

SUSTAINABLE CREDIT ACTIVE ETF (MANAGED FUND)

As at October 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

\$0.5 million

Underlying Fund size

\$54.5 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

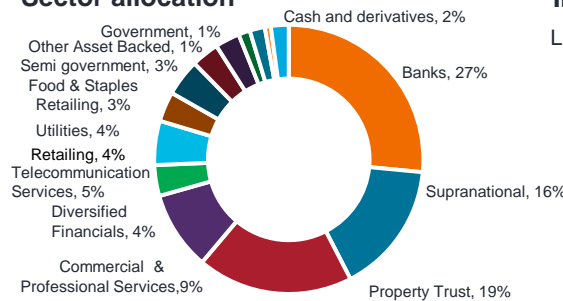
ASX code

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)	-0.54	-0.19	-1.02	-	-	-	-	-0.02
Fund (net)	-0.58	-0.32	-1.27	-	-	-	-	-0.33
Benchmark	-0.50	-0.18	-1.16	-	-	-	-	-0.50
Excess return*	-0.04	-0.01	0.14	-	-	-	-	0.48

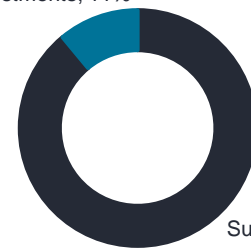
*In line with the fund objective, the excess return is measured against gross performance. Gross return is gross of management costs and sell spread. Past performance is not a reliable indication of future results.

Sector allocation



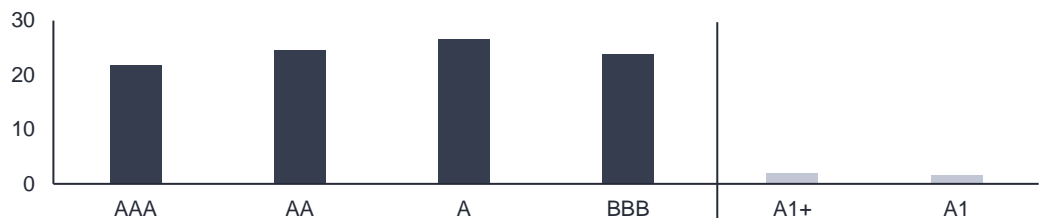
Investments breakdown

Liquid investments, 11%



Rounding accounts for small +/- from 100%.

Credit rating distribution (%)



Portfolio Characteristics

	Fund	Benchmark
Estimated Weighted Average Yield to Maturity (EWAYTM) ¹	5.84	4.75
Running yield	4.36	3.03
Weighted average credit quality	AA-	AA+
Number of securities (on a look through basis)	68	502
Modified duration	2.95	2.32
Active duration position	0.63	

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 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.

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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 -0.58% (net) and -0.54% (gross). The Fund underperformed the Bloomberg AusBond Composite 0-5Yr Index (Benchmark) by -0.04% (gross) in October, which returned -0.50% over the month.

A lift in yields over the month resulted in negative returns for longer duration bonds, despite some cushioning from higher coupon income. We cautiously added some duration as valuations became more attractive during the bond sell off. However, for the most part we were disciplined in adding to our position, remaining patient and looking for better entry levels to increase conviction and active portfolio overweights.

Globally credit markets were quite volatile reflecting changing risk sentiment. Offshore performance was negative overall as spreads widened and rates rose, but locally Australian credit outperformed government debt with spreads holding in better, and the advantage of higher income buffered investors. We remain active and selective within credit allocations, utilising a period of busy primary activity to buy into industries we like such as inflation protected infrastructure, consumer staples, and where value has emerged in high quality real estate investment trusts (REITs).

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 over 75% allocated to investment grade credit, with the remainder across supnationals & agencies, semi governments and liquidity. Interest rate duration was the main negative return contributor for the month as bond yields moved higher, a modest active overweight positioning generated some underperformance versus benchmark.

In the latest edition of the Australian Fixed Interest Quarterly ESG Report we discuss some of our recent engagement meetings, as well as our market update meetings with two of the major banks in Australia. [go.janushenderson.com/AFI ESG Report Sep 2023](https://go.janushenderson.com/AFI_ESG_Report_Sep_2023)

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

go.janushenderson.com/promoting-decarbonisation-the-aussie-way

SUSTAINABLE CREDIT ACTIVE ETF (MANAGED FUND)

(continued)

Bond market volatility refuses to ease, and markets remain wary of the outlook. Big global themes are driving long-dated yields higher and curves steeper.

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

Bond market volatility refuses to ease, and markets remain wary of the outlook. Big global themes are driving long-dated yields higher and curves steeper. The RBA remain uncertain, and continued their cautious pause, at 4.10%, at their October meeting. Three-year government bond yields ended the month 32 basis points (bps) higher at 4.40%, while 10-year government bond yields were 44bps higher at 4.93%.

Negative risk sentiment continued into October driven by a combination of surging bond yields and war breaking out in the Middle East. Macro-economics and geopolitics largely overshadowed the commencement of northern hemisphere 3rd quarter earnings and gave investors much to fret about. The Australian iTraxx Index ended 10bps wider at 97bps, while the Australian fixed and floating credit indices returned -0.77% and +0.37% respectively.

Primary markets remained active. Domestically, non-financial corporates returned in a material way as corporate treasurers who had been hanging-on for a lower base-rate funding environment appeared to have a mindset shift contemplating higher for longer rates. Infrastructure issuers Port of Brisbane and Transurban Queensland came to market and issued \$200m seven-year and \$250m six and a half-year BBB rated fixed rate bonds at attractive yields of ~6.4% and credit spreads of +165bps and +160bps respectively. In the consumer staples space, grocer Woolworths issued \$450m of seven and a half-year BBB rated fixed rate bonds at a yield of ~5.8% (credit spread of +135bps).

Market outlook

The RBA continue to monitor the balance between the slowing household sector, the strong labour market, and high wages growth. The economy has peaked, and we continue to believe that policy will continue to grip and slow economic growth further, with a shallow recession starting next year not off the table. The RBA are closely monitoring the rise in oil prices as well as global economic slowing as risks to the outlook.

We see the very near-term RBA pricing as reasonable, but the expectation of policy rates held at contractionary levels over a period of years as underestimating the cyclical risks. We currently see the Australian yield curve as under-valued at points in the curve. We remain on the lookout for tactical opportunities to add further duration on spikes in yields triggered by central bank signalling and data flows.

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.

We continue to identify pockets of opportunity where perceived risks have been overly discounted into the valuations of what would traditionally be considered stable and sustainable credits. We have begun to access such opportunities where a strong case can be made for capital gains over-and-above already attractive cash yields, setting up for outstanding risk adjusted returns for patient investors with a medium term investment horizon.

SUSTAINABLE CREDIT ACTIVE ETF (MANAGED FUND)

(continued)

It was another anaemic month for domestic issuance of green, social, and sustainability bonds.

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, senior and secured AAA 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 now look to 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 are electing to be under allocated to sub investment grade and 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. In recent months we have increased levels of credit protection (via credit default swaps) as we approach the point in the cycle where effects of policy tightening should become more apparent.

For in-depth economic analysis and the Australian Fixed Interest Team's outlook, visit <https://go.janushenderson.com/Viewpoint-Nov23>

For further insights on our duration view please visit: <https://go.janushenderson.com/bond-markets-much-ado-about-duration-monthly-reports>

ESG Commentary

It was another anaemic month for domestic issuance of green, social, and sustainability bonds, with only one new deal coming to market from Norway's local government funding agent Kommunalbanken who issued in Australian dollars.

Quarterly reports released on global issuance showed that green, social, sustainability, and sustainability-linked (GSSS) issuance was down 35.3% quarter-on-quarter to a three year low of US \$242 billion in Q3 2023.

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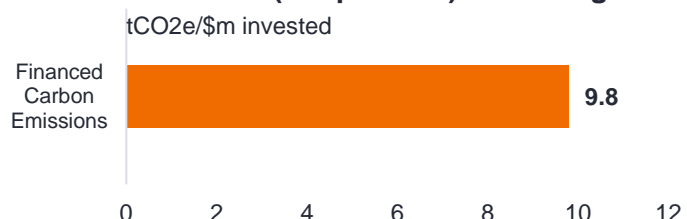
As at September Quarter 2023

Labelled bonds# structure breakdown	Fund
Sustainability-linked	8%
Sustainability	11%
Social	10%
Green	43%

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 40%



Carbon intensity (GHG) – Coverage 71.6%



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 35% 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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(continued)

Janus Henderson
INVESTORS

Important information

A Product Disclosure Statement, dated 29 September 2023, and Additional Information Guide, dated 29 September 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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