

# CASH FUND - INSTITUTIONAL

## As at January 2021

### Fund objective

The Fund seeks to achieve a total return after fees that exceed the total return of the Benchmark, over rolling annual periods.

### Investment approach

The Fund is an actively managed portfolio of high quality short term securities that seek to provide investors with low risk exposure to secure cash investments and returns that closely track the prevailing level of short-term interest rates. The manager seeks to add value using a combination of interest rate and yield enhancement strategies.

### Benchmark

Bloomberg AusBond Bank Bill Index

### Risk profile

Low

### Suggested timeframe

1 year

### Inception date

31 July 2008

### Fund size

\$808.3 million

### Minimum investment

\$100,000

### Management cost (%)

0.15 p.a.

### Buy/sell spread (%)

0.00/0.00

### Distribution frequency

Monthly

### ARSN code

127 731 006

### APIR code

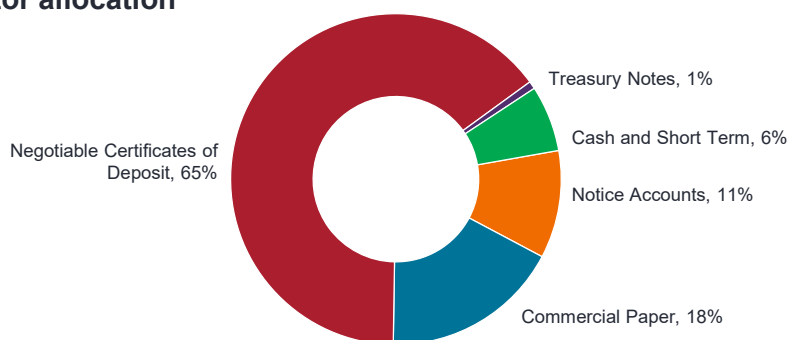
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Performance	1 month (%)	3 months (%)	6 months (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	10 years (% p.a.)	Since inception (% p.a.)
Fund (gross)	0.01	0.04	0.10	0.37	1.43	1.73	2.68	3.15
Fund (net)	0.00	0.01	0.03	0.22	1.25	1.53	2.47	2.93
Benchmark	0.00	0.01	0.04	0.29	1.21	1.48	2.40	2.84
Excess return*	0.00	0.00	-0.01	-0.07	0.04	0.05	0.07	0.09

\*Excess return is measured against net performance.

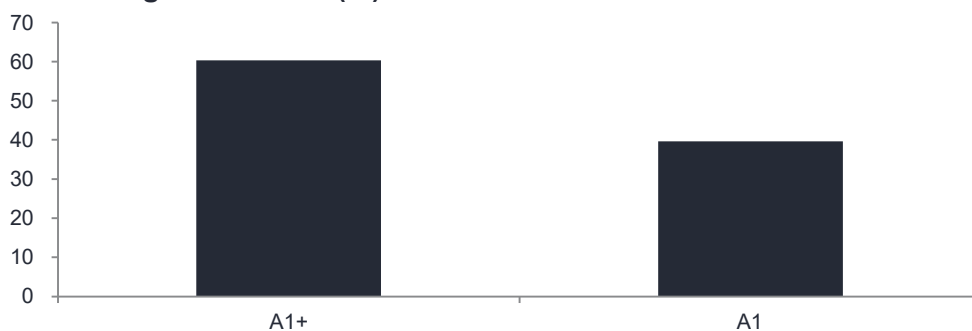
Past performance is not a reliable indicator of future performance.

## Sector allocation



Rounding accounts for small +/- from 100%.

## Credit rating distribution (%)



## Portfolio characteristics

Estimated Weighted Average Yield to Maturity (EWAYTM) <sup>1</sup>	0.10
Benchmark EWAYTM	0.02

<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	0.18
Benchmark	0.12
Active Position	0.06

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(continued)



**Head of Australian  
Fixed Interest**  
Jay Sivapalan

## Fund performance

Money market rates remained very low given the 0.10% official cash rate and RBA forward guidance for an extended period of highly accommodative policy. Three-month bank bills ended the month unchanged at 1 basis points (bps), while six-month bank bills ended 0.5bps lower at 1.5bps.

The Janus Henderson Cash Fund - Institutional (Fund) returned 0.01% (gross) and 0% (net), inline the Bloomberg AusBond Bank Bill Index (Benchmark) which was flat for the month. The Fund's sector allocation was accretive to performance. Whilst interest rate strategies had a limited contribution to the Fund's relative performance against the Benchmark as yields were stable through the month of January.

The key factors driving excess returns have been the Fund's allocation to notice period accounts and commercial paper issued by high quality corporates. These have been offering attractive margins over bank bill swap rates.

## Market review

Expectations for a post-vaccine global rebound were buoyed by further proposed fiscal easing from the new Biden Administration and US Federal Reserve (Fed) signalling of a long period of accommodative monetary settings. Burgeoning sovereign debt supply saw yield curves steepen and inflation expectations edged higher. Credit markets were relatively solid.

Yields at the shorter end of the yield curve remained anchored around the Reserve Bank of Australia's (RBA) 0.10% cash and three-year government bond yield target. The three-year government bond edged up to 0.113% before ending the month at 0.111%.

Partial demand indicators pointed to strong momentum over the December quarter, with strong gains in business conditions and building approvals though the most recent round of border closure knocked consumer and business confidence lower.

Labour market conditions continued to improve with strong lifts in hiring intentions recorded. The number of jobs lifted by 50,000 in December, bringing the total number of jobs added since May's lockdown low to 784,000. The unemployment rate ended 2020 at a better than expected 6.6%.

On the prices side of the economy, the December quarter Consumer Price Index (CPI) came in stronger than expected. Headline inflation rose by 0.9% and was boosted by higher childcare costs as earlier support was withdrawn and higher tobacco prices. Most price gains reflected policy decisions rather than stronger demand. The average of the RBA's underlying inflation measure rose by 0.5% for a 1.3% yearly rate.

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**The global and Australian economies are entering a recovery year as vaccination programmes are rolled out and policy settings remain supportive. In their latest forecast run, the International Monetary Fund (IMF) look for 2021 world growth to lift by 5.5% after falling by 3.5% in 2020.**

## Market outlook

The global and Australian economies are entering a recovery year as vaccination programmes are rolled out and policy settings remain supportive. In their latest forecast run, the International Monetary Fund (IMF) look for 2021 world growth to lift by 5.5% after falling by 3.5% in 2020. For 2022, they forecast 4.2% growth.

Following stronger domestic partial demand data, we have lifted our 2020 Australian economy growth forecast and now look for the economy to contract by 2.75%. For 2021, we look for the economy to lift by 5% which should see the economy return to the same size it was at the end of 2019 towards the end of the year.

Spare capacity remains though, and when combined with weak wages growth and a stronger currency, should act to keep medium term underlying inflation low. There is scope for a near-term lift in goods prices as strong consumer demand meets low stock levels, but this should fade as domestic and global production ramps up.

The global and domestic yield curve (cash 10-year spread) has steepened since late 2020 as markets factored in a cyclical rebound. This steepening occurred despite central bank asset purchase programmes and represents a tightening in financial conditions *cet par*. Market conviction in the recovery story is high with five-year, five-year forward rates (a proxy for the longer run cash rate) in the US rising back to pre-COVID-19 levels and in Australia's case, to levels not consistently seen since mid-2019.

While some curve steepening should be expected given the improved outlook, we are mindful of periods where markets can get ahead of themselves. Recent currency strength and an eventual shift in the fiscal pulse from positive to negative should act as drags on growth and require the RBA to keep monetary conditions accommodative. An expansion/extension of its QE programme may be warranted to support medium term growth prospects.

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(continued)

Given current market expectations and RBA forward guidance, we expect money market yields to remain at current levels for the foreseeable future.

**Investment strategy**

The following is a summary of the key strategies in the Fund:

**Interest rates:**

**Neutral duration:** Given current market expectations and RBA forward guidance, we expect money market yields to remain at current levels for the foreseeable future. Given this, we are comfortable allowing the Fund's duration to remain in line with the Benchmark.

**Sector allocation:**

**Non-major banks:** Non-major banks pay a premium above major banks to compete for funding. The Fund has allocated a prudent proportion to this sector in order for investors to enjoy slightly higher yields.

**Term deposits and notice accounts:** Banks continue to pay a reasonable premium to take deposit funding in the form of notice accounts. As such, we remain invested with about a tenth of the Fund prudently allocated to notice accounts.

**Commercial paper:** We favour a selective allocation to high quality commercial paper as the available yield premium is relatively attractive versus other money market instruments.

**Important information**

A new Product Disclosure Statement and Additional Information Guide for the Fund dated 30 September 2020 is 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. 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. Dollar figures shown are in Australian Dollars (AUD), unless otherwise stated.