Janus Henderson INVESTORS

# Sustainable Credit Active ETF

ISIN AU0000254278

## 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 (%)

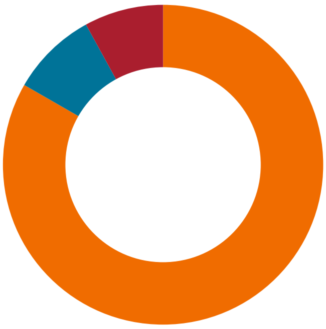
| Returns | Cumulative | | | | Annualised | | | |
|---|---|---|---|---|---|---|---|---|
| | 1 Month | 3 Month | 6 Month | 1 Year | 3 Year | 5 Year | 10 Year | Since inception |
| Fund (Gross) | 0.00 | 1.02 | 1.76 | 2.93 | 5.58 | — | — | 5.14 |
| Fund (Net) | -0.04 | 0.90 | 1.51 | 2.42 | 5.05 | — | — | 4.62 |
| Benchmark | 0.02 | 0.77 | 1.35 | 1.66 | 3.77 | — | — | 3.37 |
| Excess returns (Gross) | -0.02 | 0.25 | 0.41 | 1.27 | 1.81 | — | — | 1.77 |
| Excess returns (Net) | -0.06 | 0.13 | 0.16 | 0.76 | 1.28 | — | — | 1.25 |

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

| Characteristics | Fund | Index |
|---|---|---|
| Number of holdings | 123 | 596 |
| Modified duration (years) | 2.84 | 2.36 |
| Yield to maturity | 5.73 | 4.88 |
| Current yield | 5.37 | 3.46 |
| Credit spread duration | 2.77 | 0.46 |
| Average rating | A+ | AA+ |

### Investments Breakdown (%)



- Sustainable and impact investments, 83.31
- Screened Corporates, 8.70
- Other Liquid investments, 8.00

## Fund details

| | |
|---|---|
| **Underlying fund inception date** | 06 February 2023 |
| **Inception date** | 14 March 2023 |
| **Total fund net assets** | $76.19m |
| **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 |
| **ARSN code** | 662 889 214 |
| **APIR code** | HGI0694AU |
| **Exchange** | ASX |
| **Ticker** | GOOD |
| **NAV** | 50.1753 |

| | |
|---|---|
| **ISIN** | AU0000254278 |
| **Bloomberg** | GOOD |
| **SEDOL** | BPLDYH7 |

### 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 (%)

| | Fund | Index |
|---|---|---|
| Banks | 23.38 | 7.74 |
| Property Trusts | 21.58 | 1.20 |
| Utilities | 17.89 | 1.96 |
| Commercial Services and Supplies | 8.39 | 0.29 |
| Other Asset Backed | 6.73 | — |
| Supranational | 4.82 | 16.43 |
| Telecommunication Services | 3.72 | 1.26 |
| Residential Mortgage Backed | 2.74 | — |
| Government | 2.47 | 84.17 |
| Retailing | 2.28 | 0.10 |
| Cash and Derivatives | 2.48 | — |

## Top 10 Holdings (%)

| | Fund |
|---|---|
| University Of Tasmania 3.97% 24/03/2032 AUD | 2.45 |
| APPF Commercial Finance Pty Ltd 3.6% Sustainability-Linked 11/11/2031 AUD | 2.34 |
| DWPF Finance Pty Ltd 2.6% 04/08/2032 AUD | 2.18 |
| GPT Wholesale Office Fund No1 3.222% 05/11/2031 AUD | 2.10 |
| Vicinity Centres Trust 4.927% 02/06/2028 AUD REGS | 1.97 |
| La Trobe University 5.311% 08/08/30 AUD | 1.95 |
| Scentre Group Trust 1 6.3673% 10Sep54 FRN AUD | 1.90 |
| Mercury NZ Ltd 5.247% 21Mar31 AUD | 1.84 |
| Australia Government Bond 5.00% 21Jun36 AUD | 1.77 |
| Heritage and People's Choice 4.6949% 2029 | 1.77 |
| **Total** | **20.28** |

## Credit Rating (%)

| | Fund | Index |
|---|---|---|
| AAA | 12.77 | 101.23 |
| AA | 24.73 | 36.37 |
| A | 24.84 | 5.77 |
| BBB | 34.49 | 4.68 |
| BB | 0.68 | — |
| Cash and Derivatives | 2.48 | — |

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# SUSTAINABLE CREDIT ACTIVE ETF

## At a glance

### Performance

The Fund returned -0.04% (net) and 0.00% (gross). The Fund underperformed the Benchmark by 0.02% (gross) in August, which returned 0.02% on the month.

### Contributors/detractors

The swift rise in local bond yields was the main detractor from total returns. Income helped buffer returns with a modest positive contribution from credit spreads.

### Outlook

We continue to see one last RBA hike, to 4.60%. Our high case is one where inflation remains elevated, forcing the RBA to raise interest rates above expectation into 2027.

## Investment environment

Global bond markets remained pressured by resilient growth, persistent inflation and elevated government borrowing. Strong risk appetite supported credit markets, while higher-for-longer inflation expectations drove bond yields higher and reinforced rate hike expectations.

The RBA cash rate was unchanged at 4.35%, while three and six-month bank bill rates rose 5bps to 4.55% and 4.88% respectively.

Australian bond yields moved sharply higher as stronger-than-expected inflation data and resilient economic activity prompted investors to increase expectations for further RBA tightening. The 3-year bond yield increased 17bps to 4.66%, while 10-year yields also rose 17bps to 5.09%.

Credit markets remained resilient despite the rise in government bond yields. Strong demand for income-generating assets in AUD supported credit excess returns despite material primary supply. Google's first issuance into the local market marked the largest ever corporate bond deal at $5.5bn, with just shy of $20bn of interest at the final pricing across 6 tranches.

## Portfolio review

Domestic data reinforced concerns about sticky underlying inflation as headline CPI printed at 3.5%yoy, while trimmed mean was steady at 3.6%yoy. Both were above market expectations while the labour market softened modestly into a backdrop of falling house prices. The swift rise in local bond yields was the main detractor from total returns during the month, contributing -0.4% to Benchmark return. Income helped buffer returns with a modest positive contribution from credit spreads as bank spreads softened from their tights into new issuance.

Australian and global bond yields remain volatile. As local government bond yields have now reached 4.8 - 5.2% across the curve there is adequate compensation for further hikes from the RBA. We currently favour Australian duration over US and will look to capture any further overshoots on bond yields from here. Duration at the time of writing has been lifted to 0.35 years overweight versus Benchmark as yields hover around peaks. We see the current outright yield environment on higher grade Australian credit offering attractive risk return characteristics in a broader allocation, with higher rated investment grade Australian credit readily yielding between 6% - 7%, and select opportunities above 7% in public IG credit. We have chosen to retain CDS protection positions with CDS spreads offering cheap insurance while global spread markets remain tight facing into a higher real rate environment.

We utilised a more busy than usual August primary credit market to rotate portfolio exposures. We participated in inaugural senior bond deals from SSE (UK electricity utility) with up to 6.3% yield available and more defensive medical finance ABS at 1.25% spread on the top AAA tranche, while NextEra Energy also issued new subordinated bonds with a 7.5% yield, and a healthy 2.55% spread. At the time of writing, the Fund's yield is at its highest levels since inception. We choose to retain some risk capacity for now to capitalise on opportunities thrown up by a more volatile, dispersed market environment while earning very solid income in higher quality, public credit in the meantime.

The 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.

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 continue to see one last RBA hike to 4.60%, before shifting the pricing of an easing cycle in the second half of 2027. While we hold no specific tilt at present, our high case is one where inflation remains elevated and the RBA are forced to raise interest rates more than expected into 2027. Our low case reflects a weaker economic outcome, particularly if supply constraints and rising costs act as a tax to subdue growth. We hold a small, long duration position and continue to take advantage of opportunities in volatile markets.

We expect volatility to remain structurally elevated as geopolitical and macro risks persist whilst left-tail risks continue to proliferate. To the latter, we would add disruption risks (and opportunities) related to the accelerating impact of AI on a significant part of the global economy. In recognition of the complex and bifurcated investment environment, our credit strategy remains skewed towards high-quality, investment grade issuers who benefit from resilient business moats, solid earnings power and conservative balance sheets. Conversely, we are avoiding economically sensitive, lower credit quality and leveraged corporate and consumer focused sectors where default stress remains elevated, or which are highly exposed to AI disruption. Credit spreads and all-in yields particularly in low default-risk Australian Investment Grade credit remain reasonably attractive versus global credit. In our view, high quality Australian credit will remain resilient through a range of macro-economic environments. We have taken advantage of improved market conditions to realise profits on positions which have performed well, have built ample capacity to take advantage of likely periods of opportunity, and have prudently elected to maintain material levels of inexpensive credit protection to protect against downside left-tail risks. Notwithstanding, we remain constructive and are well-invested across our client portfolios.

Sustainable issuance remained broad-based in August, with labelled transactions spanning sovereign and semi-government borrowers, financials, supranationals and corporates. A diversity of issuers and structures 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-Sep26