Janus Henderson

SUSTAINABLE CREDIT ACTIVE ETF (MANAGED FUND)

Janus Henderson INVESTORS

As at August 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
$54.7 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

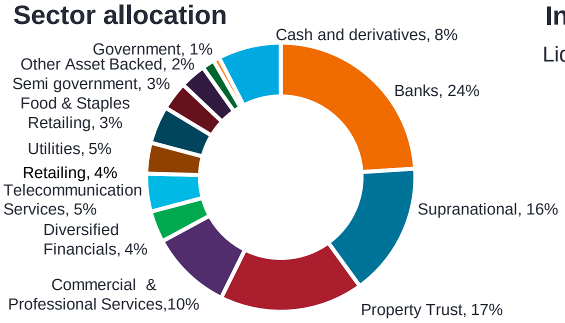
ISIN
AU000254278

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)	0.91	0.78	-	-	-	-	-	1.09
Fund (net)	0.87	0.65	-	-	-	-	-	0.86
Benchmark	0.70	0.27	-	-	-	-	-	0.38
Excess return*	0.21	0.51	-	-	-	-	-	0.71

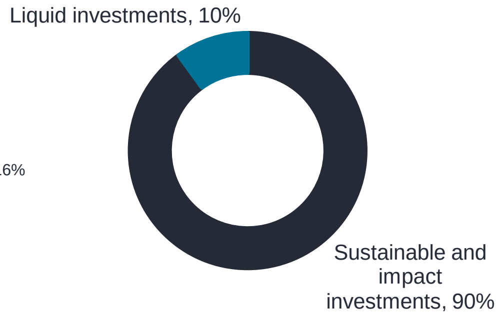
*In line with the fund objective, the excess return is measured against gross performance. Gross return is gross of management costs and sell spread. Past performance is not a reliable indication of future results.

Sector allocation

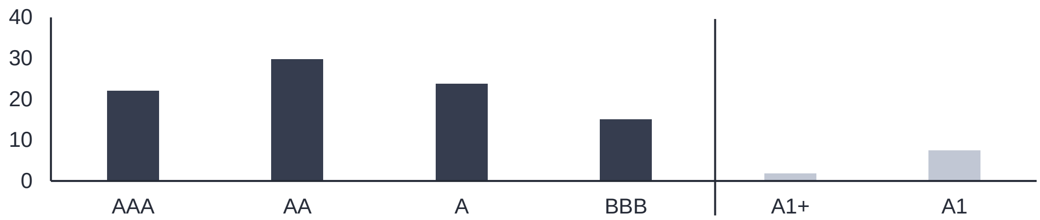


Rounding accounts for small +/- from 100%.

Investments breakdown



Credit rating distribution (%)



Portfolio Characteristics	Fund	Benchmark
Estimated Weighted Average Yield to Maturity (EWAYTM)1	5.01	4.13
Running yield	4.05	2.97
Weighted average credit quality	AA	AA+
Number of securities (on a look through basis)	61	490
Modified duration	2.78	2.40
Active duration position	0.38	

[1]Estimated 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 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
La Trobe University 5.311% 08/08/30 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.janushenderson.com/en-au/investor/buy-sell-spreads.

Head of Australian Fixed Interest
Jay Sivapalan

Portfolio Manager
Shan Kwee

Fund performance

The Janus Henderson Sustainable Credit Active ETF (Managed Fund) (Fund) returned 0.91% (gross). The Fund outperformed the Bloomberg AusBond Composite 0-5Yr Index (Benchmark) by 0.21% (gross) in August, which returned 0.70% over the month.

Despite the intra-month volatility in bond markets, yields finished the month lower generating positive capital returns for longer duration bonds. This was coupled with higher levels of income. We continued to cautiously add duration at the margin throughout August as opportunities presented and rates lifted above our assessment of fair value. This overweight to duration was a positive contributor to performance in the month.

Credit performed well in August, buoyed by the embedded elevated yields which offset some spread widening. We took profit on some of the credit in the portfolio, whilst maintaining high quality credit positions that we are comfortable with.

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.

Returns from both income and high quality credit delivered good results this month. Income generation remains strong and local Australian high grade credit continues to add value this year with credit spreads rallying further. Interest rate positioning was also a positive contributor, active overweight positioning into the fall in bond yields generated positive capital returns. We added 0.1 year duration during the middle of the month as yields crested, bringing portfolio positioning to 2.8 years total. During the quarter, the Fund has added allocations to high quality issuers NZ Local Government Funding Agency (NZ LGFA), LaTrobe University and IFC social bonds via primary markets.

One of the themes the Fund is targeting is ‘Promote Decarbonisation’. In our recent publication we discuss the following:

• Australian companies need to not only set carbon reduction targets but outline a credible decarbonisation pathway of how this will be achieved.

• Government involvement is vital – tools include subsidies, incentives, and penalties

• Debt investors can hold Australian companies accountable for not decarbonising quick enough

• Domestic debt instruments are available to support companies to decarbonise

• Decarbonisation should become an opportunity for Australian companies and investors

https://go.janushenderson.com/promoting_decarbonisation_the_aussie_way

For further insights from our team, please view the following articles:

• Five sustainable investing myths busted

• Can the bond market help solve the housing affordability crisis?

• Green Bonds: an investment in the planet’s future?

• Investing in a fairer future: Social bonds in focus

Market review

It has been a volatile month for bond yields, moving back to cyclical highs and then dropping again. The economic narrative is uncertain, and markets reflected that. The Reserve Bank of Australia (RBA) are also uncertain, and continued with their cautious pause, at 4.10%, at their August meeting. Three-year government bond yields ended the month 13 basis points (bps) lower at 3.74%, while 10-year government bond yields were 3bps lower at 4.03%.

The RBA are now monitoring the balance between the slowing household sector, the strong labour market, and high wages growth.

Throughout the month, credit markets were relatively resilient despite sharp gyrations in bond yields. Investor expectations swivelled between soft-landing, recession and deflationary scenarios, depending on the day. Against this back-drop, many Australian Companies handed down their full-year results for the financial year ended 30 June 2023. In what has been a recurring theme, earnings broadly continued to fare better than initially feared. However, in the detail, there is evidence emerging that rising costs of living and tighter financial conditions are finally starting to impact consumers and corporates alike, though impacts are being felt highly un-evenly.

The Australian primary market was active post corporate reporting. New issuance was readily absorbed, investors attracted by attractive yields on offer in investment grade credit. Notable transactions included CBA and ANZ issuing jumbo $5+ billon deals comprising three- and five-year AA- rated senior bonds at credit spreads of 75bps and 93-95bps above swaps respectively. Both of these deals attracted record demand in excess of $7.5 billion each. Lower down the capital structure, UK national champion bank Lloyds Banking Group issued an inaugural $750m BBB- rated Australian Dollar denominated Tier 2 bond callable in five years, at an attractive yield of 7.09% (swaps +290bps). NAB issued its latest AT1 ASX Listed Hybrid, NAB Capital Notes 7. Similarly rated BBB-, this $1 billion transaction was issued at margin of +280bps over the three-month bank bill swap rate (including franking). Lastly, structured credit markets were also active with a notable transaction being ING Bank's $2 billion IDOL RMBS deal where senior AAA notes were issued at a margin of +110bps over the one-month bank bill swap rate.

For in-depth economic analysis and the Australian Fixed Interest Team's outlook, visit go.janushenderson.com/Viewpoint-Sep23

Market outlook

The RBA are now monitoring the balance between the slowing household sector, the strong labour market, and high wages growth. We remain in the midst of the peaking of the economy but believe that policy will continue to grip and slow economic growth, with a shallow recession starting early next year not off the table. The RBA will now be monitoring the global economy closely for signs of faster than expected slowing.

We currently see market pricing of less than one hike and easing in very late 2024 as underestimating the economic headwinds in 2024. We currently see the Australian yield curve as under-valued. We remain on the lookout for tactical opportunities to add further duration on spikes in yields triggered by central bank signalling and data flows.

In recognition of the complex investment environment, our credit strategy remains skewed towards high-quality, investment grade issuers with resilient business models, solid earnings power, and conservative balance sheets. We have been actively and selectively taking advantage of the attractive yields on offer in highly rated corporate bonds and structured credit, particularly in the primary markets where transactions have come with new issue concessions. While we believe that the cumulative impacts of tightening financial conditions will become evident, we remain open-minded to a wider range of potential economic outcomes that include scenarios less dire than ones revolving around deep recession.

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 risk 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 effects of policy tightening should become more apparent.

The green, social, and sustainability bond market was relatively active in August.

ESG Commentary

The green, social, and sustainability bond market was relatively active in August. LaTrobe University issued their inaugural green bond on the last day of July, which settled this month. Brighte, a home energy focused financier issued their fourth green asset-backed security trust in the bond market. This consists of loans from Australian homeowners who are repaying borrowings from residential solar, battery installations and other energy efficient home improvements. NBN also came to market, raising capital for more energy efficient technology on their fibre optic connections, purchasing renewable electricity to power operations, and deployment of the broadband network to remote communities. A selection of offshore banks also issued green bonds into the Australian market over the month.

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(continued)

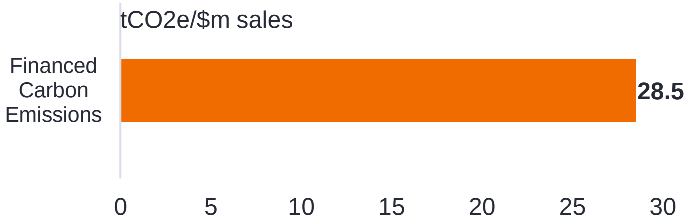
As at June Quarter 2023

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%
PLANET	Circular economy	% of companies with programs for recycling, re-using and composting	92%	55%
PLANET	Sustainable buildings	% of companies who have obtained green building certificates	50%	55%
PLANET	Biodiversity	% of companies with a policy on biodiversity in place	67%	55%
PEOPLE	Inclusion & social diversity	% of companies with a minimum of 35% of women in senior positions	57%	40%
PEOPLE	Inclusion & social diversity	% of companies with a minimum of 35% of women on the board	88%	40%
PEOPLE	Affordable housing	Number of dwellings developed to provide more affordable housing projects*	4,900	
PEOPLE	Affordable housing	Number of Australians who were assisted in the purchasing or building of a home*	61,000	
PEOPLE	Disability support & services	Of those assisted in the purchasing of new homes, % of households with a disability supported*	30%	
PEOPLE	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.

Important information

A Product Disclosure Statement, dated 7 February 2023, and Additional Information Guide, dated 9 August 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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Further information
www.janushenderson.com/australia