Janus Henderson

DIVERSIFIED CREDIT FUND

Janus Henderson INVESTORS

As at March 2024

Fund objective
The Fund seeks to achieve a total return before fees that exceeds the total return of the Benchmark by 2.00% p.a. over rolling three-year periods.

Investment approach
The Fund is an actively managed portfolio of Australian and global higher yielding securities that seeks to provide investors with a diversified exposure to a wide range of fixed income securities including corporate debt, asset backed securities, secured loans and emerging markets debt securities.

Benchmark#
Bloomberg AusBond Bank Bill Index

Risk profile
Medium

Suggested timeframe
3 years

Inception date
31 October 2012

Fund size
$987.2 million

Minimum investment
$25,000

Management cost (%)
Management fee 0.55 p.a.
Indirect costs – 0.01 p.a.*
*Based on costs incurred during the financial year ended 30 June 2023.

Buy/sell spread (%)
0.10/0.20^

Base currency
AUD

Currency hedging
$AUD hedged^^

Distribution frequency (if any)
Monthly

ARSN code
127 727 431

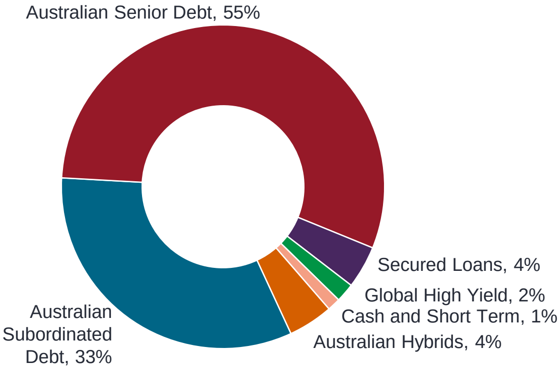
APIR code
IOF0127AU

ASX mFund
JHI04

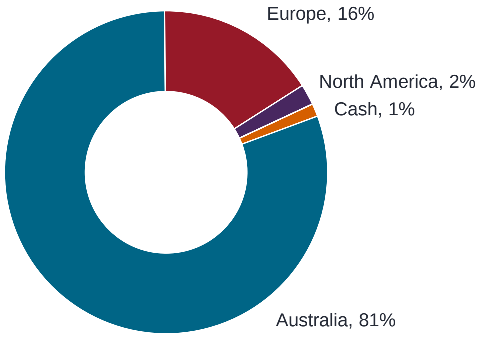
Performance	1 month (%)	3 months (%)	6 months (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	10 years (% p.a.)	Since inception (% p.a.)
Fund (gross)	0.79	2.22	4.78	8.81	3.86	4.74	4.55	4.95
Fund (net)	0.74	2.07	4.50	8.22	3.31	4.16	3.97	4.37
Benchmark#	0.37	1.09	2.15	4.19	2.07	1.51	2.18	2.44
Excess return*	0.37	0.98	2.35	4.03	1.24	2.65	1.79	1.93

*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.
#As at 29 September 2017, the Benchmark is the Bloomberg AusBond Bank Bill Index. Prior to this date, the Benchmark was Bloomberg AusBond Credit FRN 0+ Yr Index.

Sector allocation

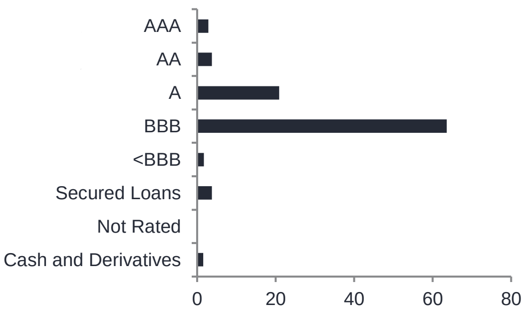


Region of issue



Rounding accounts for small +/- from 100%.

Credit rating distribution (%)



Portfolio statistics

Portfolio Yield[1]	5.54
Running Yield	5.30
Spread Duration	2.88
Modified Duration	1.75
Weighted Average Credit Quality	A+
Number of Securities[2]	435

[1]Estimated Weighted Average Yield to Maturity (EWAYTM) is a measure of the average annual yield of all securities in the Fund (Grossed up for franking credits, where applicable)
[2]Number of Securities is on a look through basis and excludes cash and derivatives.

Top 10 holdings[3]	Fund weight (%)
Australia & New Zealand Banking Group Ltd 5.888% 16/01/2034 FIX/FRN AUD	3.00
ANZ Bank/UK 6.75% Fix/Perp USD	2.68
Scentre Group Trust 1 / Scentre Group Trust 2 6.5% 01/05/2031 AUD	2.57
Brisbane Airport Corp Senior Secured 4.5% 01/10/2030	2.01
ANZ Subordinated FRN Basel III T2 26/02/2026	1.98
Lloyds Banking Group Plc 31/08/2023 AUD Regs Sub	1.89
Stockland Trust 6.1% 12/09/2034 AUD	1.83
Westpac Banking Corp 7.199% 15/11/2038	1.74
CBA Subordinated FRN Basel III T2 09/11/2027	1.54
Suncorp-Metway Ltd 5.355% 12/07/2028	1.54

[3]Top 10 is on a look through basis.
^ For more information and most up to date buy/sell spread information visit www.janushenderson.com/en-au/investor/buy-sell-spreads
^^Generally, 100% of the Fund's non-Australian dollar denominated exposure will be hedged back to the Australian dollar.

DIVERSIFIED CREDIT FUND

(continued)

Portfolio Manager
Shan Kwee

Fund performance

The Janus Henderson Diversified Credit Fund (Fund) returned 0.74% (net) and 0.79% (gross). The Fund outperformed the Bloomberg AusBond Bank Bill Index (Benchmark) by 0.37% (net) in March, which returned 0.37% on the month. The Fund continues its outperformance, beating the Benchmark over the longer term including by 4.03% (net) over the year, and 2.65% (net) per annum over the past 5 years.

Primary markets kept up high activity levels as financials and non-financial corporates issued new bonds.

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 and REITs adding the most value.

Australian bank Tier 2 returns remained resilient despite new supply softening credit spreads. Major bank Tier 2 has now been upgraded by both Moodys and S&P to move up to A- rated which may provide some additional tailwind and support to spreads in coming months. Domestic hybrids rebounded as the new ANZ hybrid listed during March at a 1% premium, and globally spreads rallied across IG and high yield.

March continued with another significant month of active portfolio rotation. The balance of strong investor and reasonably priced local IG credit spreads allowed the primary market to continue to present securities which offer attractive carry, but also potential for capital gains via spread compression over the coming year. We targeted opportunities across subsectors and added a number of new positions including Brisbane Airport 5.9% 10-year, Stockland 6.1% 10.5-year, Ausgrid 5.4% seven-year, HSBC 6.2% Tier 2, and Westpac 5.7% Tier 2. These A- to high BBB rated bonds are still pricing with yields of 5.5% - 6.25% which we think offers a sweet spot of risk adjusted return opportunity for this stage in the credit cycle. Our first dip back into local ANZ hybrids last month, finally listed late in March with a 1% immediate capital gain. We continue to see select securities deliver near term gains rallying between 5 to 25bps in spread post issuance, so actively navigating the primary market remains fruitful.

It was a better month for bonds with Australian government bond yields rallying by 8-17bps across the curve. Given our move last month to increase Fund duration to 1.7 years, returns from credit income and spread were complimented by positive contributions from interest rates. Our credit protection positions were a detractor during March as global CDS spreads continued to narrow. Given CDS spreads remain very tight we see costs of holding protection positions as relatively low going forward. Combining these defensive positions with the Fund's low levels of sub investment grade exposure, our positioning continues to balance the income opportunity set with the outlook for slowing growth and lagged impact of policy tightening. We continue to partake in healthy risk adjusted income levels from the investment grade credit spectrum, while being poised to take advantage of any weakness in sub investment grade spreads which remain at near term tights.

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(continued)

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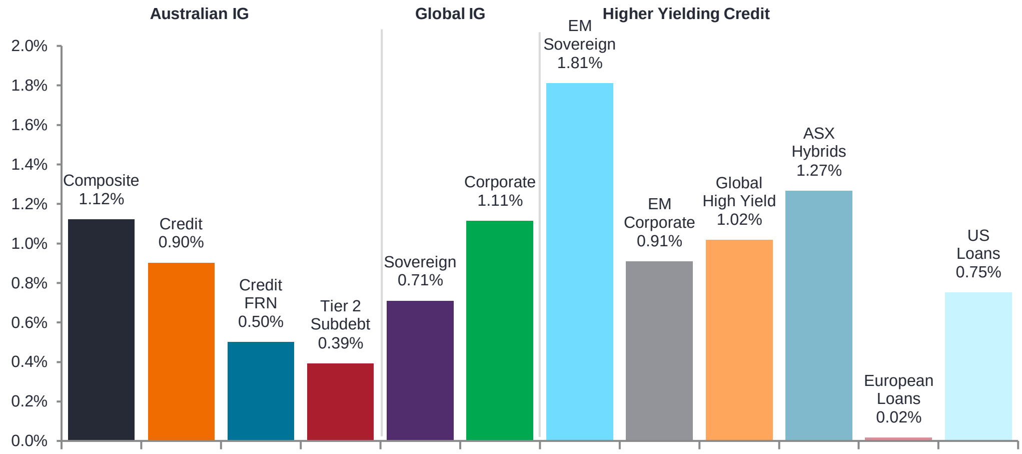
The global economy remains soft but not in recession, and the US economy is holding up better than most expected.



Source: Bloomberg (Ausbond Composite Index, Ausbond Bank Bill Index, Ausbond Credit FRN Index), JPMorgan (Global Bond Index (GBI Global), JPMorgan Emerging Market Global (EMBI Global), CEMBI Broad Diversified), BofAML (BofAML ICE Global Broad Mkt Corp (G0BC), ICE Global High Yield Constrained (HW0C)), SolActive Hybrids Gross Franking, Credit Suisse (Western European Leveraged Loan Index), S&P LTSA US Loans Index as at 31 March 2024

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%.

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 thematics 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.

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.

The bond market was extremely active in March, with domestic ESG labelled bonds following this trend.

A strong rally in Tier 2 has normalised the relative value in bank capital instruments, and for the first time in two years we see some value emerging in existing hybrid structures before the APRA Additional Tier 1 Capital recommendations are likely revised later this year. We remain overweight in Tier 2, and used primary markets to begin a minor rotation toward major bank hybrids. Primary market supply remains healthy and has accelerated post reporting season. We continue to see opportunities to add securities producing strong risk adjusted yields in the investment grade spectrum, with conservatively geared Australian REIT senior debt showing attractive relative value together with selected core infrastructure subsectors. We favour allocating now while all in yields remain attractive ahead of a potential cutting cycle.

We are electing to be under allocated to sub investment grade and illiquid credit, with a strong preference to earn reasonable income and capital gains up in quality for now. Our expectation remains for lower quality credit spreads to remain bumpy as investors digest higher costs of capital and slowing growth this year. We are withholding risk and liquidity capacity in anticipation of more attractive entry points for global high yield and loans. We favour further bolstering levels of credit protection (via credit default swaps) as we approach the point in the cycle where effects of policy tightening become more apparent.

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.