

TACTICAL INCOME 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, by investing in a diversified portfolio of predominantly Australian income producing assets.

Investment approach

The Fund is actively managed and designed to make tactical investment decisions between cash, longer duration fixed interest securities and higher yielding securities, through every step of the investment cycle.

Benchmark

Bloomberg AusBond Bank Bill Index and Bloomberg AusBond Composite 0+ Yr Index (equally weighted)

Risk profile

Low-medium

Suggested timeframe

3 years

Inception date[^]

30 June 2009

Fund size

\$4.8 billion

Minimum investment

\$25,000

Management cost (%)

0.45 p.a.

Buy/sell spread (%)

0.00/0.04^{^^}

Base currency

AUD

Distribution frequency (if any)

Quarterly

ARSN code

130 944 866

APIR code

IOF0145AU

ASX mFund

JHI02

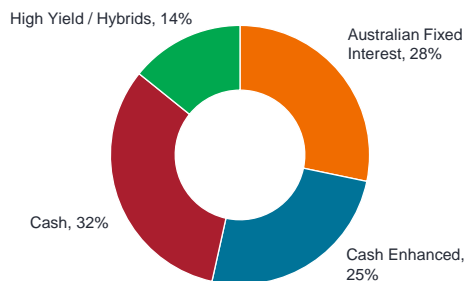
Performance	1 month (%)	3 months (%)	6 months (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	10 years (% p.a.)	Since inception (% p.a.)
Fund (gross)	0.28	2.42	3.47	6.23	2.54	2.87	3.25	4.76
Fund (net)	0.23	2.29	3.23	5.74	2.08	2.40	2.79	4.29
Growth (Net)	0.23	1.43	1.74	2.20	-1.34	-0.68	-0.38	0.37
Distribution (Net)	0.00	0.86	1.49	3.54	3.42	3.08	3.16	3.92
Benchmark	0.02	1.84	2.13	3.84	0.30	0.92	2.16	3.16
Excess return*	0.21	0.45	1.10	1.90	1.78	1.48	0.63	1.13

*Excess return is measured against net performance.

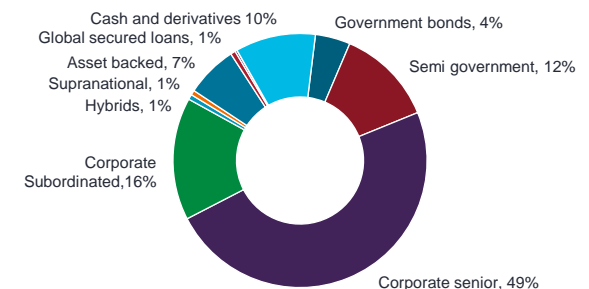
Gross performance is calculated gross of management costs and sell spread.

Past performance is not a reliable indicator of future performance.

Asset allocation*



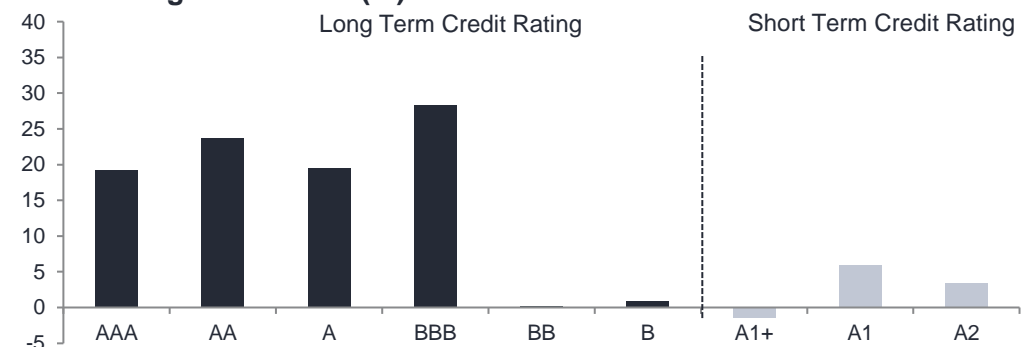
Sector allocation



*Asset allocation shown as effective exposure of asset classes.

Rounding accounts for small +/- from 100%.

Credit rating distribution (%)



Portfolio characteristics

Estimated Weighted Average Yield to Maturity (EWAYTM) ¹	4.95
Running Yield	4.89
Benchmark EWAYTM	4.26
Weighted Average Credit Quality	AA+
Number of Securities (on a look through basis)	448

¹Estimated Weighted Average Yield to Maturity is a measure of the average annual yield of all securities in the Fund (Grossed up for franking credits, where applicable)

Modified duration	Years
Fund	2.20
Benchmark	2.54
Active Position	-0.34

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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(continued)

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**Head of Australian
Fixed Interest**
Jay Sivapalan

Fund performance

The Janus Henderson Tactical Income Fund (Fund) returned 0.23% (net) and 0.28% (gross). The Fund outperformed the 50% Bloomberg AusBond Bank Bill; 50% Bloomberg AusBond Composite 0+ Yr (Benchmark) by 0.21% (net) in February, which returned 0.02% on the month. The Fund continues its outperformance, beating the Benchmark over the longer term including by 1.90% (net) over the year, and 1.13% (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.

Our favoured allocation in Australian bank Tier 2 was once again amongst the top performing global credit sectors with strong income generation and yields of 6% still keenly sought by investors, contributing positively to returns. Domestic hybrids also performed well despite supply from ANZ and Bendigo bank, both deals well oversubscribed. Globally spreads rallied across IG and high yield however longer duration fixed rate asset classes underperformed as offshore yields rose.

The Tactical Income Fund delivered a solid positive monthly return, particularly in contrast to the drawdown in the bond market.

The Fund's duration position, at 2.19 years, was a detractor from returns as yields rose. However, the Fund's sector allocation in credit, including an overweight to the banks, offset this drawdown. This in conjunction with higher embedded coupon income resulted in a decent month of performance.

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.

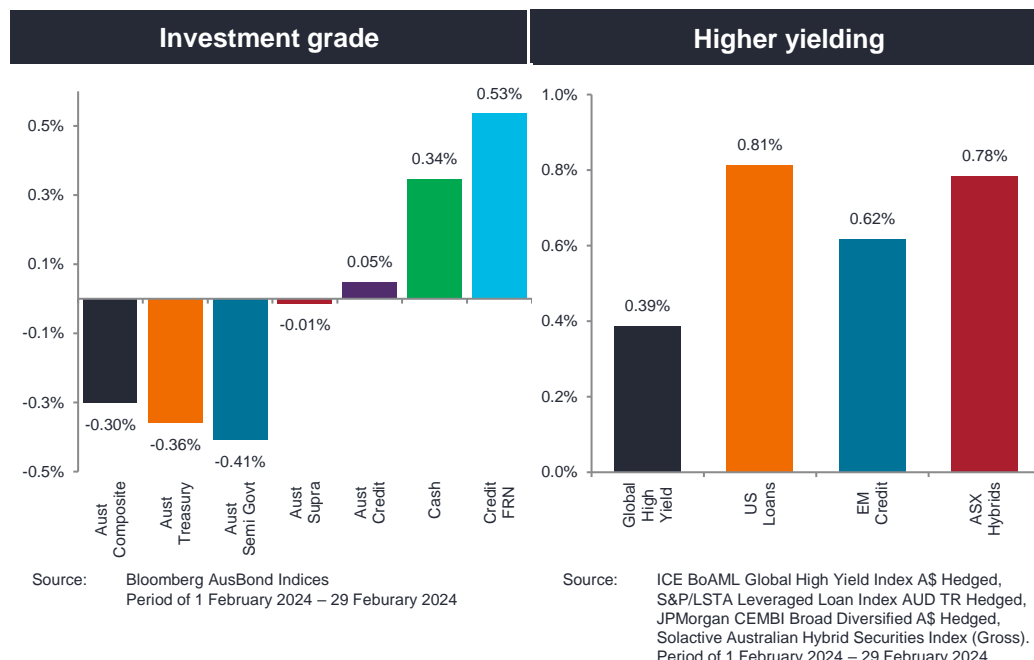
The Australian iTraxx Index ended 5bps tighter at 63bps, while the Australian fixed and floating credit indices returned -0.04% and +0.51% respectively.

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The RBA will be buoyed by the lower-than-expected headline CPI print, while the weakening in the household consumer sector will lower forward inflation expectations.



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.

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 real estate investment trust (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.

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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 in-depth economic analysis and the Australian Fixed Interest Team's outlook, visit <https://go.janushenderson.com/Viewpoint-Mar24>.

For further insights on our views for 2024 where cyclical factors will likely dominate structural pressures 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

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.