

# Fund Review

Janus Henderson Investors

Core 6 Income & Growth Fund

April 2021

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# Defaqto Fund Reviews

This document is designed to provide the reader with a quantitative overview of the fund reviewed. The review then goes on to examine information of a more qualitative nature, which has been obtained through an interview process with the fund manager/s.

The qualitative information covers specific areas including the fund manager's philosophy, their people, and the processes they employ. Additional information is also provided on their research capability, the resources they have at their disposal and how they manage risk.. All of this information goes towards creating this comprehensive Fund Review.

## Defaqto Ratings

### Ratings to help advisers and their clients make better

The Defaqto experts have created a range of ratings to help advisers find the best product or proposition for their clients.



Show at a glance how a fund or fund family performs in comparison to the rest of the market.



Demonstrate the comprehensiveness of products across a range of areas, from pensions to DFMs.



An overall assessment of service – by advisers for advisers.

### Suitability ratings to support compliant advice

Defaqto have created a set of ten Risk Profiles, and four Income Risk Profiles with corresponding ratings to which funds are mapped using a robust process. This helps advisers to evidence suitability for their clients in both the accumulation and decumulation phase:



# Fund Review

Janus Henderson Investors  
Core 6 Income & Growth Fund  
Nancy Mills, Insight Analyst

Janus Henderson  
INVESTORS

## Executive summary



The Janus Henderson Investors (JHI) Core Income fund range looks to provide an attractive income to investors, within clearly defined volatility parameters, at a capped cost. This particular fund, the Core 6 Income & Growth fund, also has “some capital growth” included as an objective, hence the fund name. The volatility parameters for this fund, as defined by DT, range between 10.5% and 12.6% on a rolling five-year view; these place it at the top risk end of the JHI Core Income range.

The fund does not follow the DT asset allocation prescribed as being appropriate for this volatility range. The JHI multi-asset team believes in active management, and that value can be added by implementing their own strategic and tactical allocation, especially because this gives them latitude to invest in asset classes outside the DT constraints (such as alternatives). Fund volatility is monitored on a daily basis (and communicated to managers) to ensure that the in-house allocation does not cause the fund to breach those parameters either persistently or long-term, though in exceptional circumstances, short-term breaches may be permitted if necessary to maintain performance. As far as we are aware this has not been an issue.

The strategic top down asset allocation is determined by experienced investor Paul O'Connor, who leads the eleven-strong multi-asset team, drawing input from two other team

members Nicholas Harper and Oliver Blackburn; stock and fund selection is primarily in the hands of the other three named managers on this fund, Dean Cheeseman, Nick Watson and Tihana Ibrahimasic. Whilst they recognise the need to generate income, they will not jeopardise capital for yield. They have a broad universe available to them (direct investments, internal JHI funds, external funds, active and passive vehicles, ETFs, bond funds of any quality, commodities and property - related investments as well as sector, regional and country specific funds) and blend these as appropriate to generate income whilst staying within the prescribed volatility range.

Janus Henderson includes a focus on managing their business and clients' assets in support of long-term sustainable business practices in line with Environmental, Social and Governance (ESG) principles.

## About Janus Henderson Investors

JHI was formed by the merger between Janus Capital Group and Henderson Global Investors in 2017. The group, headquartered in London, employed over 2000 people in 28 cities worldwide as at end March 2021 and had AUM of £291.2bn.

Dick Weil is the Janus Henderson Investors CEO and Enrique Chang is Global CIO. JHI accords its investment teams considerable flexibility. It does not impose top-views; teams may structure themselves and their processes as they deem best to deliver performance and satisfy investor expectations, within an appropriately managed and monitored risk environment.

The UK based multi-asset team responsible for this mandate operates as a separate specialist investment team within the

Multi-Asset function. Led by Paul O'Connor, the eleven-strong team managed £3.0bn of assets as at end March 2021. The four managers primarily responsible for this fund – Paul O'Connor, Dean Cheeseman, Nick Watson and Tihana Ibrahimasic - have 26, 26, 14 and 10 years' experience respectively in the industry.



# Quantitative review



All analysis using Morningstar data to 31 March 2021

## Investment objective

The fund targets a sustainably high income return with some capital growth with a moderately high level of volatility over the medium to long-term. It may hold JHI funds, external funds, active funds, passive, trackers, ETFs, bond funds (of any quality), commodities, property, cash and money market instruments, sector, regional and country specific funds (including Emerging Markets) as well as direct investments.

There is no explicit yield or growth target given over any specific timeframe, but the fund is designed for investors with an investment horizon of at least five years.

The target volatility range for this fund is 10.5% to 12.6% on a rolling-five year view; the managers state that priority is given to observing the volatility parameters rather than generating income.

## Fund information and classification

Launch date	10 May 2013	IA sector	Volatility Managed
Fund Manager	Multi-Asset Team	Morningstar category*	GBP Adventurous Allocation
Domicile	GBR	Default Diamond Rating Type	Multi-Asset Income
Assets	Active	Diamond Rating	
Approach	Risk Targeted		
Type	OEIC		

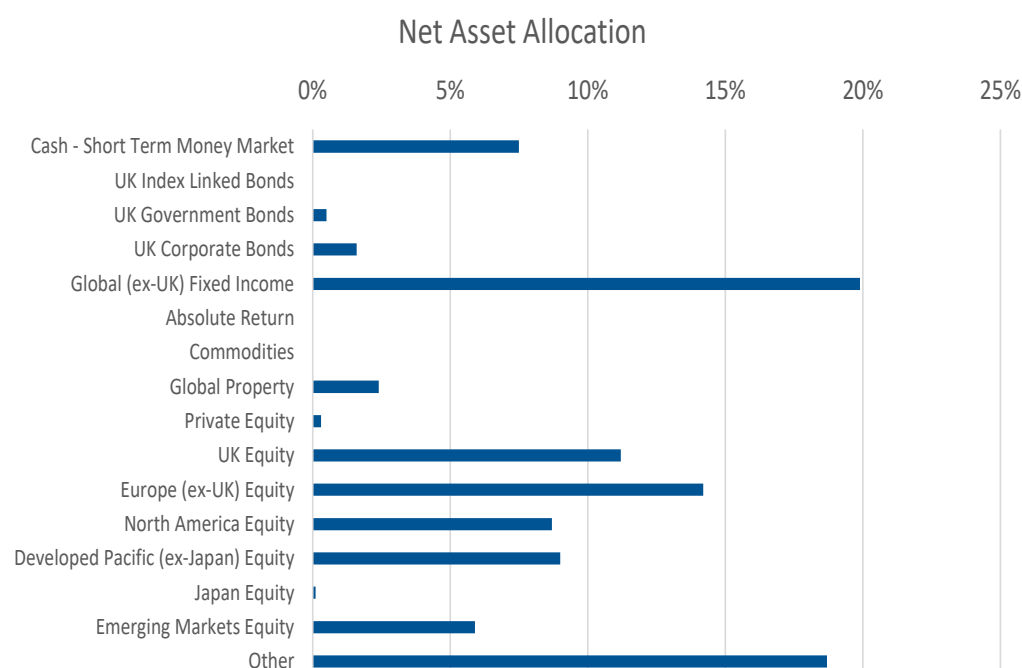
\*Note: The Morningstar Category is used in all comparative analysis, over the following pages.

## Asset allocation

The fund is managed to fall within the DT target volatility of 10.5% to 12.6%, but the managers do not follow DT's prescribed asset allocation to achieve this goal (although they are aware of it). They can hence use asset classes not included by DT (e.g. alternatives and infrastructure). Volatility is independently monitored to ensure that the fund does not breach its boundaries on a long-term or persistent

basis (though it has the temporary flexibility to do so in "exceptional" circumstances).

Being at the top end of the risk scale for the Core range, this fund typically has around 2/3rds in equities, alternatives and property.



## Note

This asset allocation chart is drawn using the 16 asset classes (including 'other') that we use in our modelling.

This may differ slightly from the asset allocation described by the fund manager, due to various asset class roll-up and mapping variances.

## Top 10 holdings

The top ten holdings of this fund make up a total of almost 50% of the overall fund. The top three holdings, around 21% combined, are fixed income funds. The remaining are mostly global equity holdings.

Date	18 April 2021
Total Number of Equity Holdings	32
Total Number of Bond Holdings	0
Assets in Top 10 Holdings (%)	49.5

Name	% of assets
Deutsche Managed Sterling Platinum	9.1
iShares UK Dividend ETF GBP Dist	6.5
iShares \$ Corp Bond ETF USD Dist	5.7
S&P 500 Indx Cfd Usd	5.7
JPMorgan Global Emerg Mkts Inc Ord	5.0
Schroder Oriental Income Ord	4.0
Janus Henderson Fxd Intr MthInc Inc	4.0
Janus Henderson Asian Div Inc UT Inc	3.3
Nikkei 225 Cfdi Jpy	3.1
Renewables Infrastructure Grp	3.1

## Liquidity

The fund is very liquid with 94% of the holdings being able to be liquidated within one day and 99% within 7 days. The remainder within 30 days.

Days to liquidate holdings	% of portfolio
1 - 7 days (%)	99
8 - 30 days (%)	1
31 - 180 days (%)	
181 - 365+ days (%)	

Source: JHI April 2021

## Performance - total and discrete returns

Performance versus the category has been reasonably consistent over the full five years, although more recently the fund has lagged behind the category. It has return around 40% over the five years with the category average returning over 50%.

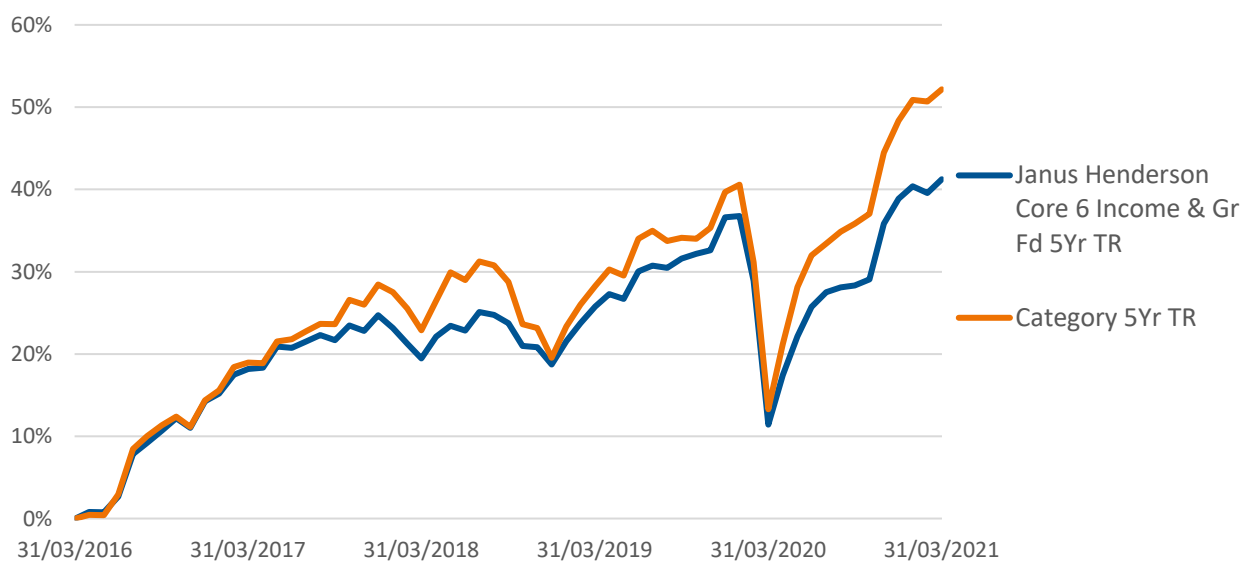
The fund has had mixed discrete year performance against the category average, underperforming in three out of the four full years and outperforming in 2018. Year to date, the fund is behind the category average.

Whilst the fund has been compared against the Morningstar Adventurous Allocation for the purposes of this Fund Review,

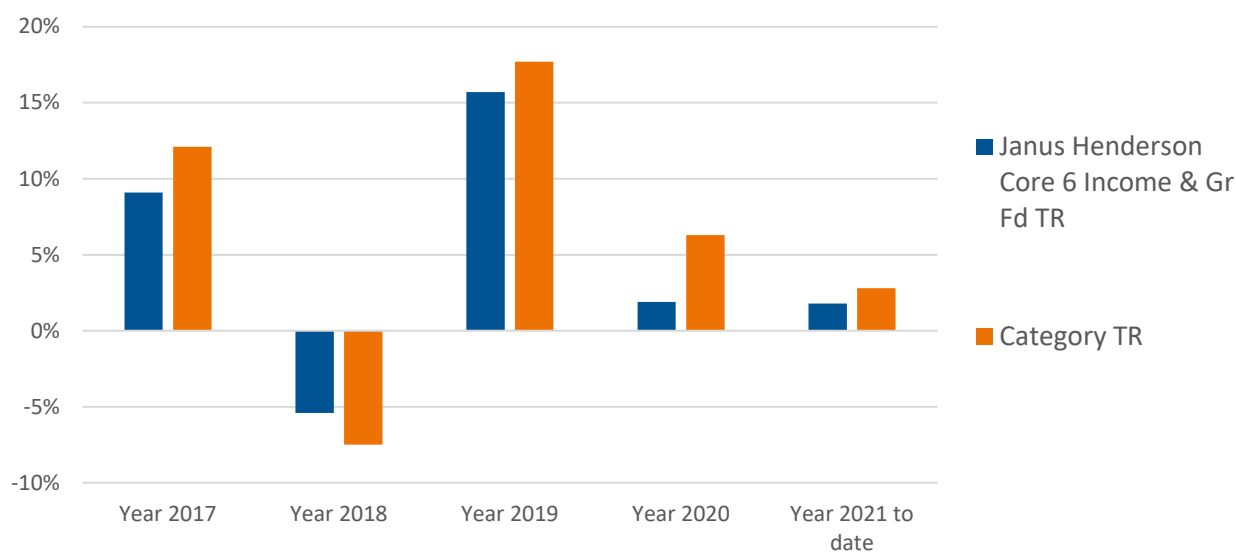
it should be noted that the Portfolio Managers make no reference to this index in their investment decisions.

Janus Henderson have commented that 2020 was a year that favoured growth over value as an investment style, creating a natural headwind for the JH Core Income & Gr due to its higher income objective. This pushed the funds into dividend yield equities, which have value characteristics, and away from gilts.

### 5 Year Total Return

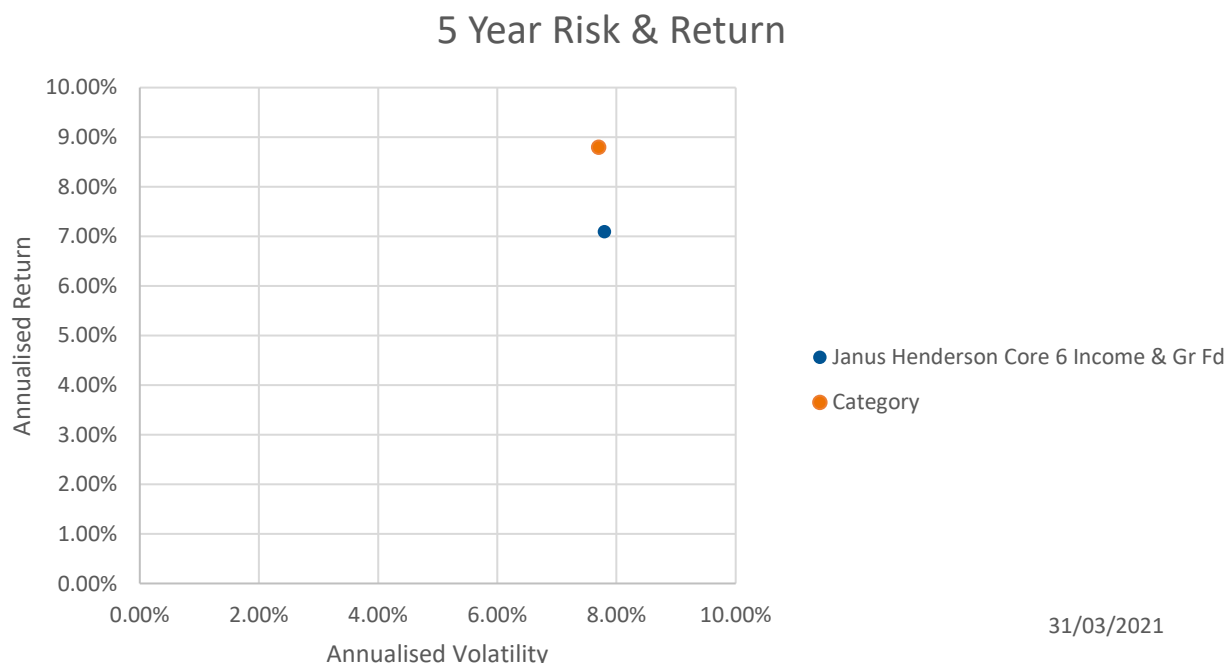


### Discrete Returns



## Risk

Risk-wise, the fund's annualised volatility is very slightly higher than the category average with lower annualised returns. It is worth noting the small scale on the chart below.



## Drawdown

The scale of drawdowns for this fund is, as might be expected, greater than the others in the Core Income range. That said, the number of positive months exceeded negative ones by a ratio of exactly 2:1.

2020 saw an upwards shift in volatility due to the Coronavirus pandemic. Both the max drawdown and worst month figures below are from this period.

Last 60 Months	
Max Drawdown	-25.2%
Positive Months	40
Negative Months	20
Worst Month	-11.3%

## Fund size and fees

At £21m, the fund is still rather small, sitting well below the threshold that Defaqto finds comfortable (£50m). That said, the fund has been in existence for over five years, and we have no reason to doubt JHI's commitment to the range. The team as a whole managed around £3.0bn in multi-asset funds as at end March 2021.

JHI, as of August 2017, capped the cost of this fund at 0.75%. Transaction costs are low, reflecting the team's determination to keep costs well controlled.

AUM	£21M
Date	31 March 2021
OCF Estimated	1.03%
OCF Actual	0.75%
Transaction Fee Actual	0.25%
Performance Fee (Yes/No)	No
Performance Fee Actual	n/a

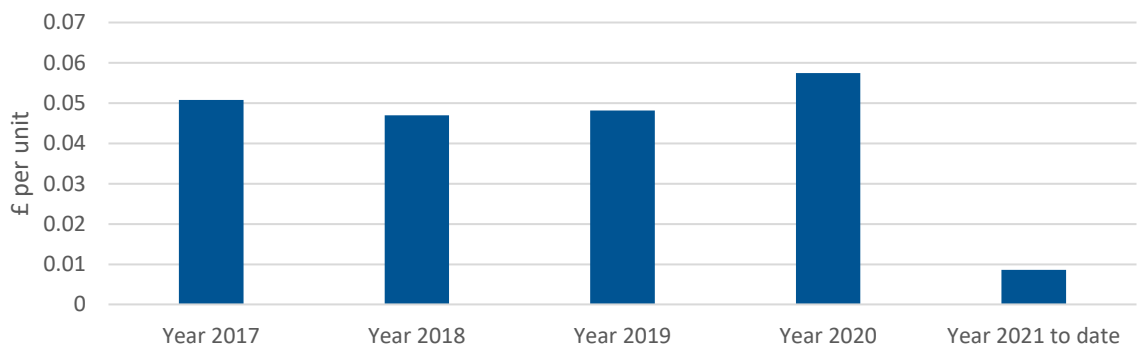


## Income and yield

The fund aims for a quarterly distribution. 2020 saw the pre tax income from this fund increase compared with previous years. Whilst the fund does not target a specific yield, the current yield of 3.9% is competitive.

Yield	3.9%
Distribution Frequency	Quarterly

### Pre Tax Income



## Philosophy

The JHI Core Income fund range looks to offer investors a competitive level of income within the context of clearly defined and actively managed volatility parameters. Each fund has an explicitly targeted volatility range, prescribed by DT, so that investors can judge which one best aligns with their needs and risk tolerances. This Core 6 Income & Growth fund, with its volatility range of between 10.5% and 12.6%, sits at the top end of the family range. Whilst yield is important, the fund will not jeopardise capital for yield.

The investment philosophy is one of active fund management, combining top-down and bottom-up analysis; both elements are expected to contribute performance-wise. The managers are aware of the asset class allocation parameters delineated by DT as appropriate for the prescribed volatility range, but do not use them as their basis for strategic asset allocation. The team believes it can add value by formulating its own allocation, also using asset classes not included in the DT parameters (for example, alternatives). The team can and does react to, and anticipate, shorter-term market moves and sentiment swings with nimble tactical asset allocation tweaks.

In their search for yield, the managers do not intend to compromise those rolling, long-term risk parameters. They

do, however have the flexibility to breach them on a short-term basis if there are compelling performance-related reasons to do so. Daily internal monitoring flags a warning to the managers if the funds are approaching the upper or lower limits of the defined range, and independent external monitoring examines this on a longer-term view.

Stock and fund selection embraces a wide range of asset classes across all geographies. This not only broadens the search for yield but diversifies income streams, the latter being helpful in market phases where equity and more traditional fixed income instruments are more highly correlated than usual. Within that, the mix between active and passive vehicles and the use of internal and external funds is crafted and controlled with the aim (as of August 2017) of capping the OCF at 0.75%. Investors should note that JHI funds may also be selected.

## People

The JHI UK based Multi Asset Team has been led by Paul O'Connor since 2013. At review the team numbered eleven (eight fund managers and three analysts). O'Connor, Cheeseman, Watson and Ibrahimpasic are named managers on the Core Income Funds 3, 4 and 5 and the Core Income & Growth Fund 6. Within this there is a formal reporting structure (Watson and Ibrahimpasic report to Cheeseman who reports to O'Connor) and a differentiation in focus, with O'Connor focused more on asset allocation (aided by Nicholas Harper and Oliver Blackburn), and Cheeseman, Watson and Ibrahimpasic spending time on bottom-up fund and security selection. On a day-to-day basis, though, it is more collaborative and collegial.

Paul O'Connor (MSc Economics) – joined Henderson Global Investors in 2013. Aside from leading the Multi-Asset team and strategies (focusing on asset allocation), he is also responsible for the International Opportunities strategies and a member of the Fixed Income Investment Strategy group. He is the named fund manager on twelve funds—the core income family, six multi-manager funds and the Diversified Growth and Horizon Global Multi-Asset fund.

Dean Cheeseman (BA Hons Financial Services) began his career as an investment analyst in 1995, then moving to positions at Quilter (Head of Collective Investments 1998-2001), Forsyth Partners (Head of Developed Markets 2001-2007), F & C (Head of Multi Manager 2007-2010) and Mercer (2011-2017), where he was a portfolio manager and member of the asset allocation committee. At JHI, he is named manager on the Core Income Funds, and six multi-manager funds and he is also responsible for the International Opportunities strategies.

Nick Watson (BSc Hons Economics, CFA) - joined Henderson Global Investors in 2007 as a graduate, moving to the Multi-Asset Team in 2012. He is named manager on the Core Income Funds and six multi-manager funds.

Tihana Ibrahimpasic (MSc Economics and Finance, CFA) - joined Janus Henderson in 2018 as a Research Analyst in the Multi-Asset Team before assuming the role of Portfolio Manager in 2021.



**Paul O'Connor**  
**Head of Multi-Asset | Portfolio Manager**

Paul O'Connor is Head of the UK-based Multi-Asset Team focused on asset allocation at Janus Henderson Investors. He co-manages the International Concentrated Equity strategy and is a Portfolio Manager on numerous multi-asset portfolios. Prior to joining Henderson in 2013, Paul was head of asset allocation (EMEA) at Mercer.

Paul holds a first class BA degree (Hons) in economics and an MSc in economics from the London School of Economics. He has 26 years of financial industry experience.



**Dean Cheeseman**  
**Portfolio Manager**

Dean Cheeseman is a Portfolio Manager on the UK-based Multi-Asset Team at Janus Henderson Investors. He has co-managed the International Concentrated Equity strategy since 2019. Prior to joining the firm in 2017, he was a portfolio manager and member of the asset allocation committee from 2011 at Mercer, where he contributed tactical asset allocation ideas for all multi-asset and equity strategies. Before that, Dean was with F&C Asset Management from 2007 to 2010, finishing his tenure as head of fund of funds. Earlier, he was head of developed markets with Forsyth Partners from 2001 and head of collective investments at Morgan Stanley's Quilter from 1998. He began his career as an investment analyst in 1995 with Chartwell House Asset Management.

Dean holds a BA degree (Hons) in financial services from Nottingham Trent University. He has 26 years of financial industry experience.



**Nick Watson, CFA**  
**Portfolio Manager**

Nick Watson is a Portfolio Manager on the UK-based Multi-Asset Team at Janus Henderson Investors, a position he has held since 2012. Nick is responsible for asset allocation and fund manager research, with a particular focus on the Core Multi-Asset solutions range of products. He joined Henderson in 2007 as a graduate trainee and rotated through various global equity products and fixed income. In 2009, Nick became a research and insight manager across Global Distribution, which included involvement in Henderson's acquisitions of New Star and Gartmore.

Nick graduated with an honours degree in economics from the University of Exeter. He holds the Investment Management Certificate and the Chartered Financial Analyst designation. He has 14 years of financial industry experience.



**Tihana Ibrahimpasic, CFA**  
**Portfolio Manager**

Tihana Ibrahimpasic is a Portfolio Manager on the UK-based Multi-Asset Team at Janus Henderson Investors. Before assuming this role in 2021, she was a research analyst with the team from 2018. Prior to joining the firm, Tihana was an investment manager at Astra Financial Services, Czech Republic, where she led and produced fundamental research for portfolio asset allocation and construction, managed client relationships, and oversaw trade execution and performance analysis. Before this, she was an investment analyst at Star Capital Finance, Czech Republic from 2011.

Tihana received a bachelor's degree in analysis and business planning from the University of Zagreb and a master's in economics and finance from Charles University, Prague. She holds the Chartered Financial Analyst designation and has 10 years of financial industry experience.

## Process

The investment process blends top-down and bottom-up analysis.

The fund is managed within target volatility parameters determined by DT, but the managers do not implement DT’s accompanying prescribed asset allocation (although the team is aware of it). Paul O’Connor leads on strategic asset allocation (with input from Nicholas Harper and Oliver Blackburn); their stance is determined by their own quantitative and qualitative fundamental analysis of global economic data, absolute and relative market valuations, as well as technical analysis of market movements and liquidity. They draw on external quantitative data (e.g. via Datastream) and sell-side quantitative and qualitative input as well as the views of specialist in-house equity managers (e.g. John Bennett on Europe). They also integrate economic and market sentiment into their evaluation. As they do not follow DT’s asset allocation, they may use asset classes not integrated into the DT universe, such as alternatives.

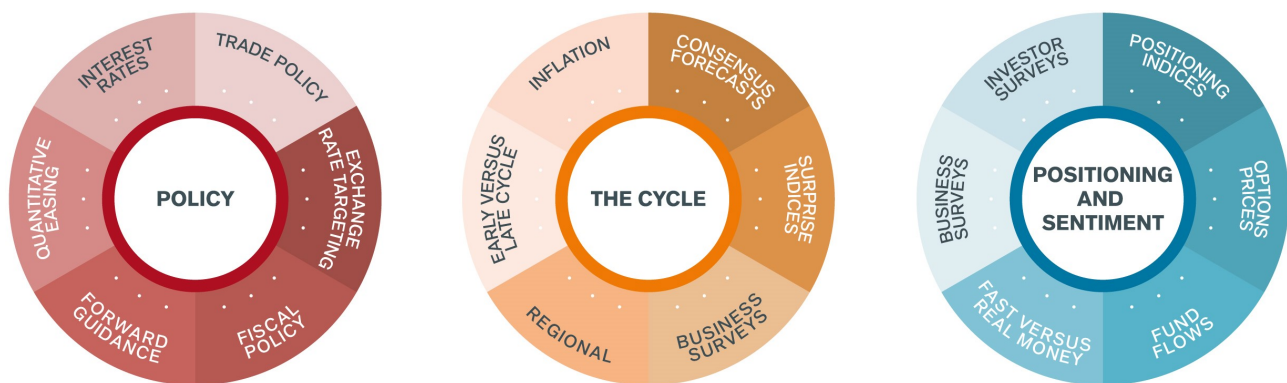
The tactical asset allocation is determined by the same personnel, but they also liaise with Cheeseman, Watson and Ibrahimasic, who implement it; they have a degree of leeway in their interpretation of it, particularly in fast moving markets.

This top-down allocation is then populated by bottom-up

fund selection. The team formulates a number of discrete, independent and lowly correlated themes and then identifies the assets that best represents them. They will also consider, for example, whether to tilt equity exposures more towards value, risk or momentum, or what duration is preferred in bond exposures, all the while considering the need for income generation. The intention is to create a blend of internal and external managers, ETFs, investment trusts and futures.

In line with this, top-down considerations typically drive buy decisions. As for selling, these decisions may be driven by top-down or specific holding-related concerns. A holding will come under review if, for example, there is a significant managerial change, or if performance trends indicate style drift or anomalies. Such events do not dictate a sale, but rather a cause for further investigation; sell decisions will be taken by the team on a case by case basis.

While the Core Income range does not have a sustainability objective, the integration of ESG considerations is an integral part of the Multi-Asset Team investment process. The Core Income range incorporates ESG data as an additional risk tool and the team focuses on three key areas; overall company rating, industry quartile ranking and controversies. This assessment applies to equity, bond and alternative holdings.



Source: JHI April 2021

## Risk management

The managers actively manage the fund's volatility levels. This fund's volatility levels look to range between 10.5% and 12.6% on a rolling five-year view. These forward looking risk parameters are determined by independent external risk profiler Distribution Technology (DT) and differ from the risk/reward profile industry standard as required by the FCA. Essentially, DT's models, using historic price movements and forward-looking assumptions, forecast possible variations in returns on various asset classes over this rolling five-year timeframe.

As explained in the Process section of this report, the team is aware of, but does not follow, the DT asset allocation that is aligned to the volatility parameters, preferring to actively manage strategic and tactical allocation in order to add value.

An independent risk analyst is assigned to the investment team, and in this instance, that role is filled by Jamie Sandells.

Volatility levels are monitored via detailed spreadsheets, available to managers on a daily basis; a "traffic light" system comes up amber or red if the fund is near to, or about to, breach its volatility ranges. Hence the fund managers are fully aware of any impending problems and can take pre-emptive measures as necessary.

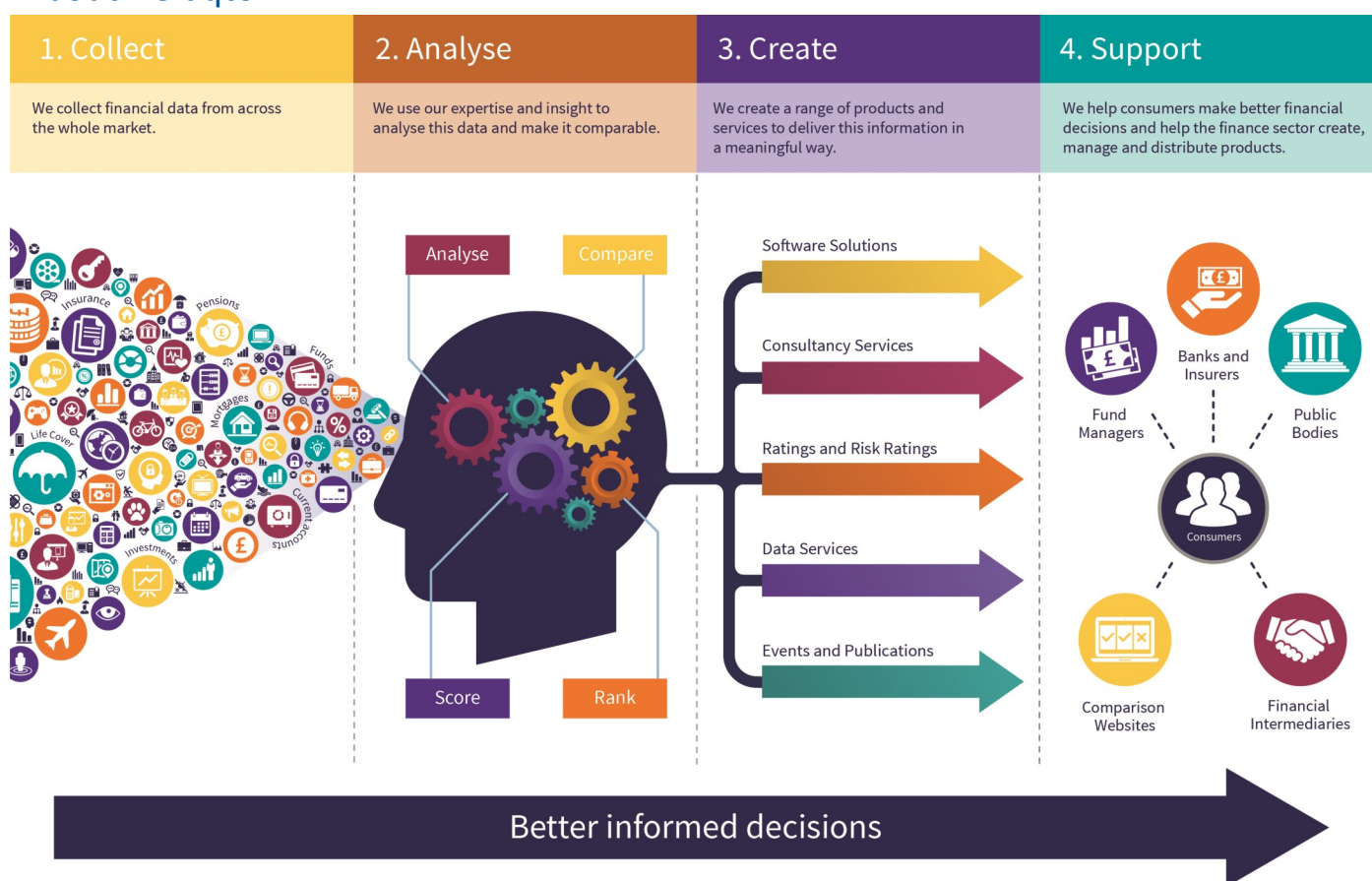
A separate team of two risk managers look at forecast volatility, using Excel models. These tools can also be used for pre-trade analysis, particularly when handling large inflows (as was the case when JHI funds saw large inflows in the second half of 2018); this helps assess the individual impact of each holding on the risk budget and can model the impact of proposed modifications to asset allocation prior to implementation. They are also used for stress testing and scenario analysis.

The Core Income range uses forecast volatility in their daily investment decisions in order to remain within their pre-described volatility bands. This approach differs from funds that calculate their historic volatility using realised volatility, which provides a guide to what investors have previously experienced.

A full risk meeting is held quarterly, attended by Dean Cheeseman and Nick Watson. We understand that the role of this meeting is advisory in nature; it has no veto power.

Final responsibility for investment risk (i.e. portfolio risk) lies with UK-based Global Chief of Investment Risk Paul Greenwood (who reports to CIO Enrique Chang); responsibility for Global Financial Risk lies with London-based Global Chief of Financial Risk David Regan, who reports to Group Chief Risk Officer Georgina Fogo (also in London). Fogo was appointed to this role in July 2018.

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