

SUSTAINABLE CREDIT ACTIVE ETF (MANAGED FUND)

As at June 2023

Fund objective

The Fund seeks 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.

Sustainability objective

The Fund seeks to invest in credit securities which the Manager expects currently or will in the future contribute positively towards eight 'People' and/or 'Planet' themes.

Investment approach

The Manager utilises a proprietary 'Holistic' framework combining qualitative ESG assessments with third-party ESG measures and metrics to assess issuers; a process then complemented by active stewardship and engagement activities.

Benchmark

Bloomberg AusBond Composite 0-5 Yr Index

Risk profile

Medium

Suggested timeframe

3 years

Active ETF inception date

14 March 2023

Underlying fund inception date

7 February 2023

Active ETF size

\$0.3 million

Underlying Fund size

\$50.10 million

Management cost (%)

0.50 p.a.

Buy/sell spread (%)

0.06/0.10[^]

Base currency

AUD

Distribution frequency (if any)

Monthly

ARSN code

662 889 214

APIR code

HGI0694AU

ISIN

AU000254278

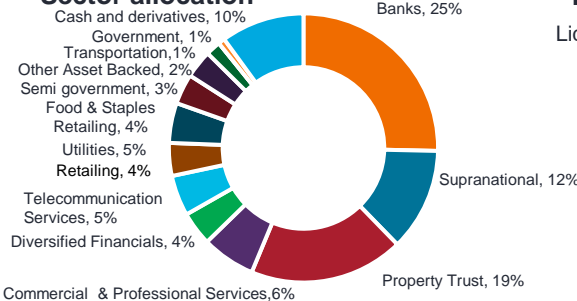
ASX code

GOOD

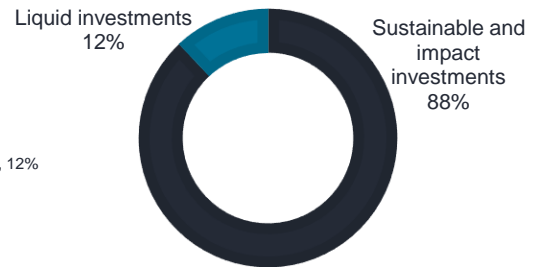
Performance	1 Month (%)	3 months (%)	6 months (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	10 years (% p.a.)	Since inception (%)
Fund (gross)	-1.02	-1.27	-	-	-	-	-	-0.71
Fund (net)	-1.06	-1.40	-	-	-	-	-	-0.86
Benchmark	-1.14	-1.47	-	-	-	-	-	-1.03
Excess return*	0.12	0.20	-	-	-	-	-	0.32

*In line with the fund objective, the excess return is measured against gross performance. Gross return is gross of management costs and sell spread. Past performance is not a reliable indication of future results.

Sector allocation

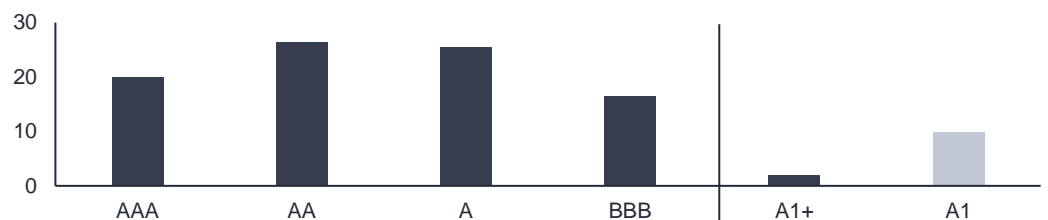


Investments breakdown



Rounding accounts for small +/- from 100%.

Credit rating distribution (%)



Portfolio Characteristics

	Fund	Benchmark
Estimated Weighted Average Yield to Maturity (EWAYTM) ¹	5.29	4.44
Running yield	3.97	3.00
Weighted average credit quality	AA-	AA+
Number of securities (on a look through basis)	57	483
Modified duration	2.71	2.45
Active duration position	0.27	

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). Benchmark duration is as at month end and therefore does not include rebalancing.

Top holdings

African Development Bank 1.1% 16/12/2026 AUD
ANZ Bank Subordinated FRN BASEL III T2
Commonwealth Bank Of Australia FRN 23/12/2026 AUD
Commonwealth Bank Of Australia Subordinated FRN BASEL III T2
CPPIB Capital Inc 1.5% 23/06/2028 AUD REGS
DWPF Finance Pty Ltd 2.6% 04/08/2032 AUD
GPT Wholesale Office Fund No1 3.222% 05/11/2031 AUD
NBN CO LTD 4.2% 14/04/2027 AUD REGS
Transpower New Zealand Ltd 4.977% 29/11/2028 AUD
Vicinity Centres Trust 4.927% 02/06/2028 AUD REGS

[^] For more information and most up to date buy/sell spread information visit www.janus Henderson.com/en-au/investor/buy-sell-spreads.

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(continued)



**Head of Australian
Fixed Interest**
Jay Sivapalan



Portfolio Manager
Shan Kwee

Fund performance

The Janus Henderson Sustainable Credit Active ETF (Managed Fund) (Fund) returned -1.06% (net). The Fund outperformed the Bloomberg AusBond Composite 0-5Yr Index (Benchmark) by 0.08% (net) in June, which returned -1.14% on the month.

The sharp rise in bond yields generated negative capital returns for longer duration bonds despite higher levels of income returns in 2023. We have remained cautiously positioned on duration and have recently sought to add overweight duration as yields presented some value toward the end of June.

It was a good month of outperformance from credit, returns benefitting from both additional income and some spread tightening. Overweight credit allocations were a positive contributor as a result, and we continued to actively take profit on active positions added during FY23 that have moved from cheap back towards fairer valuations.

The Sustainable Credit Fund has a dual mandate; a sustainability objective and a performance objective. Each company within the portfolio has gone through our credit approval process, which includes negative screens, credit analysis and a sustainability assessment using our proprietary holistic ESG framework and active stewardship (where appropriate). In conjunction with normal portfolio construction practices, securities are chosen for their alignment with sustainable themes as well as their return potential for investors. These themes include 'Planet' (decarbonisation, circular economy, sustainable buildings, biodiversity) and 'People' (equality and alleviating poverty, inclusion and social diversity, aid disability support, affordable housing).

The Fund invests in a diversified and sustainable allocation of credit and agency securities, with at least 80% exposure to securities deemed 'Sustainable' and/or 'Impact' in our assessment. The Fund has close to 70% allocated to investment grade credit, with the remainder across supranationals & agencies, semi governments and liquidity.

During June, the Fund added high quality credit via primary issuance. A new seven-year Transpower New Zealand Green Bond was issued, AA rated security benefiting from government ownership, with a healthy coupon of 5.2% which again was popular with the market with the deal almost four times subscribed which supported spread performance in the secondary market. Transpower New Zealand is the key electricity transmission network across the country, their assets qualify for eligibility by the Climate Bond Initiative if new electricity supply connections are over 67% sourced from low carbon sources (e.g. renewables). For diversification and liquidity, the Fund also added Bendigo Bank AAA rated covered bonds, with an attractive initial coupon of 5.45% on the floating rate notes.

Market review

Persistent core inflation is keeping central banks guessing and became the biggest worry for markets in June. Central banks reassessed their risks and came down on the side of higher policy rates. Markets responded by moving yields higher and pushing back the easing cycle. Short and longer dated government bond yields rose sharply after last month's modest moves. Three and 10-year government bond yields ended the month 68bps and 42bps higher at 4.05% and 4.02%. Against this backdrop, the Australian bond market, as measured by the Bloomberg AusBond Composite 0+ Yr Index, fell 1.95%. The Australian fixed and floating credit indices returned -1.08% and +0.41% respectively.

For in-depth economic analysis and the Australian Fixed Interest Team's outlook, visit go.janushenderson.com/Viewpoint-Jul23

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(continued)

Strategically, we remain on the lookout for tactical opportunities to add duration on spikes in yields on central bank signalling and data flows

Market Outlook

The positive income pulse is added to by population growth, which boosts the economy. This feeds into inflation, and the monthly CPI came in at 5.6% year on year (yoy) with services inflation remaining sticky. The higher policy profile leads us to believe there is more downside to the rates path through 2024, as the RBA will need to set policy for an economy nearing stall speed.

Post the early June RBA meeting, markets were surprised by RBA hawkishness and short-term money markets responded by moving to price in close to two more interest rate hikes, to near 4.60%. We raised our peak RBA cash rate, to incorporate a further 50bps of hiking, to 4.60%, as the RBA warned of a bias toward reining in inflation faster than they had previously been comfortable with. We anticipate that these hikes are likely to come over the months ahead and may be interspersed with pauses as the RBA waits for more feedback from the economy.

Strategically, we remain on the lookout for tactical opportunities to add duration on spikes in yields on central bank signalling and data flows.

As the cumulative impact of tighter financial conditions continues to grip and the cycle ages, our focus in the credit space is towards defensiveness, with a keen focus on risk-adjusted returns. Our strong bias is towards high-quality, liquid credit and issuers that can survive and thrive through a range of macro-economic scenarios. By adopting a patient and disciplined approach to extending risk and reserving ample investment capacity, we have banked returns and are well placed to take advantage of future market dislocations.

Despite ongoing widening in 2023, we remain unimpressed by relatively tight spreads on offer in the bank hybrid market and remain in favour of allocations in investment grade corporates and higher up in the bank capital structure in Tier 2 and senior debt. Both Senior and Tier 2 spreads rallied strongly during FY23 from elevated levels and we have trimmed some active positions as a result. We continue to look for opportunities within securities producing higher yields as the broader market more rationally reprices risk, with conservatively geared Australian real estate investment trust (REIT) senior spreads showing attractive relative value.

We remain patient on sub investment grade and more illiquid credit, with a strong preference to earn reasonable income up in quality for now. Our expectation remains for lower quality credit spreads to widen as investors digest weakening corporate fundamentals in a higher cost of capital and slowing growth environment. We are withholding risk and liquidity capacity in anticipation of more attractive entry points for global high yield and loans. After the June rally Credit Default Swaps are now providing cheaper entry points for credit protection and we have increased levels of protection as we approach the point in the cycle where policy tightening is intended to grip more forcefully.

ESG Commentary

In June four new ESG bond deals hit the local market, with \$2.8 billion in primary issued by Western Australia (WA), Supranationals and Transpower New Zealand. WA and Transpower both priced Green bonds, while the Supranationals both issued Social bonds.

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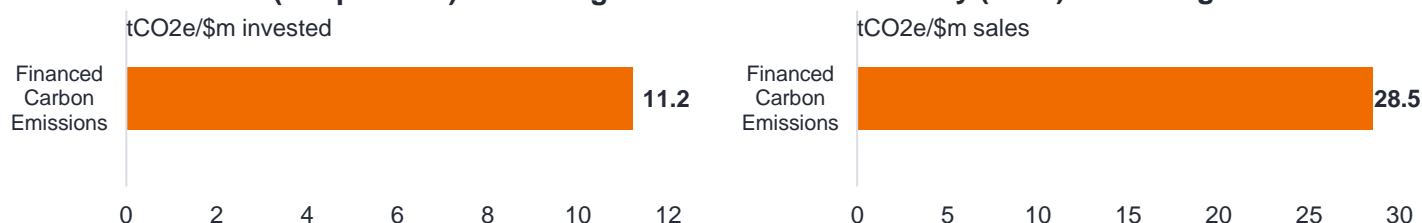
As at June Quarter 2023

Labelled bonds# structure breakdown	Fund
Sustainability-linked	9%
Sustainability	12%
Social	7%
Green	44%

Labelled bonds include use of proceeds bonds such as green, social and sustainability bonds which fund projects with specific and dedicated environmental and/or social benefits and sustainability-linked bonds that do not finance particular projects but rather have their coupons linked to the issuers reaching predetermined sustainability performance targets and key performance indicators. Percentages may not add up to 100% as the breakdown only considers labelled bond investments in the fund.

Source: Janus Henderson Investors

Carbon emissions (Scope 1 & 2) – Coverage 38.9% Carbon intensity (GHG) – Coverage 68.9%



Source: Janus Henderson Investors

The Coverage refers to the data that is available from MSCI ESG analytics. They do not provide ESG data for all investable companies.

	Theme	Measure	Fund	Coverage
PLANET	Decarbonisation	% of issuers with a net zero target by 2050	94%	100%
	Circular economy	% of companies with programs for recycling, re-using and composting	92%	55%
	Sustainable buildings	% of companies who have obtained green building certificates	50%	55%
	Biodiversity	% of companies with a policy on biodiversity in place	67%	55%
PEOPLE	Inclusion & social diversity	% of companies with a minimum of 37% of women in senior positions*	57%	40%
		% of companies with a minimum of 35% of women on the board	88%	40%
	Affordable housing	Number of dwellings developed to provide more affordable housing projects*	4,900	
		Number of Australians who were assisted in the purchasing or building of a home*	61,000	
	Disability support & services	Of those assisted in the purchasing of new homes, % of households with a disability supported*	30%	
Social equality & poverty	% of companies that support charitable program, direct contributions to community and have affirmative action policies in place	50%	55%	

Source: Janus Henderson Investors

Note: * These figures represent outcomes aligning to the relevant 'People' theme, which result from funding provided via instruments in which the Fund invests. Coverage refers to the percentage of companies in our corporate universe that report on the respective metrics. This data is collated from company sustainability statements as well as third party systems by the investment team.

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Important information

A Product Disclosure Statement, dated 7 February 2023, and Additional Information Guide, dated 30 May 2023 is available at www.janushenderson.com/australia and contains more information on the investment objective, how we make ESG assessments and identify 'Sustainable' and 'Impact' investments contributing to 'People' and 'Planet' themes.

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 (Janus Henderson) in respect of the Janus Henderson Sustainable Credit Active ETF (Managed Fund) (**Fund**) 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.

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No person guarantees the performance of, rate of return from, nor the repayment of capital in relation to the Fund. An investment in the Fund is not a deposit with, nor another liability of, Janus Henderson Investors (Australia) Funds Management Limited nor any of the Janus Henderson group entities nor any of their related bodies corporate, associates, affiliates, officers, employees or agents. An investment in the Fund is subject to risk, including possible delays in repayment and loss of income and capital invested. Prospective investors should refer to the risk sections in the PDS for full disclosure of all risks associated with an investment.

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