

AUSTRALIAN FIXED INTEREST FUND – INSTITUTIONAL

Janus Henderson
INVESTORS

As at March 2025

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 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 applies a range of strategies that include duration and yield curve management, sector allocation and individual security selection.

Benchmark

Bloomberg AusBond Composite 0+ Yr Index

Risk profile

Medium

Suggested timeframe

3 years

Inception date[^]

31 August 2002

Fund size

\$4.1 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

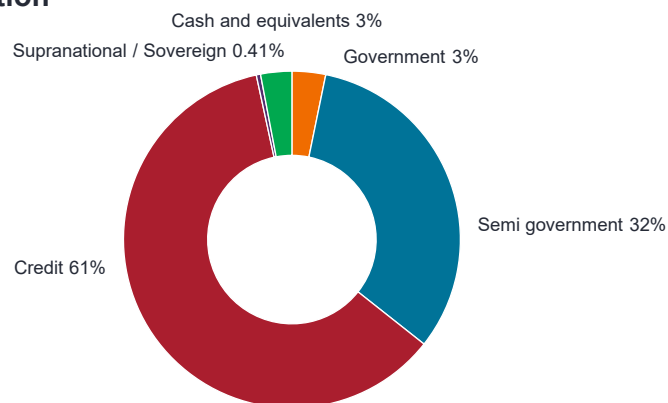
Performance	1 month (%)	3 months (%)	6 months (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	10 years (% p.a.)	Since inception (% p.a.)
Fund (gross)	0.14	1.62	1.36	4.06	2.52	0.54	2.52	5.17
Fund (net)	0.11	1.54	1.20	3.70	2.17	0.28	2.15	4.80
Benchmark	0.17	1.29	1.03	3.20	1.67	-0.51	1.84	4.43
Excess return*	-0.06	0.25	0.17	0.50	0.50	0.79	0.31	0.37

*Excess return is measured against net performance.

Gross return is gross of management costs and sell spread.

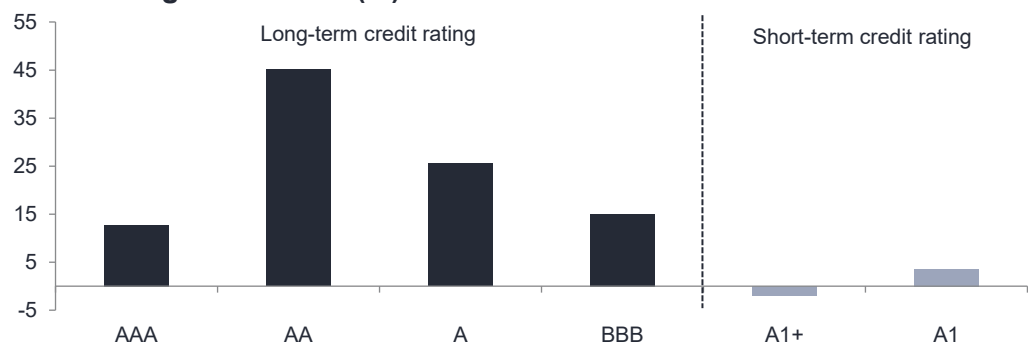
Past performance is not a reliable indicator of future performance.

Sector allocation



Rounding accounts for small +/- from 100%.

Credit rating distribution (%)



Portfolio characteristics

Estimated Weighted Average Yield to Maturity (EWAYTM) ¹	4.84
Benchmark EWAYTM	4.29
Running Yield	4.68
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	5.48
Benchmark	4.81
Active Position	0.67

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 Australian Fixed Interest Fund - Institutional (Fund) returned 0.11% (net) and 0.14% (gross). The Fund underperformed the Bloomberg AusBond Composite 0+ Yr Index (Benchmark) in March, which returned 0.17% on the month. The Fund continues its outperformance, beating the Benchmark over the longer term including by 0.50% (net) over the year, and 0.37% (net) since inception per annum.

There was negligible impact on the portfolio from an overweight duration position. The longer end underperformed as yields rose which was offset by yields falling in the front end of the curve.

An overweight to semi government bonds was a positive contributor to performance with coupon income and spread tightening supporting returns.

Australian investment grade credit allocations were cushioned by healthy coupon income. Notable active positions in banks, supermarkets, transport and REITs were slight detractors while the overweight to universities was a positive contributor.

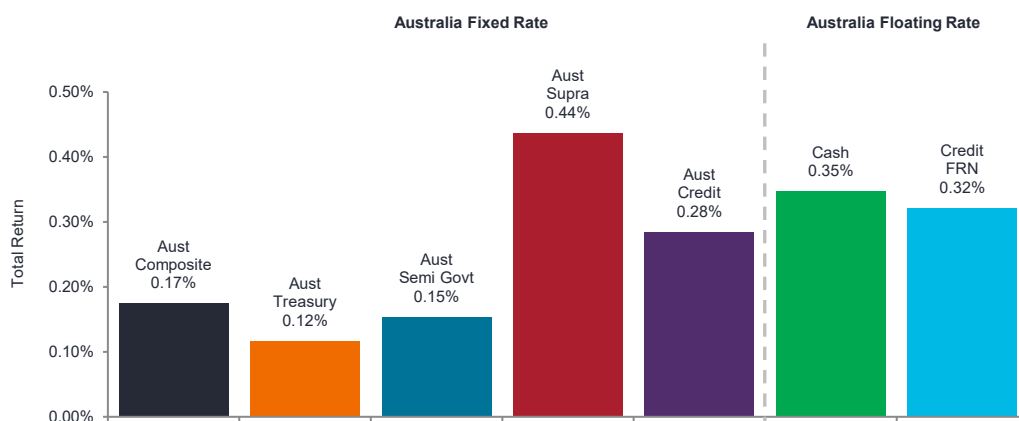
The Fund underperformed versus the Benchmark in what was a reasonable month for bonds. The Fund's overweight duration exposure was skewed to the front end of the curve which contributed to performance as yields in the front end fell, while the longer end rose. Yield curve positioning is an important part of being active when adding duration, with this month being a prime example of the effect on performance. Heightened volatility pushed Australian IG credit spreads modestly wider (2-3bps), however, it was the credit protection that was in the portfolio that contributed strongly to returns as pricing on credit default swaps lifted to a greater degree. The overweight protection embedded into the portfolio was an active position built in to protect portfolios during a dislocation such as the one playing out in markets leading into month end.

Market review

Markets fluctuated due to changing global trade policies, deteriorating geopolitical relations, and a shift from economic to political focuses. Reactions to Trump's evolving policies is causing volatility in equities and bonds.

Australia's three-year government bond yields fell 4bps, to 3.70%, while 10-year yields rose 9bps to 4.38%. The divergence highlights the differing forces over the tenors, with the three-year dominated by RBA pricing, and the ten-year buffeted by rising global geopolitical risks which point to possibly stagflationary outcomes. This steepening divergence was expected and accounted for in our interest rate strategy.

Credit markets wobbled with loans and junk bond markets experiencing significant spread widening, meanwhile higher grade credit like Australian IG showed more resilience, spreads widening by a modest 3bps above government bonds. Over the quarter Australian IG spreads ended lower at 104bps versus 107bps at the start of the March quarter. Australian IG credit outperformed offshore markets and credit derivatives. Credit derivatives like the Australian iTraxx CDS ended 18 bps wider at 88bps, while Australian fixed and floating credit indices returned +0.28% and +0.32% respectively.



Source: Bloomberg AusBond Indices
Period of 1 March 2025 – 31 March 2025

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(continued)

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Markets are likely to continue to be buffeted by global squalls amid policy uncertainty and crosscurrents.

Market Outlook and Investment Strategy

Markets are likely to continue to be buffeted by global squalls amid policy uncertainty and crosscurrents. The domestic market, having seen the RBA commence easing, is likely beholden to the inflation outlook, but also cognizant of the global ructions' potential to alter the growth outlook.

Our RBA base case remains a 100bps easing in total, to cash rate of 3.35% by end 2025. We have increased the low case to a total easing of 250bps over the next year, to a low of 1.85%, and assign a 25% chance of this case playing out. Markets are pricing a low in the RBA case rate of 3.28% through mid- 2026, and is not far off our central case. We have a modest overweight duration position and will continue to look to adjust as volatility brings opportunity for market mispricing. We continue to favour the shorter part of the yield curve, as the long end is caught up with global factors.

Value remains in semi-government bonds where spreads above risk free rates appear attractive. Semi spreads are providing reasonable compensation for weakened state government finances and elevated funding programs. Taking a pragmatic approach, we look to adding to semi-government overweights opportunistically where entry points offer good value and diversifying across issuers for relative value and liquidity. Expectations of heightened future supply can offer opportunity to access bonds into a softer global spread environment.

In recognition of the highly complex investment environment, our credit allocations favour high-quality, investment grade issuers operating in defensive sectors, with solid earnings power and conservative balance sheets. We are avoiding lower credit quality and leveraged corporate and consumer sectors where stress may increase. Although global credit spreads have moved off their lows they remain compressed relative to history. Through a lens of reward for risk, yields in lower risk Australian Investment Grade credit remain attractive versus other asset riskier and illiquid asset classes. We look to opportunities in highly-rated corporate bonds and structured credit in both primary and secondary markets. Simultaneously, we have actively rotated and taken profit in areas that had rallied, replenishing capacity to redeploy. Our choice to hold materially sized credit protection into 2025 is helping to improve portfolio return outcomes. Combined, these settings are expected to contribute strongly to portfolio resilience as markets face into what is expected to be an extended period of structurally higher volatility.

For in-depth economic analysis and the Australian Fixed Interest Team's outlook, visit <https://go.janushenderson.com/Viewpoint-Apr25>

Environmental, Social and Governance (ESG)

The labelled bond market was relatively active in March, dominated by some green tranches issued by utilities company ETSA. Proceeds will be allocated to the financing or refinancing of SA Power Networks' distribution assets which meet the Climate Bonds Initiative's (CBI) Climate Bonds Standard v4.1, Electrical Grids and Storage criteria (Eligibility Criteria) and in accordance with SA Power Networks Sustainable Financing Framework dated April 2024.

Important information

The information in this monthly report was prepared by Janus Henderson Investors (Australia) Funds Management Limited ABN 43 164 177 244, AFSL 444268 (Janus Henderson) and should not be considered a recommendation to purchase, sell or hold any particular security. The Product Disclosure Statement, Additional Information Guide, and Target Market Determination for the Fund is 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. Due to rounding the figures in the holdings, breakdowns may not add up to 100%. 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 is not intended to be nor should it be construed as advice. This monthly report does not take account of your individual objectives, financial situation or needs. Before acting on this information you should consider the appropriateness of the information having regard to your objectives, financial situation and 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. An investment in the Fund is subject to risk, including possible delays in repayment and loss of capital invested. None of Janus Henderson 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 before making a decision about the Fund. Dollar figures shown are in Australian Dollars (AUD), unless otherwise stated. Janus Henderson is a trademark of Janus Henderson Group plc or one of its subsidiaries. © Janus Henderson Group plc.