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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.

The revolution WILL be televised!

May 2018

Tom Kelly

Sales Director, Queensland



**KNOWLEDGE.
SHARED**

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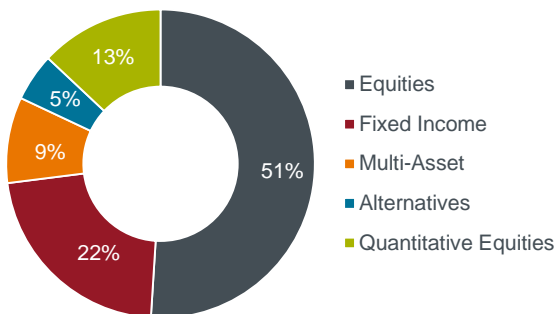
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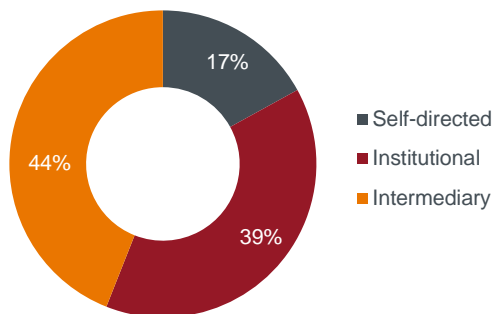
Janus Henderson Investors

Business overview

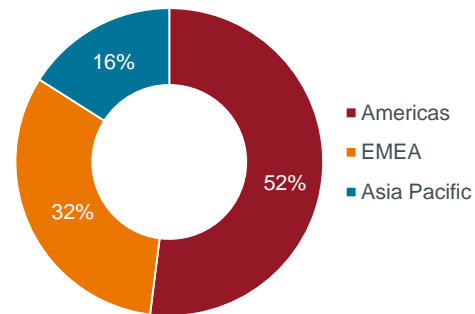
AUM by core capability



AUM by client channel



AUM by client location



Key statistics

A\$474.1bn

Assets under management



More than
2,000
Employees
worldwide



27
Offices worldwide



9
Fund manager
average tenure at
firm

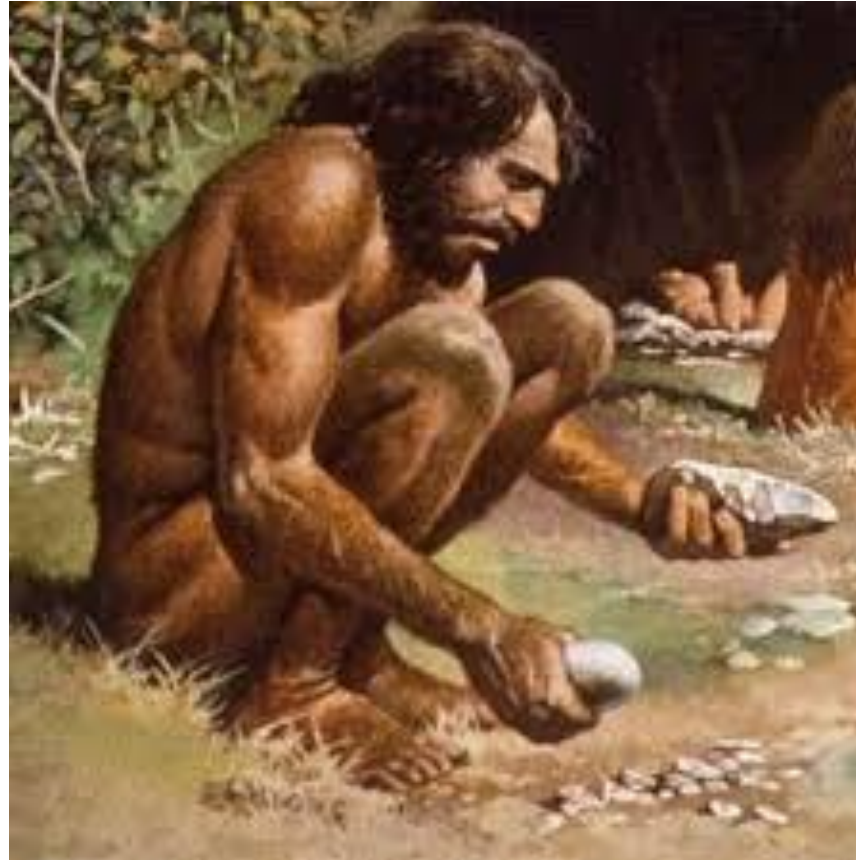


21
Fund manager
average years'
financial industry
experience

Source: Janus Henderson Investors, as at 31 December 2017

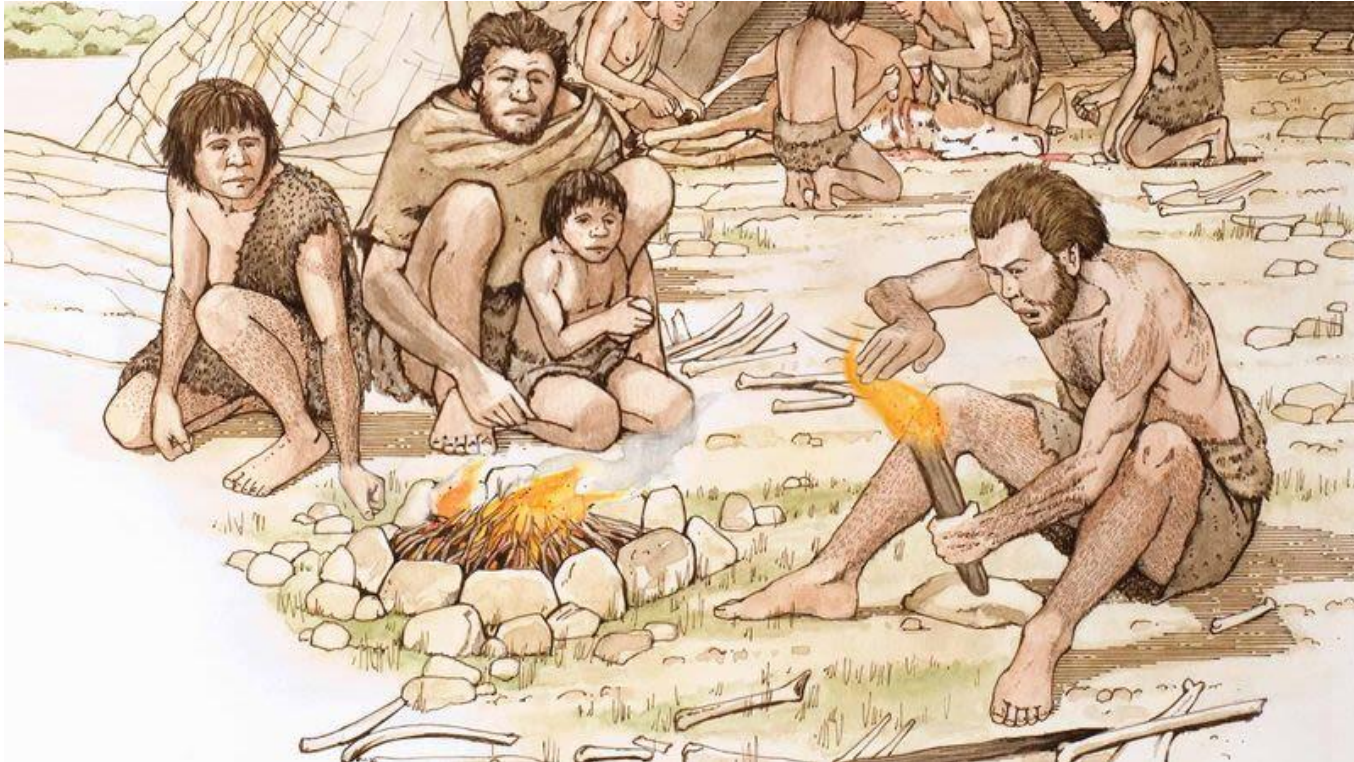
Note: Staff data as at 31 December 2017 and excludes Exchange-traded Notes ("ETN") assets

Early human



Source: Google images

We weren't too clever...



Source: Google images

We loved drama...



Source: Google images

...and we still do

Wall Street: Investors flee for the exits amid fears the 'bondcano' is about to erupt

ABC News, 4 Feb 2018

The ASX bull run is not over, but beware the 'bondcano'

The Sydney Morning Herald, 11 December 2017

BONDCANO: The Australian stocks most at risk from a rise in global bond yields

The Business Insider, 31 January 2018

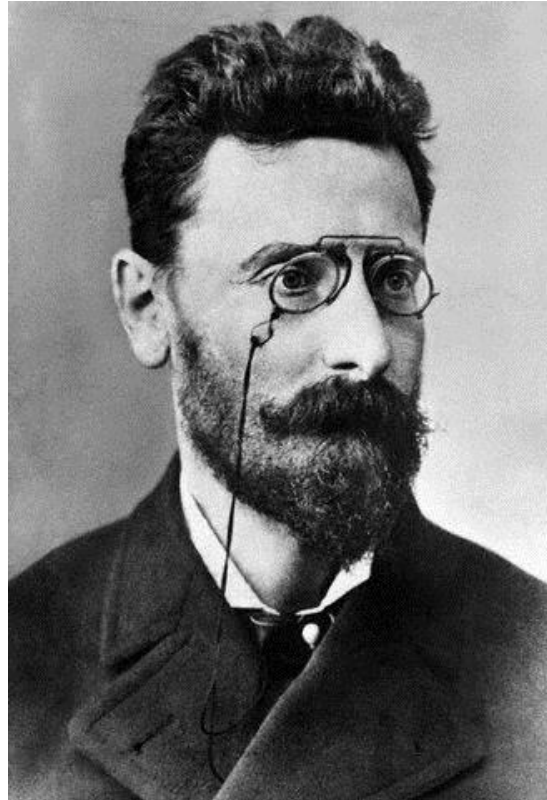
Beastly session as Bondcano rumbles

CMC Markets, 5 February 2018

Global 'bondcano' holds no fears for ex-Kiwi PM John Key

The Sydney Morning Herald, 7 March 2018

'Fake news'...1890's style



Joseph Pulitzer

Honouring excellence in journalism and the arts since 1917



Source: <https://www.theartofdoingstuff.com/wp-content/uploads/2013/03/pulitzer2.jpg>

Fixed interest 'un-sensationalised'

Fixed Interest ‘un-sensationalised’

Step 1

- Match the economic outlook to the path of cash rate over time

Step 2

- Compare this to what the market has priced in

Step 3

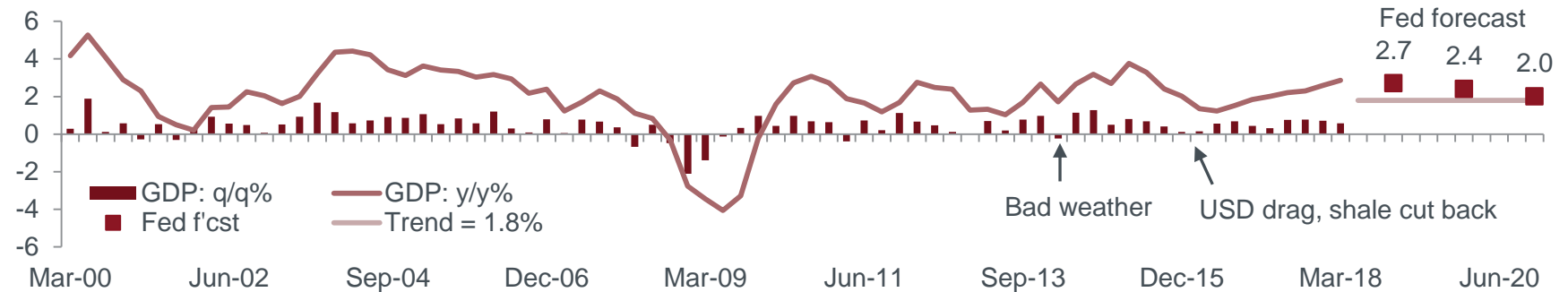
- Active management can exploit periods when markets mispriced

Why have fixed interest in your portfolio anyway?

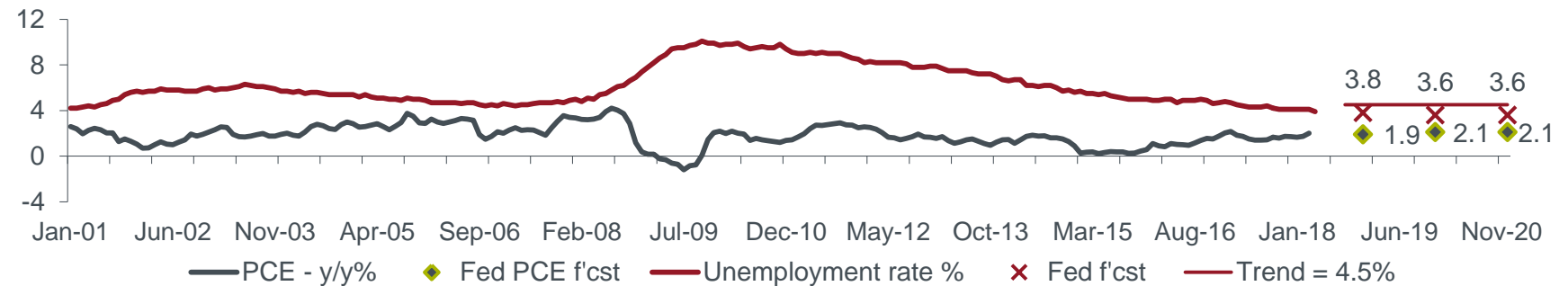
Fed see more growth and tighter labour market

Fiscal stimulus sees Fed revise up growth and inflation forecasts

US growth



US core inflation and unemployment (%)

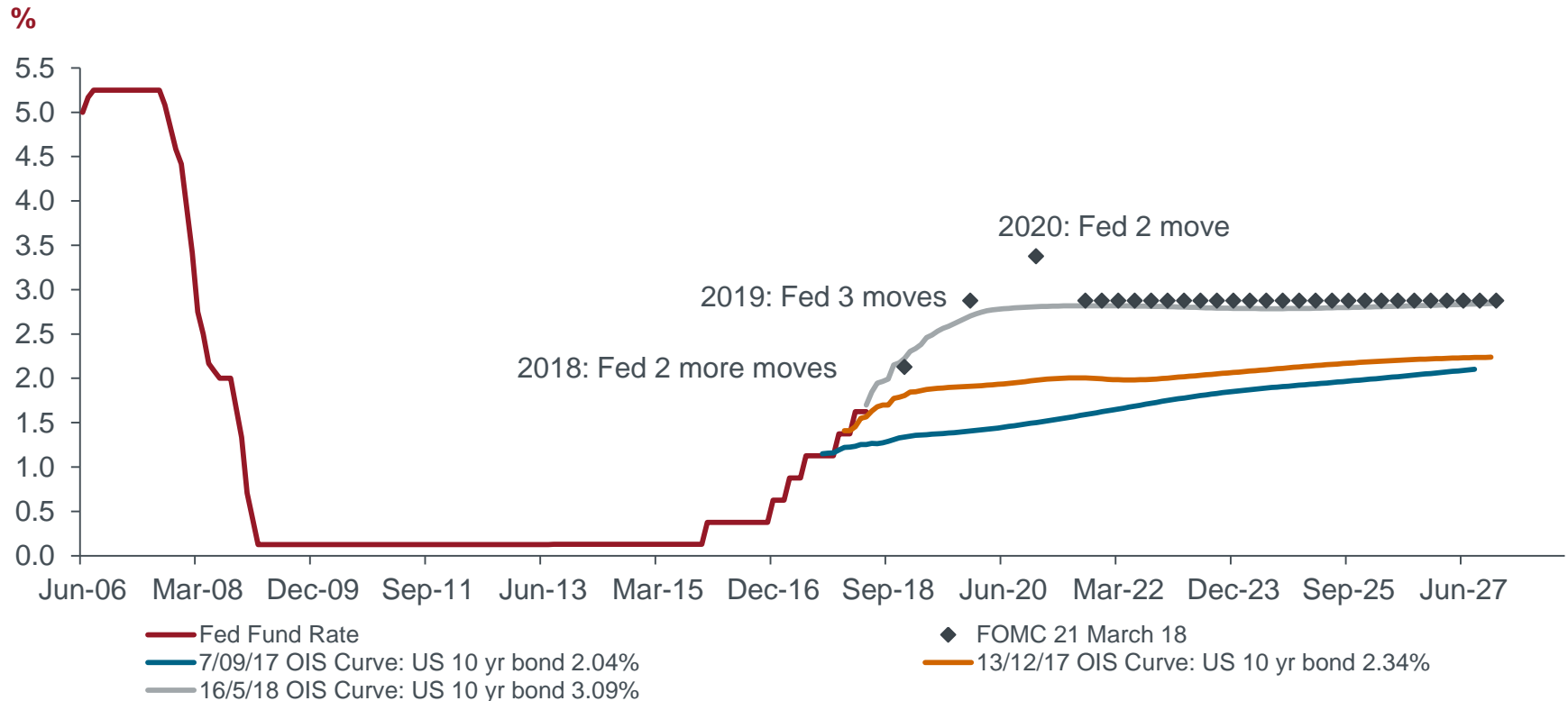


Source: Bloomberg, US Federal Reserve 21 March 2018 FOMC forecasts

Note: Forecast numbers are estimated projections only

What's in the price of a US long bond

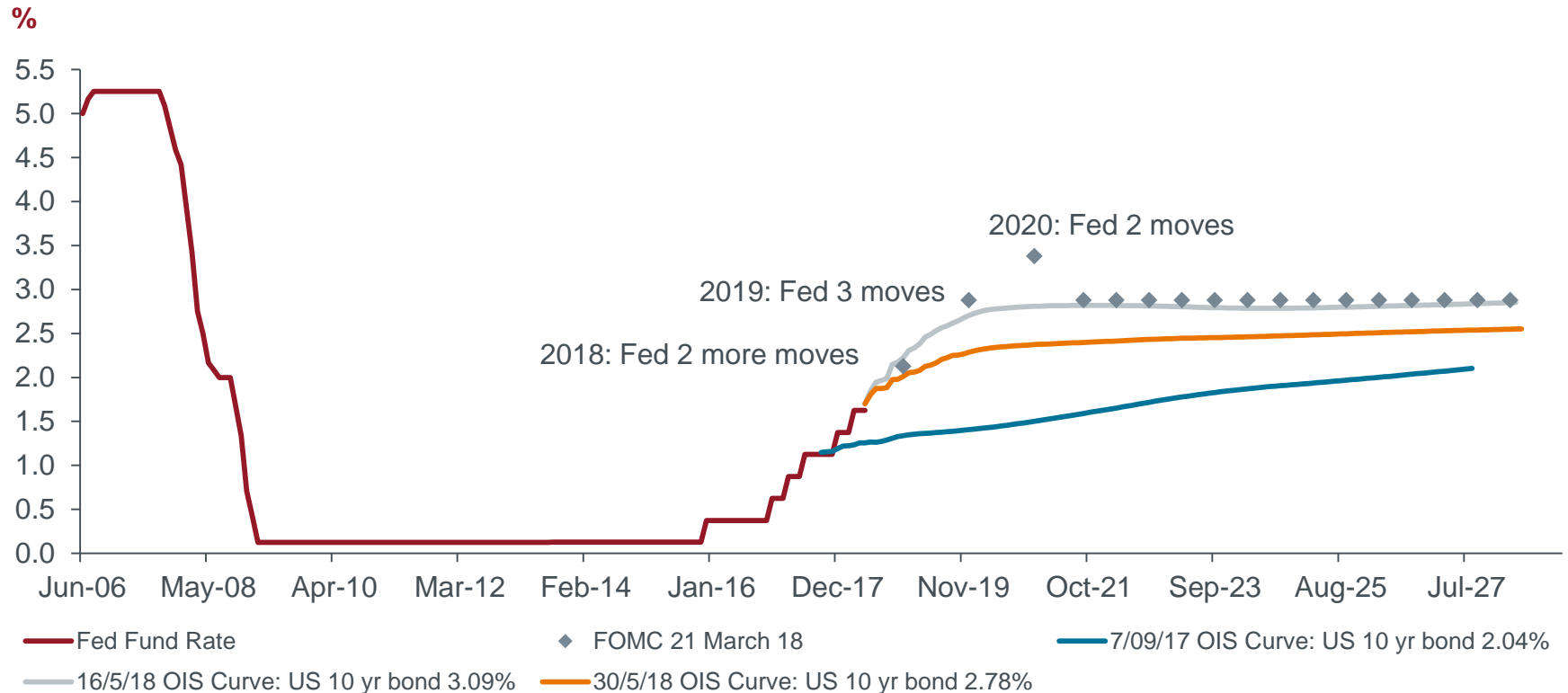
Markets finally come round to the Fed's point of view



Source: Janus Henderson Investors, Bloomberg

Fed looking to gradually remove accommodation

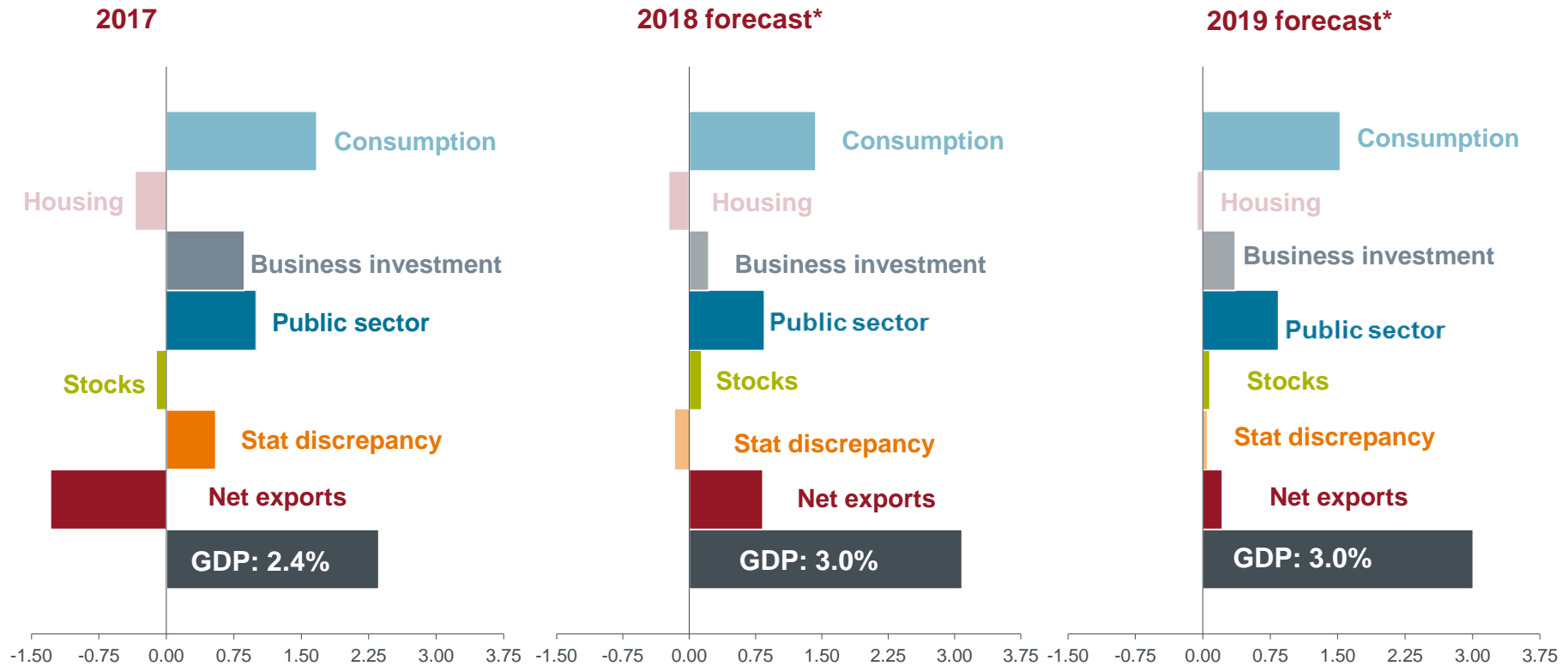
Heightened Italian political risks sees markets wind back tightening



Source: Janus Henderson Investors, Bloomberg

The Australian outlook

Growth to lift to above trend rates over 2018 and 2019



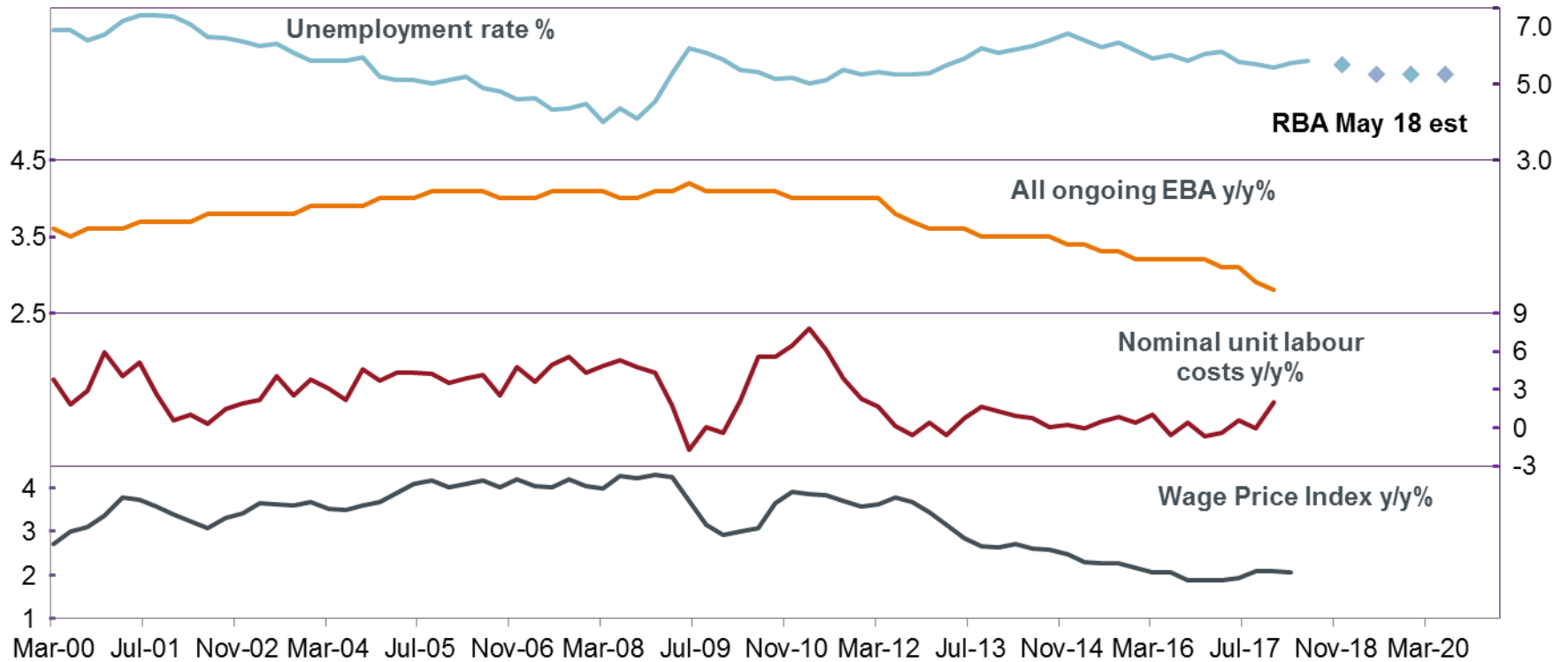
Source: ABS, last actual December quarter 2017

Note: *Janus Henderson Investors forecasts of y/y GDP growth with percentage point contributions from GDP components
Forecast numbers are estimated projections only based on internally generated research

Scope to use up some spare capacity

RBA looking for the unemployment rate to fall and lead to higher wages

Labour market indicators

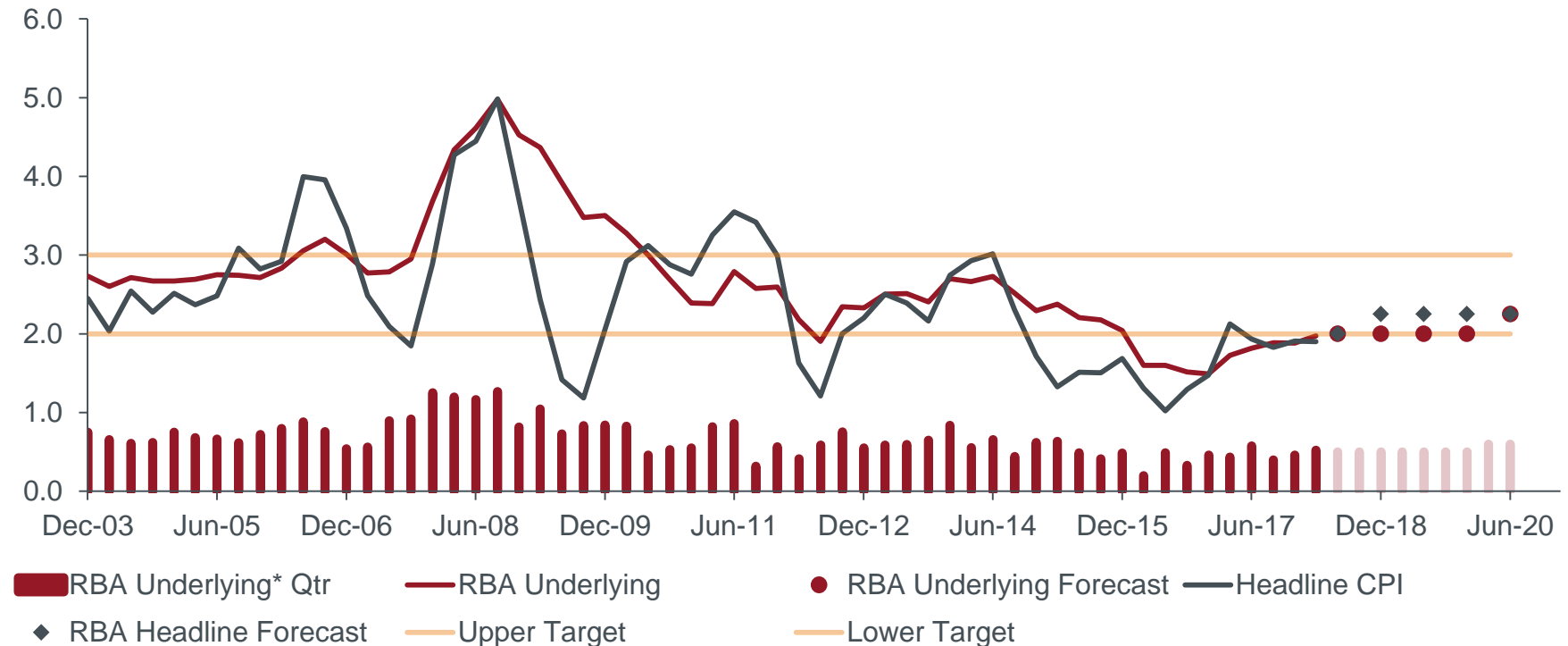


Source: Janus Henderson Investors, ABS, Bloomberg, RBA May 18 Statement of Monetary Policy

Core inflation to eventually lift as slack used up

RBA: underlying inflation steady at 2.0% before lifting to 2.25% mid 2020

Inflation trends %

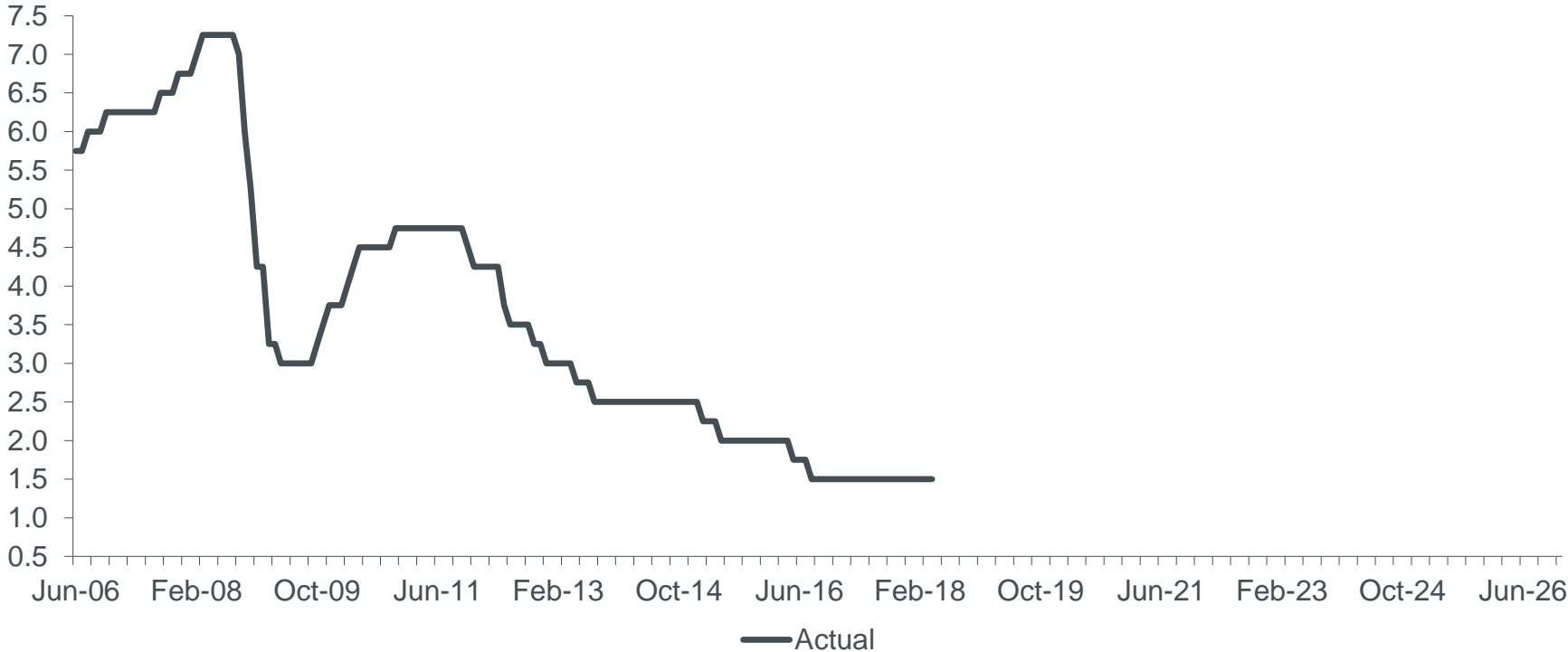


Source: RBA May 2018 Monetary Policy Statement

Note: * Underlying = average of statistical measures

Where to for the Australian cash rate?

Australian cash rate and implied OIS forward 1m cash rate

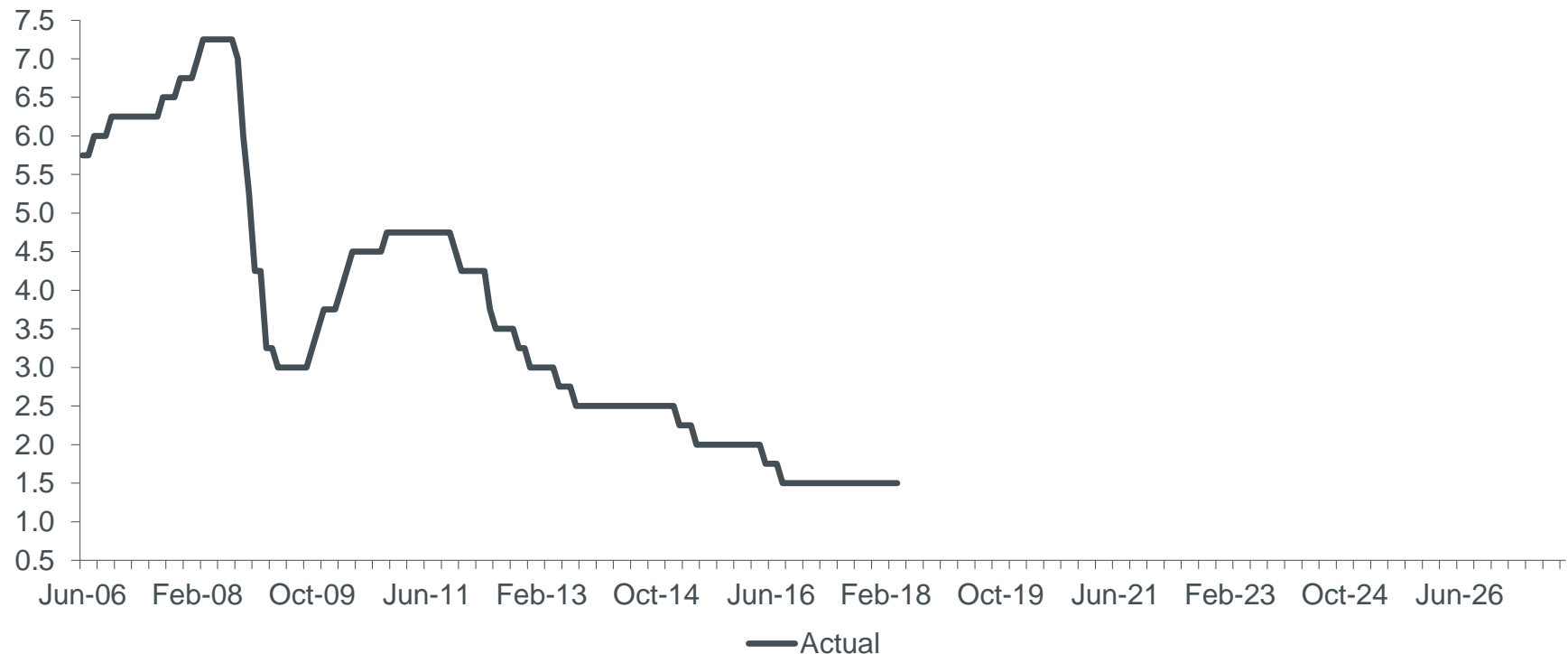


Source: Janus Henderson Investors, Bloomberg
Note: * RBA April 18 Minutes of the Monetary Policy Meeting of the Reserve Bank Board

What has the RBA signaled?

“next move in the cash rate up, rather than down”...but not in near term

Australian cash rate and implied OIS forward 1m cash rate

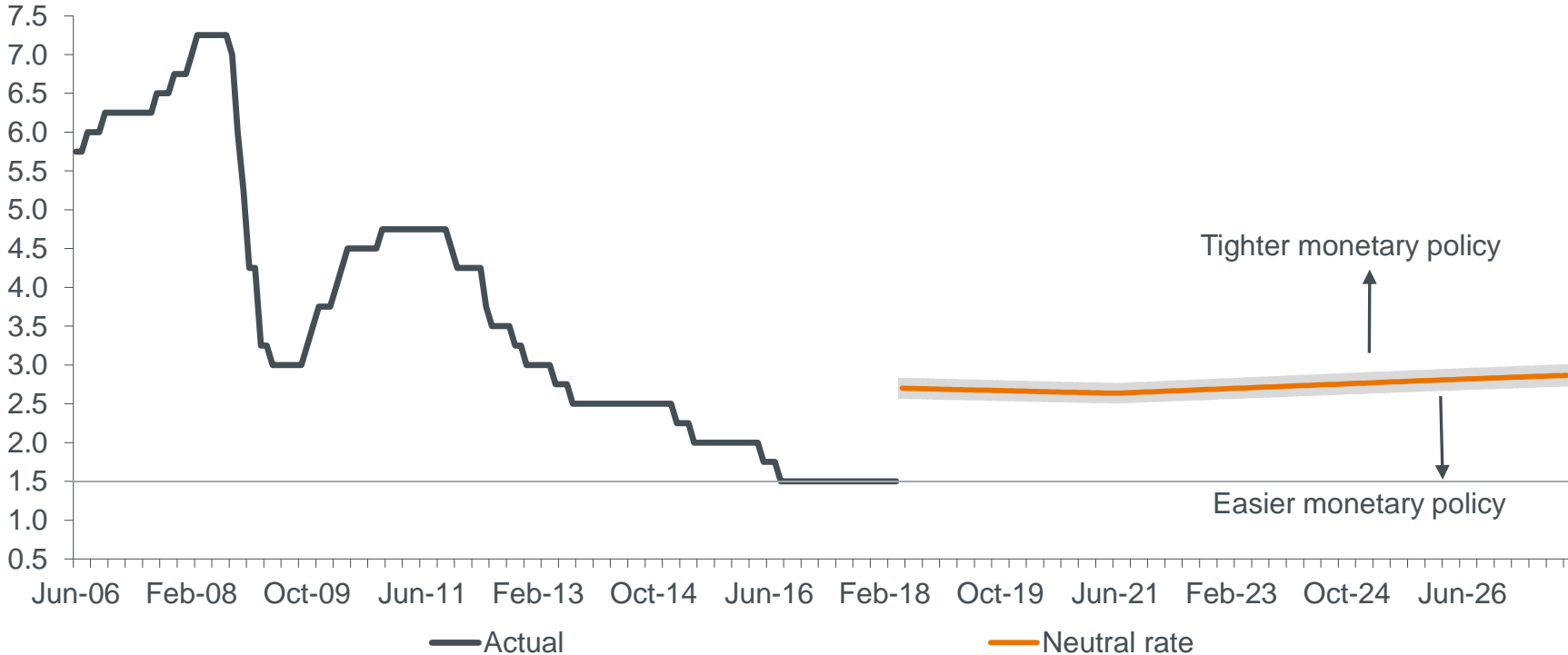


Source: Janus Henderson Investors, Bloomberg

Note: * RBA April 18 Minutes of the Monetary Policy Meeting of the Reserve Bank Board

Where is the neutral cash rate?

Australian cash rate and implied OIS forward 1m cash rate

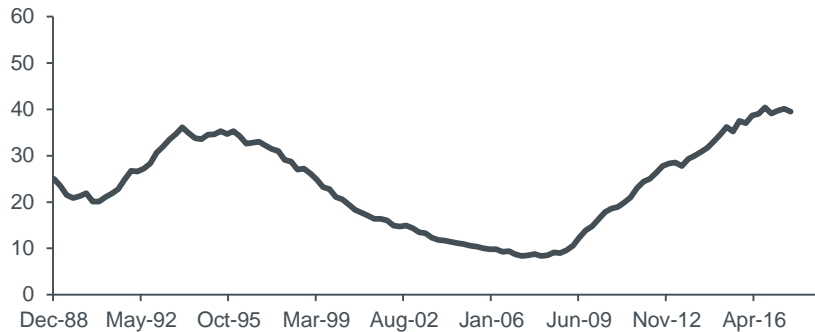


Source: Janus Henderson Investors, Bloomberg

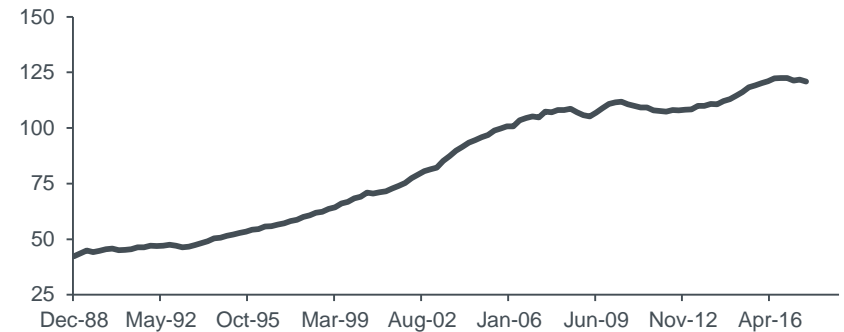
Why is it lower than it used to be?

“high debt levels will influence the calibration of interest rate changes” *

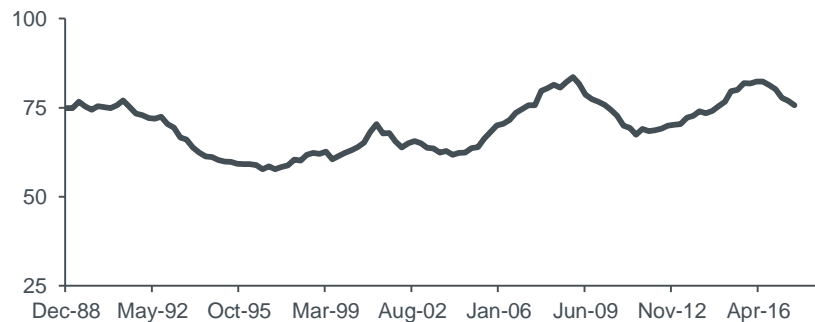
General Government Debt: % of GDP



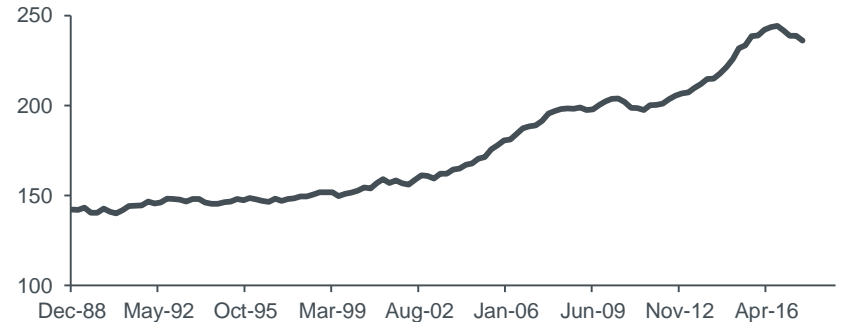
Household Debt: % of GDP



Non Financial Corporate Sector Debt: % of GDP*



Total Non Financial Sector Debt: % of GDP



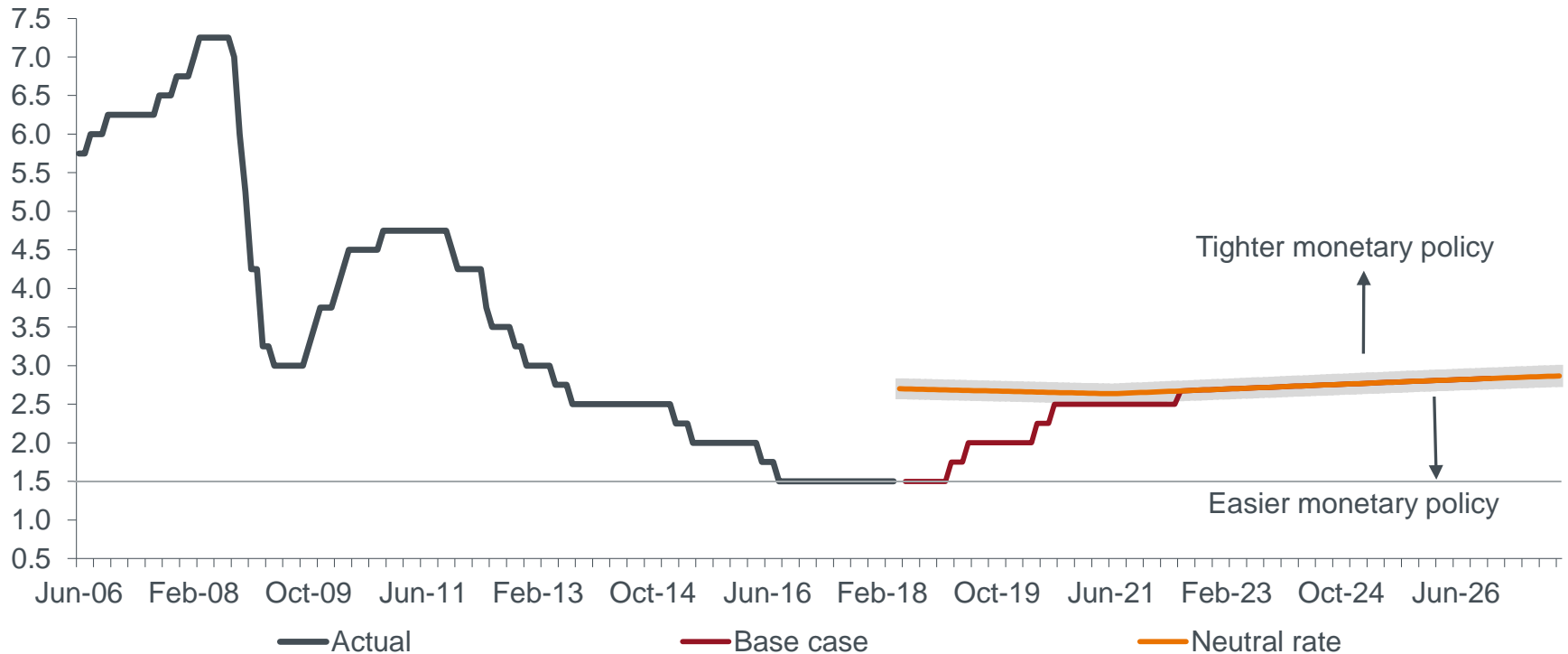
Source: BIS

Note: Data to Q3 2017, * Michele Bullock, Household Indebtedness and Mortgage Stress speech, 20 February 2018

We look for a modest and slow move up

RBA to make haste slowly, happy to lag the Fed

Australian cash rate and implied OIS forward 1m cash rate

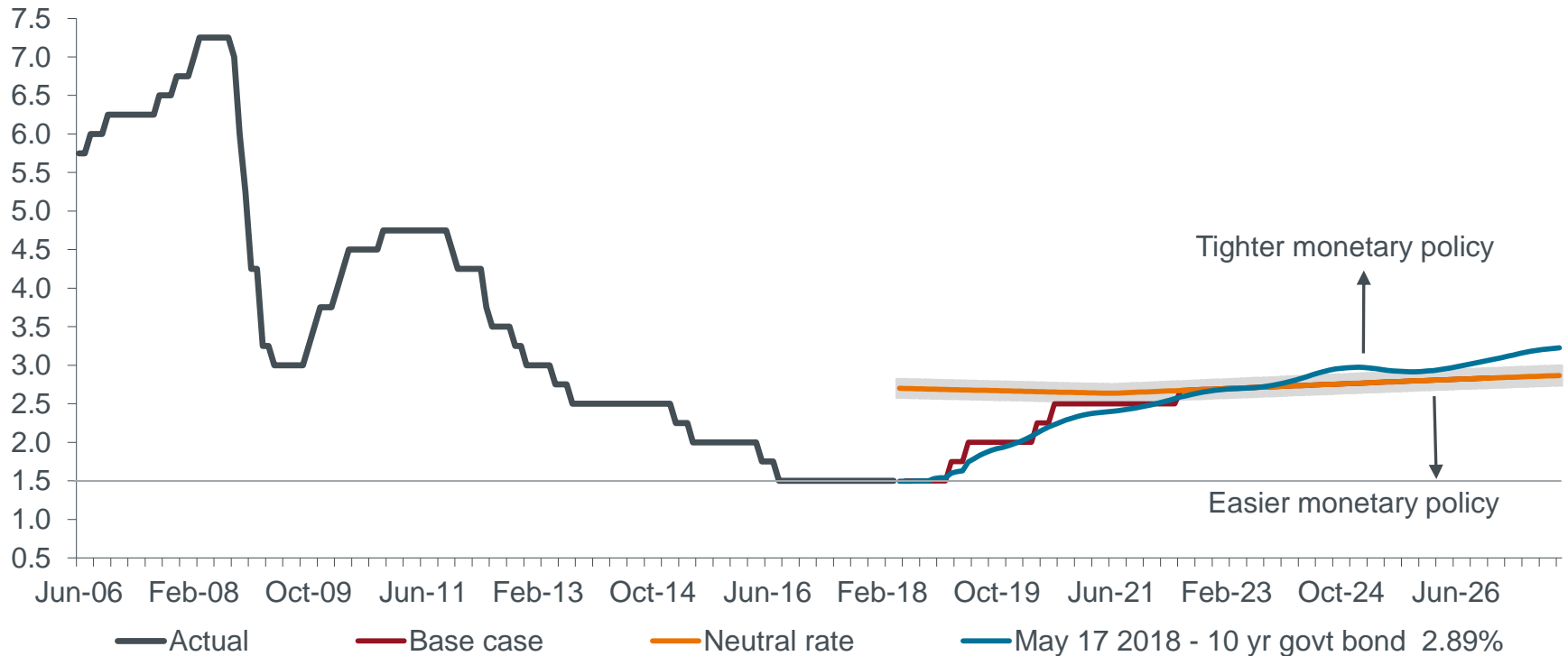


Source: Janus Henderson Investors, Bloomberg

What's in the price?

The recent sell-off has restored value to the sector

Australian cash rate and implied OIS forward 1m cash rate



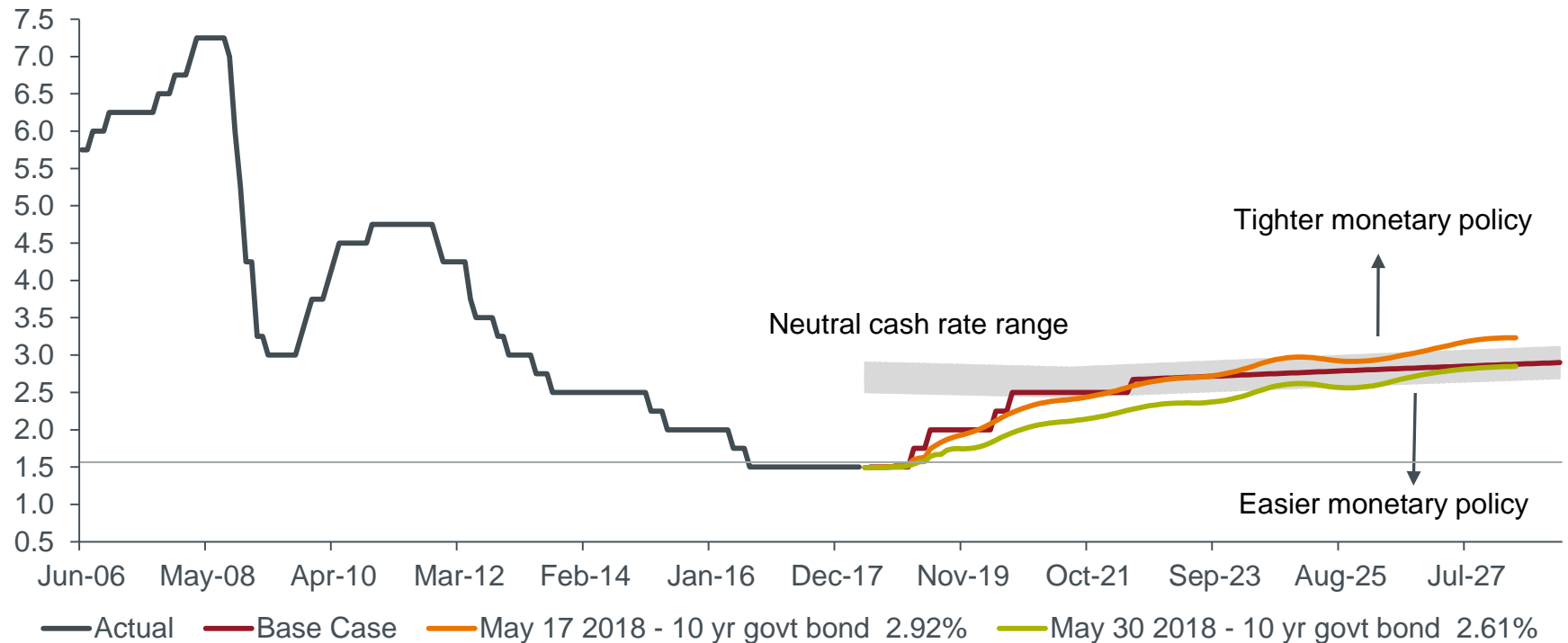
Source: Janus Henderson Investors, Bloomberg

Note: * RBA April 18 Minutes of the Monetary Policy Meeting of the Reserve Bank Board

Italian political risk sees tightening delayed

“next move in the cash rate up, rather than down”...but not in near term*

Australian cash rate and implied OIS forward 1m cash rate - %



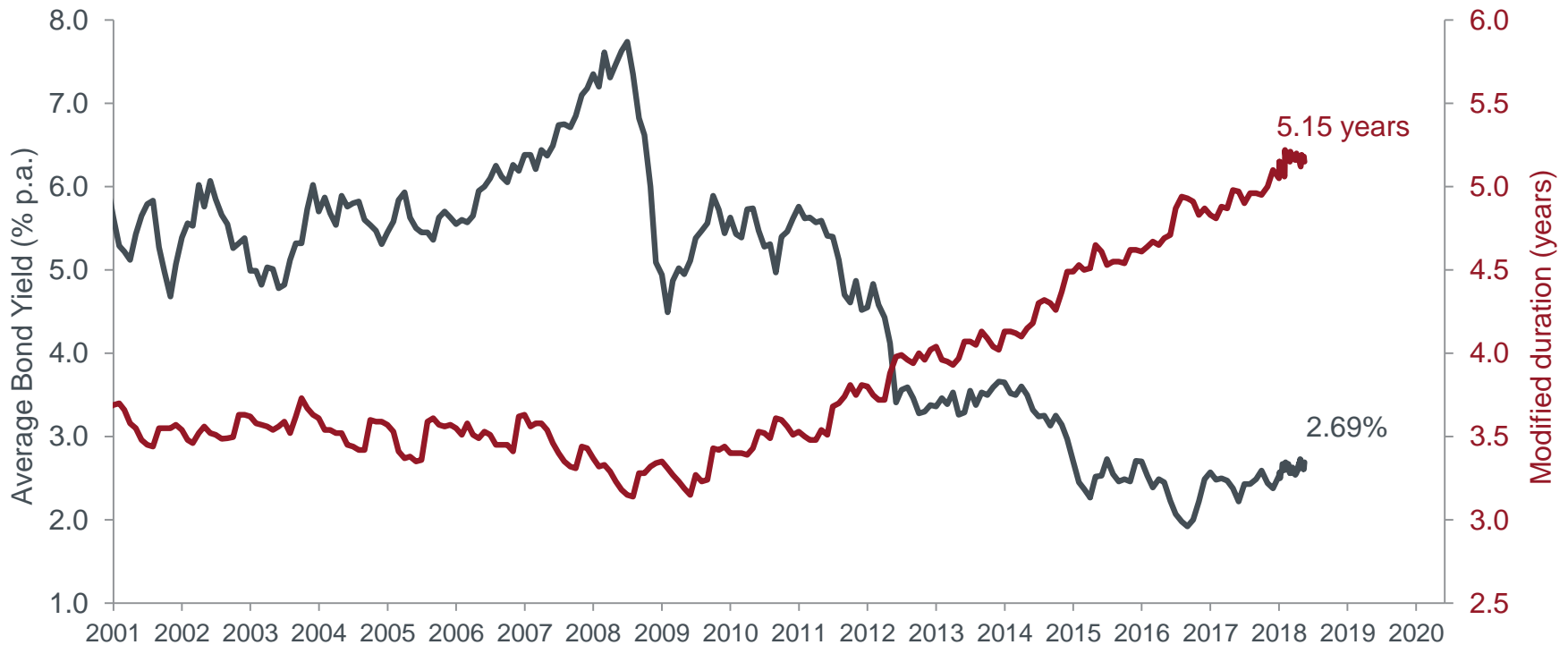
Source: Janus Henderson Investors, Bloomberg

Note: * RBA April 18 Minutes of the Monetary Policy Meeting of the Reserve Bank Board

Additional considerations

What's been happening to the benchmark?

Lengthening index duration makes investors more sensitive to rate rises

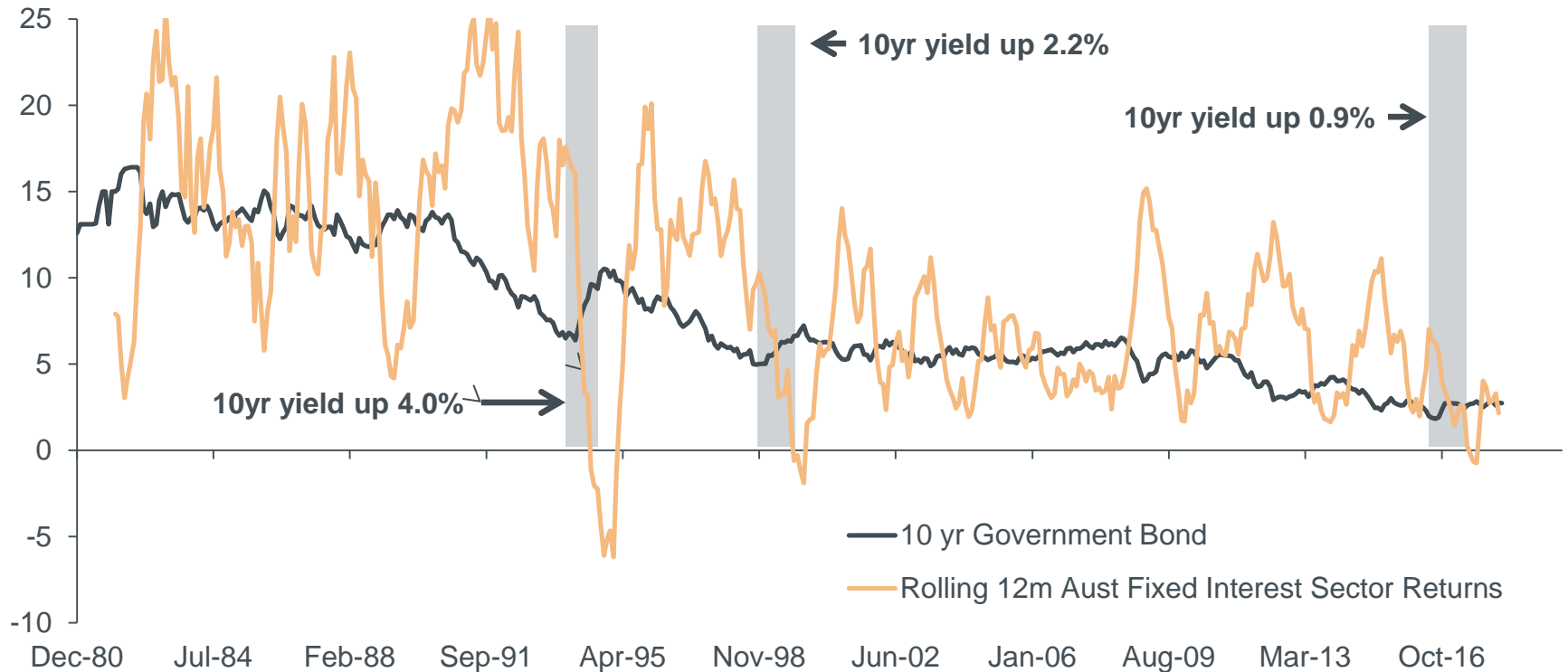


Source: Bloomberg, monthly to Dec 2017, then daily to 16 May 2018

The main hit from rising yields behind us

Lengthening index duration means small rate moves have a larger impact

Percent



Source: Bloomberg, Australian Fixed Interest = Bloomberg Ausbond Composite Bond Index (All Maturities) previously UBSA Composite (All Maturities), monthly to April 2018

Why have fixed interest in your portfolio?

Australian fixed interest performs when risk is off

Period % return	Shares	Bonds	High Yield
May 1981 to Mar 1982	-32.8	1.2	n/a
Dec 1983 to May 1984	-14.1	3.3	n/a
Sep 1987 to Feb 1988	-43.5	5.1	6.9
Jul 1990 to Dec 1990	-16.2	9.9	-8.9
May 1992 to Oct 1992	-13.5	4.3	4.2
Jun 2001 to Sep 2001	-12.0	4.3	-4.7
Jan 2002 to Feb 2003	-15.0	10.3	1.8
Oct 2007 to Feb 2009	-48.3	15.5	-26.5
Mar 2011 to Sep 2011	-15.5	7.1	-5.4
Feb 2015 to Feb 2016	-12.2	3.0	-8.5
Event averages	-22.3	6.4	-5.1

Source: Janus Henderson Investors, Bloomberg, Shares = All Ords Accum, Bonds = Bloomberg Ausbond Composite Bond Index (All Maturities) previously UBSA Composite (All Maturities), US High Yield = ICE BofAML US High Yield Master II.

Past performance is not a reliable indicator of future performance.

Outlook

Interest rates

- Entering an era of tightening monetary policy globally including quantitative tightening
- Expect RBA to commence a gradual tightening cycle early next year
- Bond yields likely to sustain a higher range in 2018 but any selloff likely to be limited given likelihood of low terminal cash rate
- Current hint of inflation causing markets to over-react providing opportunities

Sector allocation

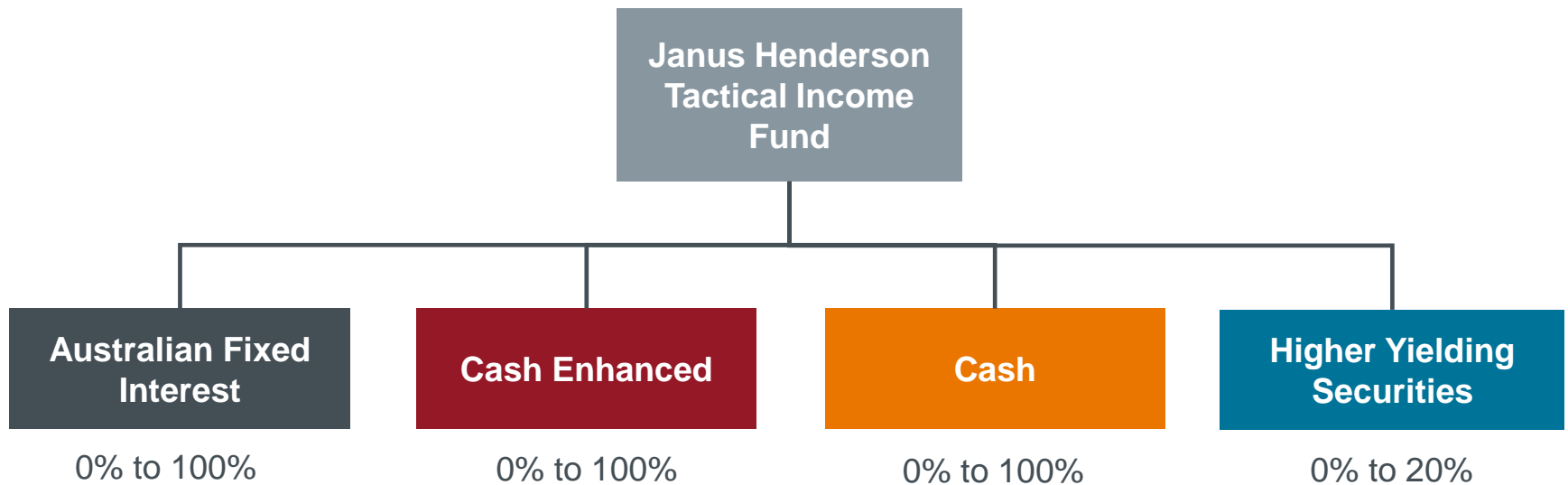
- Credit spreads less attractive and vulnerable to any deterioration in risk appetite
- Recent weakness largely contained within bank debt with some potential opportunities
- Focusing on infrastructure debt and utilities

Source: Janus Henderson Investors, as at 29 March 2018

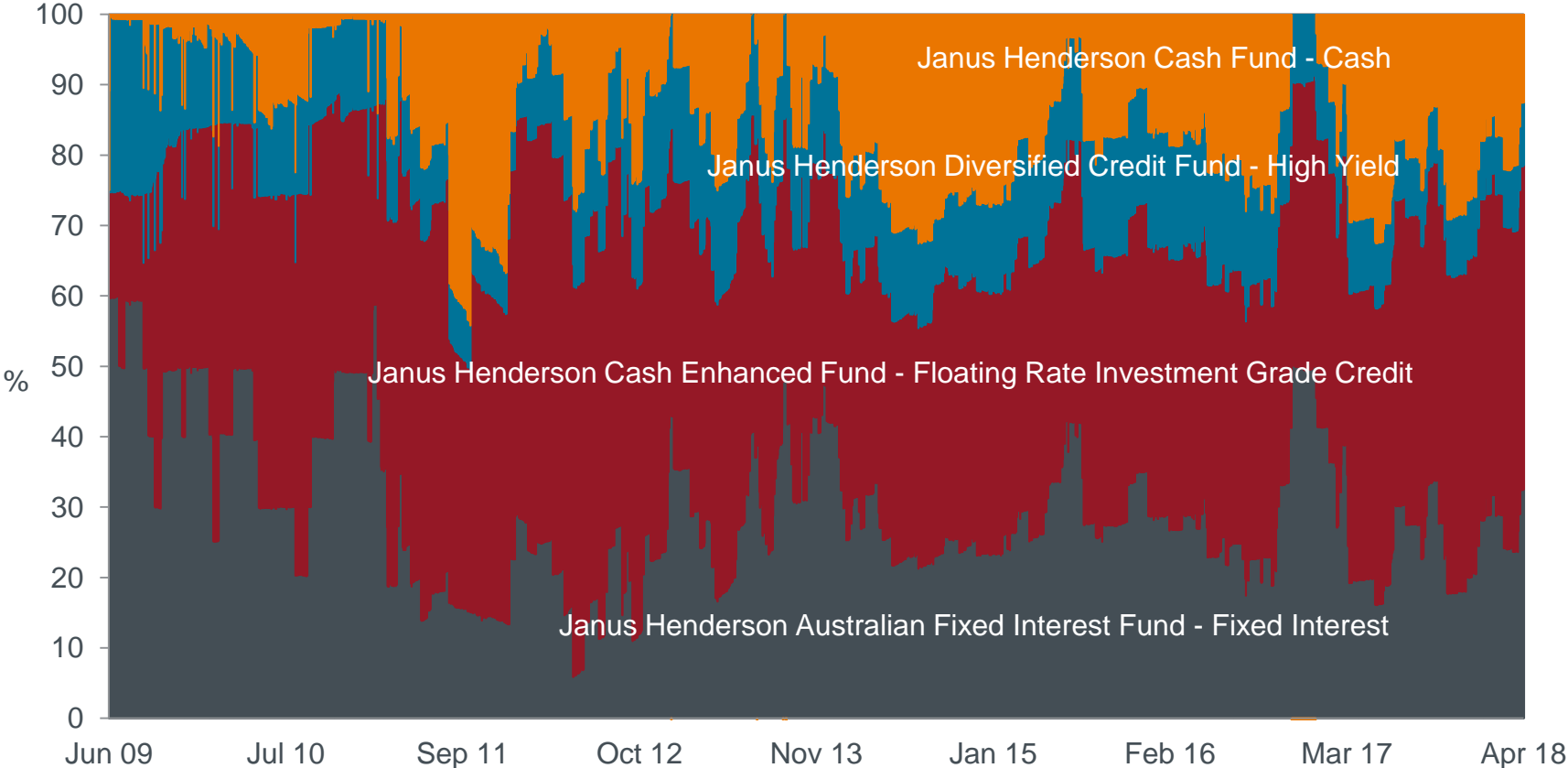
Janus Henderson Tactical Income Fund

Asset allocation

- Defensive
- Absolute return
- Capital preservation focus
- Active asset allocation

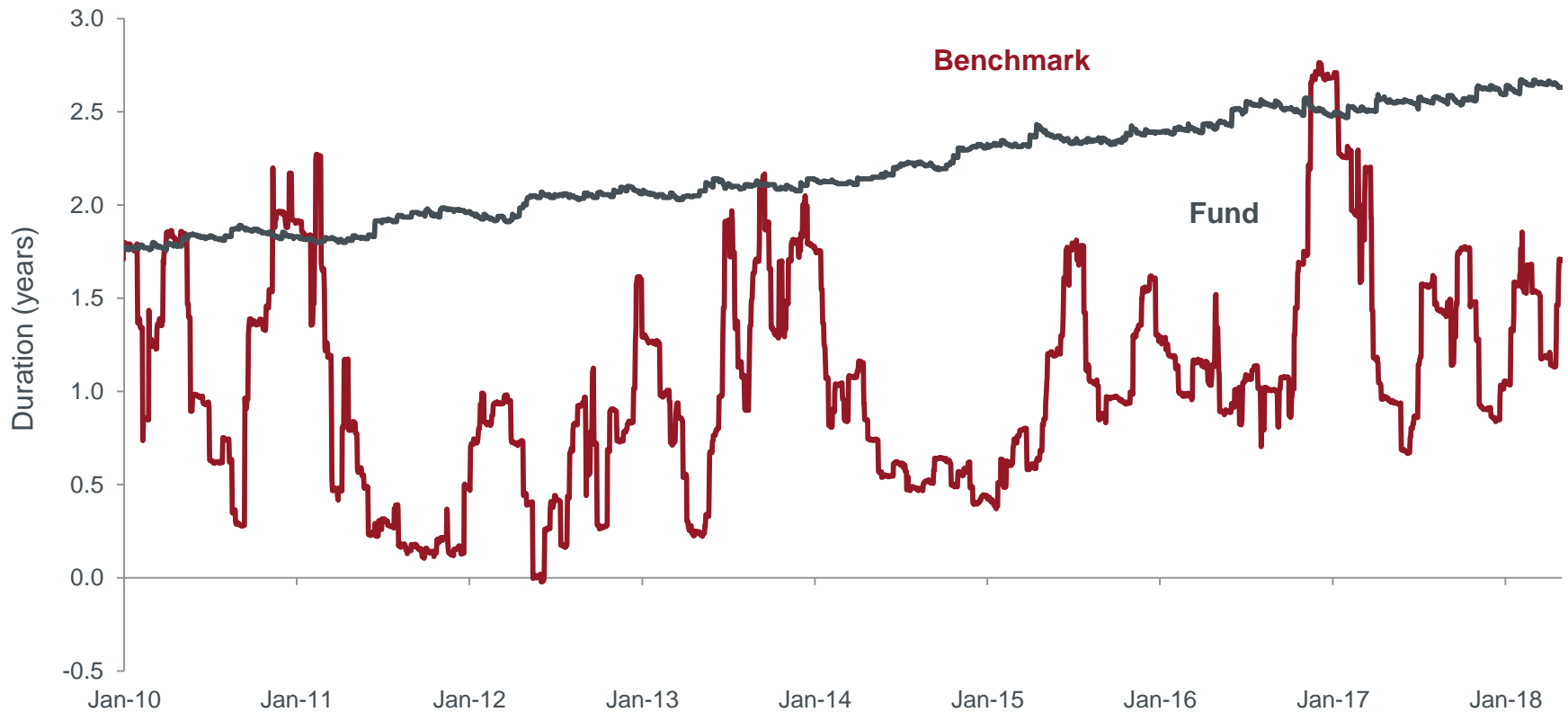


Fund asset allocation



Source: Janus Henderson Investors, as at 30 April 2018
 Note: * As at 29 September 2017, the Janus Henderson Income Focused Fund has been enhanced to provide the investment teams with the ability to invest in global assets, as such the Fund changed its name, objective, asset allocation, benchmark and buy/sell spread; please refer to the Product Disclosure Statement dated 29 September 2017 for further details which available at www.janushenderson.com/australia

Fund interest rate risk



Source: Janus Henderson Investors, as at 30 April 2018

Fund: Janus Henderson Tactical Income Fund

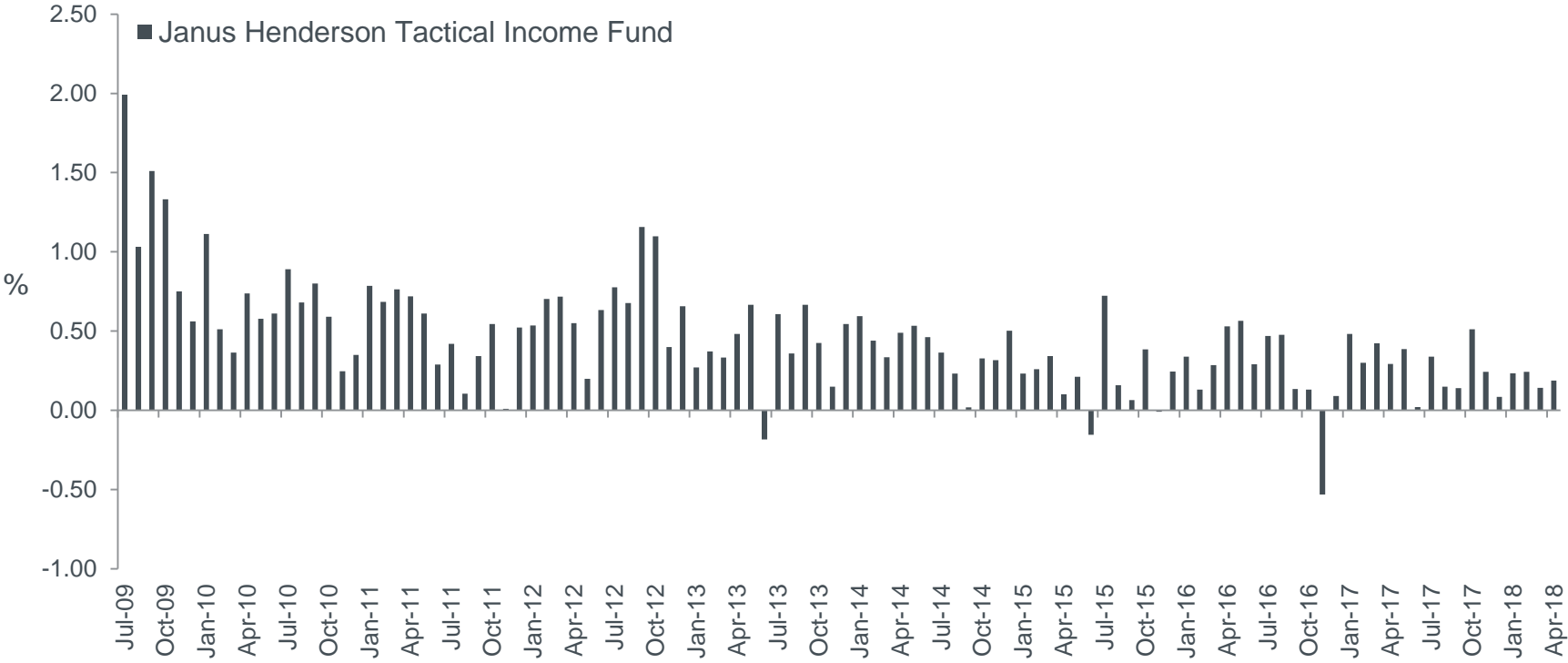
Index: Bloomberg AusBond Bank Bill Index and Bloomberg AusBond Composite 0+ Yr Index (equally weighted)

Note: Past performance is not a reliable indicator of future performance

Monthly return

Janus Henderson Tactical Income Fund

Monthly net performance

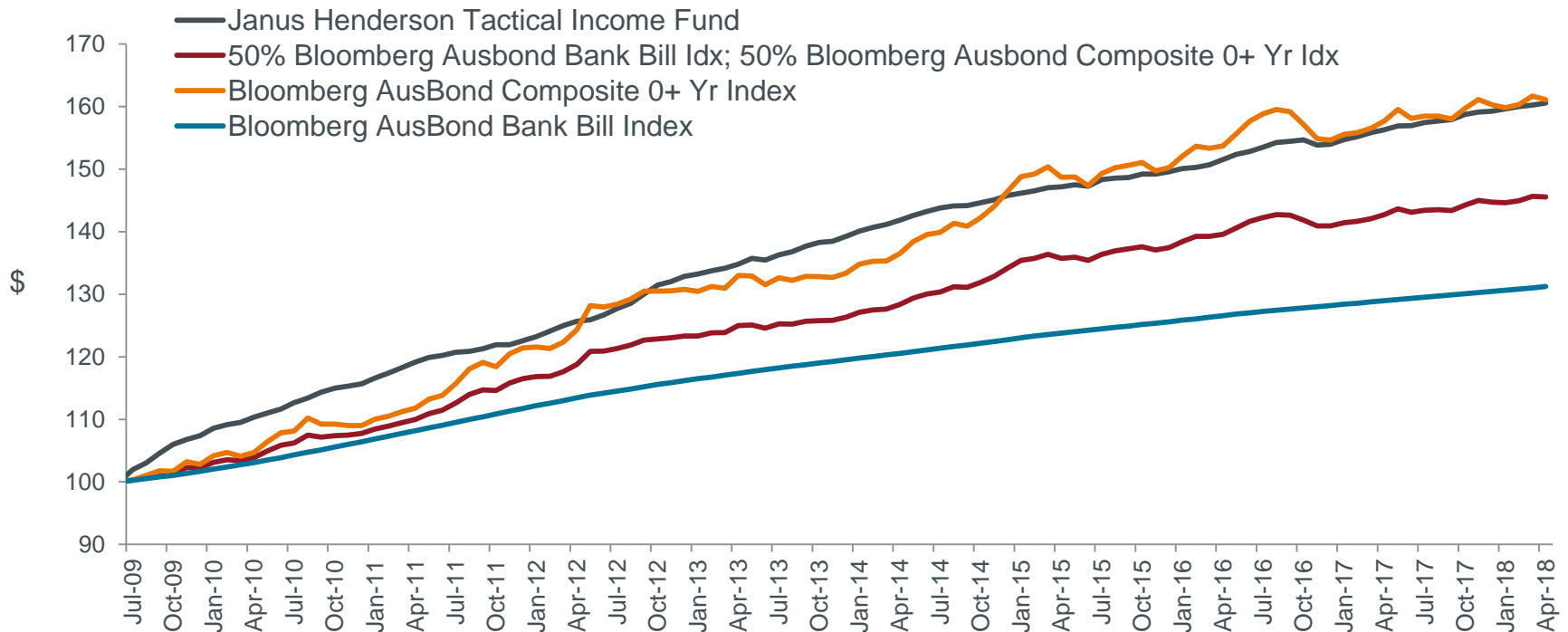


Source: Janus Henderson Investors, as at 30 April 2018
 Note: Inception date is 30 June 2009
 Performance shown is net of fees
 Past performance is not a reliable indicator of future performance

Tactical Income versus AFI benchmark

Janus Henderson Tactical Income Fund

Net cumulative performance



Source: Janus Henderson Investors, as at 30 April 2018

Note: Inception date is 30 June 2009

Performance shown is net of fees

Past performance is not a reliable indicator of future performance

Performance

Janus Henderson Tactical Income Fund

Period to: 30 April 2018	1 month (%)	3 months (%)	6 months (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	Since inception (% p.a.)
Gross performance	0.23	0.69	1.37	3.18	3.41	4.02	5.98
Net performance	0.19	0.58	1.14	2.72	2.94	3.56	5.51
50% Bloomberg Composite Bond Index / 50% Bloomberg Bank Bill Index	-0.09	0.61	0.88	1.97	2.35	3.09	4.34
Excess returns (net)	0.28	-0.03	0.26	0.75	0.59	0.47	1.17

Source: Janus Henderson Investors

Note: Inception date is 30 June 2009

Past performance is not a reliable indicator of future performance