

# Janus Henderson Multi-Manager Distribution Fund

March 2021

For promotional purposes

## Fund Managers Names

Dean Cheeseman, Nick Watson, CFA, Paul O'Connor

## Macro backdrop

March saw global equities rise 2.7% in US dollar terms and 4.0% in sterling terms. The eurozone led the way, rising 6.6%, as the German DAX Index rose almost 9%. Japanese stocks climbed 4.8%, ahead of the US which was up 3.7%. In contrast, emerging market shares fell 1.5%, dragged down by a 3% decline in Asian companies. Perhaps surprisingly, utilities companies were the strongest performing sector, ahead of consumer staples and industrial stocks. Communications services and technology shares were the biggest laggards, making only small gains. The month was a good one for value style and high dividend paying stocks as previously in favour styles, such as growth and momentum, struggled.

Among sovereign bonds, the US Treasury market stood out as 10-year yields rose 34 basis points (bps), as other major markets were broadly flat. The difference was broadly due to opposing moves in real yields as inflation expectations rose globally. Credit spreads were little changed across most parts of the market over the month. However, weakening exchange rates were a drag on local currency emerging market debt, with the euro and Japanese yen also broadly depreciating. In contrast, the US dollar was stronger against most currencies. Commodity prices were weaker across the board.

The COVID-19 situation continued to be split regionally with the UK and US leading the vaccination rates among major nations. The UK ended the month with over 50% of the population having had a first jab, with the US not far behind on 44%. This contrasted heavily with Europe where inoculation rates remained in the mid-teens. Europe appeared to be paying the price for this with rising infections, alongside countries such as Brazil and India, often related to the spread of new variants of the virus. As a result, several European countries tightened restrictions to bring down the infection rate, further delaying the return to economic normality. Surveys have shown that investor concern has shifted away from the health care situation, but it may yet have a sting in the tail for some regions.

The month saw one of the most heavily anticipated US Federal Reserve (Fed) meetings for some time as investors remain on tenterhooks for the first indications of when ultra-loose monetary policy maybe unwound. Ultimately, there was limited new information for markets to digest. Some at the Fed raised their expectations for interest rates in the near term, but the economic forecasts remained more muted than some had expected and there was no overall shift in tone. With a new desire to keeping interest rates low until inflation lifts to above the 2% target, investors are still awaiting greater evidence to calibrate what is known as the Fed's 'reaction function.' Markets will likely to remain very sensitive to any indications of when the Fed will taper purchases of US Treasuries as we move through a summer that promises very strong economic data.

The rise in US real yields over the month had repercussions across markets. Better inflation-adjusted returns helped to underpin the US dollar after a prolonged period of weakness. The greenback is not just another currency and its strength had ramifications for commodities prices and emerging market stocks. In addition, the rise in US real yields damaged a key support for the high level of valuations seen in some equity markets, particularly those with heavy allocations to technology-related stocks, such the NASDAQ Index and emerging Asia.

## Fund performance and activity

The fund returned 1.5% in March, outperforming the IA Mixed Investment 20-60% Shares sector which returned 1.3%.

Our allocations to UK equities provided the strongest contributions over the month. Key holdings included the Jupiter UK Special Situations Fund and the Trojan Income Fund, up 8.5% and 4.1% respectively, and both outperforming the broader market returns. Other notable individual contributions were generated through our holdings in the iShares S&P US Banks ETF (up 6.5%), the Invesco European Equity Income Fund (up 5.8%), the Schroder Asian Income Fund (up 2.3%) and the AXA US Short Duration High Yield Fund (up 0.3%). The detractors were positions in the Principal Finisterre Unconstrained Emerging Markets Fund (down 1.0%) and the Janus Henderson Emerging Markets Opportunities Fund (down 2.8%).

During the month we initiated a short position in the MSCI Emerging Markets index futures due to mounting negative influences on the region.

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## Outlook/strategy

Forecasts indicate that we should see very strong growth data and higher inflation over the next few months given the poor numbers a year ago. Investors are clearly prepared for this but strong data should help underpin risk assets, even if rising yields remain a challenge for the most expensive. It is important not to ignore the risks from virus mutations and potential vaccine problems, but we continue to look for pro-cyclical, value assets to perform well. After such strong returns in recent months and high pockets of high optimism, we may see some wider consolidation, with internal market rotations becoming an important factor for generating performance.

Source: Janus Henderson Investors, as at 31 March 2021

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## Fund information

Peer group benchmark	IA Mixed Investment 20-60% Shares
Peer group benchmark usage	Target,Constraint,Comparator

The Investment Association (IA) groups funds with similar geographic and/or investment remit into sectors. The Fund's ranking within the sector (as calculated by a number of data providers) forms the basis of the Fund's performance target and can be a useful performance comparison against other funds with similar aims. The sector also limits the Fund's exposure to shares of companies (also sometimes referred to as equities) to a range of 20-60%.

**Objective** The Fund aims to provide a sustainable level of income with the potential for capital growth over the long term.

**Performance target** To outperform the IA Mixed Investment 20–60% Shares sector average, after the deduction of charges, over any 5 year period.

## Performance in (GBP)

Performance %	I (Net)	Peer group	Quartile ranking
1 month	1.5	1.3	2nd
YTD	0.9	0.9	2nd
1 year	19.5	20.1	3rd
3 years (annualised)	4.2	4.7	3rd
5 years (annualised)	4.7	5.5	3rd
10 years (annualised)	4.6	4.9	4th
Since inception 19 Mar 2001 (annualised)	5.3	4.3	-

Source: at 31 Mar 2021. © 2021 Morningstar. All rights reserved, performance is with gross income reinvested. Performance/performance target related data will display only where relevant to the share class inception date and annualised target time period.

Discrete year performance %	I (Net)	Peer group
31 Mar 2020 to 31 Mar 2021	19.5	20.1
31 Mar 2019 to 31 Mar 2020	-7.5	-7.1
31 Mar 2018 to 31 Mar 2019	2.3	2.9
31 Mar 2017 to 31 Mar 2018	0.5	0.8
31 Mar 2016 to 31 Mar 2017	10.9	13.0

Source: at 31 Mar 2021. © 2021 Morningstar. All rights reserved, performance is with gross income reinvested. Discrete performance data may change due to final dividend information being received after quarter end.

Source for target returns (where applicable) – Janus Henderson. Where quartiles are shown, 1st quartile means the share class is ranked in the top 25% of share classes in its sector.

Please note the performance target is to be achieved over a specific annualised time period. Refer to the performance target wording within the objective.

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**Past performance is not a guide to future performance. 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.**

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## Important information

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