

AUSTRALIAN FIXED INTEREST FUND – INSTITUTIONAL

Janus Henderson
INVESTORS

As at March 2024

Fund objective

The Fund seeks to achieve a total return after fees that exceeds the total return of the Benchmark, over rolling three-year periods.

Investment approach

The Fund is an actively managed portfolio of high quality interest bearing securities that seeks to provide a high level of capital protection. The Manager's investment approach is fundamentally driven and seeks to take advantage of situations where market pricing has become misaligned with economic and investment fundamentals. The Manager seeks to add value to the benchmark using a combination of active strategies including duration and yield curve management, sector allocation and security selection.

Benchmark

Bloomberg AusBond Composite 0+ Yr Index

Risk profile

Medium

Suggested timeframe

3 years

Inception date[^]

31 August 2002

Fund size

\$3.8 billion

Minimum investment

\$100,000

Management cost (%)

0.35 p.a.

Buy/sell spread (%)

0.00/0.08^{^^}

Distribution frequency (if any)

Quarterly

ARSN code

100 098 413

APIR code

IOF0113AU

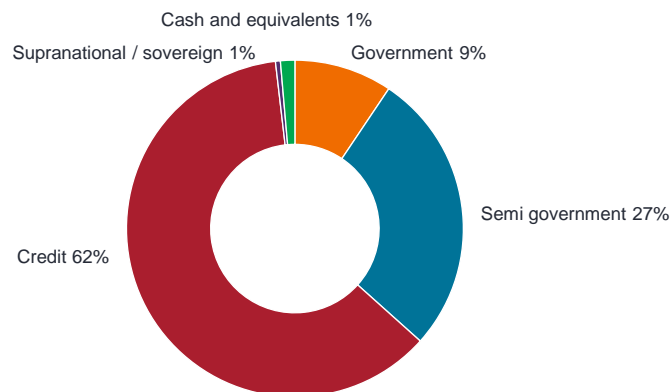
Performance	1 month (%)	3 months (%)	6 months (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	10 years (% p.a.)	Since inception (% p.a.)
Fund (gross)	1.34	1.37	6.08	3.16	-0.71	1.02	3.07	5.22
Fund (net)	1.31	1.29	5.89	2.80	-1.06	0.65	2.71	4.85
Benchmark	1.12	1.03	4.85	1.47	-1.29	0.17	2.59	4.49
Excess return*	0.19	0.26	1.04	1.33	0.23	0.48	0.12	0.36

*Excess return is measured against net performance.

Gross return is gross of management costs and sell spread.

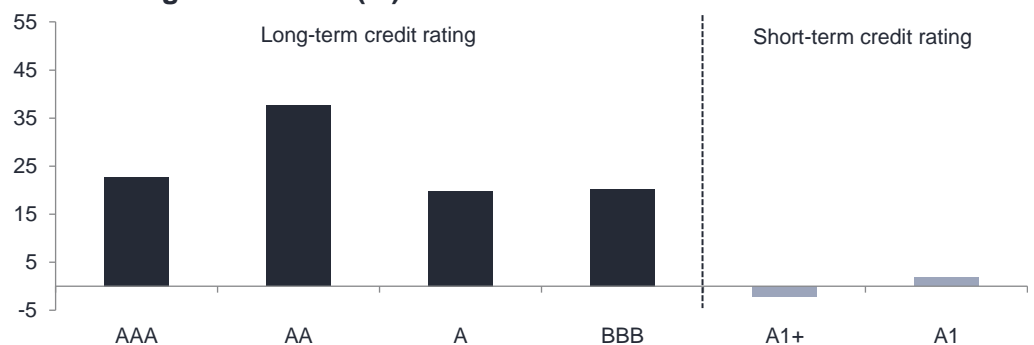
Past performance is not a reliable indicator of future performance.

Sector allocation



Rounding accounts for small +/- from 100%.

Credit rating distribution (%)



Portfolio characteristics

Estimated Weighted Average Yield to Maturity (EWAYTM) ¹	4.78
Benchmark EWAYTM	4.14
Running Yield	4.42
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	6.10
Benchmark	4.94
Active Position	1.16

Benchmark duration is as at month end and therefore does not include rebalancing.

[^] 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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**Head of Australian
Fixed Interest**
Jay Sivapalan

Fund performance

The Janus Henderson Australian Fixed Interest Fund - Institutional (Fund) returned 1.31% (net) and 1.34% (gross). The Fund outperformed the Bloomberg AusBond Composite 0+ Yr Index (Benchmark) by 0.19% (net) in March, which returned 1.12% on the month. The Fund continues its outperformance, beating the Benchmark over the longer term including by 1.33% (net) over the year, and 0.36% (net) since inception per annum.

The impact of lower yields was favourable for the Fund's duration position, with rates being the primary driver of the monthly active return. Higher embedded income added to performance.

Semi-government bonds also generated strong returns as yields fell, with the portfolio's sector allocation and security selection being broadly neutral to that of the market.

Credit spreads tightened over the month despite heavy supply in markets. Credit returns were solid, generating excess return from income advantage and spread contraction. The Fund's sector allocation contributed to alpha, with the banking sector and REITs adding the most value.

The Fund outperformed the Benchmark during March. This was mainly due to the strategy's active overweight duration position which was a contributor to returns relative to the Benchmark with bond yields falling.

Credit also performed well, including the Fund's sector allocation which included an overweight to the banks. Credit protection in the portfolio, added as insurance to any left field events, detracted slightly from performance, but was more than offset by the Fund's higher embedded coupon income.

Market review

The Reserve Bank of Australia (RBA) monitors these forces closely, as well as the progress of the domestic economy. They kept policy unchanged, as expected, at 4.35%.

As central banks remain highly data dependent, bond yields swayed according to the news flow. Monthly end to end, yields were lower but intra-month there was no consistent trend. Australian three-year government bond yields ended the month 9 basis points (bps) lower at 3.62%, while 10-year government bond yields were 17bps lower at 3.96%.

Against this backdrop, the Australian bond market, as measured by the Bloomberg AusBond Composite 0+ Yr Index, rose 1.12%.

Global economic data continues to be volatile, as the aftereffects of the pandemic flow through, the lagged impact of the hiking cycle works through the system, and at the margins, major global themes play out.

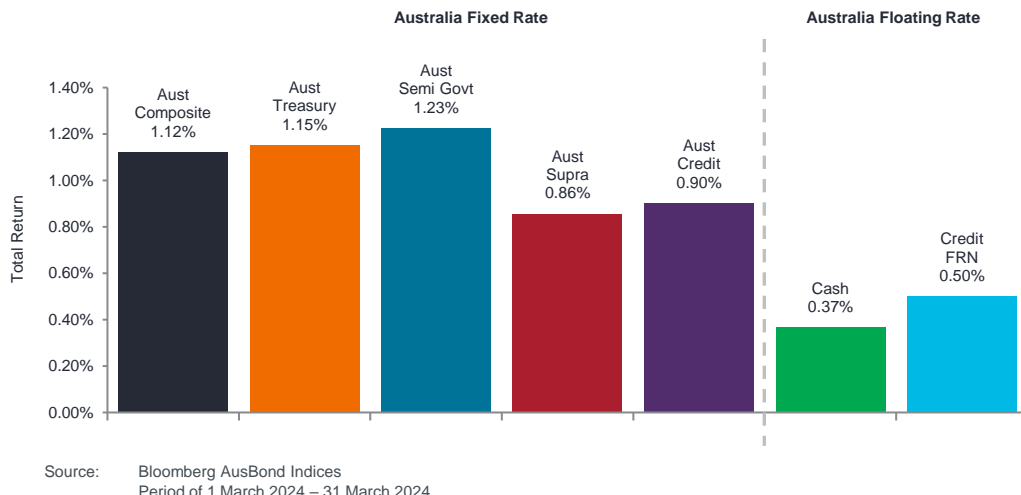
In a complete reversal versus this time last year, easing financial conditions globally encouraged a swathe of corporates to access primary bond markets. Investors eager to lock-in attractive yields ahead of an anticipated rate-cutting cycle, lapped up new issuance pushing credit spreads even tighter. The Australian iTraxx Index ended 5bps tighter at 64bps (adjusted for the semi-annual roll), while the Australian fixed and floating credit indices returned +0.90% and +0.50% respectively with credit outperforming government equivalents.

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Market Outlook and Investment Strategy

The global economy remains soft but not in recession, and the US economy is holding up better than most expected. In this environment, the Australian economy is arguably underperforming. The household sector is anticipated to remain soft in the first half, before picking up later in the year. The investment cycle is mature, and expected to pull back in the second half, while government spending will assume its typical counter cycle role.

Our base case is for the RBA to remain on hold at current rates before commencing an easing cycle in August 2024. We price a more modest than historically average easing cycle, of around 175bps, spread over 12 months. We see the risks skewed to the downside, with a rising probability that the RBA may have to move slightly faster than our base case. In this scenario, the RBA starts moving in August 2024, with a total of 250bps of cuts, to below neutral interest rates over the following year.

In recognition of the complex macroeconomic environment, our credit strategy remains skewed towards high-quality, investment grade issuers with resilient business models, solid earnings power and conservative balance sheets. We continue to judiciously seek out, create and access such opportunities, while simultaneously preserving significant capacity to take advantage of opportunities arising through future market dislocations.

For the Australian Fixed Interest Team's outlook, visit <https://go.janushenderson.com/Viewpoint-Apr24>.

For further insights on our views for 2024 please visit: <https://go.janushenderson.com/AFI-2024-Outlook>.

Environmental, Social and Governance (ESG)

The bond market was extremely active in March, with domestic ESG labelled bonds following this trend. Issuance was dominated by governments with the most notable coming from the South Australian government with their funding entity South Australian Government Financing Authority (SAFA) issuing a five-year \$2 billion sustainability bond. Moving forward SAFA have adopted a whole program approach with all bonds issued from 2018 being captured under their sustainable framework and labelled as sustainable.

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Important information

The Product Disclosure Statement for the Fund, dated 29 September 2023, and the Additional Information Guide, dated 29 September 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.

Further information

www.janushenderson.com/australia