

Janus Henderson Strategic Bond

Opinion

- This Recommended fund is managed by experienced practitioners who lead a small retail fixed income team. They were early exponents of strategic bond investing and represent one of the longest established teams running fixed income assets in this manner.
- They have a particular skill in recognising market trends and implementing ideas to take advantage of these in the portfolio.
- The managers are adept at combining their macro and micro views using derivatives to create a fund to suit prevailing market and economic circumstances.

Characteristics and Utility

- The portfolio is diversified and the total return is generated from both strategic and tactical positioning. The managers have a variety of levers to deploy in positioning the portfolio.
- They begin with the premise that, through time, they can add value through active asset allocation, aiming to identify favourable risk-adjusted opportunities from across the fixed income spectrum. As a function of market conditions, the fund has typically been well represented in higher yielding investment grade bonds and high yield bonds, but this is not necessarily a permanent state.
- We see this as a good option for investors who are seeking a flexibly managed and diversified bond fund and for those who prefer to delegate their fixed income allocations to an experienced practitioner.

Risk Commentary

The fund's KIID Synthetic Risk and Reward Indicator (SRRI) is 4. This is a regulatory measurement that is, where possible, calculated from the volatility of its weekly performance over a five-year period. A score of 4 means the fund's historic volatility is between 5% and 10%.

The fund's risk score is in keeping with the sector. There is scope for higher volatility from this fund, as the managers are comfortable using the mandate's flexibility to take high conviction views when they believe they are suitably compensated for the investment risk. Different share classes could have differing SRRI scores.



Key Fund Facts

Inception Date:	11 October 1986
Manager(s) Since:	Jenna Barnard (Jan 04) Nicholas Ware (Jul 24)
Fund Domicile:	United Kingdom
Base Currency:	£ Sterling
Fund Benchmark:	N/A
IA Sector:	£ Strategic Bond

Formal documentation, including the fund prospectus and the KIID, should be sought directly from the asset manager. A link to the asset manager's website can be found on the relevant fund page at theadvisercentre.co.uk. An asset manager adviser factsheet is also provided there.

Fund Snapshot

A flexibly managed, diversified bond fund. The managers aim to maximise returns using an approach that combines strategic and tactical positioning, expressing their views through allocations to government and credit markets. Within its sector, the fund features in our 'Dynamic' category.

Investment Team

The fund is managed by Jenna Barnard and Nicholas Ware. Ms Barnard, Head of Global Bonds, joined Henderson in 2002 and was promoted to portfolio manager in 2004. Prior to this, she worked at Orbitex Investments. Mr Ware has been a fund manager on the Global Bonds team since 2018. He has over 20 years of financial industry experience. The small retail fixed interest team is part of the firm's well-resourced fixed income resource.

Investment Philosophy

The managers seek to deliver attractive returns, primarily from fixed income securities, by exposing the portfolio to different areas of the market on a strategic and tactical basis. They argue that because different types of bonds are characterised by varying degrees of duration and default risk, they offer differing total return prospects in a given economic environment.

Investment Process

The process is framed around three key factors: fundamentals, valuations and market momentum. Fundamental analysis considers factors such as secular trends for the market, the economic cycle, regulation and monetary policy conditions. Valuations are assessed in the context of absolute value, taking into account default risk and relative value, and considering credit spreads over government bonds. Momentum is analysed by assessing technical indicators in the market, investor sentiment indicators and fund flow data.

A large proportion of the portfolio is positioned for the medium to long term, according to the managers' asset allocation strategy. Broadly, they express a positive economic view by exposing the portfolio to greater credit risk and less interest rate risk, while the reverse is applied where they are more negative on the outlook. If the outlook is less clear, the managers maintain a diverse portfolio, using a range of securities to maximise risk-adjusted returns. For tactical positions, the managers use short-term positioning to take advantage of opportunities that arise largely from technical factors, such as extreme market positioning, supply factors or fund flows. To facilitate this, a proportion of the fund is in readily realisable investments such as cash and government bonds. They also use interest rate and credit derivatives actively with a view to both protecting positions and also to express an outright view.

Portfolio Construction and Risk Controls

Given the absence of a formal benchmark and the flexible nature of the mandate, there are no formal constraints to which the managers' must adhere. Rather, every position in the portfolio earns its place on the basis of the managers' assessment of total return expectations over the prescribed investment horizon. An Investment Risk team undertakes independent and thorough analysis on the portfolio.

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