

# SUSTAINABLE CREDIT ACTIVE ETF

## As at December 2024

### 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

\$0.8 million

### Underlying Fund size

\$71.5 million

### Management cost (%)

0.50 p.a.

### Buy/sell spread (%)

0.06/0.10<sup>^</sup>

### Base currency

AUD

### Distribution frequency

(if any)

Monthly

### ARSN code

662 889 214

### APIR code

HGI0694AU

### ISIN

AU000254278

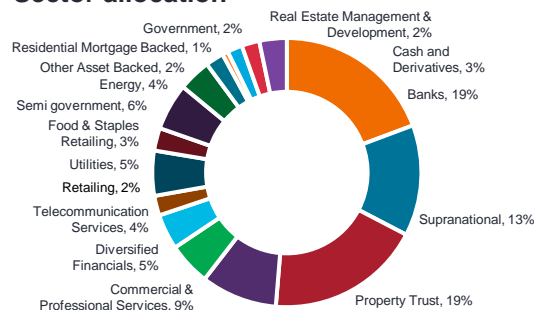
### ASX code

GOOD

Performance	1 Month (%)	3 months (%)	6 months (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	10 years (% p.a.)	Since inception (% p.a.)
Fund (gross)	0.68	0.72	3.85	5.56	-	-	-	5.16
Fund (net)	0.64	0.60	3.59	5.04	-	-	-	4.64
Benchmark	0.61	0.54	2.89	3.99	-	-	-	3.45
Excess return*	0.07	0.18	0.96	1.57	-	-	-	1.71

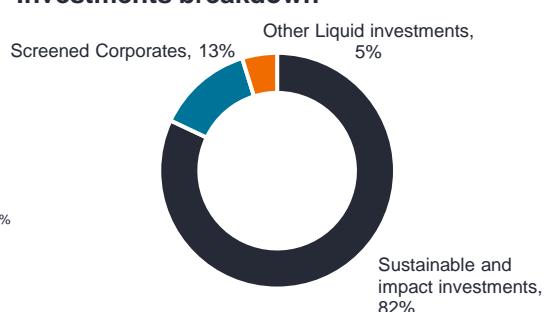
\*In line with the fund objective, the excess return is measured against gross performance. Gross return is gross of management costs and sell spread. Past performance is not a reliable indication of future results.

### Sector allocation

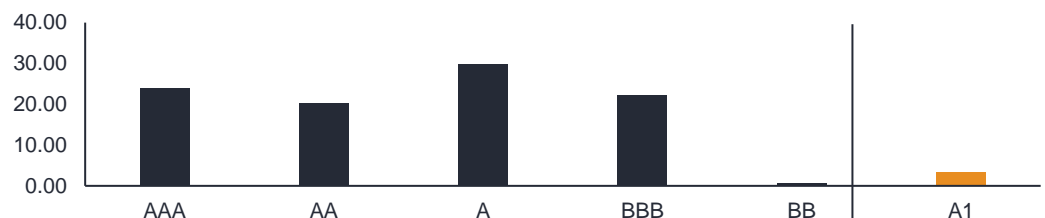


Rounding accounts for small +/- from 100%.

### Investments breakdown



### Credit rating distribution (%)



### Portfolio Characteristics

	Fund	Benchmark
Estimated Weighted Average Yield to Maturity (EWAYTM) <sup>1</sup>	4.95	4.16
Running yield	3.61	3.19
Weighted average credit quality	AA-	AA+
Number of securities (on a look through basis)	91	544
Modified duration	2.87	2.40
Active duration position	0.47	

<sup>1</sup>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

University Of Tasmania 3.97% 24/03/2032 AUD
La Trobe University 5.311% 08/08/30 AUD
Bank Australia Ltd FRN 22/02/2027 AUD
NBN CO LTD 4.2% 14/04/2027 AUD REGS
Transpower New Zealand Ltd 4.977% 29/11/2028 AUD
Commonwealth Bank Of Australia Subordinated FRN BASEL III T2
DWPF Finance Pty Ltd 2.6% 04/08/2032 AUD
CPPIB Capital Inc 1.5% 23/06/2028 AUD REGS
African Development Bank 1.1% 16/12/2026 AUD
GPT Wholesale Office Fund No1 3.222% 05/11/2031 AUD

<sup>^</sup> For more information and most up to date buy/sell spread information visit [www.janushenderson.com/en-au/investor/buy-sell-spreads](http://www.janushenderson.com/en-au/investor/buy-sell-spreads).

# SUSTAINABLE CREDIT ACTIVE ETF

(continued)

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**Head of Australian  
Fixed Interest**  
Jay Sivapalan



**Portfolio Manager**  
Shan Kwee

## Fund Performance

The Janus Henderson Sustainable Credit Active ETF (Fund) returned 0.64% (net) and 0.68% (gross). The Fund outperformed the Bloomberg AusBond Composite 0-5Yr Index (Benchmark) by 0.03% (net) in December, which returned 0.61% over the month.

Despite a few swings in market sentiment around the US election, healthy income from quality credit is delivering attractive returns for investors. Outperformance for the month was solid, bringing excess return for the year close to 1.6% before fees. Income and active rates positioning were the primary contributors adding value during December.

It was a quiet end to a hectic year in credit primary with no new deals entering the portfolio albeit we were still active in adjusting the Portfolio. As bond yields fell swiftly early in the month, we decreased duration by 0.3 years to 2.9 years, we also saw that swap yields have now moved materially below government bond yields, so we have decreased our bond/swap spread exposure which has locked in gains from compression over the past 2 years.

As we look ahead the outlook for income generation remains solid given starting point yields remain elevated, and the attractive value on offer in Australian IG spreads remains. US spreads continue to be trading fully valued. Healthy risk adjusted income levels are in the Portfolio as we maintain a relatively conservative credit risk position. We continue to meaningfully favour Australian IG allocations, paired with CDS credit hedging which can provide robust returns through a range of market scenarios.

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. 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 securities with at least 80% exposure to securities deemed 'Sustainable' and/or 'Impact' in our assessment, and has around 75% allocated to investment grade credit.

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

- [Green Bonds: an investment in the planet's future?](#)
- [Investing in a fairer future: Social bonds in focus](#)
- [Promoting decarbonisation, the Aussie way](#)

## Market Review

Bond yields fluctuated significantly due to volatility and uncertainty, influenced by Australian labor market data and US Federal Reserve policies. A more balanced RBA outlook and moderating data led to a late-month decline.

Primary credit markets capped off an extraordinary year of activity during which issuance volumes beat post GFC records across both corporate and securitised markets. Fixed rate corporate credit spreads were largely unchanged, but were assisted by swap rates outperforming government bond yields. Floating rate spreads were 1bp wider ahead of anticipated January supply.

The Australian iTraxx Index ended 3bps wider at 69bps, while the Australian fixed and floating credit indices returned +0.71% and +0.43% respectively.

Global fixed rate credit across suffered in total return terms due to the sell-off in US bond yields, whereas floating rate subsectors such as loans, Tier2 and hybrids continued to deliver strong positive carry.

For Australian bank capital investors, APRA confirmed its proposal to completely phase out Additional Tier 1 bank hybrids effective from 1 Jan 2027, thereby prospectively removing a well-understood higher yielding asset class from the market.

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(continued)

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**The Australian economy is sluggish, and while no recession is forecast, the pressure of higher interest rates is broadening out across sectors of the economy.**

## Market Outlook

The Australian economy is sluggish, and while no recession is forecast, the pressure of higher interest rates is broadening out across sectors of the economy. Core inflation is moderating slowly from high levels. The RBA needs to balance these risks along their so-called narrow path. The extended period of policy at restrictive levels will slow growth further, rebalance the labour market and subdue inflation. The global economic backdrop remains soft, although there are a myriad of risks which generate volatility.

Our base case is for the RBA to remain on hold at current rates before commencing an easing cycle in Q1 2025. We price a more modest than the historically average easing cycle, of around 110bps, spread across 2025. We presently have no tilt to the high or low case. The low case is for more easing over the whole cycle. The high case looks for just 85bps of easing. The market has built in an RBA easing cycle, with 85bps priced over ten months. We believe there is some value in targeted parts of the curve which outperform into easing cycles. We continue to hold a long duration position and look to adjust the position through market volatility.

In recognition of the highly 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. Conversely, we are avoiding lower credit quality and leveraged corporate and consumer sectors where default stress is increasing. While we acknowledge that credit spreads in general are compressed, all-in yields particularly in low/no default-risk Australian Investment Grade credit remain attractive. We continue to actively and selectively take advantage of these yields in highly-rated corporate bonds and structured credit in both primary and secondary markets, where risk adjusted returns make sense.

While credit spreads in general are compressed across the ratings spectrum, all-in yields, particularly in low default-risk Australian corporate and structured credit, remain attractive. We continue to actively and selectively identify, source and take advantage of these yields where risk adjusted returns make sense.

Notwithstanding default stress picking-up in lower quality and leveraged segments of global credit markets, investor attitudes remain buoyant and as a result, compensation for risk remains compressed even as central banks consider leaving rates higher for longer. Our preference is to earn decent income up-in-quality, leaving capacity and liquidity to take advantage of more attractive entry points for global high yield, loans, structured credit and emerging market debt which we anticipate should arise in the current complex global investment environment. Relative value in Loan spreads remains attractive and we have moved to a more neutral position in that sector. We continue to hold credit protection (via global index CDS) which remains cheap, as risk markets are not priced for negative surprises.

For in-depth economic analysis and the Australian Fixed Interest Team's outlook, visit <https://go.janushenderson.com/Viewpoint-Jan25>.

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In a quiet month of ESG issuance, the only one of note was a green tranche from RMBS issuer Columbus Capital Triton on Australian prime mortgages.

## ESG Commentary

In a quiet month of ESG issuance, the only one of note was a green tranche from RMBS issuer Columbus Capital Triton on Australian prime mortgages. The proceeds from this \$350m tranche will be used to provide finance to borrowers (via green mortgages) for the 'construction, purchase or refinance of green buildings' that meet their eligibility criteria.

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As at December Quarter 2024

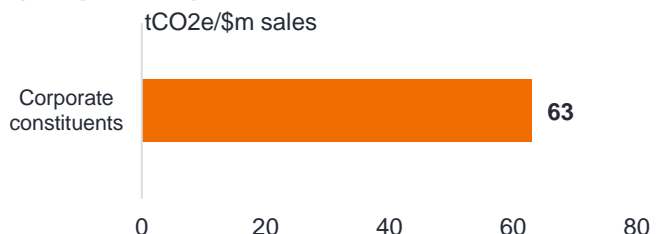
**Labelled bonds# structure breakdown**

	Fund
Sustainability-linked	6%
Sustainability	11%
Social	9%
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

**Financed Carbon Emissions  
(Scope 1 & 2)**

**Weighted Average Carbon Intensity  
(Scope 1 & 2)**


AUM Coverage of 80.28%. The Coverage refers to the data that is available from MSCI ESG analytics. They do not provide ESG data for all investable companies.

Source: Janus Henderson Investors

	Theme	Measure	Fund	Coverage
PLANET	Decarbonisation	% of issuers with a net zero target by 2050	86%	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	79%	100%
PEOPLE	Inclusion & social diversity	% of companies with a minimum of 35% of women in senior positions*	87%	100%
		% of companies with a minimum of 35% of women on the board*	61%	100%
	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

This table denotes the percentage of corporate issuers in the portfolio, deemed sustainable and/or impact, that meet those respective measurements.

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

The information in this monthly report was prepared by Janus Henderson Investors (Australia) Funds Management Limited ABN 43 164 177 244, AFSL 444268 (Janus Henderson) and should not be considered a recommendation to purchase, sell or hold any particular security. The Product Disclosure Statement and Target Market Determination for the Fund is available at [www.janushenderson.com/australia](http://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%. 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. This monthly report contains general information only and is not intended to be nor should it be construed as advice. This monthly report does not take account of your individual objectives, financial situation or needs. Before acting on this information you should consider the appropriateness of the information having regard to your objectives, financial situation and needs. The value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested. An investment in the Fund is subject to risk, including possible delays in repayment and loss of capital invested. None of Janus Henderson nor any of the Janus Henderson group entities nor their respective related bodies corporate, associates, affiliates, officers, employees, agents or any other person are, to the extent permitted by law, responsible for any loss or damage suffered as a result of any reliance by any reader or prospective investor. You should consider the current PDS before making a decision about the Fund. Dollar figures shown are in Australian Dollars (AUD), unless otherwise stated. Janus Henderson is a trademark of Janus Henderson Group plc or one of its subsidiaries. © Janus Henderson Group plc.

## Further information

[www.janushenderson.com/australia](http://www.janushenderson.com/australia)