

Sustainable Credit Fund

ISIN AU60HGI37475

Investment objective

The Fund seeks to achieve a sustainability objective and a performance objective. The sustainability objective is to invest in debt securities which the Manager expects currently or will in the future contribute positively towards 'People' and/or 'Planet' themes. The performance objective is to achieve a total return before fees that exceeds the total return of the Benchmark by 0.75% p.a. over rolling three year periods.

Investment approach

The Fund provides investors with exposure to an actively managed diversified credit strategy that seeks to invest in 'Sustainable' and/or 'Impact' debt securities. This includes debt securities issued by entities with robust sustainable practices and/or investments with the potential to enhance outcomes for society's wellbeing and/or protection of the planet, based on the Manager's assessment.

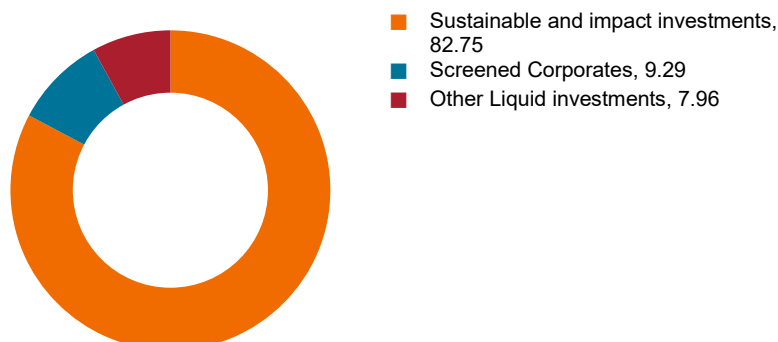
Performance (%)

Returns	Cumulative				Annualised			
	1 Month	3 Month	6 Month	1 Year	3 Year	5 Year	10 Year	Since inception
Fund (Gross)	-0.28	-0.08	2.47	2.47	5.69	—	—	5.09
Fund (Net)	-0.33	-0.21	2.22	1.95	5.16	—	—	4.57
Benchmark	-0.26	-0.16	1.76	1.42	3.81	—	—	3.43
Excess returns (Gross)	-0.02	0.08	0.71	1.05	1.88	—	—	1.66
Excess returns (Net)	-0.07	-0.05	0.46	0.53	1.35	—	—	1.14

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	123	599
Modified duration (years)	2.92	2.44
Yield to maturity	5.99	5.16
Current yield	5.41	3.30
Credit spread duration	2.76	0.48
Average rating	A+	AA+

Investments Breakdown (%)



Fund details

Inception date	12 February 2023
Total fund net assets	\$74.05m
Asset class	Fixed Income
Domicile	Australia
Structure	Managed Investment Scheme
Base currency	AUD
Benchmark	Bloomberg AusBond Composite 0-5 Yr Index
Distribution frequency (if any)	Monthly
Risk profile	Medium
Suggested timeframe	3 years
Minimum investment	\$25,000
ARSN code	662 889 214
APIR code	HGI3747AU
NAV	1.0060

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SEDOL	BPLDYG6

Fees & Charges

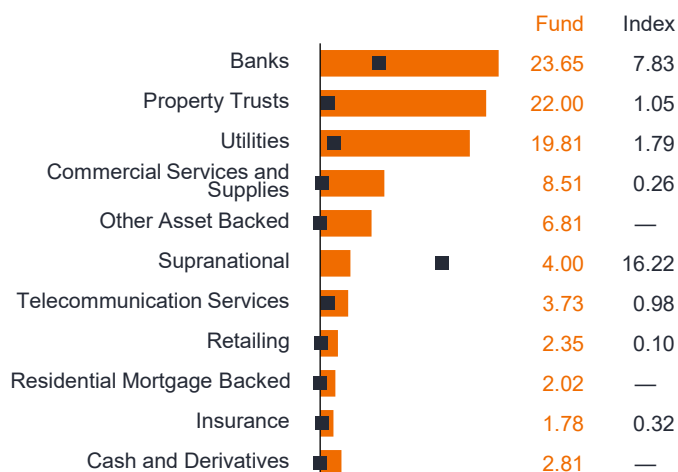
Management fee (% p.a.)	0.50
Buy/sell spread (%)	0.06/0.10

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

Portfolio management

Jay Sivapalan, CFA
Shan Kwee, CFA

Asset Allocation (%)



Top 10 Holdings (%)

	Fund
University Of Tasmania 3.97% 24/03/2032 AUD	2.44
APPF Commercial Finance Pty Ltd 3.6% Sustainability-Linked 11/11/2031 AUD	2.40
DWPF Finance Pty Ltd 2.6% 04/08/2032 AUD	2.22
GPT Wholesale Office Fund No1 3.222% 05/11/2031 AUD	2.15
Vicinity Centres Trust 4.927% 02/06/2028 AUD REGS	2.03
La Trobe University 5.311% 08/08/30 AUD	2.00
Scentre Group Trust 1 6.3673% 10Sep54 FRN AUD	1.94
Heritage and People's Choice 4.6949% 2029	1.84
Mercury NZ Ltd 5.247% 21Mar31 AUD	1.83
SVENSKA HANDELSBANKEN AB 5.137% 17Feb31 AUD	1.72
Total	20.58

Credit Rating (%)



FOR MORE INFORMATION PLEASE VISIT JANUSHENDERSON.COM

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INVESTORS

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SUSTAINABLE CREDIT FUND

At a glance

Performance

The Fund returned -0.33% (net) and -0.28% (gross). The Fund underperformed the Benchmark by 0.02% (gross) in September, which returned -0.26% on the month.

Contributors/detractors

Income generation and credit selection helped buffer excess returns, and credit protection hedges added value. A modest duration overweight detracted from returns due to the sharp rise in bond yields.

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%.

Australian bond yields reflect persistent inflation, global fiscal and AI-driven pressures, with higher term premia now largely priced in. Australian three-year government bond yields increased 27bps to 4.93%, while 10-year yields also rose 26bps to 5.35%.

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

In a challenging period for broader bonds, equities and private credit, the strategy delivered a negative return as duration dragged returns lower in September in particular which dampened returns for the quarter. Income generation and credit selection helped buffer excess returns within a weakening risk backdrop, and credit protection hedges added value in September. Credit excess returns added 0.3% above Benchmark for the quarter, while the sharp rise in bond yields detracted 0.25% from excess returns from a modest duration overweight.

Looking forward, the combination of higher yields across the curve and credit spreads also starting to lift, we see attractive risk-adjusted forward returns available in higher quality Australian credit. Domestic investment grade securities are readily providing between 6% and 7.5% without taking on any undue default or illiquidity risk. The strategy has maintained no exposure to Australian private credit or lower-ranking mezzanine positions in warehouse finance as the market navigates some visible challenges.

Overall, our more conservative balance of risk positioning across rates, credit and protection have navigated the noisy environment and extracting capital gains on offer from our active credit positioning and excess income where possible. We remain biased to defensive credit subsectors like utilities and life insurance, while capturing attractive opportunities which we anticipate in primary transactions as the global hunger for new capital is ongoing. We believe investors are receiving adequate compensation for duration at current market levels, and we have favoured Australian duration over US duration and will look to capitalise on any further overshoots as headline remains elevated. Duration has been increased over the quarter, and we are now positioned 0.4 years overweight as yields hover at their peaks. We have retained our CDS protection positions as relatively inexpensive insurance while global credit spreads have started to creep wider.

The yield on the Fund has lifted to 6%, with capacity for us to increase it further with the right opportunities. Credit primary activity has remained elevated through the quarter, albeit activity slowed into the end of September alongside rates volatility and three of the major banks going into their year end. The Fund added two utility bonds, one of which was a Green Bond from E.ON yielding above 6%, only their second AUD issuance with both coming in Green format.

For further insights from our team, please view articles on some of our investment themes for this Fund here:

https://go.janushenderson.com/SCF_Investment_Theme_Articles

For the Fund's Quarterly ESG Report, please view here:

https://go.janushenderson.com/SCF_Quarterly_ESG_Report

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 right across the Australian curve. The curve is also suggesting that the current tight monetary policy conditions will be held, almost permanently, across time. And while we see policy rates now in a higher band than previously, we do see a period in the future where the RBA will be able to move back toward a less restrictive policy.

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.

We expect volatility to remain elevated as geopolitical and macroeconomic risks persist, and increasing focus on the risks and opportunities created by AI as its impact broadens across the global economy. 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>