Janus Henderson INVESTORS

Conservative Fixed Interest Fund – Institutional

ISIN AU60IOF01115

Investment objective

The Fund seeks to achieve a total return before fees that exceeds the total return of the Benchmark by 0.50% p.a., over rolling three-year periods.

Investment approach

The Fund is an actively managed portfolio of high quality interest bearing securities that seeks to provide returns in excess of cash and a high level of capital protection. The Manager seeks to add value using a combination of interest rate and yield enhancement strategies.

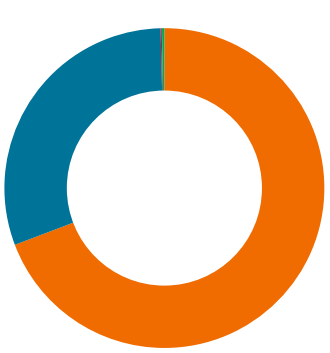
Performance (%)

	Cumulative				Annualised			
Returns	**1 Month**	**3 Month**	**6 Month**	**1 Year**	**3 Year**	**5 Year**	**10 Year**	**Since inception**
Fund (Gross)	0.38	1.28	2.62	4.90	5.43	4.09	3.17	4.55
Fund (Net)	0.36	1.22	2.49	4.64	5.17	3.83	2.90	4.27
Benchmark	0.36	1.11	2.20	4.06	4.22	3.34	2.26	3.62
Excess returns (Gross)	0.02	0.17	0.42	0.84	1.21	0.75	0.91	0.93
Excess returns (Net)	0.00	0.10	0.29	0.58	0.95	0.49	0.64	0.65

Net performance figures are calculated using the exit price net of fees and assume distributions are reinvested. Past performance is not a guide to future performance.

Characteristics	**Fund**	**Index**
Number of holdings	204	13
Modified duration (years)	0.29	0.13
Yield to maturity	5.51	4.63
Current yield	5.56	4.63
Credit spread duration	1.47	0.13
Average rating	AA+	AAA

Sector Allocation (%)



Fund details

Inception date	31 August 2002
Total fund net assets	$1.50bn
Asset class	Fixed Income
Domicile	Australia
Structure	Managed Investment Scheme
Base currency	AUD
Benchmark	Bloomberg AusBond Bank Bill Index
Distribution frequency (if any)	Quarterly
Risk profile	Low
Suggested timeframe	3 Year
Minimum investment	$100,000
ARSN code	100 098 271
APIR code	IOF0111AU
NAV	1.0500

ISIN	AU60IOF01115
Bloomberg	PERCENH
SEDOL	BYTBJS2

Fees & Charges

Management fee (% p.a.)	0.25
Buy/sell spread (%)	0.00/0.02

For more information and most up to date buy/sell spread information, visit www.janushenderson.com/en-au/adviser/buy-sell-spreads

Portfolio management

Shan Kwee, CFA

Credit Rating Distribution (%)

Top 10 Holdings (%)

	Fund
Bank Of Queensland Ltd Ncd AUD 22-Feb-2027	4.82
Bendigo & Adelaide Bank Ltd Ncd AUD 04-Mar-2027	2.78
Westpac Banking 5.1944% 2029	2.51
Commonwealth Bank of Australia 5.0626% 2029	2.33
Pacific Life Global Funding II 5.541% 2031	2.25
Macquarie Bank 5.2206% 2029	1.95
Alphabet 5.4373% 2031	1.65
Bank Of Queensland Ltd Ncd AUD 27-Jan-2027	1.49
Scentre Group Trust 1 5.6573% 2029	1.32
Bendigo & Adelaide Bank 5.5028% 2028	1.24
Total	**22.36**

Sub-sector Allocation (%)

	Fund
Corporate Senior Floating	35.20
Bank NCDs	19.60
Corporate Senior Fixed	16.27
Mortgage Backed Floating	8.98
Commercial Paper	3.92
Covered Bond Floating	2.84
Asset Backed Floating	2.35
Semi Government Fixed	0.11
Government Guaranteed Bond Fixed	0.03
Cash and Derivatives (ex Money Market)	10.70

FOR MORE INFORMATION PLEASE VISIT **JANUSHENDERSON.COM**

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CONSERVATIVE FIXED INTEREST FUND – INSTITUTIONAL

At a glance

Performance

The Fund returned 0.36% (net) and 0.38% (gross). The Fund outperformed the Benchmark by 0.02% (gross) in September, which returned 0.36% on the month.

Contributors/detractors

Excess returns were captured primarily through yield advantage and security selection. Banks, Insurance and AAA RMBS all provided positive outperformance contributions across the quarter.

Outlook

Our base case is a peak in the cash rate to 4.60%, and a 25% chance of the high case, a peak in the cash rate of 5.35%.

Investment environment

Global fragmentation, AI-driven investment and climate-related disruptions are reshaping capital markets, lifting inflation risks and capital demand. Expanding fiscal deficits, infrastructure spending and supply chain vulnerabilities have tightened global savings, supporting structurally higher interest rates and bond yields.

The RBA raised the cash rate 25bps to 4.60%. Three-month bank bills reflected the hike, rising 22bps to 4.77%, while six-month bank bill rates rose 25bps to 5.12%.

In Australia, a softening property market and rising stress in the private credit sector focused investor attention. Adjusted for the semi-annual roll, the Australian iTraxx Index closed 1bp tighter at 72bps, while the Australian fixed and floating rate credit indices returned -0.54% and +0.37% respectively.

Portfolio review

Another RBA rate rise and higher bond yields generated some weakness in bond and equity returns in September. Our lower risk, conservative fixed interest allocations continued generating stable positive returns and the forward income profile is also rising. The Fund delivered outperformance each month of the September quarter, captured primarily through yield advantage and security selection. The strategy has favoured adding to six-month money market yields as they rise, which continues to offer strong risk reward. Highly rated floating rate notes also continued to perform well, despite a weakening risk environment. Banks, Insurance and AAA RMBS all provided positive outperformance contributions across the quarter.

Alongside a lift in market yields, we continue to actively source additional yield to add to the portfolio via relative value rotation in pockets of the high-grade credit market. We have worked to control credit exposure and shorten maturities via profit taking. We also elected to exit our final position in bank Tier 2 which has performed well and looked relatively rich. As yields on higher quality investment grade bonds crest above 6% we have seen some value emerging to begin modestly increasing duration in the portfolio to 0.30 years.

Manager outlook

We believe that while the RBA risks future hiking, we are more toward the end of the cycle than the beginning, unlike other central banks such as the US Federal Reserve. We presently see a base case of a peak in the cash rate to 4.60%, and a 25% chance of the high case, with a peak in the cash rate of 5.35%. There is a substantial amount priced in across the Australian curve. The curve also suggests that the current tight monetary policy conditions will persist for an extended period. While we see policy rates now in a higher band than previously, we expect the RBA to return to a less restrictive policy setting in time.

We have slowly been raising our long duration position as yields have been rising, with a focus on the mid-curve. We favour a modest long position at present and will continue to add as more opportunities present themselves if yields rise further.

Semi-government issuance slowed slightly in September. Eastern state supply is expected to continue throughout the year, with more periodic issuance from others. Aside from Queensland's Olympic construction efforts, a reduction in supply is expected in later years as attempts are made to stabilise debt levels. Attractive yields in excess of government bonds and excellent liquidity are expected to sustain demand. We continue to assess primary issuance, targeting additional upside through active rotation between states and specific maturity tenors whilst also taking profit as valuations rise.

We expect volatility to remain elevated as geopolitical and macroeconomic risks persist. Against this backdrop, our credit strategy remains firmly biased towards high-quality investment-grade issuers with resilient businesses, strong earnings and conservative balance sheets. We are cautious on more economically sensitive, leveraged and lower-quality corporate and consumer sectors, particularly where default risk remains elevated or business models face significant AI disruption. Australian investment-grade credit remains attractive relative to global markets, particularly given its low default risk and competitive all-in yields. We believe high-quality Australian credit should remain resilient across a range of economic environments. While we remain constructive and well-invested for carry advantage across portfolios, we have been selective in subsectors and usage of risk capacity. We have retained capacity to take advantage of periods of market volatility and favour maintaining cost-effective credit protection against downside risks.

The quarter saw solid levels of labelled transactions spanning sovereign and semi-government borrowers, financials, supranationals and corporates. A diversity of issuers, structures and sectors continues to provide opportunities to align portfolio construction with environmental and social themes while maintaining credit-quality and valuation discipline.

For in-depth economic analysis and the Australian Fixed Interest Team's outlook, visit https://go.janushenderson.com/Viewpoint-Oct26