

# Janus Henderson Multi-Asset Absolute Return Fund

Quarter 4 2019

For promotional purposes

**Fund Managers Names:** James de Bunsen, CFA & Pete Webster, CFA

## Macro backdrop

The final quarter of 2019 was a strong one for global equity markets as they rose 9.0% in US dollar terms, though performance in sterling was significantly lower at 1.3%. Emerging markets led the way, rising 11.8%, followed by US and Japanese stocks which gained 9.0% and 8.2% respectively. Of the major markets, the UK was the weakest, gaining 2.3% over the quarter. Technology and health care companies were the best performing sectors, as real estate, utilities and consumer staples lagged the strong broad market performance.

10-year major sovereign bond yields rose over the quarter by 0.25% - 0.4%, leading to negative performance from developed sovereign bond markets. Declining credit spreads helped corporate bonds to perform better, with high yield and hard currency emerging market debt posting robust returns. However, local currency emerging market debt was the strongest performer, boosted by currency appreciation. Commodities were generally higher over the quarter, with double-digit oil price increases and a 3.0% gain from gold. Many areas were helped by the weakening of the US dollar, with the better risk environment also leading to a weaker Japanese yen.

The US-China trade conflict was one of the dominant influencers of investment risk appetite over the quarter as investors looked for signs of negotiation to end the escalation of hostilities. The rhetoric ebbed and flowed as each side sought to put pressure on the other, though the general atmosphere appeared to be calming. As the mid-December deadline for further US tariff increases approached, the outline of a phase one deal appeared, although nothing was signed before the end of the year. Nevertheless, the import tax increases were at the very least delayed as both sides indicated that significant progress had been made, even if there seemed to be a lack of clear consensus on the details.

After being boosted by falling bond yields throughout the first part of the year, asset prices benefited from signs that the global economic slowdown might be stabilising in the fourth quarter. A significant slowdown in the manufacturing sector had driven central banks to provide monetary policy support over the course of 2019, sending bond yields lower. However, global purchasing managers' index (PMI) surveys suggested that the loss of momentum was abating over the final quarter. Other leading indicators, such as Asian exports, looked to be corroborating this. The signals were enough to help investor sentiment recover markedly over the three months, driving more cyclical asset prices higher.

UK politics were perhaps the other predominant headline-making news story of the period. Prime Minister Boris Johnson negotiated a new deal with the European Union (EU) for the UK's exit that gives Northern Ireland special status within the customs and regulatory relationship. However, the UK Parliament was unhappy at the lack of time left to scrutinise the agreement prior to the 31 October departure date and instead voted to delay leaving. A general election was eventually called in an attempt to break the political deadlock. The resulting ballot produced an unexpectedly large majority for the incumbent Conservative Party and the House of Commons passed the Withdrawal Agreement Bill, with the UK now on course to leave the EU at the end of 2020.

# Janus Henderson Multi-Asset Absolute Return Fund

---

## Fund performance and activity

The fund made a total return of 1.2% in the fourth quarter of 2019.

A near 6% move higher in trade-weighted sterling offset many of the returns from foreign currency-based investments. However, our decision to hedge close to 100% of the portfolio back to sterling proved beneficial. The strongest performing sectors were property/infrastructure and commodities. The former benefited particularly from the Conservative Party election victory in December and the removal of any threat to nationalise private finance initiative (PFI) and public-private partnership (PPP) projects held in infrastructure vehicles. Returns in the commodity space were boosted by a strong rally in the BAML Commodity Alpha strategy which makes returns from structural risk premia in commodity futures, and rising gold prices. Within equities, the iShares S&P 500 Healthcare ETF benefited from the general equity rally over the quarter but also significantly outperformed the main equity index.

Detractors included BH Macro, which saw its premium to net asset value reduce over the quarter, and the BMO fund mentioned above.

In October, we exited the BMO Global Equity Market Neutral Fund completely. Performance in this systematic strategy had been very disappointing, although in line with other strategies that seek to benefit from persistent factors such as 'value' or 'momentum' in equity markets in 2018 and 2019. The rationale for our selling the fund was not so much that we thought it would not recover much of the losses but that large outflows from the strategy would challenge the fund's viability in future. We also sold the Euro Stoxx 50 Dividend 2020 Futures contract as it neared expiry.

We added a new position in Amedeo Air Four Plus, the listed aircraft leasing company. We have followed the sector for a while but have always been unsure of how to assess the residual value of the Airbus A380 aircraft these companies own and lease out to airlines as there has yet to be a secondary market transaction. The share prices of Amedeo and several peers slumped earlier in 2019 following news that Airbus would cease manufacturing the planes, given low demand. Our subsequent analysis was that we would achieve a decent positive return over the remaining nine-year life of the company even with a zero terminal value ascribed to the A380s. In the meantime we will receive an approximately 10% cash yield, and will benefit from any positive news based on residual values of these unique aircraft.

In December, as our conviction grew about a Conservative Party election victory - or more pertinently the diminishing chance of an outright Labour victory - we looked for UK investments where the share prices or ratings were not reflecting this news. An area which had suffered from fears about nationalisation under a Corbyn-led government was the listed social infrastructure sector but it had yet to reflect election polling, therefore we added some exposure to HICL and International Public Partnerships.

## Outlook/strategy

Very strong market returns in 2019 came not from earnings but a material increase in the multiple investors are willing to pay for equities. This was in no small part due to the US Federal Reserve's decision to stop tightening monetary policy and cut interest rates. While the generally easy global monetary policy will continue to help market sentiment, we believe earnings growth must come through, alongside a healthier macroeconomic backdrop, in order to justify current lofty valuations. Meanwhile, sentiment and positioning is already pretty bullish, suggesting there may be a limit to future near-term returns in markets. On this basis, we believe that a cautious stance is warranted.

Source: Janus Henderson Investors, as at 31 December 2019

# Janus Henderson Multi-Asset Absolute Return Fund

---

## Benchmark information

**Index benchmark:** Not Applicable

The Fund has no target or constraint with reference to a benchmark. Performance can be assessed by looking at the returns generated over the last 12 months and whether they are positive (more than zero).

Discrete year performance % change	I Acc
31 Dec 2018 to 31 Dec 2019	3.4
31 Dec 2017 to 31 Dec 2018	-0.8
31 Dec 2016 to 31 Dec 2017	2.2
31 Dec 2015 to 31 Dec 2016	4.5
31 Dec 2014 to 31 Dec 2015	0.9

Source: at 31 Dec 2019. © 2020 Morningstar. All rights reserved, performance is on a net of fees basis, with gross income reinvested. Discrete performance data may change due to final dividend information being received after quarter end.

# Janus Henderson Multi-Asset Absolute Return Fund

---

## Important Information

Please read all scheme documents before investing. Before entering into an investment agreement in respect of an investment referred to in this document, you should consult your own professional and/or investment adviser.

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. Tax assumptions and reliefs depend upon an investor's particular circumstances and may change if those circumstances or the law change. If you invest through a third party provider you are advised to consult them directly as charges, performance and terms and conditions may differ materially. Nothing in this document is intended to or should be construed as advice. This document is not a recommendation to sell or purchase any investment. It does not form part of any contract for the sale or purchase of any investment. Any investment application will be made solely on the basis of the information contained in the Prospectus (including all relevant covering documents), which will contain investment restrictions. This document is intended as a summary only and potential investors must read the prospectus, and where relevant, the key investor information document before investing.

[We may record telephone calls for our mutual protection, to improve customer service and for regulatory record keeping purposes.]

The Custodian in Spain is BNP PARIBAS SECURITIES SERVICES S.C.A.

Issued by Janus Henderson Investors. Janus Henderson Investors is the name under which investment products and services are provided by Janus Capital International Limited (reg no. 3594615), Henderson Global Investors Limited (reg. no. 906355), Henderson Investment Funds Limited (reg. no. 2678531), AlphaGen Capital Limited (reg. no. 962757), Henderson Equity Partners Limited (reg. no. 2606646), (each registered in England and Wales at 201 Bishopsgate, London EC2M 3AE and regulated by the Financial Conduct Authority) and Henderson Management S.A. (reg no. B22848 at 2 Rue de Bitbourg, L-1273, Luxembourg and regulated by the Commission de Surveillance du Secteur Financier).

[Janus Henderson, Janus, Henderson, Perkins, Intech, Alphagen, VelocityShares, Knowledge. Shared and Knowledge Labs] are trademarks of Janus Henderson Group plc or one of its subsidiaries. © Janus Henderson Group plc.