

# AUSTRALIAN FIXED INTEREST FUND

Janus Henderson  
INVESTORS

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

31 August 1994

### Fund size

\$1.19 billion

### Minimum investment

\$25,000

### Management cost (%)

0.45 p.a.

### Buy/sell spread (%)

0.00/0.08<sup>^^</sup>

### Distribution frequency (if any)

Quarterly

### ARSN code

087 719 739

### APIR code

IOF0046AU

### ASX mFund

JHI05

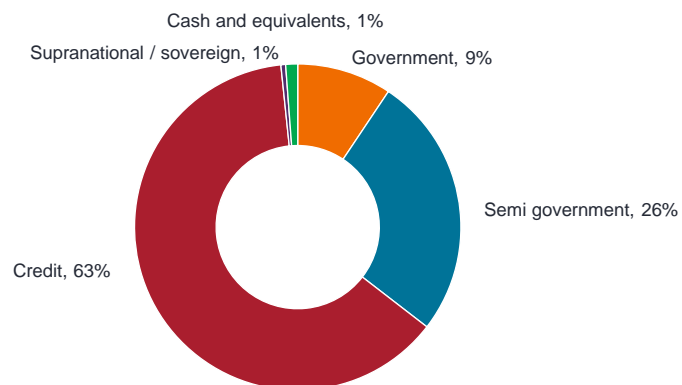
Performance	1 month (%)	3 months (%)	6 months (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	10 years (% p.a.)	Since inception (% p.a.)
Fund (gross)	-0.27	3.41	2.79	4.77	-0.86	1.06	2.96	6.40
Fund (net)	-0.32	3.28	2.55	4.29	-1.30	0.59	2.47	5.85
Benchmark	-0.30	2.59	2.11	3.51	-1.40	0.31	2.48	5.64
Excess return*	-0.02	0.69	0.44	0.78	0.10	0.28	-0.01	0.21

\*Excess return is measured against net performance.

Gross return is gross of management costs and sell spread.

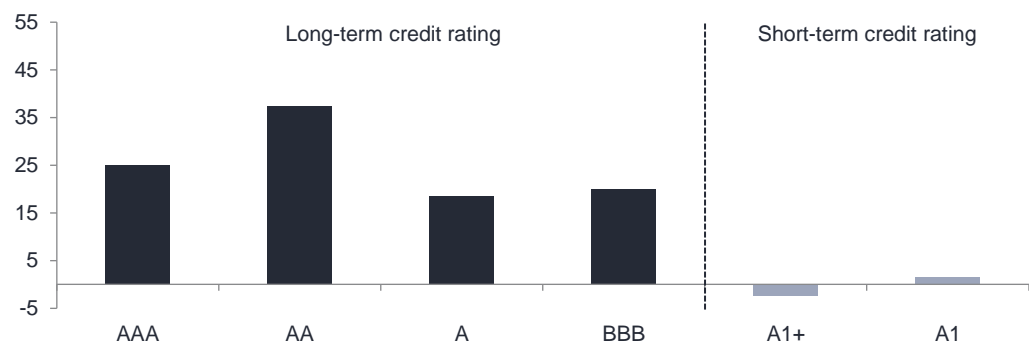
Past performance is not a reliable indicator of future performance.

## Sector allocation



Rounding accounts for small +/- from 100%.

## Credit rating distribution (%)



## Portfolio characteristics

Estimated Weighted Average Yield to Maturity (EWAYTM) <sup>1</sup>	4.83
Benchmark EWAYTM	4.24
Running Yield	4.35
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	5.98
Benchmark	4.95
Active Position	1.03

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

<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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**Head of Australian Fixed Interest**  
Jay Sivapalan

## Fund performance

The Janus Henderson Australian Fixed Interest Fund (Fund) returned -0.32% (net) and -0.27% (gross). The Fund underperformed the Bloomberg AusBond Composite 0+ Yr Index (Benchmark) by -0.02% (net) in February, which returned -0.30% on the month. The Fund continues its outperformance, beating the Benchmark over the longer term including by 0.78% (net) over the year, and 0.21% (net) since inception per annum.

The impact of higher yields was not favourable for the portfolio's duration position, with bond prices shifting lower consistently across the curve. Higher embedded income did cushion some of the drawdown.

Semi-government bonds fell due to higher yields, but sector allocation relative to the Benchmark was a positive contributor.

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 portfolio's sector allocation contributed to alpha, with the banking sector adding significant value.

The Fund's overall return was broadly in line with the Benchmark during February. This was despite the strategy's active overweight duration position which was a detractor to returns relative to the Benchmark with bond yields lifting higher.

However, the overweight position to credit was favourable, supported by spread contraction and higher embedded coupons income. The strategy added additional alpha versus the Benchmark through sector allocation.

We believe that the near term economic and business cycle will be more influential than longer term structural factors on bond returns. This environment, we believe, will again favour those who are genuinely able and willing to take a full spectrum of active risks for the benefit of investor outcomes.

## Market review

The Reserve Bank of Australia (RBA) kept policy unchanged at 4.35% in February, as expected.

Global moves continue to be a strong influence, as the debate over the strength of the cycle and policy easing rages. Australian three-year government bond yields ended the month 13 basis points (bps) higher at 3.70%, while 10-year government bond yields were 12bps higher at 4.14%.

Against this backdrop, the Australian bond market, as measured by the Bloomberg AusBond Composite 0+ Yr Index, fell 0.30%.

There is more consistency around the global start of the major market easing cycles, with markets now looking at mid-year for rate cuts to commence. Europe is expected to be first, with the US thereafter.

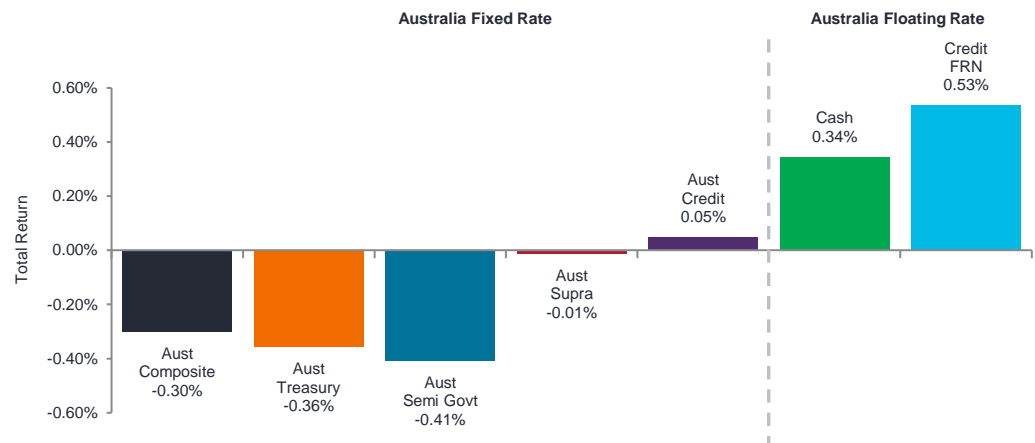
In risk markets, a consistent theme during Corporate Reporting Season was one of resilience and robust fundamentals, particularly for Investment Grade issuers. When combined with evidence of slowing inflation and expectations of an imminent rate cutting cycle, this catalysed an impressive credit rally as institutional investors including pension funds, insurers and annuity providers, sought to lock-in attractive yields from high-quality liquid assets. The Australian iTraxx Index ended 5bps tighter at 63bps, while the Australian fixed and floating credit indices returned -0.04% and +0.51% respectively.

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The RBA released its new format Monetary Policy Statement, modestly downgrading their GDP forecasts, as well as their CPI expectations; but maintain there is a high degree of uncertainty.



Source: Bloomberg AusBond Indices  
Period of 1 February 2024 – 29 February 2024

## Market Outlook and Investment Strategy

The RBA released its new format Monetary Policy Statement, modestly downgrading their GDP forecasts, as well as their CPI expectations; but maintain there is a high degree of uncertainty. The data has backed up this uncertainty, with a high degree of volatility. Unemployment has risen to 4.1%, wages sit at 4.2% yoy, and the retail data has bounced a less than expected 1.1% mom.

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 earlier and 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.

In recognition of the softening growth environment, our credit strategy remains skewed towards high-quality, investment grade issuers with resilient business models, solid earnings power and conservative balance sheets. We have been actively and selectively taking advantage of the attractive yields on offer in highly rated corporate bonds and structured credit, particularly in the primary markets where transactions have come with new issue concessions.

For the Australian Fixed Interest Team's outlook, visit <https://go.janushenderson.com/Viewpoint-Mar24>.

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

## Environmental, Social and Governance (ESG)

Close to \$1 billion AUD was issued domestically in labelled ESG bonds in February, with new bonds coming from both government and asset backed sectors.

Globally, data out from Amundi showed that investment into "responsible funds" have increased 4 times since 2020, now making up 17% of total assets worldwide.

For insights on the Australian fixed income team's company engagement, please view our recently published ESG quarterly here: [https://go.janushenderson.com/AFI\\_ESG\\_Report\\_Dec\\_2023](https://go.janushenderson.com/AFI_ESG_Report_Dec_2023).

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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](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.

## Further information

[www.janushenderson.com/australia](http://www.janushenderson.com/australia)