Janus Henderson

CONSERVATIVE FIXED INTEREST FUND

Janus Henderson INVESTORS

As at January 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
$61.8 million

Minimum investment
$25,000

Management cost (%)
0.30 p.a.

Buy/sell spread (%)
0.00/0.02^^

Distribution frequency (if any)
Quarterly

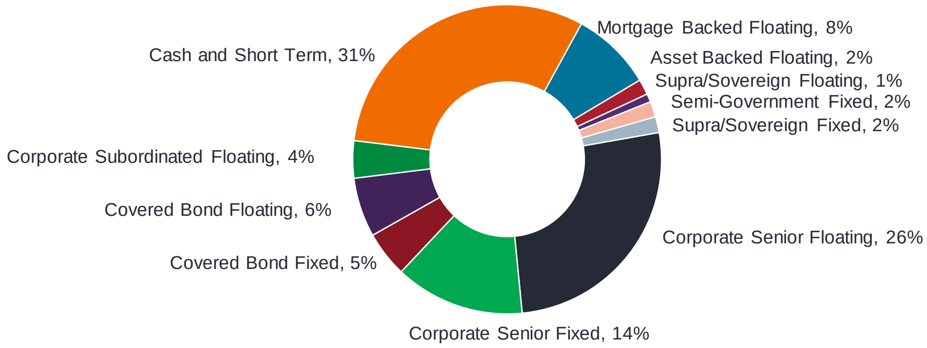
ARSN code
087 720 401

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)	0.46	1.38	1.90	1.06	1.26	1.68	2.52	4.89
Fund (net)	0.43	1.30	1.75	0.75	0.93	1.33	2.14	4.42
Benchmark	0.27	0.77	1.31	1.52	0.61	1.03	1.67	4.22
Excess return*	0.19	0.61	0.59	-0.46	0.65	0.65	0.85	0.67

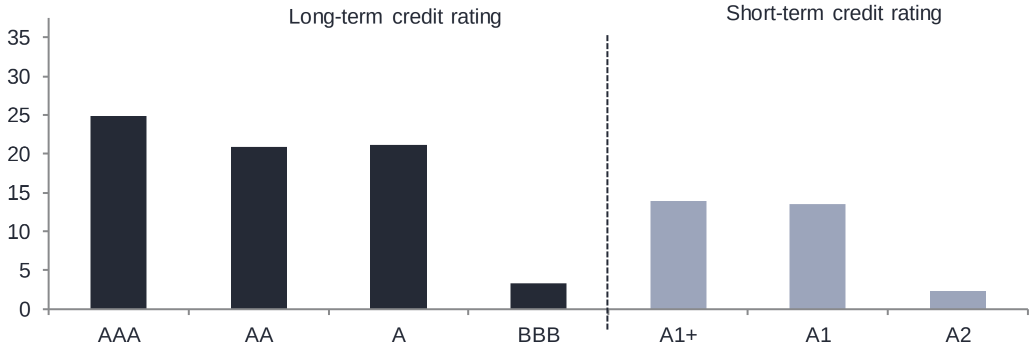
*In line with the fund objective, the excess return is measured against gross performance.
Gross return is gross of management costs and sell spread.
Past performance is not a reliable indicator of future performance.

Sector allocation



Rounding accounts for small +/- from 100%.

Credit rating distribution (%)



Portfolio characteristics

Estimated Weighted Average Yield to Maturity(EWAYTM)[1]	4.28
Benchmark EWAYTM	3.24
Running Yield	3.61
Weighted Average Credit Quality	AA+

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

Modified duration	Years
Fund	0.12
Benchmark	0.13
Active Position	-0.01

^ 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)

Portfolio Manager
Shan Kwee

Fund performance

The Janus Henderson Conservative Fixed Interest Fund (Fund) returned 0.46% (gross). The Fund outperformed the Bloomberg AusBond Bank Bill Index (Benchmark) by 0.19% (gross) in January, which returned 0.27% on the month.

Credit spreads tightened over the month. This, together with generous coupon income, helped buoy performance in the month. Fixed rate credit outperformed floating rate notes given the fall in yields on the risk-free rate. We have favoured having larger positions in high quality assets rather than taking smaller positions in more volatile high beta sectors.

A large contributor to returns was the income from higher cash yields and credit spread carry. In addition, decent spread tightening in credit boosted performance. Selective rotation in subsectors of credit enhanced returns, especially the portfolio's weighting towards high quality investment grade credit in resilient, outperforming industries.

Market review

Signs of slowing growth led markets to factor in a slowing in the pace of monetary tightening, particularly in the United States. Domestic yields fell across the yield curve, even after a late month lift on a high December quarter inflation result. Risk appetite improved, with both equity and credit markets performing strongly.

Short-term money markets remained volatile as monetary tightening expectations shifted on data flows. The higher-than-expected inflation readings saw three-month bank bill yields end the month 11bps higher at 3.37% as tightening was brought forward. Six-month bank bill yields ended 4bps lower at 3.72%. In terms of the tightening cycle, markets are looking for the cash rate to peak around 3.75% mid-year.

In credit markets, sentiment was buoyed by evidence of peaking inflation, together with tailwinds from the abrupt re-opening of the Chinese economy. Looking ahead, investors are anticipating a downshift in the pace of global central bank rate tightening, while concurrently monitoring corporate and consumer health as forward economic indicators deteriorate and tighter financial conditions start to grip. The Australian iTraxx Index closed 10bps tighter at 82bps, while the Australian fixed and floating credit indices returned +2.19% and +0.42%, respectively.

In the domestic primary credit market, supra-nationals and financials dominated issuance. Notable transactions included the Commonwealth Bank of Australia's jumbo $5 billion senior unsecured issuance across three and 5-year tenors in both floating and fixed rate formats. Meeting solid demand ($6.7 billion order book), these bonds priced at credit spreads of +90bps and +115bps, and fixed rate coupons of 4.75% and 5%, respectively – attractive levels for high quality liquid assets. Lastly, towards the end of the month, the Australian Prudential Regulation Authority (APRA) approved the call/redemption of a low spread Tier 2 subordinated bond issued by Westpac and in doing so lifting a significant regulatory overhang over the domestic bank capital market.

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Attractive yields on high quality credit spreads have seen demand return from defensive income investors.

Market outlook

The Reserve Bank of Australia's (RBA) shift from the 'heavy lifting' to 'finesse' stage of the monetary tightening cycle wasn't made any easier by the breadth of inflation in the latest CPI release. The reason for finesse this year is that on the one hand, higher frequency activity-based data pointed to slowing growth towards the end of last year. To the extent that excess demand was behind inflation, a deceleration in growth suggests that the contribution to price pressures from this source will decline over the year ahead. Indeed, we look for economic growth to slow from 2.6% over 2022 to 1.4% for 2023. Our base case remains for a slowdown rather than a recession.

On the other hand, the breadth of inflation will be a source of concern for the RBA. While slowing demand and improving supply chains point to moderating inflation over the period ahead, direct and indirect pass through of higher gas prices and building wage pressures will act to limit the pace of deflation. Not responding to these price dynamics when policy settings are mildly restrictive would be a policy mistake.

Our base case cash rate view remains unchanged and has the RBA lifting the cash rate by 0.25% in February and then pausing to monitor the path of demand. Provided demand responds to earlier tightening, we look for a late tightening cycle 0.25% "inflation insurance" move in May. This would take the cash rate to a moderately restrictive 3.60%, making the current tightening cycle the largest and fastest in the monetary policy inflation targeting era.

The value we saw building up in the sharp lift in government bond yields over late December was released as yields fell over January. While we currently see yields as fairly valued, we would regard periods of higher yields, as we enter into the maturing phase of the current tightening cycle, as potential opportunities to add duration.

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.

For in-depth economic analysis and the Australian Fixed Interest Team's outlook, visit go.janushenderson.com\Viewpoint-Feb23.

Environmental, Social and Governance (ESG):

2022 was a slower year for ESG issuance than the year prior, but this was in line with the broader bond market. Offshore issuance of green and sustainable bonds has already begun strongly, outpacing January of 2022. Domestically our year was kicked off with a sustainable bond from IBRD and a green bond from EIB. Our ongoing ESG-specific engagement meetings with companies remain a focus and we look to 2023 with optimism.

Further information
www.janushenderson.com/australia