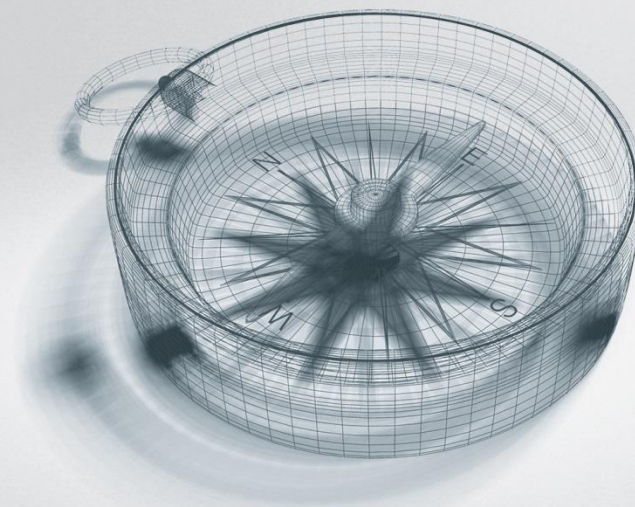


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I'll huff and I'll puff and I'll blow your house in!

May 2019

Tom Kelly
Sales Director



Janus Henderson Investors (Australia) Institutional Funds Management Limited

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Important information

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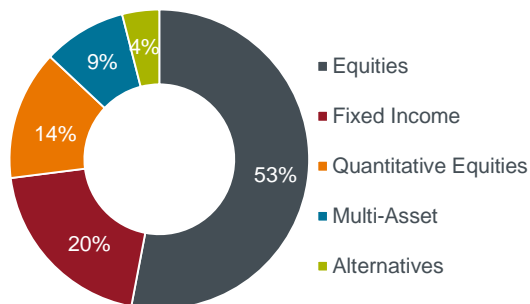
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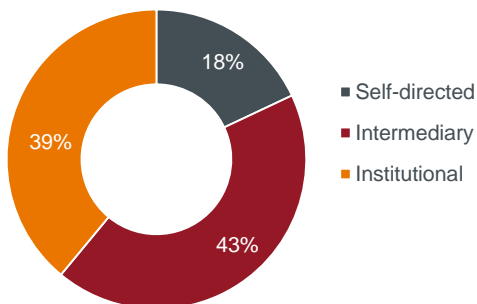
Janus Henderson Investors

Business Overview

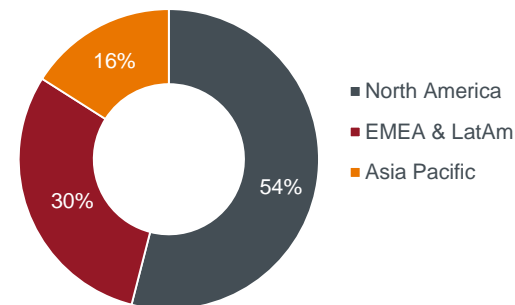
AUM by capability



AUM by client type



AUM by client location



Key statistics

A\$502.9bn

Assets under management



More than
2,000
Employees worldwide



28
Offices worldwide



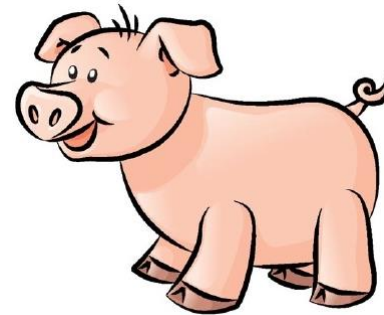
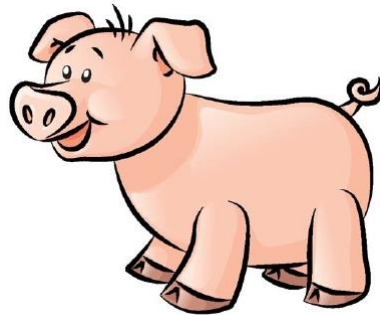
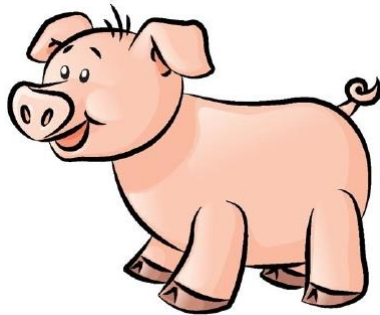
10
Fund manager average years at firm



21
Fund manager average years' financial industry experience

Source: Janus Henderson Investors as at 31 March 2019. AUM excludes Exchange-Traded Note ("ETN") assets.

The Three Little Pigs



Source: www.clipart-library.com

The Three Little Pigs of the Australian Economy

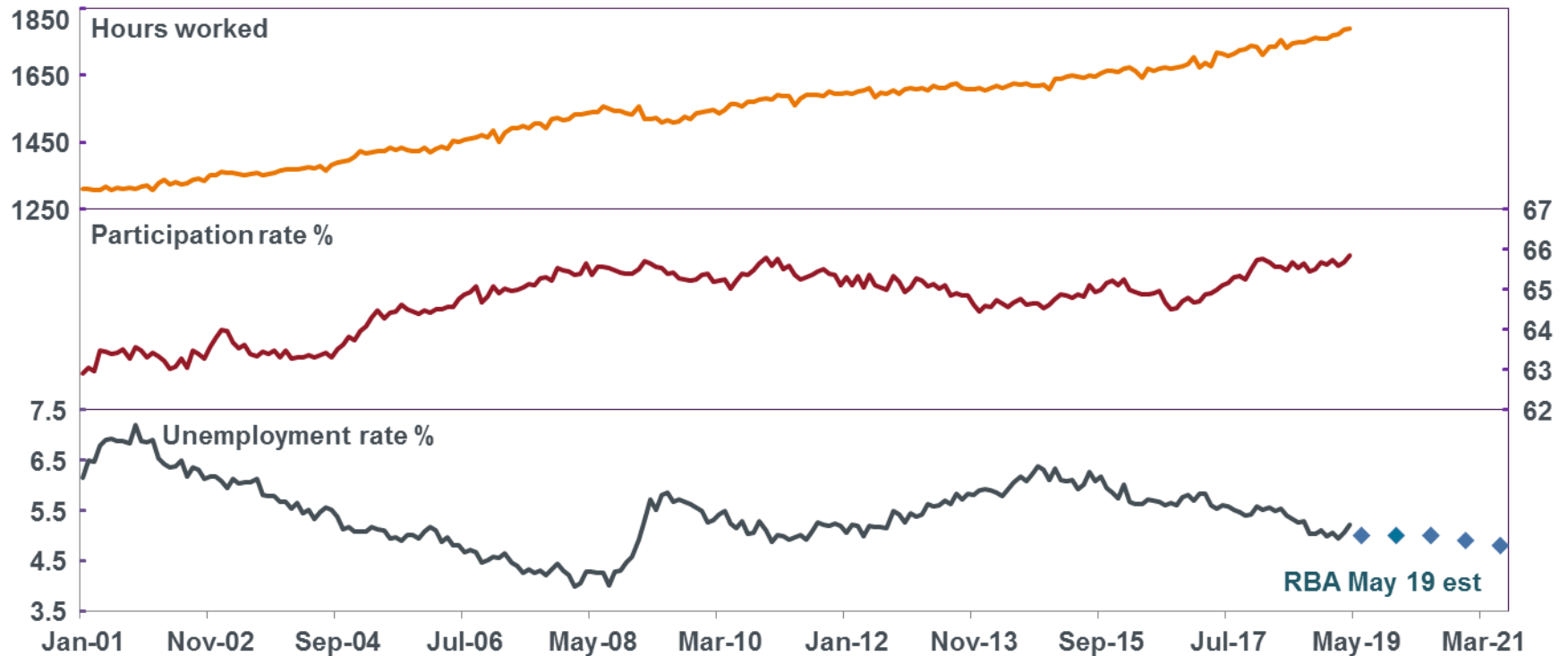
Pig #1 Employment



Labour market remains solid

Participation rate climbs to cyclical high, unemployment rate lifts

Labour force trends

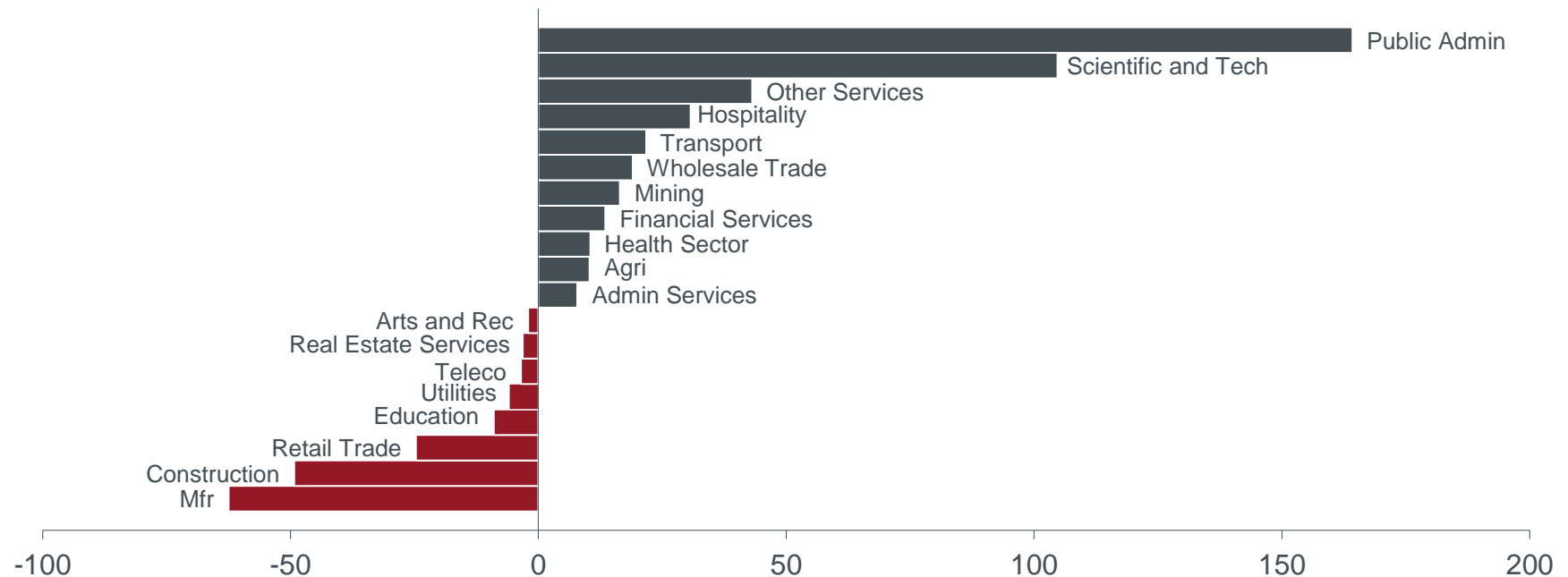


Source: ABS, RBA May 19 Statement of Monetary Policy, Janus Henderson Investors, data to April 2019

Where has the jobs growth been?

Service and public sector gains more than offsetting construction drag

Changes in employment between February 2018 and February 2019 (in '000s)



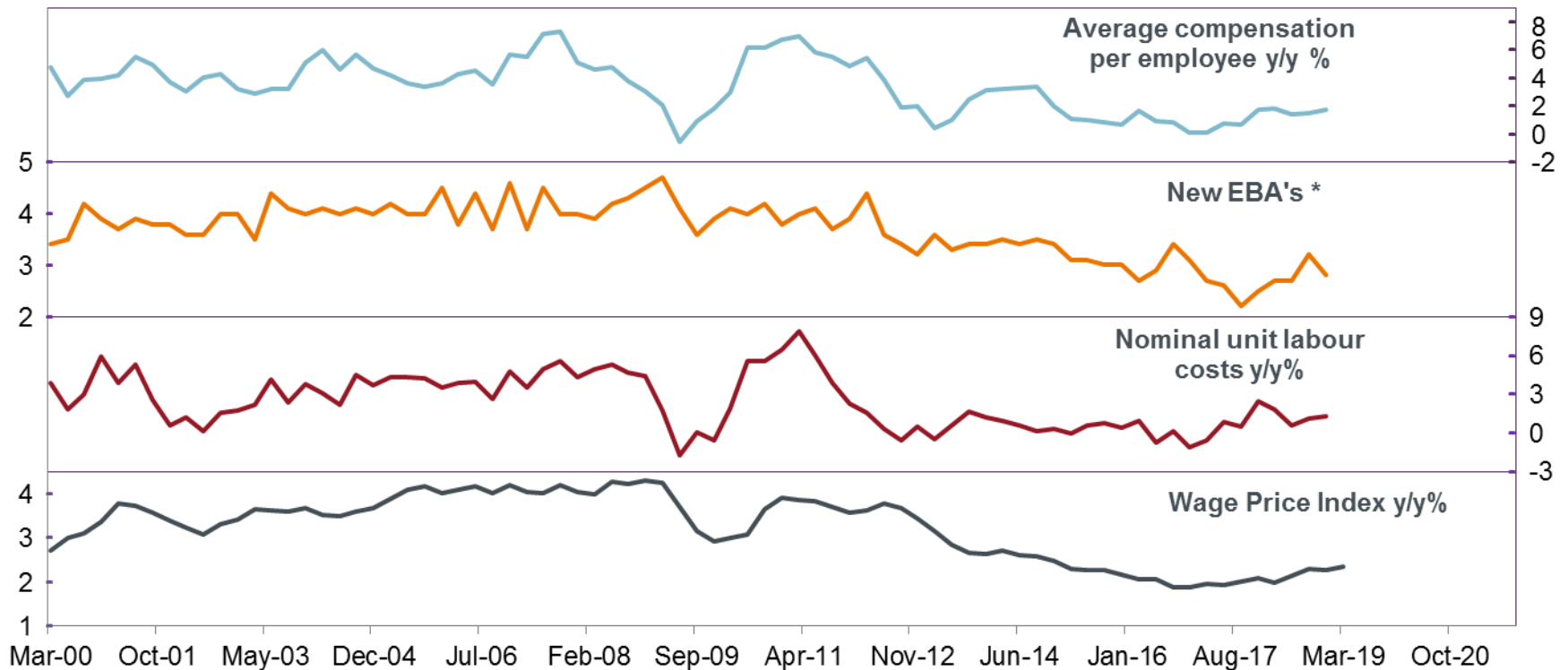
- Total employment growth over the year to February 19 was 2.3%, a gain of around 284,915 jobs.

Source: Janus Henderson Investors, ABS

Wages beginning to show glacial improvement

New private sector EBA's* lift by 3% in Q3 and Q4, public sector eases

Labour market indicators

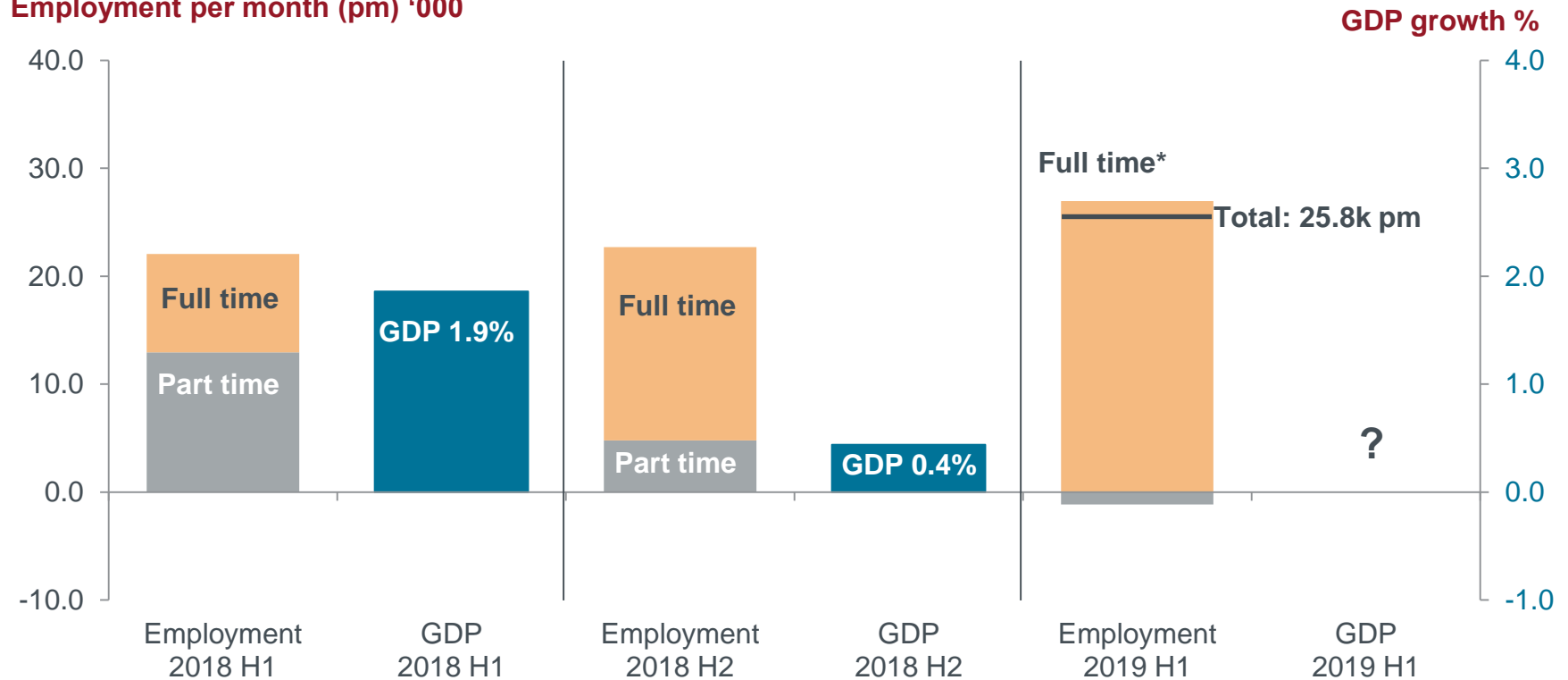


Source: Janus Henderson Investors, ABS, * New EBA's from 'Trends in Federal Enterprise Bargaining Report: December quarter 2018 and expressed as the average annualised wage increase for agreements approved in the quarter. All data to December quarter 2018 except for Wage Price Index which is to March 2019.

Jekyll or Hyde?

RBA patiently waiting for jobs/output resolution

Employment per month (pm) '000

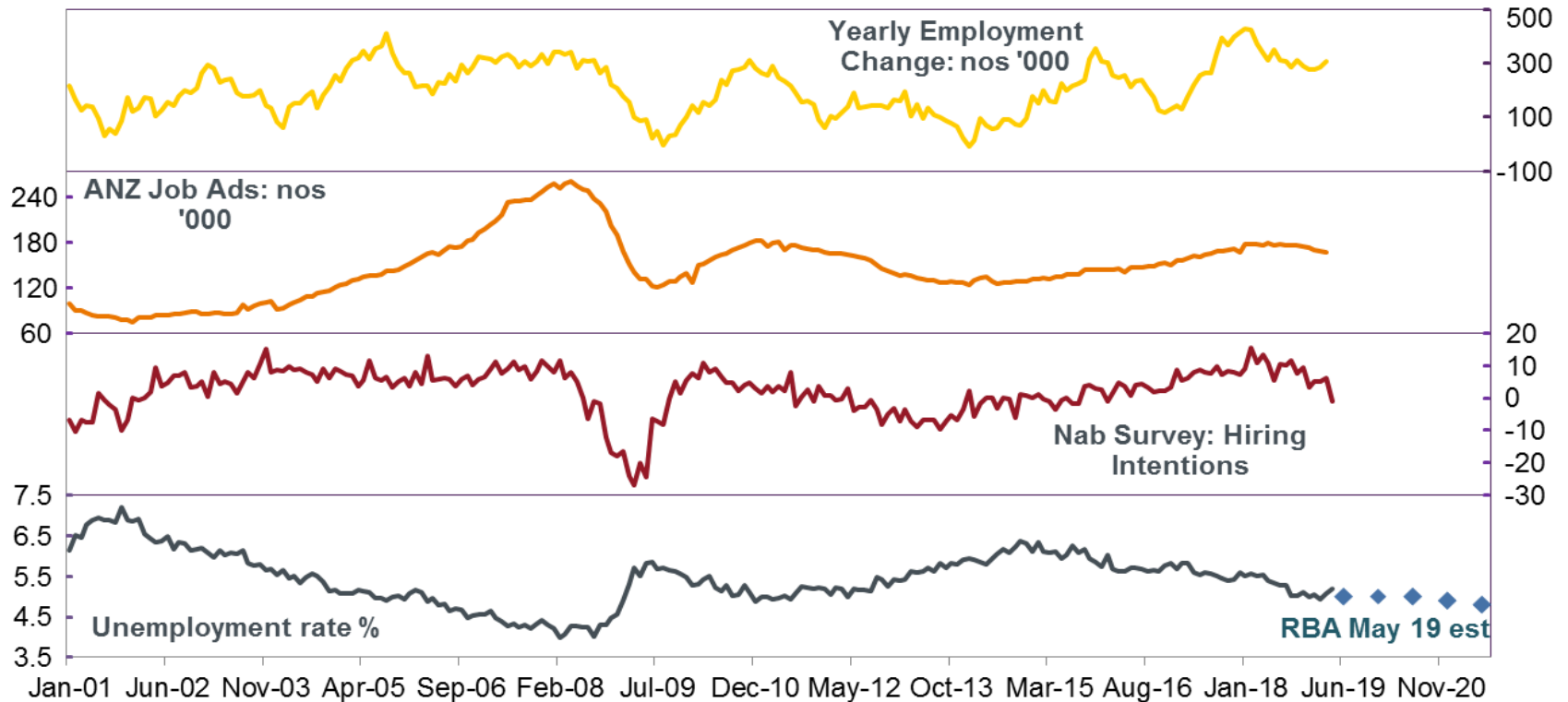


Source: Janus Henderson Investors, ABS, * monthly average to April 2019

Labour demand showing signs of cooling

Nab Survey points to jobs gains of ~14,000 per month

Labour force trends



Source: ABS, RBA May19 Statement of Monetary Policy, Janus Henderson Investors, data to latest available

Pig #2

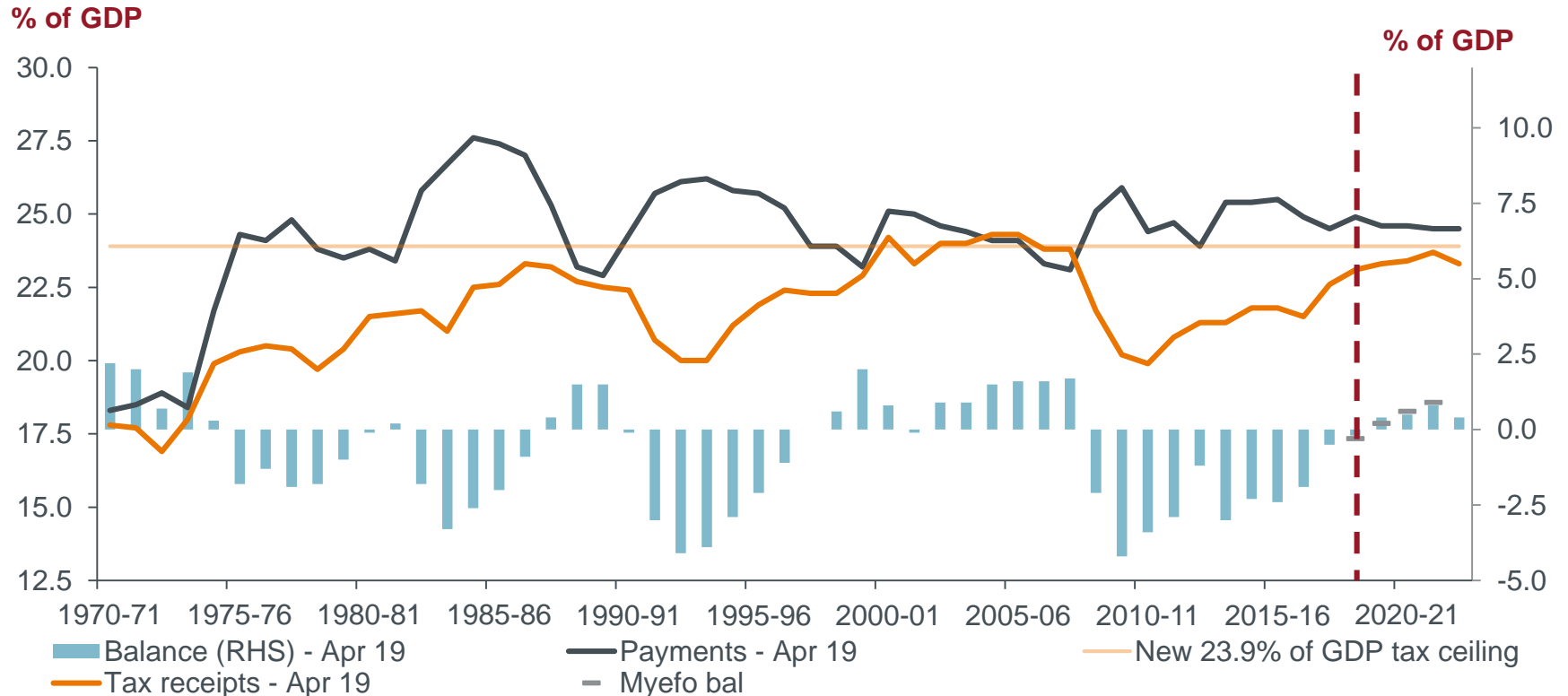
Fiscal Policy



Source: "Brawling Legislators in South Korea", www.content.time.com, 22 July 2009

Budget back in black

Revenues helped by higher commodity prices and stronger wages

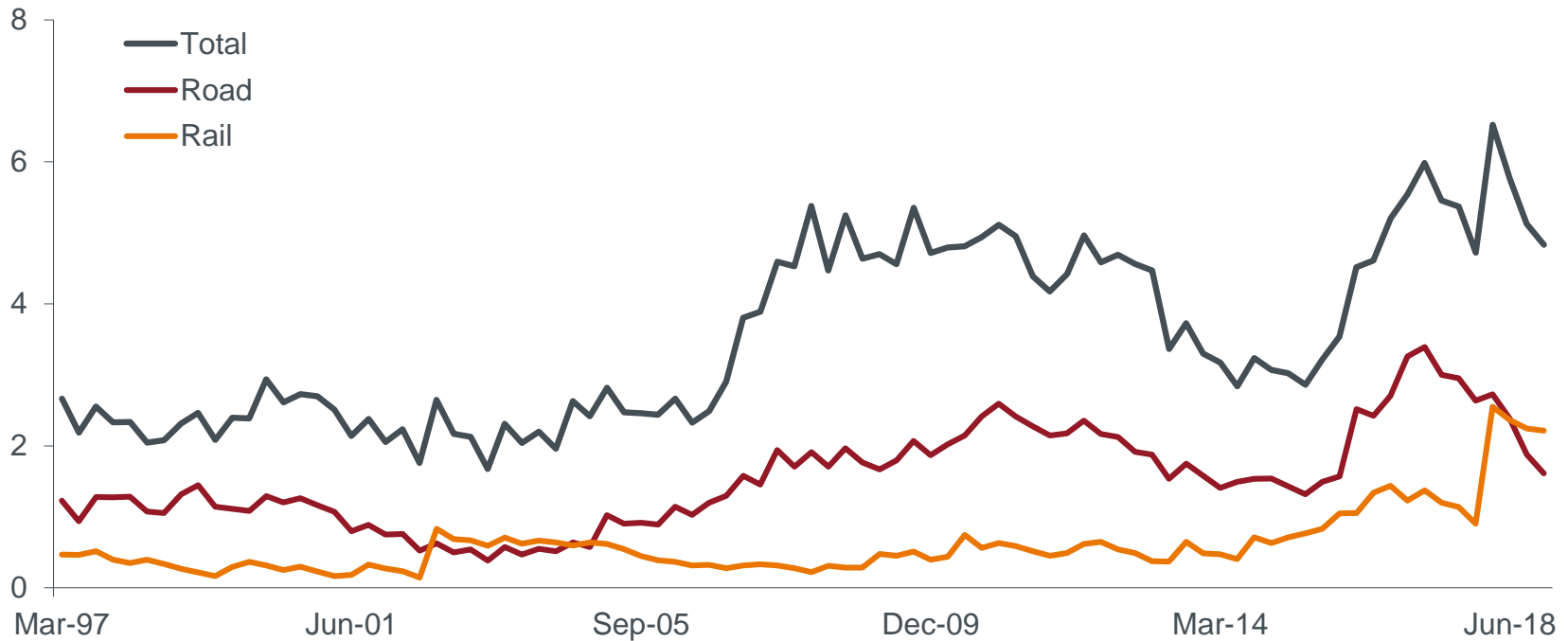


Source: Janus Henderson Investors, Australian Government Budget Papers

Public sector infrastructure pipeline

Still a decent pipeline likely to be added to in an election year

**Work yet to be done for the public sector:
% of original nominal GDP**



Source: Janus Henderson Investors, ABS, quarterly data, end point December 2018

Pig #3

The RBA

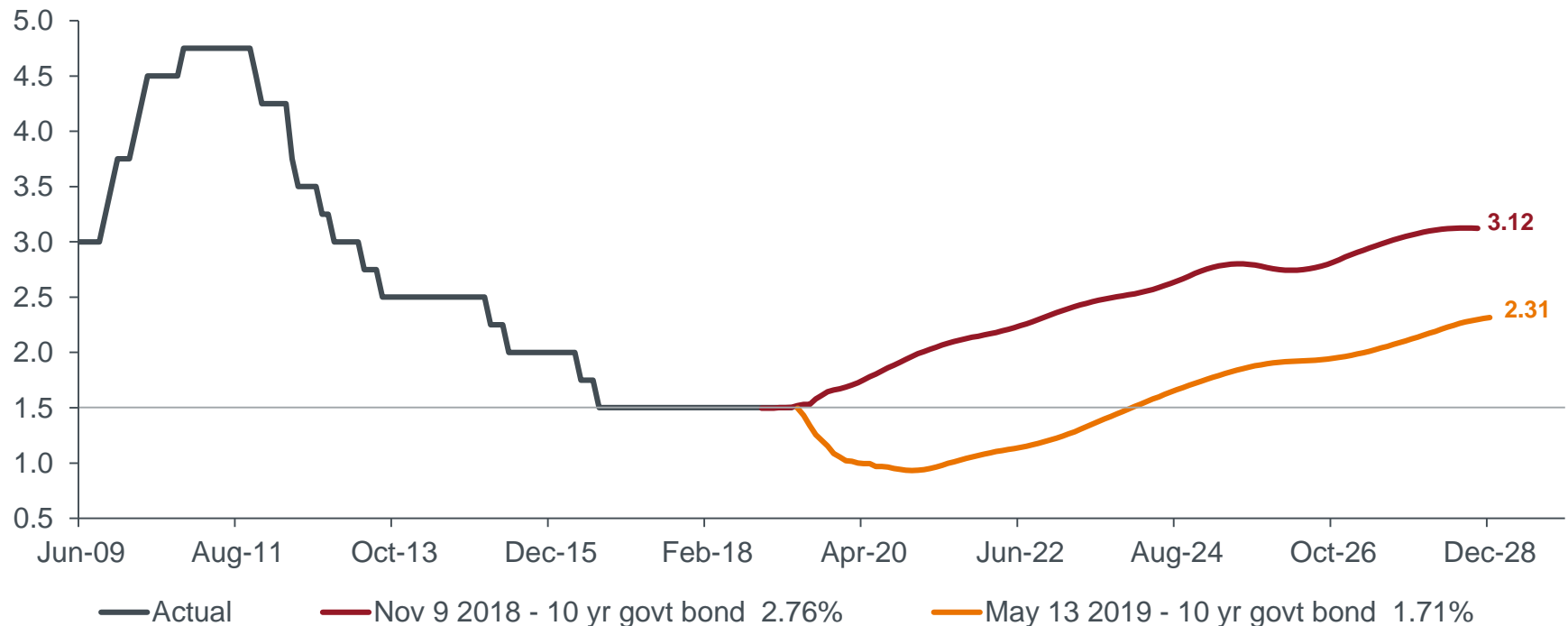


Source: "RBA not full of inflation nutters, says new governor Philip Lowe", www.theaustralian.com.au, 22 September 2016

A flexible RBA

Low inflation and upward trending unemployment rate needed for cut

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

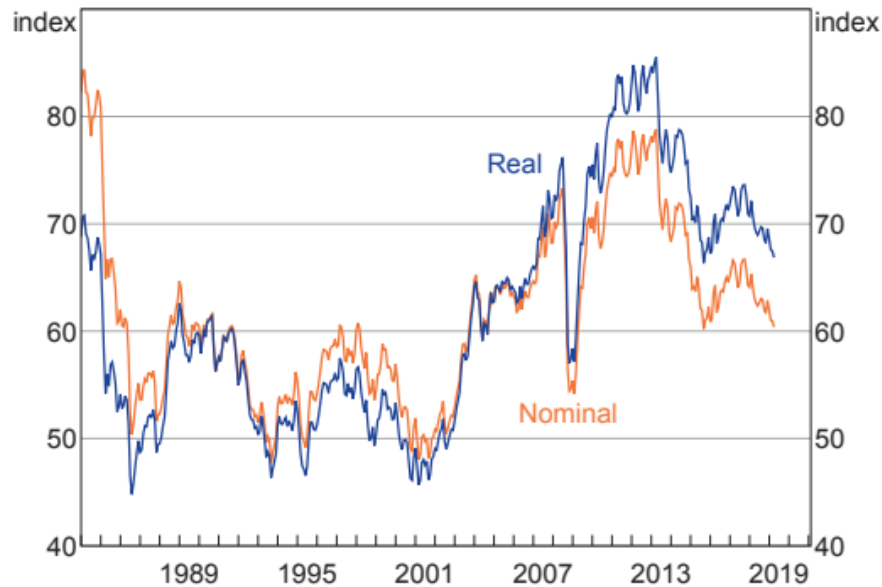


Source: Janus Henderson Investors, Bloomberg

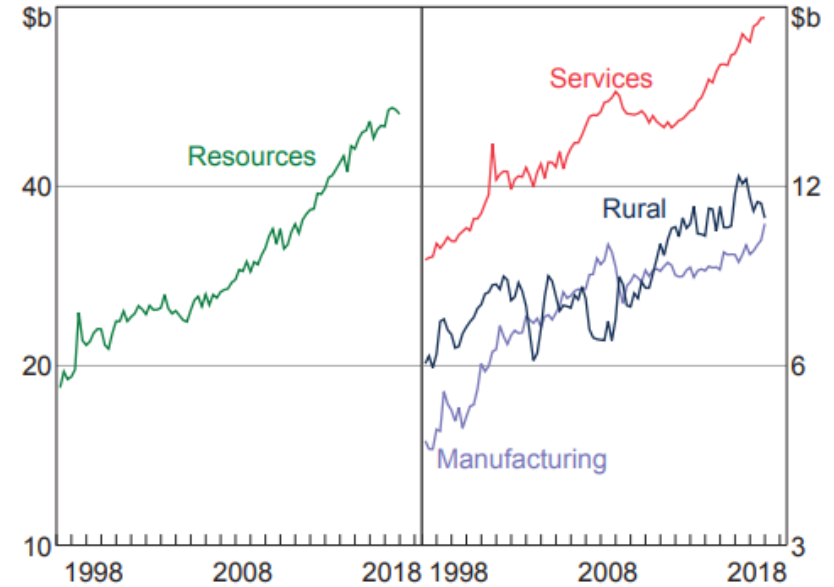
Easy monetary conditions supportive

A lower exchange rate plus offshore stimulus helping our exports

Australian Dollar Trade-weighted Index



Export Volumes: real, log scale



Source: RBA: The Australian Economy and Financial Markets – April 2019

The Big Bad Wolf

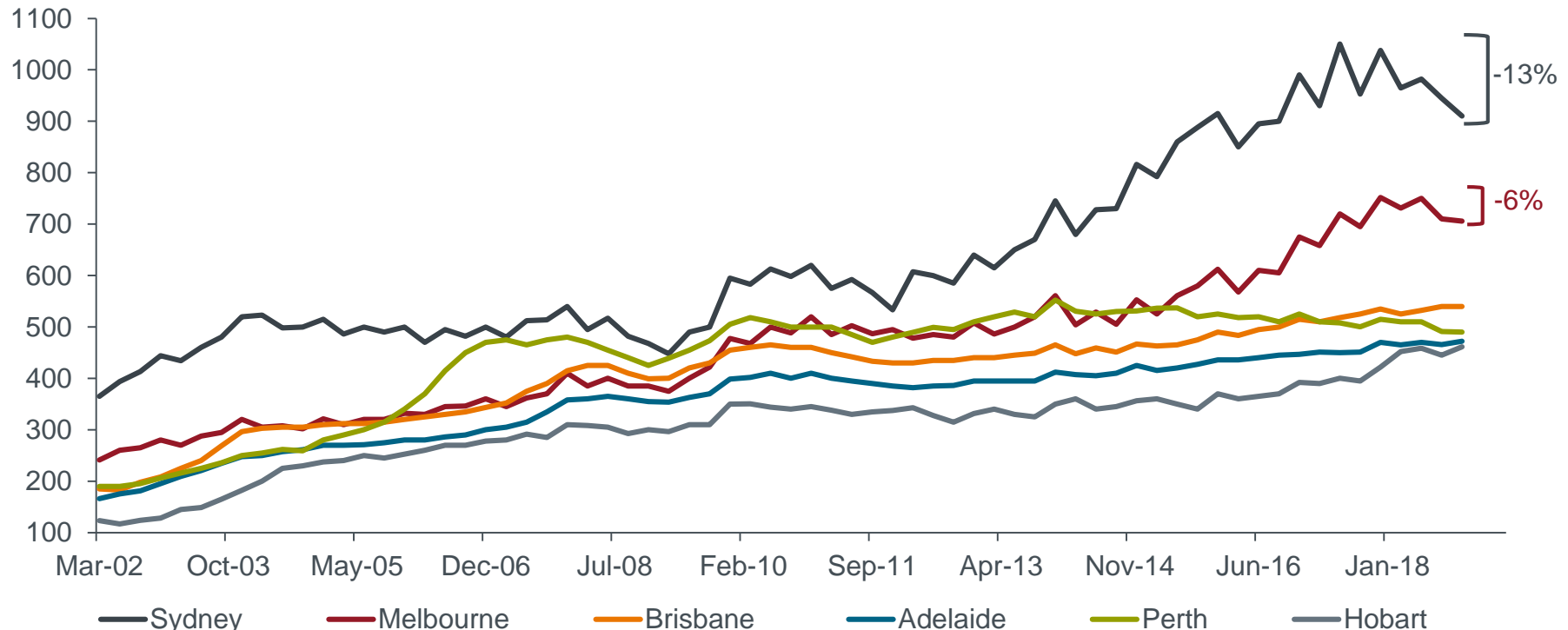


Source: www.pixabay.com, royalty free image

Know your wolf: The negative wealth effects wolf

Increased supply a key factor in pushing house prices lower

Median Price of Capital City Established House (unstratified) Transfers '000s

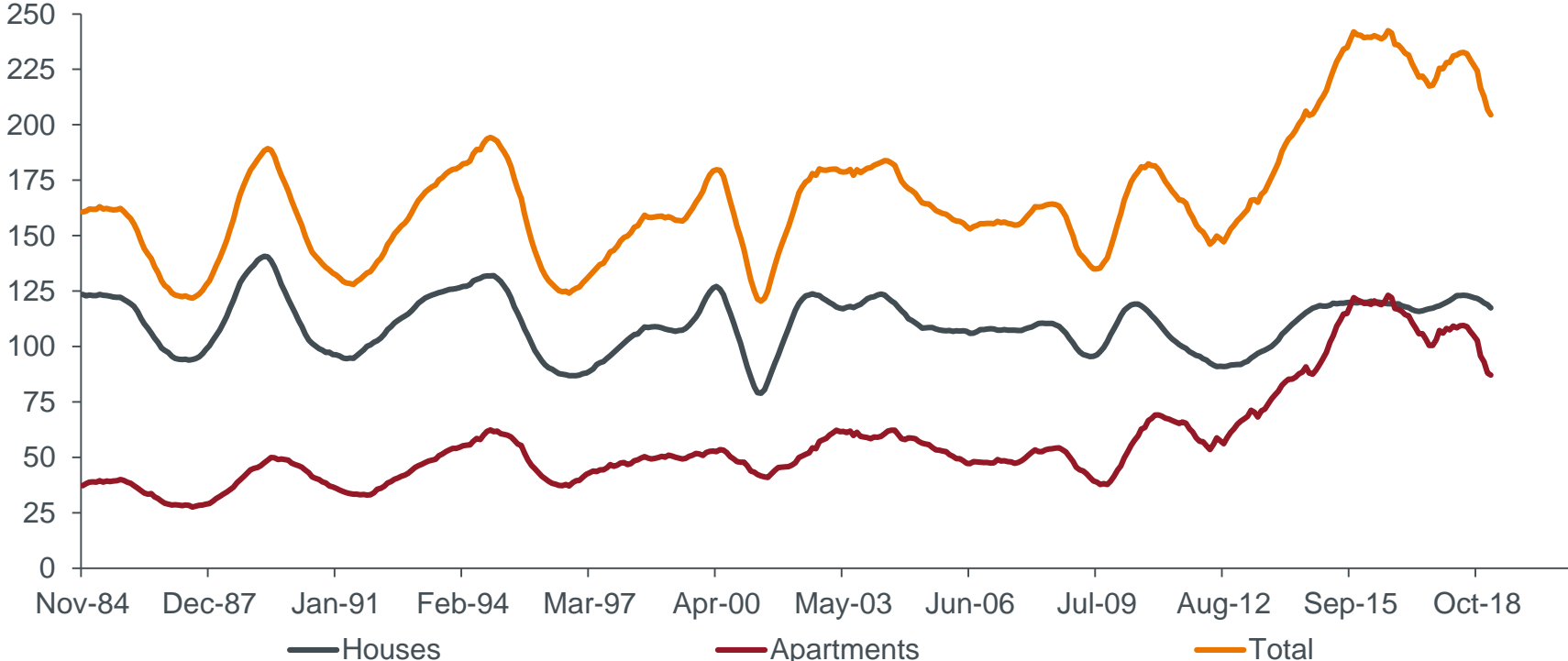


Source: Janus Henderson Investors, ABS, end point December 2018

Housing sector peaks and set to retrench

RBA estimate dwelling investment will fall 10% over next 2.5 years*

12m rolling numbers of approvals '000s

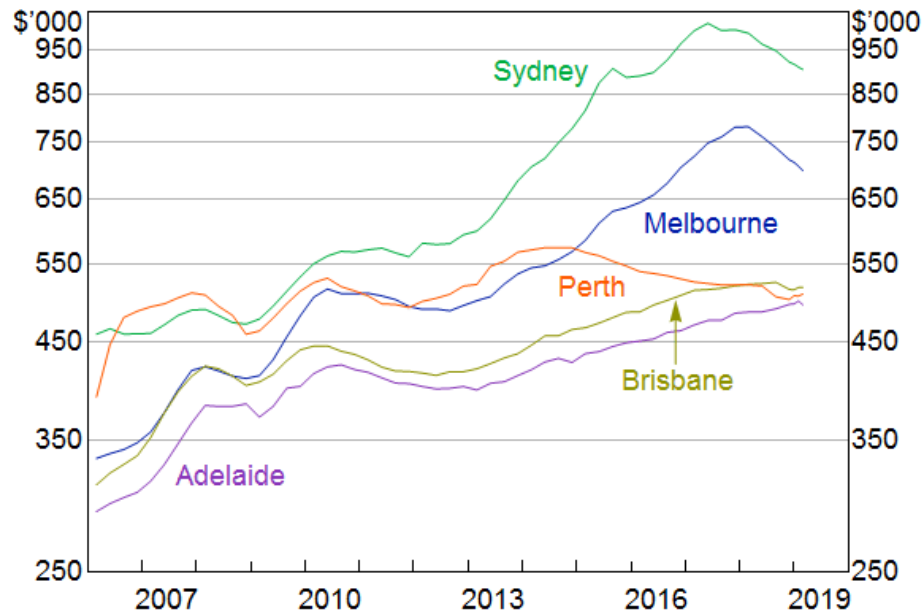


Source: Janus Henderson Investors, ABS, end point February 20198, *RBA estimate from "The Year Ahead", Philip Lowe, 6 February 2019

A unique peak in house prices

Melbourne, Sydney prices fall, still ~75% up over a decade

Median Housing Prices: log scale



RBA view on house price fall drivers

- Melbourne/Sydney just got too expensive
- Building boom added to supply that closed underbuilding gap
- Fall in overseas demand
- Tighter lending standards

What's unusual about this cycle

- Unemployment rate falling
- Mortgage rates low

Economic implications

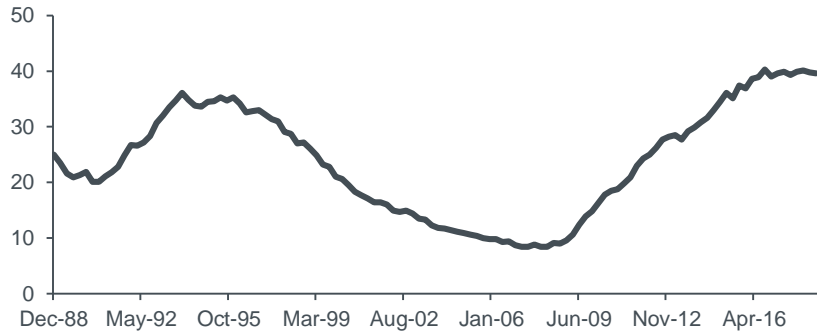
- “looks to be manageable adjustment”
- “not expected to derail economic growth”
- Dwelling investment down 10% over next 2.5 years in RBA's view

Source: Janus Henderson Investors, Reserve Bank Of Australia: “The Year Ahead”, Philip Lowe, 6 February 2019 and “The State of the Economy”, Guy Debelle, 10 April 2019

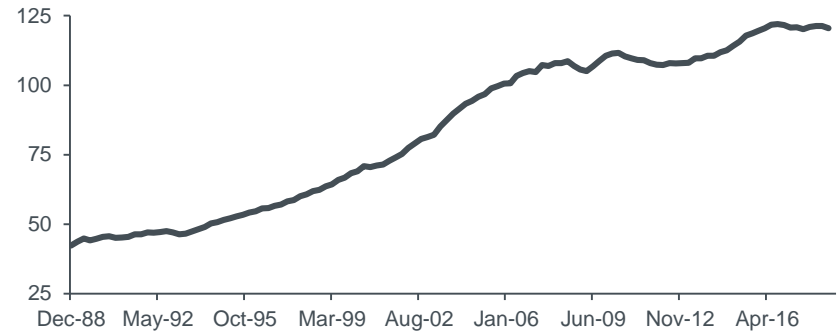
Know your wolf: consumer deleveraging

Household sector debt levels easing back, corporate sector lifting

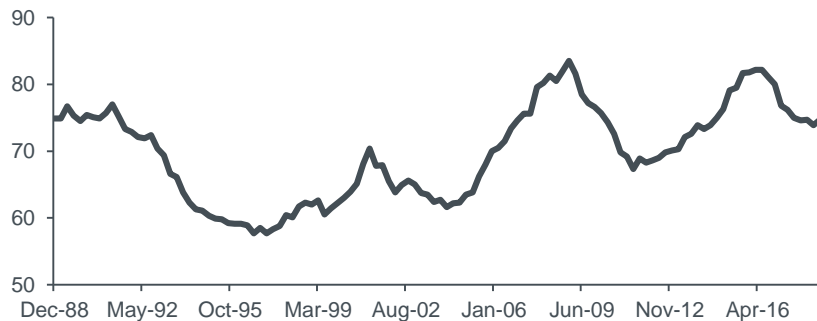
General Government Debt: % of GDP



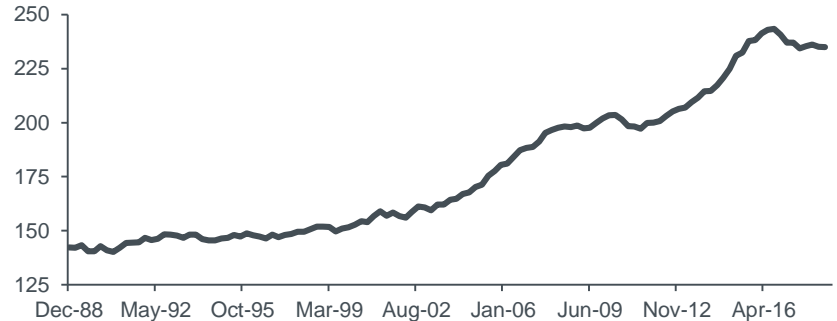
Household Debt: % of GDP



Non Financial Corporate Sector Debt: % of GDP*



Total Non Financial Sector Debt: % of GDP

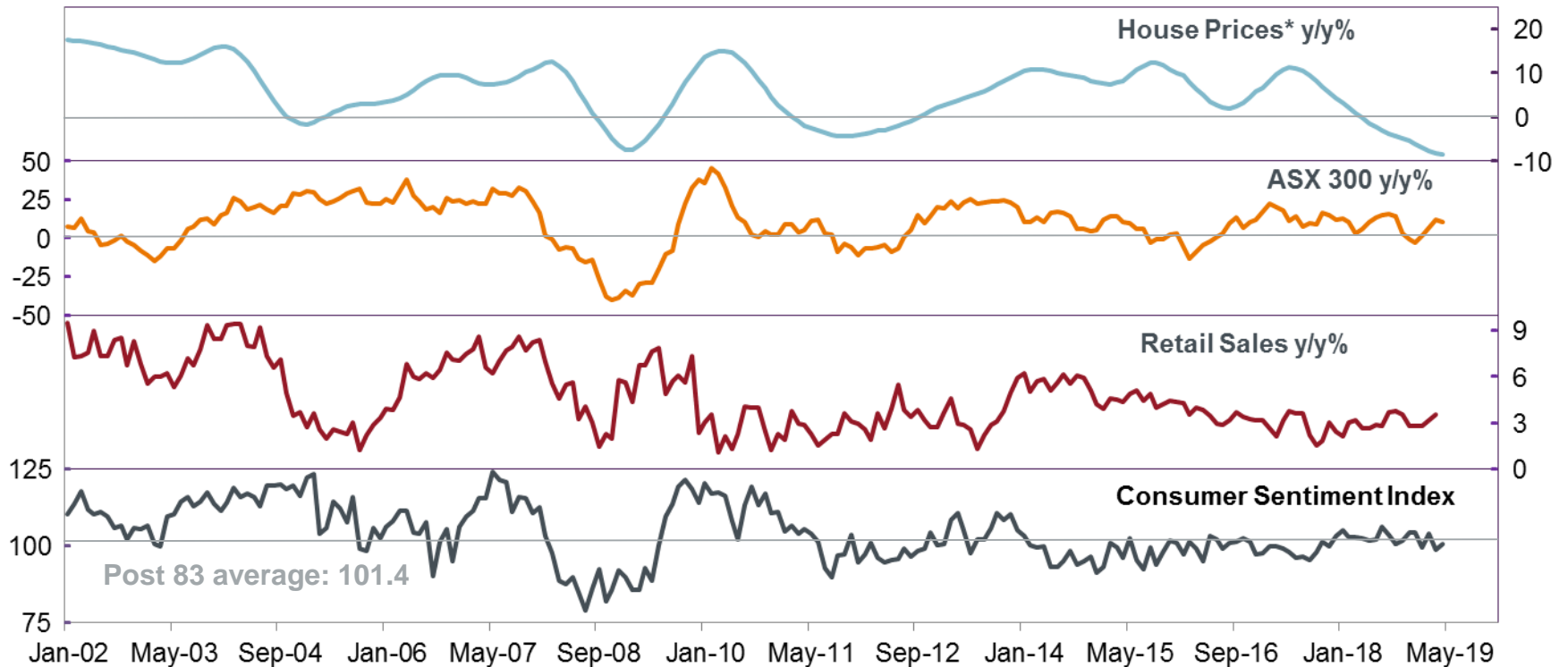


Source: BIS
Note: * Data to Q3 2018

Consumer steadies

Mixed wealth effects, consumption moderate and not debt fuelled

Consumer spending and wealth effects

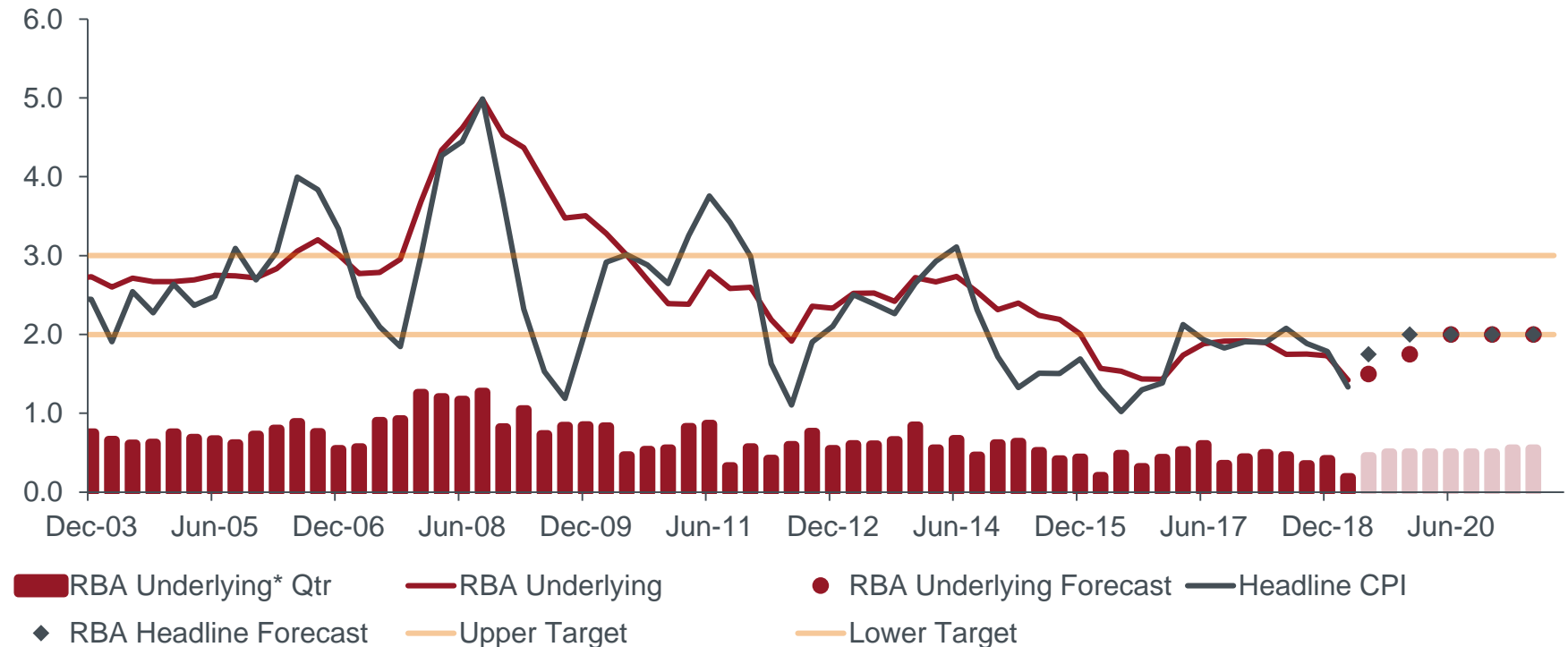


Source: Janus Henderson Investors, Bloomberg, ABS, all series to April 2019 except for retail sales which is to March 2019, consumer sentiment to April 2019

Know your wolf: The lack of pricing power wolf

Rebound in fuel sees headline reach a 2% rate before core measures

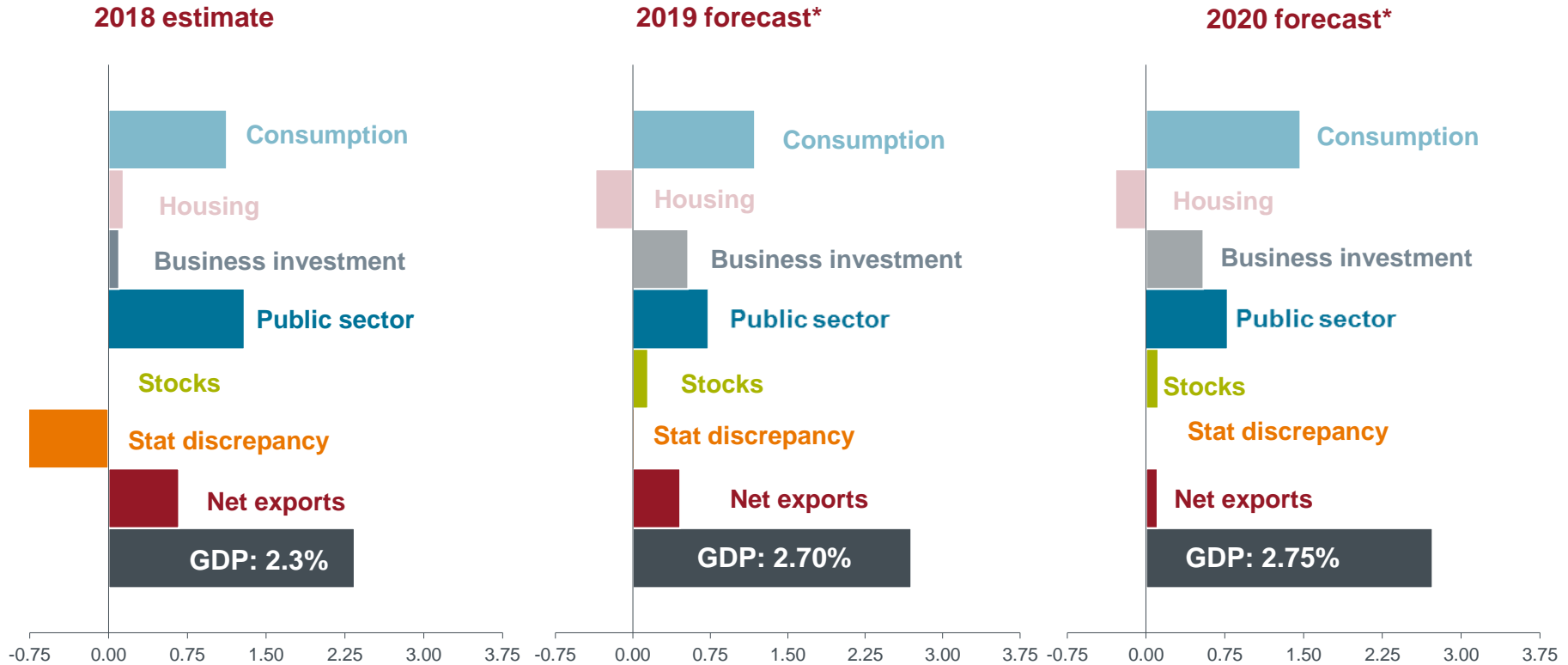
Inflation trends %



Source: RBA May 2019 Monetary Policy Statement
Note: * Underlying = average of statistical measures

Economy to muddle through with policy help

The consumption outlook remains a key source of uncertainty



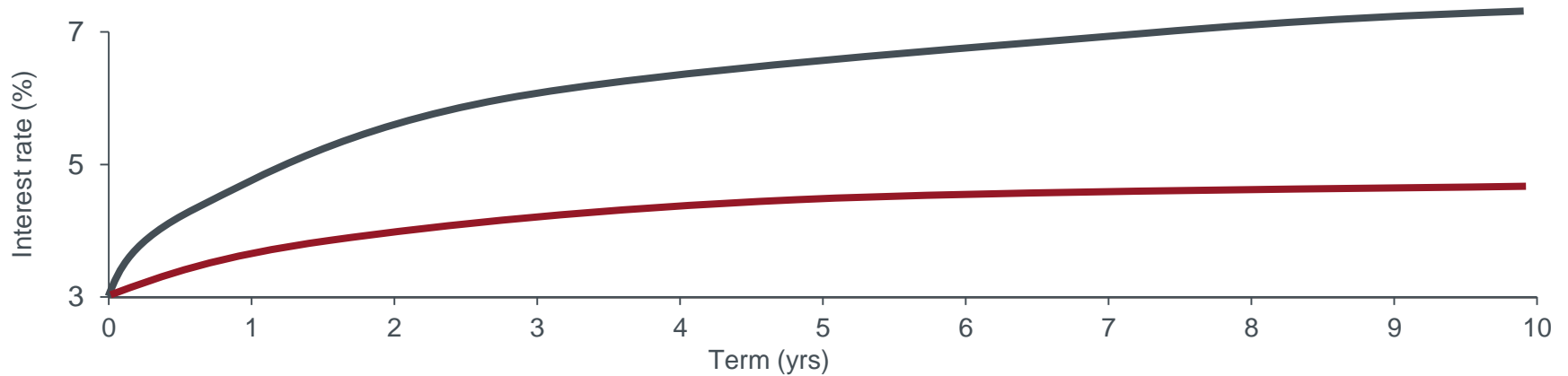
Source: ABS, last actual December quarter 2018

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

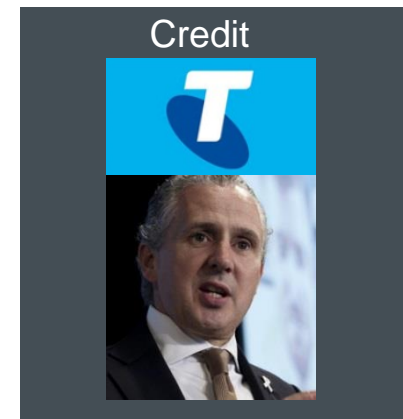
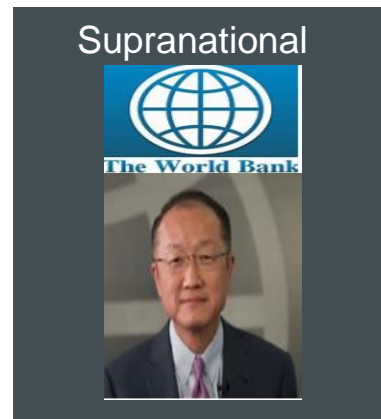
Fixed Interest Portfolio Considerations

Key decisions

How long?



Who?



Australian fixed interest as ‘portfolio insurance’

Australian fixed interest performs when risk is off

Period % return	Shares	Bonds	High Yield
May 1981 to Mar 1982	-32.8	1.2	na
Dec 1983 to May 1984	-14.1	3.3	na
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
Aug 2018 to Dec 2018	-9.9	1.8	-4.1
Event averages	-21.2	6.0	-5.0

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

Strategy

Credit overview



Credit to outperform via carry.

Tighter spreads still offer carry opportunities, however remain prone to weaker risk sentiment

Macro Environment

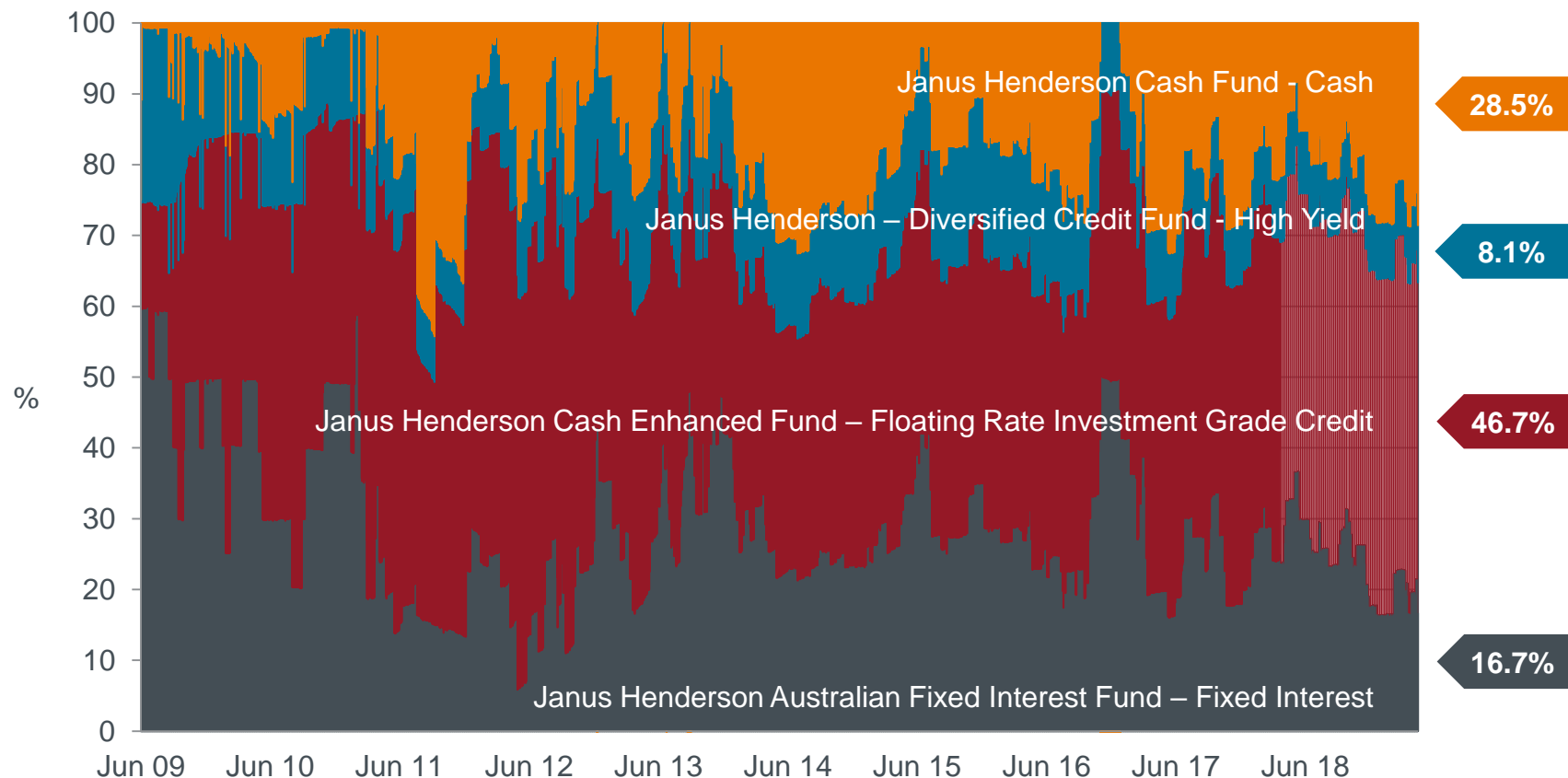
Market Dynamics

Corporate Health

Valuations

Source: Janus Henderson Investors. As at 31 March 2019

Asset allocation – Tactical Income Fund



Source: Janus Henderson Investors, as at 30 April 2019

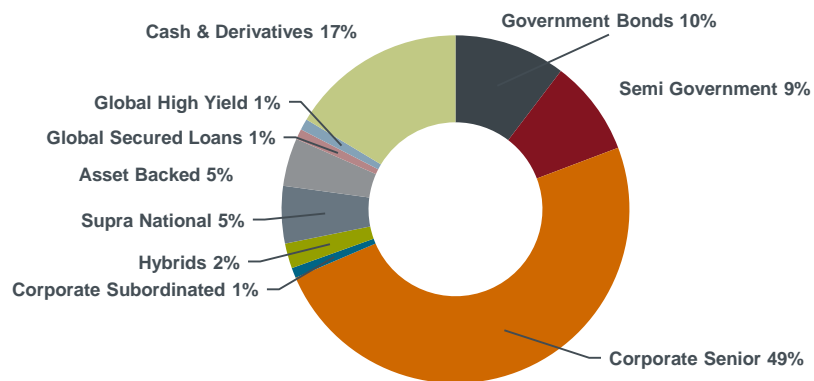
Note: * As at 29 September 2017, the Janus Henderson Income Focused Fund has been enhanced to provide the investment teams with the ability to invest in global assets, as such the Fund changed its name, objective, asset allocation, benchmark and buy/sell spread; please refer to the Product Disclosure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

Portfolio snapshot

Janus Henderson Tactical Income Fund

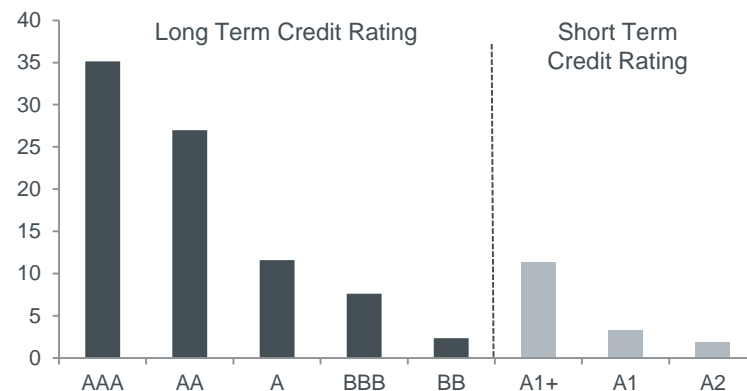
Date:	30 April 2019		
Credit quality:	AA	Portfolio estimated yield to maturity:	2.21%
Portfolio mod duration:	0.66 years	Index estimated yield to maturity:	1.68%
Benchmark mod duration:	2.65 years	Number of securities:	334

Sector allocation



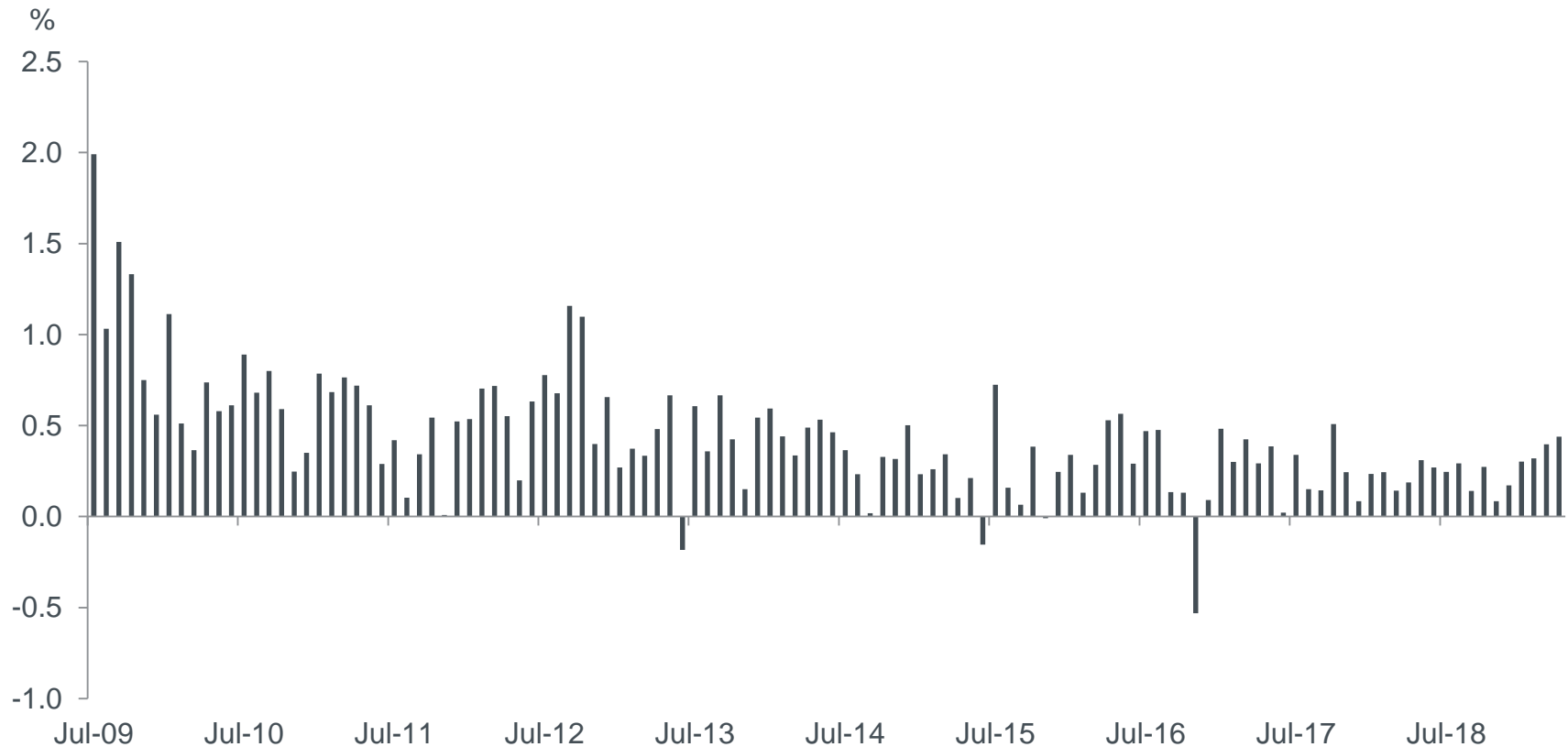
Source: Janus Henderson Investors

Credit rating distribution



Fund monthly returns

Tactical Income Fund - monthly returns (%)



Source: Janus Henderson Investors, as at 30 April 2019. Inception date is 30 June 2009. Performance shown is for the Janus Henderson Tactical Income Fund

Note: Performance shown is net of fees

Past performance is not a reliable indicator of future performance

The Janus Henderson Tactical Income Fund is issued by Janus Henderson Investors (Australia) Funds Management Limited (ABN 43 164 177 244, AFSL 444 268)

Managing markets

Janus Henderson Tactical Income Fund

- Economic growth at an inflection point
- Markets have priced in the low case
- Opportunities exist to earn income safely

Defensive strategies with ample flexibility to manage interest rate risk are best placed to manage disruption.