass-through effects, the RBA has little choice but to tighten monetary conditions further. Our base case view is that the cash rate peaks at a moderately restrictive 3.6% in mid-2023. That would make the current tightening cycle the largest and fastest in the monetary policy inflation targeting era. As we expect to see growth and inflation to decelerate over 2023, the door opens for the RBA to take its foot off the monetary breaks over 2024 and begin bringing monetary settings back towards more neutral levels.

After pricing in a 4.4% long run cash rate (using the eight-year rate two-year forward as a proxy) in mid-November, markets appear to be finally acknowledging that tight monetary conditions will have an impact. At the time of writing, this rate had fallen to 3.91%, releasing a large chunk of the value that we had seen building up. We continue to remain active in interest rate management, taking advantage of overshoots to add duration and having the discipline to ease positions when yields fall.

In navigating the environment ahead, investors should be on the lookout for improved compensation for risk as monetary policy tightens further. We observe that the repricing across different pockets of credit and risk premia have not been simultaneous, providing outperformance opportunities through active rotation. Attractive yields on high quality credit spreads have seen demand return from defensive income investors. We look for opportunities to actively recycle credit risk as value is being presented in new issue concessions in primary market deals.

For in-depth economic analysis and the Australian Fixed Interest Team's outlook, visit go.janushenderson.com/Viewpoint-Dec22.

Environmental, Social and Governance (ESG)

From an ESG perspective, we continue to engage with intermediaries and issuers on growing Australia's positive impact bond market. A benchmark sized green bond by Transpower NZ was issued in November, a welcome addition to the corporate bond market. Our ongoing ESG specific engagement meetings with companies remained a focus in the month.

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.