

CONSERVATIVE FIXED INTEREST FUND

As at February 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

\$60.3 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

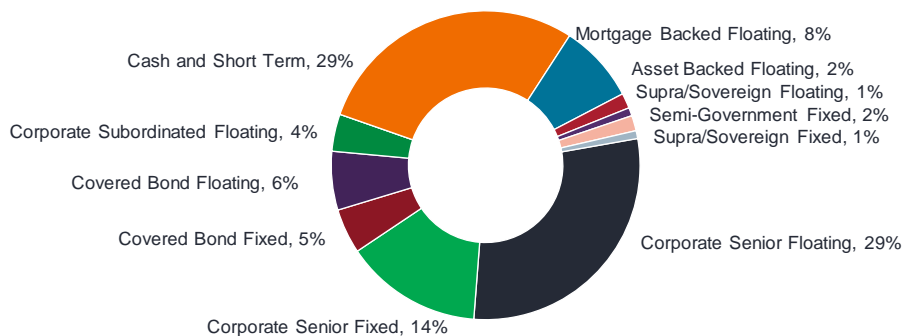
Performance	1 month (%)	3 months (%)	6 months (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	10 years (% p.a.)	Since inception (% p.a.)
Fund (gross)	0.47	1.36	2.08	1.58	1.41	1.74	2.53	4.89
Fund (net)	0.44	1.28	1.92	1.27	1.08	1.38	2.14	4.42
Benchmark	0.24	0.76	1.40	1.76	0.66	1.05	1.68	4.21
Excess return*	0.23	0.60	0.68	-0.18	0.75	0.69	0.85	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.

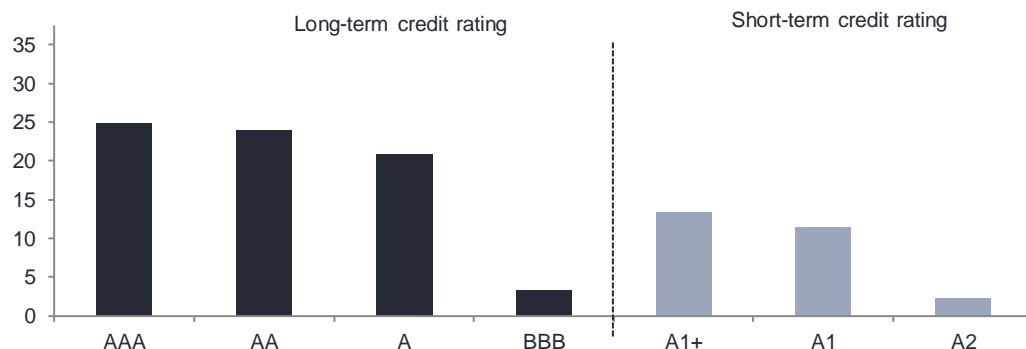
Past performance is not a reliable indicator of future performance.

Sector allocation



Rounding accounts for small +/- from 100%.

Credit rating distribution (%)



Portfolio characteristics

Estimated Weighted Average Yield to Maturity(EWAYTM) ¹	4.53
Benchmark EWAYTM	3.45
Running Yield	4.08
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	0.11
Benchmark	0.13
Active Position	-0.02

[^] 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.janus Henderson.com/en-au/investor/buy-sell-spreads

CONSERVATIVE FIXED INTEREST FUND

(continued)

Janus Henderson
INVESTORS



Portfolio Manager
Shan Kwee

Fund performance

The Janus Henderson Conservative Fixed Interest Fund (Fund) returned 0.47% (gross). The Fund outperformed the Bloomberg AusBond Bank Bill Index (Benchmark) by 0.24% (gross) in February, which returned 0.23% on the month.

Globally, credit spreads weakened over the month, with Australia outperforming with local spreads 5 basis points (bps) tighter despite strong supply. Generous coupon income also helped buoy performance in the month. Floating rate credit outperformed fixed rate notes given the rise in bond yields. Active allocations to Tier 2 debt were a strong driver of returns as these assets significantly outperformed. We have favoured generating excess return by having larger positions in high quality assets with greater liquidity, complemented with sub-sectors like Tier 2, where attractive value has been on offer.

The new year has seen two strong months for excess returns, with the higher income available from cash yields and active credit selection complemented by capital gains on high quality credit spreads. Selective rotation in subsectors of credit enhanced returns, especially the portfolio's weighting towards high quality investment grade credit and selective Tier 2 securities which have materially outperformed.

Market review

Stubborn inflation and hawkish central banks led to higher yields as markets moved to discount further monetary tightening. Risk appetite waned, with both equity and credit markets softening.

Short-term money markets remained volatile as monetary tightening expectations pivoted on Reserve Bank of Australia (RBA) signalling. Three- and six-month bank bill yields ended 19bps and 21bps higher at 3.56% and 3.93%. In terms of the tightening cycle, markets are now looking for the cash rate to peak around 4.25% during the second half of the year.

In credit markets, investors re-evaluated the implications of a 'higher for longer' interest rate regime for economic growth, margins, earnings and cashflows. Concurrently, a number of corporate treasurers utilised a window of opportunity to access the global primary debt markets in order to get ahead of further anticipated rises in the cost of debt. The new supply was relatively easily absorbed by investors eager to deploy elevated cash holdings into assets with attractive outright yields. The Australian iTraxx Index closed 5bps wider at 87bps, while the Australian fixed and floating credit indices returned -0.62% and +0.43% respectively.

In the domestic credit market, Westpac followed on from CBA a month earlier, issuing \$4.25 billion of senior unsecured bonds across three- and five-year tenors in both floating and fixed rate formats. Similarly meeting solid demand (~\$7.5 billion order book), these bonds priced at credit spreads of +78bps and +95bps, and fixed rate coupons of 4.6% and 4.8% respectively.

CONSERVATIVE FIXED INTEREST FUND

(continued)

We continue to stay abreast of new issuance of Green, Social and Sustainable bonds.

Market Outlook and Investment Strategy

While monetary policy is a blunt instrument and operates with long and variable lags, it seems the slowdown in activity late last year hasn't carried over into early 2023. Despite low levels of consumer sentiment and cost of living pressures, the January NAB Business Survey recorded improving business conditions, forward orders and capacity utilisation. Labour and purchase costs continued to lift at a fast pace.

This resilience was also evident offshore, particularly in the US, where markets shifted from looking through the tightening cycle to building in more tightening. Central banks, including the RBA, look set to continue their strategy of providing a dose of concentrated tightening, risking recession, to stop higher inflation from becoming entrenched.

A hawkish RBA, clearly anxious about the inflation outlook and indicating that work still needs to be done, has led us to factor in a 4.1% peak in the cash rate by mid-year. Given the change to our cash rate forecasts, we currently see yields as broadly fairly valued. We remain on the lookout for opportunities to add duration on spikes in yields as we enter the more mature phase of the tightening cycle.

Investors should remain focused on improved compensation for risk as monetary policy tightens further. We continue to observe that the repricing across different pockets of credit and risk premia remains uneven, providing outperformance opportunities through active rotation.

Attractive yields on high quality credit spreads have seen demand return from defensive income investors. We anticipate that as conditions tighten further, global spreads will suffer decompression. We continue to favour being positioned up in quality and seniority in capital structures, leaving powder dry for when compensation for investors escalates.

For in-depth economic analysis and the Australian Fixed Interest Team's outlook, visit go.janushenderson.com/Viewpoint-Mar23.

Environmental, Social and Governance (ESG):

We continue to stay abreast of new issuance of Green, Social and Sustainable bonds. Of note, the domestic market welcomed a Sustainable bond from Bank Australia and a Green bond from QTC in February. Our ongoing ESG-specific engagement meetings with companies remain a focus and we look to 2023 with optimism

Important information

A Product Disclosure Statement and Additional Information Guide for the Fund dated 30 September 2021 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.