

# CONSERVATIVE FIXED INTEREST FUND

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

31 August 1994

### Fund size

\$65.5 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

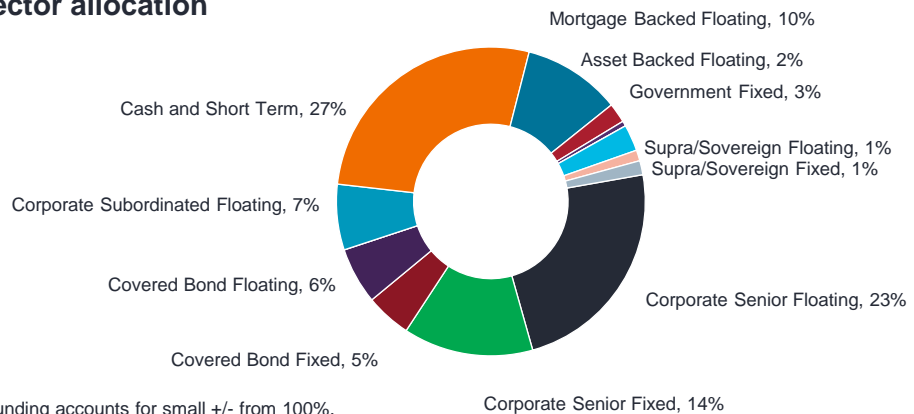
| Performance    | 1 month (%) | 3 months (%) | 6 months (%) | 1 year (%) | 3 years (% p.a.) | 5 years (% p.a.) | 10 years (% p.a.) | Since inception (% p.a.) |
|----------------|-------------|--------------|--------------|------------|------------------|------------------|-------------------|--------------------------|
| Fund (gross)   | 0.30        | 0.34         | -0.49        | -0.55      | 1.02             | 1.58             | 2.66              | 4.90                     |
| Fund (net)     | 0.27        | 0.26         | -0.64        | -0.85      | 0.68             | 1.22             | 2.26              | 4.43                     |
| Benchmark      | 0.15        | 0.33         | 0.35         | 0.37       | 0.36             | 0.95             | 1.70              | 4.24                     |
| Excess return* | 0.15        | 0.01         | -0.84        | -0.92      | 0.66             | 0.63             | 0.96              | 0.66                     |

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

Gross return is gross of management costs and sell spread.

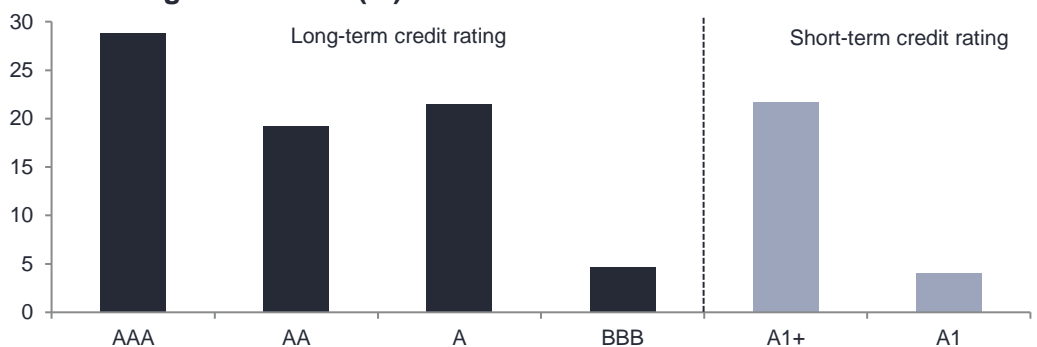
Past performance is not a reliable indicator of future performance.

## Sector allocation



Rounding accounts for small +/- from 100%.

## Credit rating distribution (%)



## Portfolio characteristics

|   |      |
|---|------|
| Estimated Weighted Average Yield to Maturity(EWAYTM) <sup>1</sup> | 4.03 |
| Benchmark EWAYTM  | 2.17 |
| Running Yield   | 2.86 |
| 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              | 0.26  |
| Benchmark         | 0.13  |
| Active Position   | 0.13  |

<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.janushenderson.com/en-au/investor/buy-sell-spreads](http://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) outperformed the Bloomberg AusBond Bank Bill Index (Benchmark) by 0.15% (gross) in August, while the Benchmark gained by 0.15%.

Healthy yield levels and increases in cash rates are beginning to generate stronger total returns from yield income each month. Favoured allocations to high quality credit sectors like bank senior and covered bonds performed well over the month and was a positive contributor to returns. Major bank Tier 2 allocations materially outperformed other corporate credit during the month contributing positively.

In terms of top down sector strategy, having previously preserved capital with significant credit protection via CDS earlier in the year our focus has been on accumulating more liquid high quality credit assets (predominantly AAA, AA). This exposure to credit was a positive contributor to performance in the month.

## Market review

The Reserve Bank of Australia (RBA) lifted the cash rate by another widely expected 0.5% increment in early August to 1.85%. Short-term money market yields continued to rise as markets discounted further tightening. The three-month bank bill yield ended the month 34 basis points (bps) higher at 2.46%, while six-month bank bills ended 22bps higher at 3.01%. In terms of the tightening cycle, markets increased the quantum of tightening with a 3.20% cash rate priced by year end and 3.85% in mid-2023.

Early signs of moderating inflation increased hopes of a dovish pivot by central banks, supporting sentiment and sustaining a weeks-long risk rally throughout most of August. These hopes were dashed by an unequivocally hawkish speech from the Fed Chair at the Jackson Hole symposium towards the end of the month, causing a sell-off in risk markets. The Australian iTraxx Index closed 2bps tighter at 109bps, while the Australian fixed and floating credit indices returned -1.42% and 0.35% respectively.

The local market saw significant primary supply early in the month with ANZ issuing Tier 2 in quick succession after NAB in late July, and CBA issuing the largest senior bank deal in Australian market history. The deals were well received and oversubscribed allowing financial sector spreads to outperform through the remainder of the month. Senior notes tightened 6-10bps in spread, while recently issued fixed rate Tier 2 bonds were the clear outperformer rallying 40-50bps post issuance generating up to 2% capital gains.

## Market outlook and investment strategy

Central bank inflation fighting narratives have become more urgent and hawkish. At his Jackson Hole speech, Fed Chair Powell noted that the costs of bringing inflation down rise the more entrenched it becomes. To avoid higher inflation expectations becoming entrenched, the Fed signalled that it would take policy settings to as restrictive levels as needed, for as long as is needed.

For in-depth economic analysis and the Australian Fixed Interest Team's outlook, visit [go.janushenderson.com/Viewpoint-Sep22](https://go.janushenderson.com/Viewpoint-Sep22).

**Interest Rates:** With demand still strong in the Australian economy, we look for the Reserve Bank of Australia (RBA) to lift the cash rate by 50bps in September to 2.35%, just below estimates of the neutral cash rate. With much of the heavy lifting done, the RBA is likely to shift to 'business as usual' 25bps tightening increments thereafter, and we look for the cash rate to peak at 3.10% by late 2022/early 2023 and hold at that level until early 2024. Market pricing is more aggressive, building in a 3.85% cash rate mid-2023. We therefore maintain a modest overweight to duration, focusing on the front to mid part of the yield curve.

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(continued)

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**From an ESG perspective, we continue to engage with intermediaries and issuers on growing Australia's positive impact bond market.**

**Investment Grade Credit:** Commitment to tackle high inflation through tightening in global liquidity will continue to generate volatility in credit markets. To navigate the environment ahead investors should command improved compensation for risk. 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 has seen demand return from defensive income investors. In our view the more illiquid, structured, and levered sectors of the market are yet to adequately reprice. We continue to favour being positioned up in quality, liquidity and seniority in capital structures leaving powder dry for when compensation for investors escalates.

## 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. New issuance on sustainable debt has slowed in recent months, albeit noting that 2021 was a particularly strong year for issuance of these securities.

We cornerstoned University of Melbourne's inaugural Green Bond during August, the first public corporate ESG bond for Q3. Proceeds are slated to contribute to green buildings which includes new builds, upgrades and energy efficiencies, and renewable energy investment. The new seven year bond was issued at a 4.6% yield and is rated AA+.

## Important information

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