

JANUS HENDERSON ABSOLUTE RETURN FUND - GBP

INVESTMENT RESEARCH NOTE
FEBRUARY 2024

Risk warning: The past is not necessarily a guide to future performance. The value of your investment and the income from it can fall as well as rise and is not guaranteed. You may not get back the full amount invested. Our views are based upon our understanding of current legislation in England. Levels and bases of, and reliefs from, taxation are subject to change and their value to you will depend upon your personal circumstances. You should not act on any of the information without seeking professional advice. clarity Ltd is authorised and regulated by the Financial Conduct Authority (FCA).

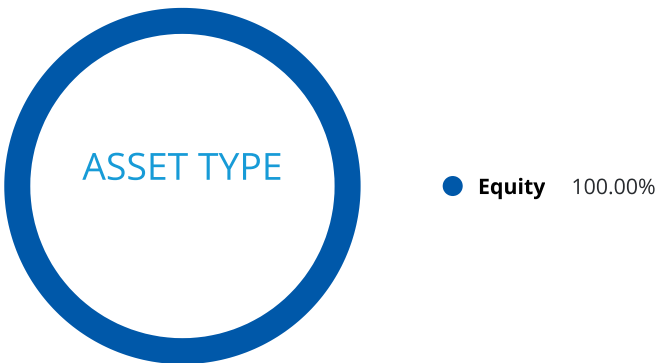
DESCRIPTION

SUMMARY

Janus Henderson was created by the merger in 2017 of Janus Capital Group and Henderson Global Investors. The new entity is a global leader in asset management with £283bn under management (as at June 2019).

The Fund is managed by Ben Wallace and Luke Newman, who have a long, shared history of managing absolute return style portfolio. Both joined Henderson in 2011 as part of the Gartmore acquisition and both worked together in the UK equity division at Deutsche Bank prior to that. They are supported by the broader Henderson team as well as two dedicated analysts.

The Janus Henderson Absolute Return Fund is an actively managed Global, but with a UK bias, equity long-short directional portfolio, with a bias towards FTSE 100 names. It aims to achieve a positive absolute return over the long-term, regardless of market conditions, by taking long/short positions in UK equities. Returns are generated through the implementation of “core”, longer-term positions, representing around a third of the portfolio and “tactical”, shorter-term (<3mths) positions representing around two-thirds. The Fund has revised its mandate in recent years to allow up to 40% to be held in non-UK equities. The portfolio will typically hold 60-90 individual stocks, with most turnover occurring in the “tactical”, shorter-term trading book. Derivatives are used for long and short trades. Currency hedging is deployed too when required.



INVESTMENT PROCESS

The Fund’s performance pattern since inception is consistent with that of an absolute return-type fund and has exhibited low correlation with equity markets, alongside low volatility. Performance has been generated on both the long and short books of The Fund. The manager has framed decision making in terms of two return sources, a “core” book and a “tactical” book. There is a time horizon of over three months for core positions and under three months for tactical positions.

The universe is the FTSE 350 market but with a bias to FTSE 100 stocks. Up to 40% can be held in overseas names too. The process is bottom-up with a large and mid-cap bias. Gross exposure ranges between 50-200%, net between -30 to +75%. In the core book, long positions sizing ranges from 1-5% and short positions 1-4%. For the tactical book, both long and short positions are 1-2% of the Fund.

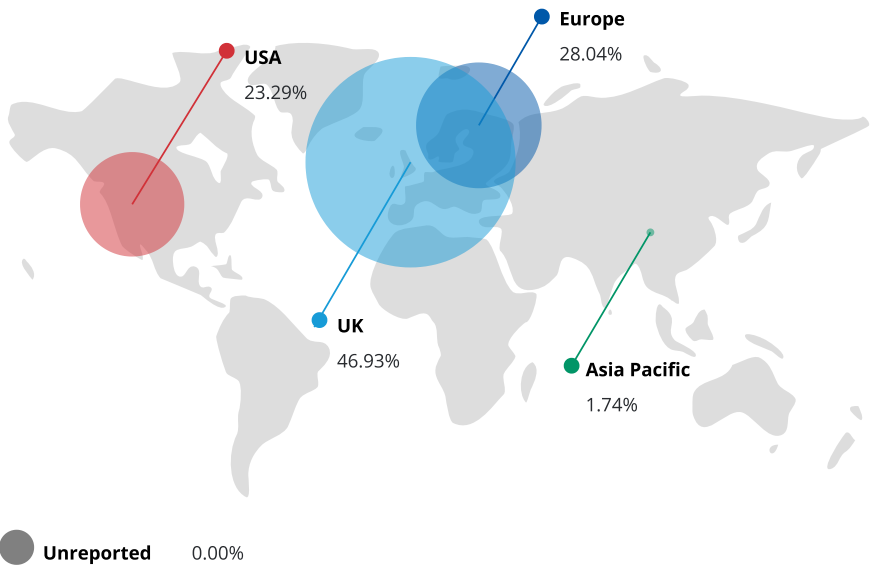
Core: The Fund establishes long positions in companies that are expected to generate earnings growth that is not reflected in the share price. Short positions are created in stocks whose earnings look to be priced in and where the manager believes expectations will disappoint, or there is structural weakness in the company or industry. They may also short companies with poor quality management or those that are likely to suffer an event affecting long-term earnings power. Typically, core positions represent one third of the portfolio.

Tactical: Opportunistically, the fund managers look to add value by taking advantage of factors influencing stock prices over a shorter time frame, such as earnings and other news announcements, broker upgrades and downgrades, index changes, sector rotation, the impact of stock placings and initial public offerings. Typically, tactical positions will represent two thirds of the portfolio. The manager discussed in some detail the return-generating opportunities arising from market trading dynamics. For example, slow market reaction to the rise in US interest rates last year enabled them to favourable reposition their portfolio. He also attributed the low volatility of the portfolio to the influence of the tactical book.

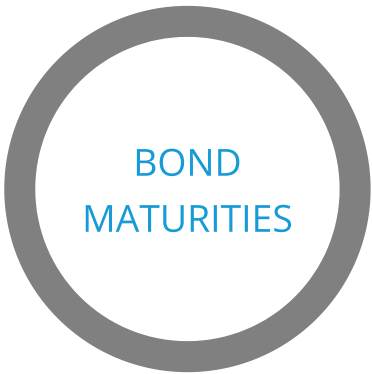
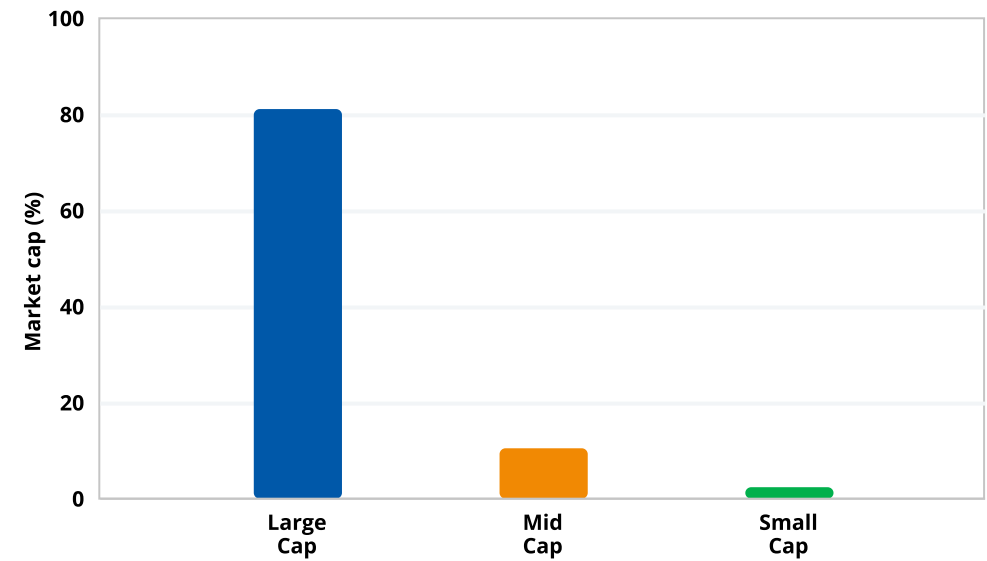
Idea generation: Ideas are generated through what appears to be a relatively informal interaction process with the wider Henderson team. The managers pay out 5% of their remuneration to those in the Henderson group who have brought successful ideas to their attention. Luke highlighted a number of analyses that were deployed in the tactical book, for example, measures of mean reversion, fear/greed and momentum.

AGGREGATED NET EXPOSURE

REGIONAL EXPOSURE



EQUITY MARKET CAP (%)



Not Applicable



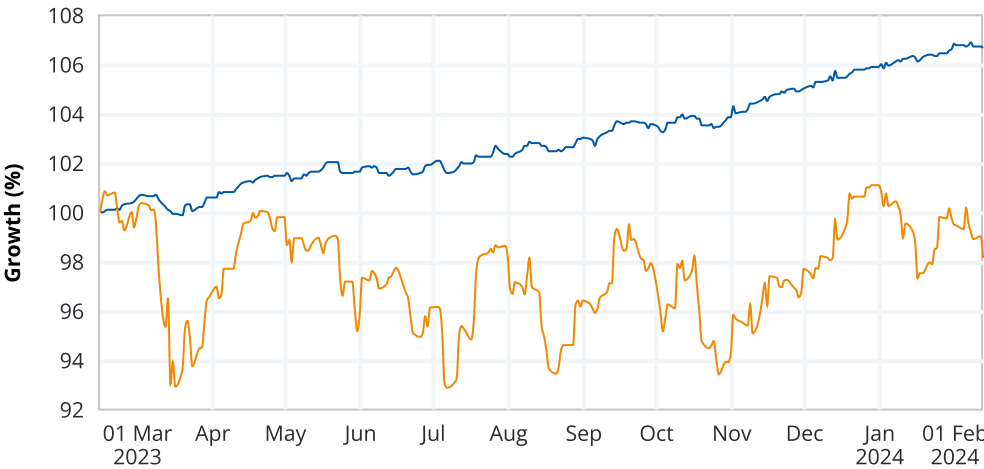
- Investment Grade 33.18%
- Unreported 66.82%

OVERALL PERFORMANCE

Janus Henderson Absolute Return Fund I Acc FTSE All-Share Total Return GBP

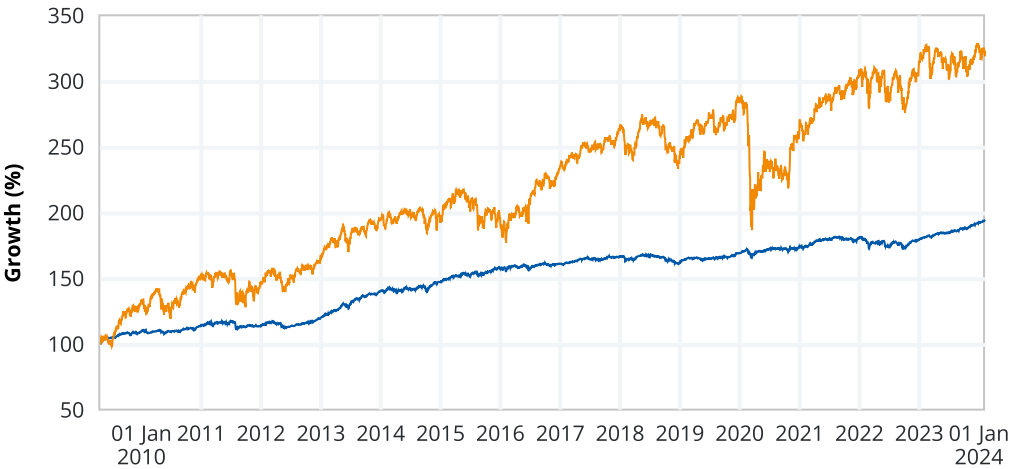
GROWTH (%) - OVER 1 YEAR

14 Feb 2023 - 13 Feb 2024



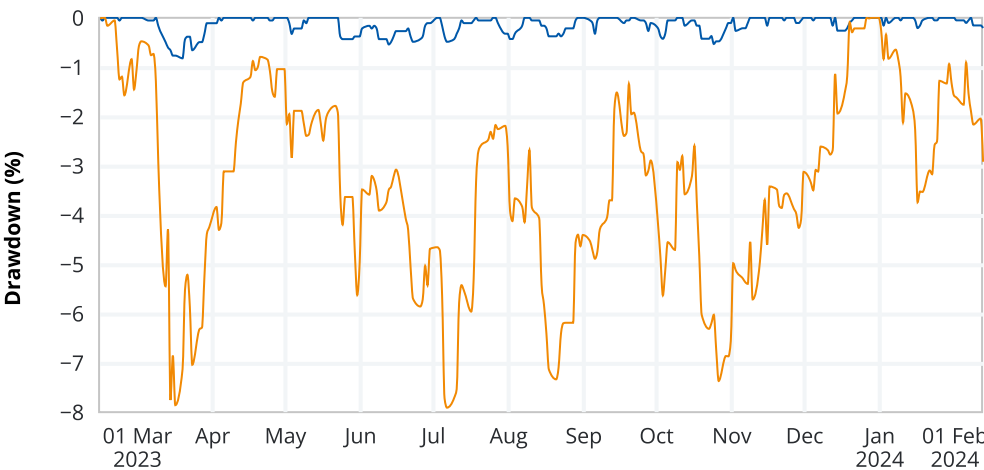
GROWTH (%) - FROM INCEPTION

1 May 2009 - 13 Feb 2024



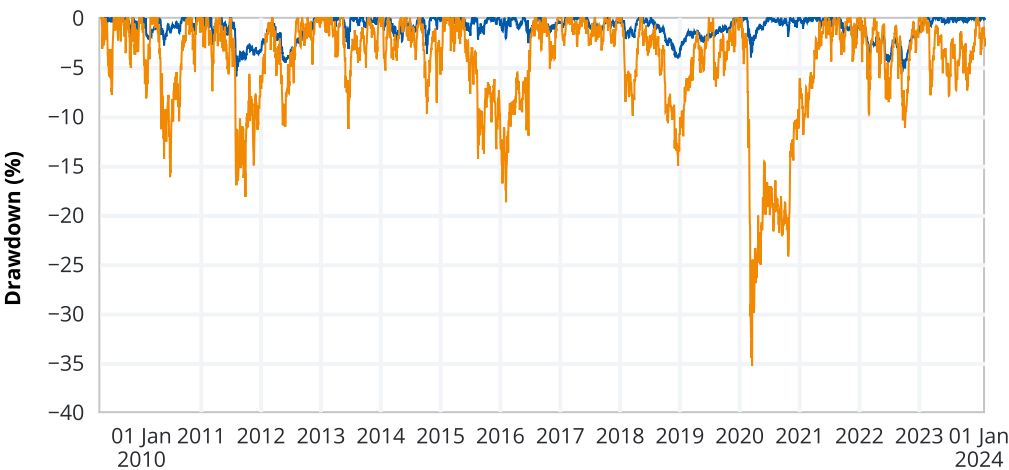
DRAWDOWN (%) - OVER 1 YEAR

14 Feb 2023 - 13 Feb 2024



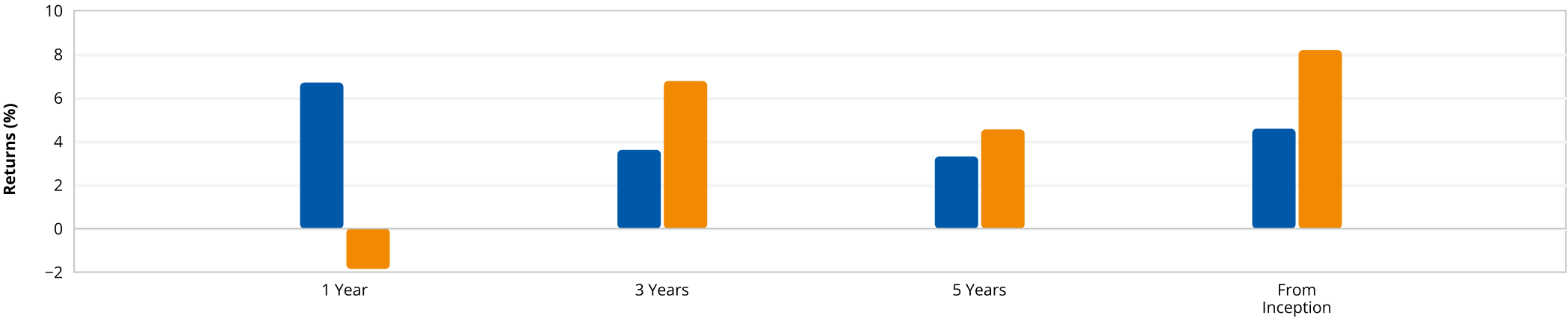
DRAWDOWN (%) - FROM INCEPTION

1 May 2009 - 13 Feb 2024



RETURNS

Janus Henderson Absolute Return Fund I Acc FTSE All-Share Total Return GBP



MONTHLY BREAKDOWN AND YEARLY TOTALS (%)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2024	0.68	0.05											0.73
2023	1.12	0.66	0.16	0.88	0.16	0.27	0.43	0.59	0.59	0.27	1.06	0.89	7.33
2022	-0.17	-1.50	-0.06	0.62	0.11	-2.52	2.13	-1.18	-1.60	1.62	1.71	0.22	-0.72
2021	-0.23	0.69	1.44	1.08	0.62	-0.22	0.89	0.17	-0.83	0.00	-1.17	1.58	4.04
2020	0.77	-0.59	-0.30	0.89	0.06	0.70	0.52	0.06	-0.29	-1.22	1.53	0.29	2.43
2019	1.36	0.92	-0.30	0.30	-0.97	0.49	0.43	0.18	0.42	-0.18	0.90	0.90	4.51

Capped to 6 years.

ANNUALISED ROLLING RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
Janus Henderson Absolute Return Fund I Acc	6.70	3.61	3.31	4.58
FTSE All-Share Total Return GBP	-1.85	6.77	4.55	8.19

CUMULATIVE RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
Janus Henderson Absolute Return Fund I Acc	6.68	11.16	17.58	93.32
FTSE All-Share Total Return GBP	-1.85	21.60	24.76	218.72

Janus Henderson Absolute Return Fund I Acc FTSE All-Share Total Return GBP

PERFORMANCE - OVER 1 YEAR

14 Feb 2023 - 13 Feb 2024

RETURNS (%)	6.70	-1.85
VOLATILITY (%)	1.88	11.51
ALPHA	0.00 *	
BETA	0.24 *	1.00
CORRELATION	0.76 *	1.00
SHARPE RATIO	1.00	-0.48
SORTINO RATIO	1.44	-0.64
MAX DRAWDOWN (%)	-0.82	-7.91

*Calculated over a 3 year period where history permits.

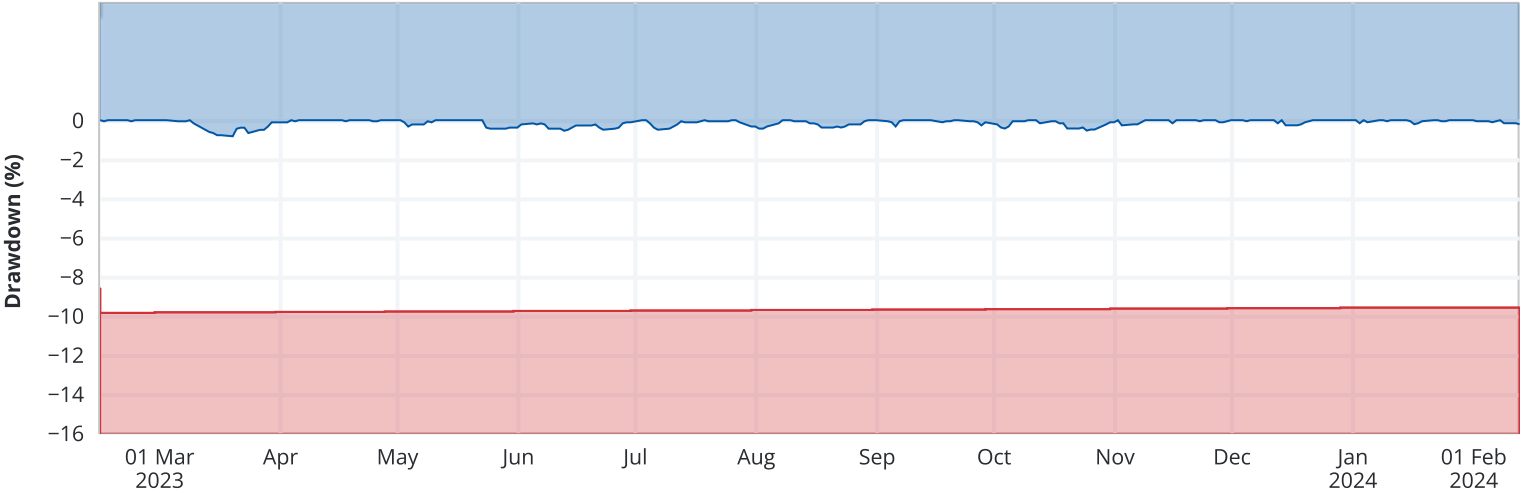
PERFORMANCE - FROM INCEPTION

1 May 2009 - 13 Feb 2024

RETURNS (%)	4.58	8.19
VOLATILITY (%)	3.73	15.64
ALPHA	0.18	
BETA	0.18	1.00
CORRELATION	0.64	1.00
SHARPE RATIO	0.96	0.46
SORTINO RATIO	1.32	0.64
MAX DRAWDOWN (%)	-5.94	-35.32

SIMPLE STRESS TEST DRAWDOWN (%)

14 Feb 2023 - 13 Feb 2024



Stress test notes

The chart shows the calculated drawdown over the last year. The Review Point is the fund intervention point. Any drawdown above this line indicates a typical drawdown in a normal market cycle. Should the drawdown hit the review point, then this indicates that market conditions may be abnormal. This is the point that we would consider taking immediate action for an extreme market event.

DISCLAIMER

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