

# CONSERVATIVE FIXED INTEREST FUND

## As at June 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<sup>^</sup>

31 August 1994

### Fund size

\$52.4 million

### Minimum investment

\$25,000

### Management cost (%)

0.30 p.a.

### Buy/sell spread (%)

0.00/0.02<sup>^^</sup>

### Distribution frequency (if any)

Quarterly

### ARSN code

087 720 401

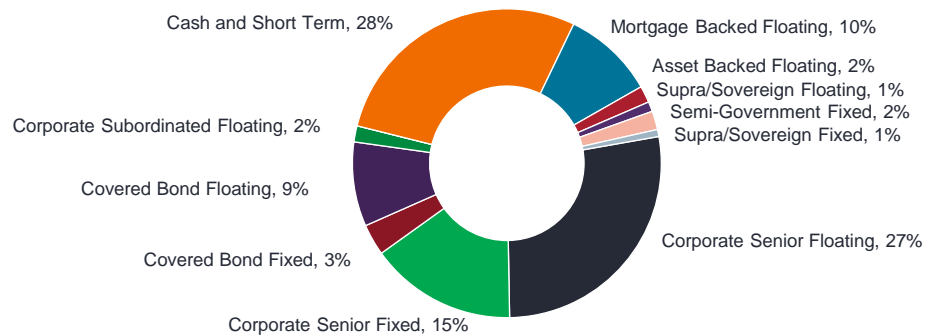
### APIR code

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)	0.41	1.19	2.30	4.01	1.58	1.87	2.51	4.88
Fund (net)	0.38	1.12	2.15	3.70	1.27	1.53	2.13	4.41
Benchmark	0.30	0.90	1.70	2.89	1.01	1.17	1.69	4.21
Excess return*	0.11	0.29	0.60	1.12	0.57	0.70	0.82	0.67

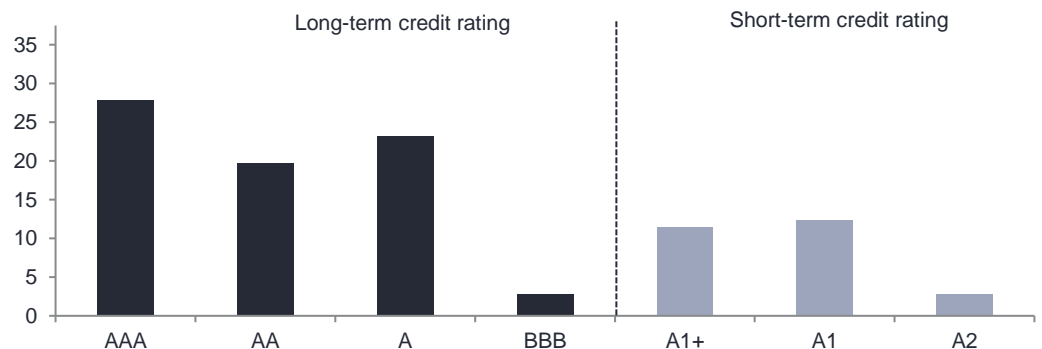
\*In line with the fund objective, the excess return is measured against gross performance. Gross return is gross of management costs and sell spread. Past performance is not a reliable indicator of future performance.

## Sector allocation



Rounding accounts for small +/- from 100%.

## Credit rating distribution (%)



## Portfolio characteristics

Estimated Weighted Average Yield to Maturity(EWAYTM) <sup>1</sup>	5.05
Benchmark EWAYTM	4.22
Running Yield	4.40
Weighted Average Credit Quality	AA+

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

Modified duration	Years
Fund	0.19
Benchmark	0.13
Active Position	0.06

<sup>^</sup> Fund inception for performance reporting purposes is at end of month, whereby the actual fund inception date may be earlier in the month.

<sup>^^</sup> For more information and most up to date buy/sell spread information visit

[www.janus Henderson.com/en-au/investor/buy-sell-spreads](http://www.janus Henderson.com/en-au/investor/buy-sell-spreads)

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(continued)

Janus Henderson  
INVESTORS



**Portfolio Manager**  
Shan Kwee

## Fund performance

The Janus Henderson Conservative Fixed Interest Fund (Fund) returned 0.41% (gross). The Fund outperformed the Bloomberg AusBond Bank Bill Index (Benchmark) by 0.11% (gross) in June. The Fund continues its outperformance, beating the Benchmark over the longer term including by 0.81% (net) over the year, and 0.21% (net) since inception per annum.

It was a good month of outperformance from credit, returns benefitting from both additional income and some spread tightening. Overweight credit allocations were a positive contributor as a result, and we continued to actively take profit on active positions added during FY23 that have moved from cheap back towards fairer valuations.

Portfolio returns benefited from healthy levels of income from money market rates and high grade credit spreads, a further positive contribution from tighter credit spreads also added value. We remained neutral interest rate duration, which protected capital during June, and favoured adding yield via shorter dated commercial paper with margins of 0.2-0.5% above bank bills. To navigate the volatile yield environment, we remain patient looking for potential yield overshoots to lock in higher levels of income.

Yield on the portfolio has risen as the market has removed near term cuts from the RBA cash profile. In the calmer market environment we took some profit on the credit spread rally year to date and have replenished liquidity.

## Market review

Persistent core inflation is keeping central banks guessing and became the biggest worry for markets in June. Central banks reassessed their risks and came down on the side of higher policy rates. Markets responded by moving yields higher and pushing back the easing cycle. Short and longer dated government bond yields rose sharply after last month's modest moves. Three and 10-year government bond yields ended the month 68bps and 42bps higher at 4.05% and 4.02%. Against this backdrop, the Australian bond market, as measured by the Bloomberg AusBond Composite 0+ Yr Index, fell 1.95%. The Australian fixed and floating credit indices returned -1.08% and +0.41% respectively.

## Market Outlook and Investment Strategy

The positive income pulse is added to by population growth, which boosts the economy. This feeds into inflation, and the monthly CPI came in at 5.6% year on year (yoy) with services inflation remaining sticky. The higher policy profile leads us to believe there is more downside to the rates path through 2024, as the RBA will need to set policy for an economy nearing stall speed.

Post the early June RBA meeting, markets were surprised by RBA hawkishness and short-term money markets responded by moving to price in close to two more interest rate hikes, to near 4.60%. We raised our peak RBA cash rate, to incorporate a further 50bps of hiking, to 4.60%, as the RBA warned of a bias toward reining in inflation faster than they had previously been comfortable with. We anticipate that these hikes are likely to come over the months ahead and may be interspersed with pauses as the RBA waits for more feedback from the economy.

Strategically, we remain on the lookout for tactical opportunities to add duration on spikes in yields on central bank signalling and data flows.

As the cumulative impact of tighter financial conditions continues to grip and the cycle ages, our focus in the credit space is towards defensiveness, with a keen focus on risk-adjusted returns. Our strong bias is towards high-quality, liquid credit and issuers that can survive and thrive through a range of macro-economic scenarios. By adopting a patient and disciplined approach to extending risk and reserving ample investment capacity, we have banked returns and are well placed to take advantage of future market dislocations.

For in-depth economic analysis and the Australian Fixed Interest Team's outlook, visit [go.janushenderson.com/Viewpoint-Jul23](https://go.janushenderson.com/Viewpoint-Jul23).

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(continued)

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## Environmental, Social and Governance (ESG)

In June four new ESG bond deals hit the local market, with \$2.8 billion in primary issued by Western Australia (WA), Supranationals and Transpower New Zealand. WA and Transpower both priced Green bonds, while the Supranationals both issued Social bonds.

## Important information

The Product Disclosure Statement for the Fund, dated 30 September 2022, and the Additional Information Guide, dated 30 May 2023, are available at [www.janushenderson.com/australia](http://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](http://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](http://www.janushenderson.com/TMD). Dollar figures shown are in Australian Dollars (AUD), unless otherwise stated.