FUND RANGE

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JANUS HENDERSON

Multi-Asset Core Income Range

June 2018

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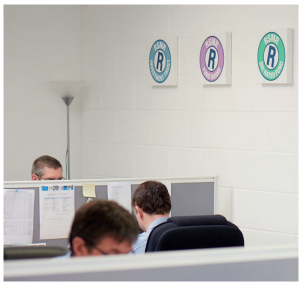

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FUND RANGE PROFILE – JANUS HENDERSON MULTI-ASSET CORE INCOME RANGE

OUR FUND PROFILES provide an in-depth review of our leading rated funds and are designed to give advisers, paraplanners and analysts an 'under the bonnet' view of the fund.

In providing more detailed commentary than a standard fund factsheet we believe our fund profiles set the standard for the next generation of research notes, aiding in fund selection and in meeting the ongoing suitability requirements expected by the FCA, and helping ensure firms deliver good client outcomes.

All of our rated funds are subject to rigorous and ongoing scrutiny on both a qualitative and quantitative basis. Our fund methodology is available for download from the Research section of the RSMR site - www.rsmr.co.uk/research/.

The **Janus Henderson Multi-Asset Core Income fund range** has been an RSMR Rated Fund Range since May 2014. The funds invest predominantly in a combination of active funds, both internal Janus Henderson funds and externally managed funds, as well as passive funds/instruments, including tracker funds, ETFs and derivatives.

The Janus Henderson Multi-Asset Team has seen some personnel changes over the last couple of years but the overall investment process has remained unchanged since the funds were launched, combining top-down macroeconomic analysis for strategic and tactical asset allocation with investment selection within a risk-targeted framework linked to Distribution Technology.

Overall, the Multi-Asset Core Income fund range provides investors with a risk-targeted range of solutions across four risk profiles with a particular focus on generating an attractive natural income, which is currently a relatively unique combination within the multi-asset investment space.

Stewart Smith, Investment Research Manager, RSMR

Stewart works closely with Ken and Graham, playing a key role in the ongoing review of our Rated Fund Service together with bespoke research for retainer clients.

Having graduated from Sheffield Hallam University with a degree in Financial Services, Stewart joined Bates Investment Services in 2000 and became part of the internal research team responsible for fund and product research, including construction of the recommended fund and product list for the company's financial advisers. This involved face-to-face meetings with fund managers plus attendance at investment conferences and as a result he brings a wealth of knowledge to RSMR.

EXECUTIVE SUMMARY

- The Janus Henderson Multi-Asset Core Income fund range is a set of four actively managed, multi-asset, risk-targeted funds that are based on a set of volatility parameters determined by an independent external organisation – Distribution Technology (DT).

- Unlike most risk-targeted alternatives, this range is focused on delivering an attractive natural income to clients as well as some prospects for capital growth, so there is an income bias in the portfolio construction.

- As well as having risk targets, the funds also have a competitive overall cost structure compared to other multi-asset propositions. This will mean that, as well as active funds, which are a combination of internal Janus Henderson funds and externally managed funds, the portfolios will also invest directly in equities and fixed income and use low-cost instruments such as ETF, tracker funds and derivatives.

- There have been some personnel changes within the Multi-Asset Team in the last couple of years but the team remains well-resourced and the Head of Multi-Asset, Paul O'Connor, is looking to add further experience to the team.

- There have been no changes to the overall investment process with the same fundamentals of asset allocation and fund selection applying across the range of funds and strategies managed by the team, although for the Multi-Asset Core Income fund range the combinations and weightings of funds are slightly different due to the income bias.

- Overall performance across the range has been good during a period of strong, positive returns from the majority of asset classes. The pattern of performance across the range has been as expected with the higher risk funds producing the higher returns but with higher levels of volatility and drawdown during negative periods for equity markets. The underperformance of income/value-orientated stocks and sectors versus growth and momentum within equities, particularly over the last couple of years, has affected the relative returns versus their capital growth-orientated counterparts.

MULTI-ASSET INVESTING

The recent environment for the provision of financial advice has delivered a number of changes that have changed the way many advisers operate. The implementation of the RDR has been at the heart of this change but other subsequent reviews into the selection of investment solutions and the requirement to understand different types of client risk have all contributed to the current regime. Indeed, we have seen a move by many advisers to outsource investment solutions to multi-asset portfolios, relying on the fund manager to maintain the portfolio rather than the adviser. The rise of targeted investing, with either risk or return targets being used to manage investments, has also been a feature of recent product offerings in the UK and has resulted in a number of new solutions that have strict investment parameters. Overall the market for this type of solution has widened and with the new pension freedom regulations adding flexibility to an investor's retirement choices the need for such solutions can only grow further.

Looking at the investment background for multi-asset investing, the last ten years have been mixed. Although figures will show that equities have outperformed government bond markets over this period, it has certainly not been straight-forward or predictable with 2008 and 2011 prime examples of this. This background has made it very difficult for most investors, professional or otherwise, and requires a significant amount of patience and skill to seek out those areas that can offer some return in an ever-rotating economic environment.

Managed investment solutions are one way of helping to take away some of the stress of selecting assets in this environment, allowing the adviser to focus on the many other areas of financial planning whilst the assets are managed on their behalf. It can be argued that these funds can be seen as simple solutions to most investment selection and monitoring issues and they are clearly a popular choice. The challenge is that, whilst it always seems advantageous to have more choice, selecting the right option from an ever-increasing list is increasingly difficult and taking account of the increasing number of complex investment instruments that can be used to form portfolios, the apparently simple solutions can become all the more complex.

The changing regulatory environment is also adding to the difficulty in building an appropriate solution that takes a client from risk assessment through to investment solution. The advisory market has an equally expanding range of choices to take an investor through this process and guidance is needed to bring all the elements together to form an acceptable solution.

To try and simplify the choices but provide enough options to cover most investors' requirements is a difficult task. This review looks in detail at the Janus Henderson Multi-Asset Core Income fund range for investors, which we believe can help overcome many of these issues and difficulties.

COMPANY BACKGROUND & PHILOSOPHY

Janus Henderson Investors was formed on 30 May 2017 on the completion of the merger between US-based Janus Capital Group and UK-based Henderson Global Investors.

Henderson was formed in 1934 and first became a public company in 1983 whilst Janus was formed in 1969 as an equity investment manager and began trading on the New York Stock Exchange in 2003. The combined group has £265.3bn of assets under management (source Janus Henderson Investors, 31st March 2018) across equities, fixed income, multi-asset and alternatives.

The Janus Henderson Multi-Asset Team believes that building portfolios with a significant number of strategic, independent themes that operate at the same time will help to generate a much more attractive combination of risk and return. This is applied to the Multi-Asset Core Income fund range with a particular focus on aiming to provide a sustainable income return and the potential for capital growth whilst remaining within clearly defined risk parameters.

PORTFOLIOS CONCEPT & OVERVIEW

The Janus Henderson Multi-Asset Core Income fund range is a set of four actively managed, lower cost, multi-asset funds each with an income bias, which are managed to defined risk targets. Each fund targets specific risk (volatility) parameters provided by Distribution Technology (DT) using their independent risk profiling tool. The funds have been designed to fit the DT risk profiles of 3, 4, 5 and 6 without losing sight of the fact that an attractive return is one of the primary goals of any investor.

NAME	SECTOR	LAUNCH DATE	FUND SIZE (as at 30th April 2018)
Janus Henderson Core Income 3	Volatility Managed	24th September 2012	£17.58m
Janus Henderson Core Income 4	Volatility Managed	10th May 2013	£23.79m
Janus Henderson Core Income 5	Volatility Managed	24th September 2012	£28.28m
Janus Henderson Core Income & Growth 6	Volatility Managed	10th May 2013	£9.86m

The philosophy behind the launch of the Multi-Asset Core Income fund range was to offer a range of actively managed, lower cost, risk-targeted, income-biased solutions to advisers whose choice in this area was limited. The belief was that there were few income-orientated solutions in the risk targeted arena and few that had access to a suite of good internal active funds that can be combined with externally managed funds and familiar passive options to provide a higher quality, yet cost-conscious offering to retail investors. There are still a relatively small number of these fund range options available.

The income element was included in response to the economic and regulatory environment and the ongoing need of investors for income generation, as well as to provide a differentiator from the existing range of offerings in this part of the market. The level of interest rates and the ability to generate income has been problematic for investors for a number of years and it appears that this situation is going to continue for some time yet. Fixed interest markets have been the traditional way that investors with a lower risk mentality have managed their income provision, however this has had to change, as greater risk has been needed to generate the required level of income in such low yielding environments. Managing this risk is difficult and this is where the Multi-Asset Core Income fund range is designed to fit in.

The Funds

The fund objectives and details of the individual volatility parameters are as follows:

RISK PROFILE	DESCRIPTION	DT VOLATILITY RANGE
Core 3 Income	The fund aims to provide a sustainably high income return whilst maintaining a moderately low level of volatility over the medium to long term.	4.2% to 6.3%
Core 4 Income	To provide a sustainably high income return with the prospect for some capital growth whilst maintaining a moderate to moderately low level of volatility over the medium to long term.	6.3% to 8.4%
Core 5 Income	To provide a sustainably high income return with the prospect for some capital growth whilst maintaining a moderate level of volatility over the medium to long term.	8.4% to 10.5%

Core 6 Income & Growth	To provide a sustainable income return with the prospect for capital growth whilst maintaining a moderately high level of volatility over the medium to long term	10.5% to 12.6%

The Janus Henderson Multi-Asset Core Income fund range takes an active approach to multi-asset investing, and can invest in collective funds, selected individual securities and other appropriate investment vehicles. This helps to diversify risk, as well as permit potential gains from asset allocation and investment selection. The funds are managed by the Multi-Asset Team who construct, monitor and manage the funds on an ongoing basis.

Charges

Traditional multimanager funds are generally subject to higher charges than directly invested funds, as the fees of the underlying funds/investments have to be taken into account in addition to the fees of the multimanager fund itself. It is important, therefore, to look not just at the charges but at how a fund has performed after those charges have been applied in order to identify whether any additional charges due to the different investment styles have led to similar or improved performance than the lower charging options. The table below shows the latest charges across the four funds (all figures for the I Accumulation share class):

NAME	AMC	CAPPED OCF
Janus Henderson Core Income 3	0.5%	0.75%
Janus Henderson Core Income 4	0.5%	0.75%
Janus Henderson Core Income 5	0.5%	0.75%
Janus Henderson Core Income & Growth 6	0.5%	0.75%

Source: Janus Henderson Investors, 31st March 2018

THE MANAGEMENT TEAM

The Janus Henderson Multi-Asset Team is based in the UK and headed by Paul O'Connor. The Multi-Asset Core Income fund range is managed by a team of three portfolio managers, including O'Connor, supported by the rest of the UK-based Multi-Asset Team.

Portfolio Management Team

Paul O'Connor, Head of Multi-Asset, Fund Manager

Paul O'Connor is Head of the UK-based Multi-Asset Team at Janus Henderson Investors where he focuses on asset allocation. He is also a Fund Manager of the Multi-Asset and International Opportunities strategies and is a member of the Fixed Income Investment Strategy Group. Prior to joining Henderson in 2013, he was head of asset allocation (EMEA) at Mercer.

He holds a first class BA (Hons) in economics and an MSc in economics from the London School of Economics and has 23 years of financial industry experience.

Dean Cheeseman, Fund Manager

Dean Cheeseman is a Portfolio Manager on the UK-based Multi-Asset Team at Janus Henderson Investors, a position he has held since 2017. Prior to joining Henderson he was a portfolio manager and member of the asset allocation committee at Mercer from 2011 where he contributed tactical asset allocation ideas for all multi-asset and equity strategies. Before that he was with F&C Asset Management from 2007 to 2010, finishing his tenure as head of fund of funds. Prior to F&C he was head of developed markets with Forsyth Partners from 2001 and head of collective investments at Morgan Stanley's Quilter from 1998.

He holds a BA (Hons) in financial services from Nottingham Trent University and has 23 years of financial industry experience.

Nick Watson, Fund Manager

Nick Watson is a Fund Manager on the UK-based Multi-Asset Team at Janus Henderson Investors, a position he has held, as part of the Henderson team, since 2012. He has responsibility for asset allocation and fund manager research with a particular focus on the Multi-Asset Core Income range of products. He joined Henderson in 2007 as a graduate trainee and rotated through various global equity products and fixed income.

He graduated with an honours degree from the University of Exeter in economics and also holds the Investment Management Certificate and the Chartered Financial Analyst designation. He has 11 years of financial industry experience.

THE INVESTMENT PROCESS

The investment process and philosophy for the Multi-Asset Core Income fund range is the same as for the other funds and strategies managed by the Multi-Asset Team, combining top-down macroeconomic analysis with bottom-up instrument selection.

There are many factors that determine the performance of a multimanager portfolio, such as: asset allocation; country allocation; sector allocation; cross-sector themes; and manager style, not to mention flair. The portfolio managers evaluate all these factors and base their asset allocation and investment selection on what they believe is the right balance of these factors in order to deliver sustainable income returns and good capital performance whilst controlling volatility.

The process looks to identify a significant number of strategic, independent themes and to build corresponding portfolios that can consistently generate an attractive combination of risk and return characteristics. The portfolios aim to contain a broad range of assets within a diversified portfolio, including a number of relatively uncorrelated positions, which is likely to generate a more attractive combination of risk and return characteristics than a strategy revolving around only one or two asset classes. For the Multi-Asset Core Income fund range, although the emphasis is still on uncorrelated opportunities, this will be more at an asset class level than at a fund level, as there are typically a smaller number of active funds in the portfolios than in the team's multimanager funds.

The Multi-Asset Core Income funds each have a core strategic asset allocation positioning that represents the team's global economic view. The team also believes that returns can be potentially enhanced through tactical asset allocation positioning and so valuation anomalies or market catalysts are identified that are likely to drive short-term returns. Passive funds, including trackers and exchange-traded funds (ETFs), are core investment vehicles for the funds with a combination of actively managed, internal Janus Henderson funds and externally managed funds making up the remainder. These positions are augmented by taking direct holdings in specific securities identified by Janus Henderson's wider investment teams, providing a cost effective method of accessing some of the best stock ideas. Financial derivatives may also be used to alter exposures in a quick and cost effective manner whilst maintaining the core portfolio.

The team do not just rely on internal discussion but add external input to the process where appropriate. They use external economists and brokers, as well as wider public sources to supplement the internal quantitative models and intellectual debate to bring the final allocations together.

Asset Allocation and Risk Parameters

The generic investment process, as documented above, is used for all the Janus Henderson Multi-Asset Funds run by the UK-based team, with the exception that the key metric for the Multi-Asset Core Income funds is the risk parameters set by Distribution Technology (DT). The asset allocations produced by DT, which are linked to these risk parameters, are not used formally, other than as a reference point for the managers.

The asset allocation at a broad macro level is set by the team, led by Paul O'Connor with support from Nick Harper and Oliver Blackbourn, and this influences the funds' strategic positioning. The team uses quantitative models to analyse large amounts of economic and market data, looking for technical signals such as liquidity, momentum and valuation, and to help question, modify or support the team's fundamental analysis. The risk parameters are monitored both internally and externally by DT to ensure the portfolios stay within the boundaries set over the medium to long-term. They can go outside of these parameters, depending on economic and market circumstances, if they consider that there is a danger of permanent endangerment of capital, but it is likely this will only be for a short period of time. As risk is such an important factor in maintaining the portfolios, the team are constantly considering the potential threats to the portfolios and looking at various alternative scenarios. The Janus Henderson Risk Team help them to monitor this, providing daily positioning reports of the Core funds relative to the upper/lower volatility boundaries as well as supporting attribution analysis.

The income orientation of the Multi-Asset Core Income funds means that their asset allocations may be quite different to other similar risk portfolios managed within the Multi-Asset Team, or that a particular asset allocation view may be expressed in a different way. An illustration may be a traditionally low yielding equity market where it would be more difficult for these funds to build a meaningful position.

Having looked at the positions for the main asset classes the managers will add more value by including sub-sectors and styles. For example, they may consider whether to have a higher weighting towards growth stocks over value stocks within equities, or greater or lesser interest rate sensitivity within bond holdings. Style returns can differ by region, so the team look at each of these on a regional basis and this also has an influence on the thinking for the tactical allocation that takes place.

Tactical Asset Allocation

Tactical asset allocation forms an important part of the process and uses the same principle as the Janus Henderson Multi-Manager Funds but tailored for the income requirements. Any tactical changes are amendments to the core strategic asset allocations and involve looking at market sentiment, the position in the cycle and opportunities in valuation to tilt the portfolio to current themes. They will not aim to have a bias to traditional income generating areas, such as the FTSE 100, and also recognise that most investors are sterling-based and do not want extended currency risk.

Investment Selection

The asset allocation is then reflected in the investment selection where asset classes are accessed through either actively managed funds or via traditional passive instruments such as ETF, trackers and some derivative instruments. Internal actively managed Janus Henderson funds are used and externally managed funds can also be used, but this is limited by the cost constraints on the funds.

There is no limit to the asset range they can use and it is as wide as it needs to be subject to OEIC rules. For passive exposure they will use predominantly ETFs, physical where possible, but also tracker funds, as well as financial derivatives particularly index contracts for difference (CFDs) and they will use a range of counterparties with each one not exceeding a 10% weighting.

The team also leverage from the in-house equity teams for direct equity holdings. Each portfolio has a basket of best idea global stocks designed by the Global Equity Income Team, with the overall weighting dependent on the risk parameters of the portfolio. They will also seek to own direct fixed interest assets when the funds reach an appropriate size, which is intended to give them greater flexibility of payment dates with which to manage the funds' monthly distributions.

Monitoring and Review

Monitoring and review is an important factor in the process for these funds because it provides all the checks that need to take place to ensure all the portfolios are running within the DT parameters.

The Janus Henderson risk management function comprises the Portfolio Analytics & Risk Teams and the independent Investment Risk Teams, and they are known collectively as the Market Risk Teams, which are based in locations close to the various investment management teams in London, Denver and in Asia.

The Market Risk Teams conduct regular oversight meetings and there is a monthly Investment Performance and Risk Committee meeting. The team work with the managers to understand how they operate and the objectives for each portfolio giving them tailored feedback. In the case of the Multi-Asset Core Income range this is particularly important given the specific risk parameters. They use a range of risk models, stress tests, scenario analysis and liquidity analysis to provide a comprehensive picture of the risks within a portfolio.

The Investment Risk Team is independent of the fund management process by structure but is integrated in terms of day–to-day operation. This team provides the oversight function, making sure that funds are managed in line with their mandates and client expectations. The team use a number of metrics to analyse the risk in the portfolios. These quantitative, forward-looking measures of risk are calculated using various risk models and systems, incorporating both industry standard and specific risk settings. They will use external systems such as MSCI Barra, MSCI Risk Metrics, Cognity and Style Research to help provide the most complete coverage. The aim is to review portfolio positioning in more detail and check that the key risk contributors are aligned with client expectations and the fund managers' convictions. Often this risk analysis can be most effective in the work they do with the managers in scenario testing portfolio ideas and changes, which can help managers to determine the level of conviction they can take in the portfolios to maintain risk within the set parameters.

Liquidity factors are taken into consideration within both the research and portfolio construction stages. In addition, the fund's liquidity is regularly monitored and included within the quarterly Liquidity Risk Committee meetings, which is a sub-committee of the Investment Performance & Risk Committee.

PERFORMANCE

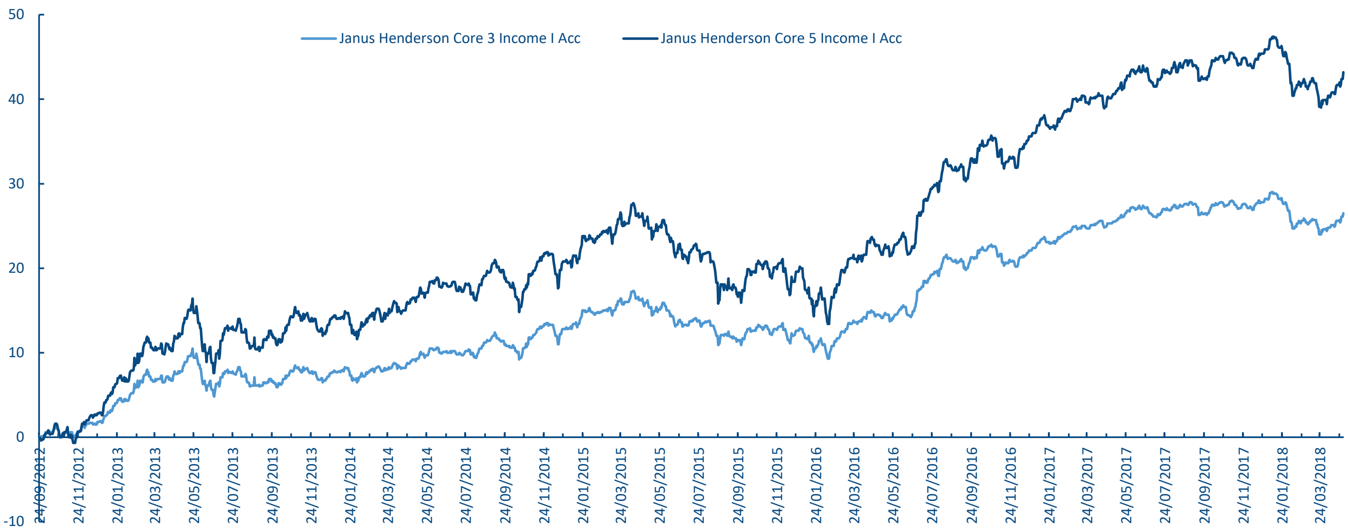
(Source; Janus Henderson Investors, as at 30th April 2018, unless stated otherwise)

	01/05/2017 to 30/04/2018	01/05/2016 to 30/04/2017	01/05/2015 to 30/04/2016	01/05/2014 to 30/04/2015	01/05/2013 to 30/04/2014
Janus Henderson Core 3 Income I Acc	0.96	9.43	-0.87	5.96	1.11
Janus Henderson Core 4 Income I Acc	1.45	11.93	-1.32	6.09	-
Janus Henderson Core 5 Income I Acc	2.21	14.18	-1.84	7.48	3.65
Janus Henderson Core 6 Income & Growth I Acc	3.86	17.05	-2.34	8.39	-

Although 2017 was a strong year for equity markets, high dividend yield equities and income/value-orientated investments generally underperformed, particularly relative to growth and momentum strategies, which impacted relative performance. This continued into 2018, as investors reacted to the possibility of higher than expected inflation, firstly due to US wage growth data and then the verbal exchanges between the US and China regarding trade tariffs. The strength of sterling was also a negative factor for overseas exposure, both in equities and non-equities. Finally, some of the infrastructure investment trust holdings were affected later in 2017 and early 2018 by the perceived impact of political rhetoric from Labour on infrastructure/PFI assets, the outlook for inflation and interest rates plus the problems at Carillion. All these factors affected the absolute performance numbers.

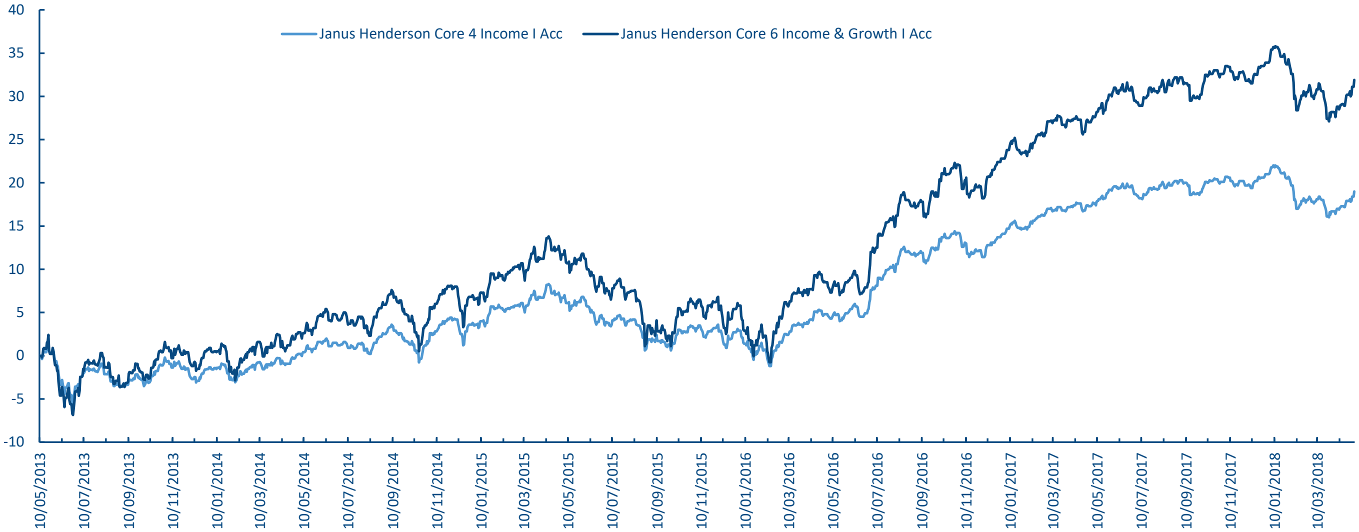
The managers maintained a positive view from an economic perspective but they reduced risk through the second half of 2017 and into 2018, including reducing their credit exposure and moving shorter duration within fixed income, applying some equity hedging positions, adding to gilts and selling European high yield later in 2017 and reducing direct equity risk early in 2018. They believed that market sentiment had become overstretched and detached from fundamentals. Following the first market correction in February 2018 they bought back equity risk, specifically direct equities at more attractive levels, as a number of quality income stocks, particularly in the UK, had seen double-digit losses.

Janus Henderson Core 3 Income and Core 5 Income funds (since launch)



Both funds were launched in September 2012 and have produced similar performance patterns, as you would expect from funds managed using the same overall investment process, but with the greater volatility, drawdown, speed of recovery and overall performance from the higher risk Core 5 Income fund. This is to be expected given the relative performance of equities and fixed income in particular over this period with the lowest risk fund in the range, Core 3 Income, demonstrating the ability to provide greater protection against equity market falls, as was seen in 2015.

Janus Henderson Core 4 Income and Core 6 Income & Growth funds (since launch)



Both funds were launched in May 2013, so not too long after the other two funds, and have produced similar performance patterns, as you would expect from funds managed using the same overall investment process, but with the greater volatility, drawdown, speed of recovery and overall performance from the higher risk Core 6 Income & Growth Fund. This is to be expected given the relative performance of equities and fixed income in particular over this period with the lower risk Core 4 Income Fund demonstrating the ability to provide greater protection against equity market falls, as was seen in 2015.

CURRENT ASSET ALLOCATION/ECONOMIC AND ASSET CLASS VIEWS

The following table summarises the asset allocation positioning, as at 30th April 2018 (Source: Janus Henderson Investors).

ASSET CLASS	CORE 3 INCOME	CORE 4 INCOME	CORE 5 INCOME	CORE 6 INCOME & GROWTH
Equities	**25.2%**	**35.7%**	**42.5%**	**57.9%**
UK	10.4%	13.1%	14.5%	15.9%
North America	2.6%	4.5%	5.3%	8.3%
Europe ex UK	6.2%	8.1%	11.3%	14.7%
Asia ex Japan	2.6%	4.2%	5.6%	8.0%
Japan	0.7%	1.9%	2.3%	3.4%
Emerging Markets	1.5%	2.0%	2.6%	2.9%
Global	1.3%	1.9%	0.9%	4.7%
Specialist	-	-	-	-
Fixed Income	**47.4%**	**40.1%**	**32.5%**	**20.3%**
Government Bonds	15.8%	9.1%	5.8%	4.2%
Investment Grade Bonds	8.0%	7.6%	5.3%	4.5%
High Yield Bonds	12.0%	12.7%	12.1%	6.8%
Diversified Bonds	7.3%	6.6%	5.4%	0.0%
Emerging Market Bonds	4.3%	4.1%	4.0%	4.7%
Others	**14.5%**	**14.7%**	**16.7%**	**16.0%**
Property	4.6%	4.8%	5.5%	4.2%
Commodities	3.3%	3.0%	3.5%	3.6%
Alternatives	6.1%	5.9%	6.5%	6.6%
Private Equity	0.4%	1.1%	1.3%	1.6%
Cash	**12.9%**	**9.5%**	**8.2%**	**5.8%**
	100.0%	100.0%	100.0%	100.0%

The team remains positive on the global economic outlook from a strategic perspective but they are more cautious in the short-term, as an environment of good, synchronised global growth, relatively low interest rates and contained inflation is largely priced in to markets. There is also the challenge of monetary policy normalisation, both through the gradual withdrawal of quantitative easing policies globally and rising interest rates in selected areas. This will lead to further bouts of volatility following a period of historically low levels of volatility, but this in itself will provide investment opportunities as market dispersion increases.

The team maintains their preference for equities, preferring to diversify their regional exposure whilst taking more cyclical exposure to certain markets (e.g. Europe). At this stage in the cycle they are looking for high conviction active fund managers that can generate alpha during a period when overall market returns are likely to be much lower than the last few years.

They are also tilting their portfolios to benefit from increasing inflation, as it continues to normalise after a period of deflationary fears. This is being done by adopting a balance between value and growth but also investing in real assets, such as infrastructure, and diversifying exposure into areas such as emerging market debt.

They are taking a more cautious stance towards fixed income over concerns that fixed income will not provide the required diversification from equities, which has led to an increase to alternatives. They believe credit is looking expensive and have some strategic bond exposure, plus they are looking to be flexible with their duration positioning and their cash weighting. They have added some government bond exposure in place of credit, as yields are have become increasingly more attractive and they benefit from acting as an equity hedge in falling markets.

CONCLUSION

The key elements of the process have been tried and tested over a number of years and are used as the base for the running of the Multi-Asset Core Income fund range. The important differentiators for this fund range are the income bias, competitive charging structure and the risk targeting. The income dimension is particularly rare to find across a range of funds in the current multi-asset market and is very relevant for the low yield and interest rate environment that currently faces many investors. The income bias provides a higher yield but does not override the manager's commitment to maintaining a good total return and protecting capital where appropriate.

The regulatory regime has forced the industry to focus on the cost of running assets, as well as providing advice, and any multi-asset fund has to be competitive relative to other alternatives or demonstrate good value for their cost. The Multi-Asset Core Income fund range is priced very competitively and the funds are a hybrid of active and passive holdings. This has to be carefully balanced so that the investment integrity remains intact ahead of the emphasis on cost. We believe this has been factored into the fund range without compromising the investment process.

There is an experienced fund management team in place but the wider team has seen a number of changes over the last couple of years, most notably the departures of Bill McQuaker, Chris Forgan and, more recently, Helen Bradshaw. The recruitment of Dean Cheeseman, an experienced multi-asset investor with specific experience of managing risk-targeted funds over the last decade whilst he was at F&C and Mercer, is an excellent addition to the team and he has already brought some new ideas regarding the investment process and fund/investment selection. Nick Watson has been with the team since 2012 and has stepped up to a more senior role and they are also actively looking to add another senior person to the fund selection team.

The asset allocation process is different to the funds in the Janus Henderson Multi-Manager fund range, as it is based on a risk-targeted approach. The risk parameters are set by an external organisation, Distribution Technology, and are in place to offer investors a more consistent level of volatility for the portfolios. The portfolios remain independent in the formation of the asset allocation for each risk profile but are managed to stay within the prescribed volatility bands over the medium to long-term.

Overall, the mix of an experienced team and a reliable and proven process with a differentiated concept bodes well for the success of the range. The tying in of these factors with defined risk parameters, cost sensitivity and an income emphasis gives investors a diversified alternative to many other multi-asset solutions.

Stewart Smith
Investment Research Manager
RSMR
June 2018

ABOUT US

RSMR

Established in 2004 RSMR provides research and analysis to firms working across the UK's personal financial services marketplace.

Our work is completed with total impartiality and without any conflict of interest and delivered to a high professional standard by a team of experienced and highly qualified people.

Working with advisers

We provide specialist research, analysis and support to a diverse range of financial advisers and planners helping them to deliver sound advice to their clients backed by rigorous and structured research and due diligence.

The main regulatory body in the UK, the FCA, states that personal recommendations made by advisers should be 'based on a comprehensive and fair analysis of the relevant market' and this has led to closer scrutiny of the whole advice process. Our solutions are designed to help advisers meet these challenges whilst recognising that advisory firms require a range of flexible options that best meet their own business needs and those of their clients.

Working with providers

We work with all the leading fund groups, life and pension companies and platform operators across the financial services sector offering straight forward and pragmatic advice to help add value and improve their business performance and efficiency whilst treating customers fairly in line with FCA requirements.

Ratings

Our innovative range of ratings are now recognised as market leading and cover a broad area of investment solutions including single strategy funds, SRI funds, Multimanager and multi-asset funds, DFMs and investment trusts. Our familiar 'R' logo is now recognised as a trusted badge of quality by advisers and providers alike and a 'must-have' when selecting funds. Our ratings are founded on a strict methodology that considers performance and risk measures but places a greater emphasis on the ability of fund managers to continue to deliver performance in the years ahead based on our in-depth face-to-face meetings with fund managers across the globe.

We understand financial services and we will work alongside you to deliver tailored solutions that are right for your clients and your business.

Our research. Your success.

Number 20
Ryefield Business Park
Belton Road
Silsden
West Yorkshire
BD20 0EE

Tel: 01535 656 555
Email: enquiries@rsmgroup.co.uk
www.rsmr.co.uk

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