Janus Henderson
INVESTORS

GLOBAL MULTI-STRATEGY

Key differentiators

- **Diversifying absolute return strategy:** A globally positioned multi-strategy portfolio seeking to provide positive absolute return with low to moderate volatility (expected volatility range of 4-8%), and low correlation to both traditional and alternative asset classes.
- **Distinct sources of alpha:** A diversified skill-based approach run on a market-neutral basis, with bottom-up selection across a range of adaptive sub-strategies and balanced by top-down management decisions on risk exposure.
- **Explicit portfolio protection* strategy:** History shows that during periods of market stress, the prices for seemingly unrelated investments can become highly correlated. An explicit portfolio protection strategy that seeks to generate uncorrelated positive returns during these periods of market stress.

Overview

The principal investment objective is to deliver a positive absolute return for investors through a broad range of alternative investment strategies. The strategy is managed by David Elms and Steve Cain, supported by a global team of specialists with diverse skill-sets, who operate within the broader Diversified Alternatives team.

The investment approach combines team-developed insight across a range of designated sub-strategies, combined with a separate explicit protection strategy*. The low expected correlation among these strategies aims to enhance the risk-adjusted return of the overall portfolio.

*Please be aware that while the strategy aims to reduce downside risk, it does not commit to provide capital protection over any time period, and particularly over the shorter term the strategy may demonstrate periods of negative returns. Consequently capital is at risk.

Investment philosophy

As markets and investor behaviours evolve, so too do the investment opportunities. By using a multi-strategy approach that spans different asset classes, the team believes that it can capture these changing opportunities to generate a positive, risk-adjusted return for investors, while reducing overall portfolio volatility. A diversified skill set across the team provides the opportunity to identify and capitalise on the factors driving change from both a bottom-up and top-down perspective.

Risk management is a very important component within the strategy. The low correlation between the separate strategies not only enhances the ability to mitigate risk, if managed correctly, but also produce returns with low correlation to major asset classes and other alternative investment strategies.

The managers' views on the sources of potential return are summarised here:

INVESTOR CONSTRAINTS

Investment mandate restrictions may constrain capital which can lead to arbitrage opportunities between related securities.

STRUCTURAL INEFFICIENCIES

Complex instruments and events often lead to initial misevaluation, creating opportunities to benefit from these inefficiencies.

BEHAVIOURAL BIASES

Investor over/under-reaction can cause asset prices to deviate from fundamental value, creating opportunities for disciplined investors.

CAPITAL FLOWS

Capital flows influence valuations more quickly than fundamentals, leading to potential mean-reversion opportunities.

Past performance does not predict future returns.

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.

Bottom-up strategies: top-down risk control

The strategy's Co-Portfolio Managers David Elms and Steve Cain, working collaboratively with a team of alternatives specialists and portfolio managers, run a globally positioned, market-neutral strategy. The approach consists of 'bottom-up' management across a range of six complementary strategies, combined with a separate 'top-down' explicit portfolio protection* strategy aimed at providing a second source of return, while helping to mitigate overall risk.

Based on collaboration and delegation, the investment approach aims to deliver attractive risk-adjusted returns for investors from a truly diversified range of sources, with low correlation to other major asset classes and alternative investment strategies.

Strategy summary

Convertible Arbitrage	Equity Market Neutral	Risk Transfer
Event Driven	Price Pressure	FICC RV
Portfolio Protection		

Convertible Arbitrage

Opportunity	Convertible bonds are often priced inefficiently, due to complexity, structural inefficiencies or investor constraints.
Implementation	Convertible arbitrage is a fundamental, global, valuation-driven strategy which aims to capitalise on the discount/premium of convertible bonds relative to their underlying share price. The portfolio managers maintain market neutrality by hedging exposure to underlying equity, credit and interest rate risk.

Event Driven

Opportunity	**Corporate activity:** uncertainty around deals or forced selling activity means share prices often trade at excess discounts to their offer price. **Corporate structures:** complex, inefficient capital structures often lead to mis-priced opportunities.
Implementation	The event driven strategy aims to exploit pricing inefficiencies around corporate events, such as mergers, acquisitions or spin-offs (risk arbitrage) by taking long positions in the underpriced shares, hedged by a short position in the more expensive shares.

Equity Market Neutral

Opportunity	Share prices often move excessively in reaction to events or news, compared to the potential impact on a company's intrinsic valuation.
Implementation	The equity market neutral strategy seeks to benefit from this mis-pricing across developed markets, by investing long and short – or through pair trading – targeting developed market stocks priced at a level outside their historical valuation range. The portfolio managers will look to hedge out market and well-known factor exposure.

Risk Transfer

Opportunity	Tighter regulations on investment banks, combined with an increase in demand for structured products, has contributed to price distortions in the global derivatives market.
Implementation	The risk transfer strategy seeks to capitalise on the supply/demand-driven imbalance in the derivatives market, providing liquidity to banks that are limited in the risk they can hold on their balance sheets. This is typically achieved by trading listed derivatives to deliver a market neutral exposure to these mis-pricings.

Note: there is no assurance that the investment process will consistently lead to successful investing.

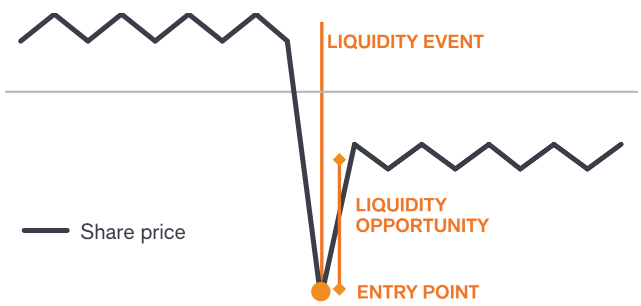
Price Pressure

Overview	Aims to generate returns through the provision of capital to liquidity opportunities across both fixed income and equity markets.

Fixed income price pressure example

Opportunity	Price distortions tend to occur around significant market events, such as government bond auctions, or other fixed income liquidity events.
Implementation	The fixed income price pressure sub-strategy seeks to capture price differentials before and after a government bond auction by buying and selling within the pre- and post-auction period.

Equity price pressure example



Opportunity	Shares are typically placed at a discounted price before a liquidity event. This discount may disappear after the transaction.
Implementation	The equity price pressure sub-strategy takes long positions intended to capture any price pressure discount resulting from liquidity events, while hedging overall market risk.

Fixed Income, Currency and Commodity Relative Value (FICC RV)

Opportunity	Higher interest rates and inflation have opened up relative value pricing opportunities within fixed income and currency markets. Within commodities, we believe that it is possible to exploit anomalies in market information across a range of factors to deliver differentiated, risk-adjusted performance.
Implementation	Within fixed income and currency markets, volatility is captured through relative value trades. Within commodity markets the four factors which the strategy seeks to exploit include curve, momentum, carry/value and skew, at both an inter- and intra-commodity level.

Explicit Portfolio Protection*

Overview

The portfolio managers use an explicit protection strategy to generate uncorrelated, positive returns in periods of sustained market stress. This enables the other strategies within the multi-strategy portfolio to weather short-term market stresses, and position for potential longer-term opportunities.

Multi-faceted approach

- **Systematic long volatility:**
  An 'always on', non-timed downside protection strategy designed to deliver positive returns in times of higher market volatility and liquidity induced sell-offs.
- **Systematic trend-following:**
  A proprietary developed trend following strategy seeking to systematically capture trends in global markets and provide protection in persistent, trending sell-offs.
- **Discretionary macro:**
  This judgement-based strategy seeks to hedge the portfolio against catalyst events through the use of options.

Each sub-strategy is designed to address different market scenarios, including short-term or sudden market sell-offs and more generalised (longer-term) risk-off environments.

Portfolio construction and risk management

Bottom-up strategy management

The underlying strategy managers are responsible for trade selection and execution, while the lead portfolio managers determine target position sizing. Risk allocation is based on the underlying opportunity set.

Each sub-strategy is designed to access different investment opportunities, with low correlation to both bonds and equities, sourcing returns from different areas.

Top-down risk control

- Lead portfolio managers monitor strategy-level risk profiles
- Protection strategy used to manage total portfolio risk
- Level of protection will vary depending on the tail risk environment

> "In our view, purchasing explicit protection is integral to diversifying a balanced Multi Strategy portfolio, helping to mitigate risk when acute market stress causes pricing for otherwise seemingly diversified assets to synchronise."
>
> **Steve Cain,** Portfolio Manager

Risk management

The investment risk function at Janus Henderson works closely with senior management and portfolio managers as part of the overall risk management and oversight process and is divided into two distinct teams to provide two levels of monitoring and protection to investors.

The **Investment Risk Team** (reporting into Investment Management Leadership) works hand in hand with the portfolio management teams and has both an oversight and a consultancy role. The oversight role means the team is responsible for ensuring that the portfolios are managed in line with mandates and client expectations. In the consultancy role, the team acts as a centre of expertise for the business — including portfolio managers — when the team's skill set can help improve the outcome for clients. This structure is intended to create a close partnership between the portfolio management team and risk managers.

The **Financial Risk Team** is an independent oversight team, which sits within the Risk & Compliance function (reporting to the Chief Risk Officer). The Financial Risk Team comprises specialists in investment risk, derivatives, and counterparty risk who perform independent monitoring of market (including ESG), liquidity and counterparty risks with the aim to ensure portfolios are managed in accordance with what clients would expect, as well as the relevant regulatory requirements relating to market, liquidity and counterparty risks. Additionally, the team covers the independent validation of internally developed investment models.

Portfolio managers and senior management have access to a variety of third party and internally built risk management tools in order to qualify and quantify the various types of market risks. Daily reports and dashboards are used for day-to-day monitoring of the portfolio's exposures and risks and regular oversight meetings are held with the portfolio managers to discuss any relevant risk in the portfolio. A monthly Investment Performance & Risk Committee meeting is held, allowing the teams to escalate any potential remaining issue and provide senior management an independent view of the portfolio.

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Portfolio managers

David Elms
Head of Diversified Alternatives, Portfolio Manager

David Elms is Head of Diversified Alternatives and a Portfolio Manager at Janus Henderson Investors responsible for enhanced index, risk premia, and hedge portfolios. Prior to joining Henderson in 2002, he spent eight years as a founding partner at Portfolio Partners. He was initially based in Melbourne, where he managed derivatives and enhanced index portfolios, and was later seconded to Aviva in London in a corporate strategy role following Aviva's acquisition of Portfolio Partners. Earlier, he spent three years as associate director at County NatWest Investment Management, Melbourne, where he was responsible for equities and equity derivative trading as well as quantitative research.

David received a BCom degree (Hons) from the University of Melbourne, Australia. He has 32 years of financial industry experience.

Steve Cain
Portfolio Manager

Steve Cain is a Portfolio Manager at Janus Henderson Investors, a position he has held since joining Henderson in 2010. Prior to Henderson, Steve ran Kurtosis Capital Partners. He was a partner as well as a volatility and macro portfolio manager at JWM Partners from 2006 to 2009. From 2004 to 2006, he was founding partner and currency and macro portfolio manager at Nylon Capital. In 2002, he was managing director, head of macro strategies at Shumway Capital Partners. Steve started his career in 1987 in investment banking. Between 1987 and 2002, he held a variety of roles managing currency and emerging market businesses at numerous global investment banks.

Steve received a BA degree (Hons) in philosophy, politics, and economics from Oxford University. He has 36 years of financial industry experience.

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Janus Henderson INVESTORS

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