

CONSERVATIVE FIXED INTEREST FUND

As at July 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

\$53.9 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

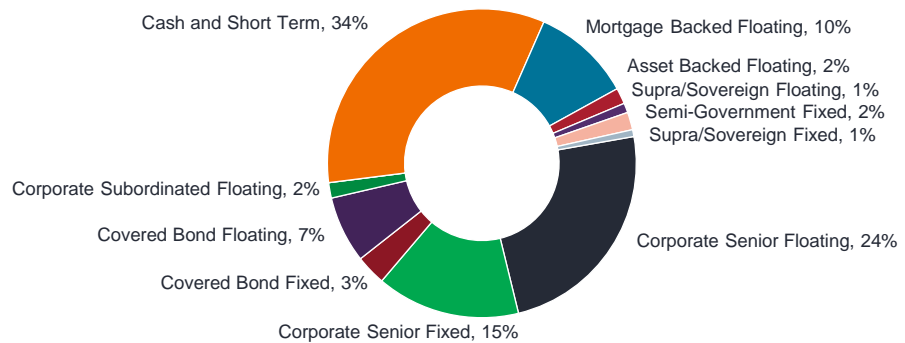
APIR code

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	1.26	2.33	4.28	1.59	1.92	2.52	4.89
Fund (net)	0.46	1.19	2.18	3.97	1.27	1.57	2.14	4.42
Benchmark	0.37	0.97	1.81	3.15	1.13	1.20	1.71	4.21
Excess return*	0.12	0.29	0.52	1.13	0.46	0.72	0.81	0.68

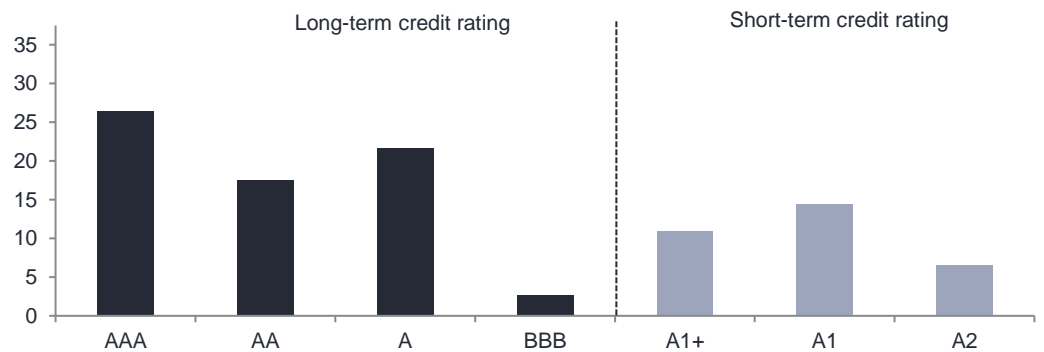
*In line with the fund objective, the excess return is measured against gross performance. Gross return is gross of management costs and sell spread. Past performance is not a reliable indicator of future performance.

Sector allocation



Rounding accounts for small +/- from 100%.

Credit rating distribution (%)



Portfolio characteristics

Estimated Weighted Average Yield to Maturity(EWAYTM) ¹	4.91
Benchmark EWAYTM	4.16
Running Yield	4.37
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	0.19
Benchmark	0.12
Active Position	0.07

[^] 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

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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 0.12% (gross) in July. The Fund continues its outperformance, beating the Benchmark over the longer term including by 1.13% (gross) over the year, and 0.68% (gross) 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.

Returns from both money market rates and high quality credit continued to perform well. Ongoing healthy levels of income as well as a modest positive contribution from credit spreads added value.

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.

Market review

As central banks edge closer to their policy peak, markets are starting to hope that the inflation genie is back in the bottle, without much detriment to economic growth. This allowed for some divergence across bond tenors. Shorter dated markets see a near term peak in policy, but policy held steady for longer, while longer dated markets eased long term risks. Three-year government bond yields ended the month 18 basis points (bps) lower at 3.87%, while 10-year government bond yields were 4bps higher at 4.06%.

A risk-on tone returned to credit markets during the month. The domestic new issue market was quiet as issuers went into their black-out periods ahead of the upcoming Australian full-year earnings season. The Australian iTraxx Index ended 9bps tighter at 72bps.

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 know that the labour market lags the economy, reflecting the monetary policy conditions seen almost a year before, but the turn is difficult to pinpoint. 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.

We have reduced the probability of the very last hike in the cycle, with our central case now seeing one more hike to 4.35%. This may come through in either of the next two meetings. However, the longer the RBA leave it, the worse the coincident economic data appears and the harder it is for them to raise rates to tackle inflation. We currently see market pricing of one more rate hike, but delayed until 2024, and then policy held for an extended time, as underestimating the economic headwinds in 2024. We currently see the Australian yield curve as modestly 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.

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.

We are avoiding illiquidity, complexity and leveraged sectors, where we anticipate balance sheets will have to contend with a painful period of adjustment in a higher cost of capital environment. Lastly, by adopting a patient and disciplined approach to extending risk and reserving ample investment capacity we will be well placed to take advantage of any further market dislocations.

For in-depth economic analysis and the Australian Fixed Interest Team's outlook, visit go.janushenderson.com/Viewpoint-Aug23.

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Environmental, Social and Governance (ESG)

Domestically, primary markets were generally quiet in July, which included only a few labelled ESG bond deals. Two were small private placement new green bond issues, both from supranationals, however we were able to access the two following deals for clients via primary markets. NZ Local Government Funding Agency (NZ LGFA) helps to fund the local councils across New Zealand, who provide services such as public transport, public housing, water treatment, and recycling collection. They also have a strong sustainability framework which can lend funds to borrowers at a discounted loan margin when they commit to address greenhouse gas (GHG) emissions aligned to science-based trajectory. During July they chose to issue a non labelled bond in Australian Dollars. LaTrobe University issued their inaugural green bond on the last day of July. As well as their social impact through research and education, the University is committed to implementing, maintaining and continually improving environmental management processes to reduce its environmental footprint. Proceeds of the bond can be targeted toward projects aligned with green buildings, renewable energy, energy efficiency, clean transportation, pollution prevention, sustainable water and waste management as well as terrestrial and aquatic biodiversity conservation.

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.

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.