

# Janus Henderson United Kingdom Absolute Return Fund

Q2 2019

For promotional purposes  
For professional investors only

**Fund manager names:** Luke Newman & Ben Wallace

## Overview

Equity markets rallied in June as first the European Central Bank (ECB) and then the Federal Reserve (Fed) adopted markedly more dovish stances in response to weakening economic indicators (significantly including jobs data) and the ongoing absence of inflationary pressures in western economies. In particular, the ongoing yield compression in sovereign bonds underpinned the share prices of those companies that have been able to deliver continuing compounding growth even as economies falter.

## Performance and activity

Core long positions were among the strongest performers over the period and included Nestle, Unilever, Visa, Boston Scientific, Microsoft, Roche, Schneider and Danone. Conversely the moves in bond yields drove share price falls for a number of core and tactical short positions in banks and other interest rate sensitive businesses.

Strong orders and confirmation of profitability guidance at the Paris Air Show drove good performance in our long Aerospace positions too. Airbus and Meggitt in particular demonstrated the benefits of emerging from the difficult early phases of introducing new product or platforms to the market and their cash generation should continue to increase as investment and research spend moderates, while production volumes grow. Where specific and high profile incidents have arisen within the sector, we have been flexible to act early by cutting long positions and gaining specific short exposure (in this case to the same company) when deemed correct to do so.

More generally, and in contrast to recent years, there has been continued evidence of greater stock dispersion within industry and thematic groups. This is providing opportunities for stock-pickers. A tactical short in pest controller Rollins, which had previously correlated with the 'bond proxy' growth orientated areas of the market, was a positive contributor following a second consecutive earnings miss which led to a de-rating as well as forecast downgrades. Even within previous tightly correlated sectors such as technology, there is now tangible evidence of differentiation between companies operationally justifying their often lofty valuations (albeit arguably supported by bond yields) and those who miss guidance or expectations. This has allowed both successful long and short positions within this and other sectors, and has presented a number of new pair trades for the fund.

## Outlook

The opening up of stock opportunity has been one of the reasons for us increasing the fund's gross exposure since the beginning of the year, which is now at its highest level since 2013 and is continuing to increase. Gross exposure is probably the best proxy for our increased conviction levels in both our investment process and the positions within the fund. In terms of sentiment, the extremes that were witnessed in 2018, plus the improved stock dispersion trends and a number of technical factors exerting themselves on equity markets, have created a much improved opportunity set for new ideas. Thus, we are backing this conviction on both sides of the investment book. This is something we indicated to investors we would be seeking to do when the right conditions presented themselves.

Another important evolving theme within the fund has been the growing awareness and harnessing of ESG themes as a driver of investment performance, over both the short and long term. The Core book investment process has always aimed to identify companies that were able to deliver sustainable returns for longer than valuations assumed (Core longs) and those that faced a declining terminal value (Core shorts). Therefore, this framework has been long adopted, particularly with respect to executive incentive structures where we have often engaged with corporates in structuring the absolute targets as well as the appropriate metrics. Core long positions in Orsted and Neste are good examples of current positioning, and we have a number of short positions where a negative ESG complex has been an important input to our decision making. What is new this year is the extent that the Tactical book is reacting to both the money flows entering this asset class but also to the (at times crude) changes in inclusion/exclusion criteria of ESG-related indices and funds. This is creating more trading situations and is another contributor to the increased gross exposure, with both long and short ESG orientated positions.

# Janus Henderson United Kingdom Absolute Return Fund

---

Finally, it is worth reconfirming our commitment to maintaining a high level of liquidity within the fund. Just as financial leverage posed huge problems during the financial crisis just over a decade ago, we feel liquidity may well pose a similarly significant risk as governments, central banks and society grapples with the structural pressures of debt, technology and demographics that has contributed to the deflationary economic headwinds. Conditions could change very quickly though in capital markets and we want to maintain the flexibility to adjust and take advantage of situations as they arise. This means we are more wedded than ever to keeping our long and short exposure purely within mega and large capitalised companies within our developed markets universe (UK, US and Europe).

Source: Janus Henderson Investors, as at 30 June 2019

# Janus Henderson United Kingdom Absolute Return Fund

---

For further information on the Luxembourg-domiciled Janus Henderson fund range please contact your local sales office or visit our website: [www.janushenderson.com](http://www.janushenderson.com).

---

## Benelux

Janus Henderson Investors  
Tel: +31 20 675 0146  
Fax: +31 20 675 7197  
Email: [info.nederlands@janushenderson.com](mailto:info.nederlands@janushenderson.com)

## France/Monaco/Geneva

Janus Henderson Investors  
Tel: +33 1 53 05 41 30  
Fax: +33 1 44 51 94 22  
Email: [info.europe.francophone@janushenderson.com](mailto:info.europe.francophone@janushenderson.com)

## Germany/Austria

Janus Henderson Investors  
Tel: +49 69 86 003 0  
Fax: +49 69 86 003 355  
Email: [info.germany@janushenderson.com](mailto:info.germany@janushenderson.com)

## Dubai

Janus Henderson Investors  
Tel: +9714 401 9565  
Fax: +9714 401 9564  
Email: [JanusHenderson-MEACA@janushenderson.com](mailto:JanusHenderson-MEACA@janushenderson.com)

## Hong Kong

Janus Henderson Investors  
Tel: +852 2905 5188  
Fax: +852 2905 5138  
Email: [marketing.asia@janushenderson.com](mailto:marketing.asia@janushenderson.com)

## Italy

Janus Henderson Investors  
Tel: +39 02 72 14 731  
Fax: +39 02 72 14 7350  
Email: [info.italy@janushenderson.com](mailto:info.italy@janushenderson.com)

## Latin America

Janus Henderson Investors  
Tel: +44 20 7818 6458  
Fax: +44 20 7818 7458  
Email: [sales.support@janushenderson.com](mailto:sales.support@janushenderson.com)

## Nordics

Janus Henderson Investors  
United Kingdom  
Tel: +44 20 7818 4397  
Fax: +44 20 7818 1819  
Email: [sales.support@janushenderson.com](mailto:sales.support@janushenderson.com)

## Singapore

Janus Henderson Investors  
Tel: +65 6836 3900  
Fax: +65 6221 0039  
Email: [marketing.asia@janushenderson.com](mailto:marketing.asia@janushenderson.com)

## Spain/Portugal/Andorra

Janus Henderson Investors  
Tel: +34 91 562 6172  
Fax: +34 91 564 6225  
Email: [info.iberia@janushenderson.com](mailto:info.iberia@janushenderson.com)

## Switzerland (Germanic)

Janus Henderson Investors  
Tel: +41 43 888 6262  
Fax: +41 43 888 6263  
Email: [info.switzerland@janushenderson.com](mailto:info.switzerland@janushenderson.com)

## United Kingdom

Janus Henderson Investors  
Tel: +44 20 7818 1818  
Fax: +44 20 7818 1819  
Email: [sales.support@janushenderson.com](mailto:sales.support@janushenderson.com)

---

## Important Information

**This document is intended solely for the use of professionals and is not for general public distribution.**

Any investment application will be made solely on the basis of the information contained in the Fund's 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 Fund's prospectus and key investor information document before investing.

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.

Past performance is not a guide to future performance. The performance data does not take into account the commissions and costs incurred on the issue and redemption of units. 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.

The Fund is a recognised collective investment scheme for the purpose of promotion into the United Kingdom. Potential investors in the United Kingdom are advised that all, or most, of the protections afforded by the United Kingdom regulatory system will not apply to an investment in the Fund and that compensation will not be available under the United Kingdom Financial Services Compensation Scheme.

Please note that Isle of Man investors will not be protected by statutory compensation arrangements in respect of the Janus Henderson Fund.

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

The Janus Henderson Fund (the "Fund") is a Luxembourg SICAV incorporated on 26 September 2000, managed by Henderson Management S.A. A copy of the Fund's prospectus and key investor information document can be obtained from Henderson Global Investors Limited in its capacity as Investment Manager and Distributor.

Issued in Europe 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).

A copy of the Fund's prospectus, key investor information document, articles of incorporation, annual and semi-annual reports can be obtained free of cost from the Fund's registered office in Luxembourg: 2 Rue de Bitbourg, L-1273 Luxembourg, in Germany: Janus Henderson Investors, Tower 185, Friedrich-Ebert-Anlage 35-37, 60327 Frankfurt am Main, in Austria: UniCredit Bank Austria, Schottengasse 6-8, 1010 Wien, in Spain: offices of the Spanish distributors, a list of which may be obtained at [www.cnmv.es](http://www.cnmv.es) (Janus Henderson Fund is registered with the CNMV under number 259); in Belgium: Belgian Financial Service Provider CACEIS Belgium S.A., Avenue du Port 86 C b320, B-1000 Brussels; in Singapore: Singapore Representative: Janus Henderson Investors (Singapore) Limited, 138 Market Street, #34-03/04 CapitaGreen, Singapore 048946; and in Switzerland from the Swiss representative: BNP Paribas Securities Services, Paris, succursale de Zurich, Selnaustrasse 16, CH-8002 Zurich who are also the Swiss Paying Agent.

[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.