

Markets

Janus Henderson Is Dominating the CLO ETF Market

- JAAA dwarfs all other CLO funds with roughly \$3.9 billion AUM
- JBBB, which tracks riskier credits, hasn't found same success

by Katherine Greifeld  
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The nascent market for ETFs tracking collateralized loan obligations is increasingly dominated by a single player: Janus Henderson.

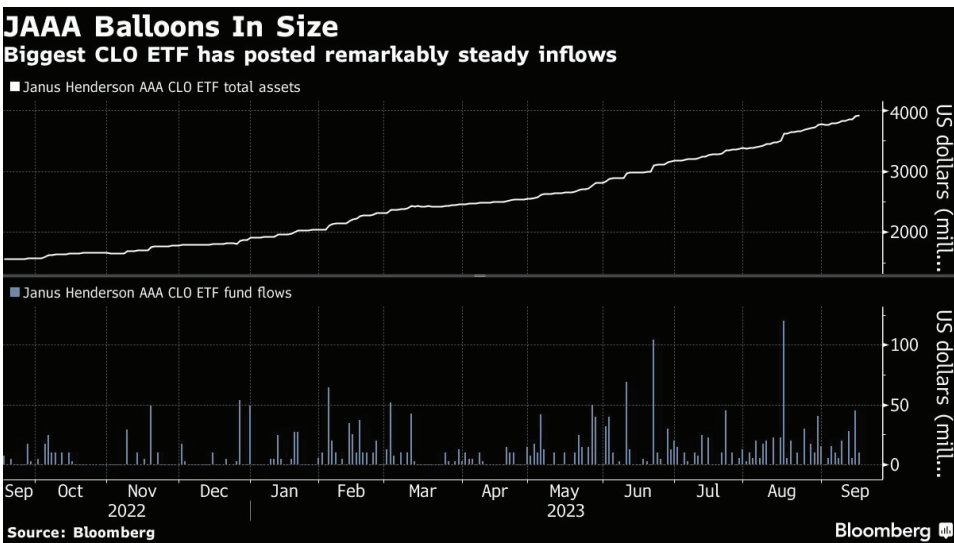
The Janus Henderson AAA CLO exchange-traded fund (ticker JAAA) has ballooned to a record \$3.9 billion in assets since its October 2020 launch, dwarfing at least nine other CLO-focused funds. Its closest runner-up, the VanEck CLO ETF (CLOI), is sitting on roughly \$146 million after its June 2022 debut.

JAAA's command can be credited to being early and being inexpensive. While the Janus fund wasn't first in the category – the \$7.4 million AXS First Priority CLO Bond ETF (AAA) began trading a month earlier – it was a close second. Not to mention, the actively managed ETF carries a relatively low expense ratio of just 22 basis points. Though BlackRock Inc. introduced a CLO ETF this past January with a 20 basis points fee, JAAA's multi-year head start means that so far the fund has handily held off that competition.

"It is definitely rare for the second launch to dominate but Janus did launch shortly after and had the benefit of being an established brand for active management as well as a low-fee," said Bloomberg Intelligence senior ETF analyst Eric Balchunas. "BlackRock came in at 20 basis points – two basis points just doesn't have the same impact. If JAAA was 50 basis points, then BlackRock was going to do better with 20 basis points."

JAAA's assets under management have skyrocketed this year. The fund entered 2023 with less than \$2 billion and has nearly doubled over the past nine months. It hasn't posted an outflow since June 2022, Bloomberg data show.

John Kerschner, the head of US securitized products at Janus, said that remarkably steady demand is coming



from a "broad swath" of investors given the floating-rate nature of the product, which means it has benefited from the Federal Reserve's hiking campaign.

"Retail investors, institutional investors, pretty much anybody, this ETF works for, and the reason why is it's floating rate," Kerschner said on Bloomberg Television's ETF IQ. "Interest rates went up, so bond prices went down, and a lot of fixed-income products were down double-digits. JAAA was positive last year and that has continued this year."

Janus Henderson head of US securitized products John Kerschner speaks about the Janus Henderson AAA CLO ETF, or JAAA, which is the largest fund in its category with \$3.9 billion in assets under management. He speaks with Bloomberg's Katie Greifeld, Matt Miller and Eric Balchunas on "Bloomberg ETF IQ."

JAAA has rallied over 6% so far this year on a total return basis, while the \$32 billion iShares iBoxx \$ Investment Grade Corporate Bond ETF (LQD) and the \$95 billion Vanguard Total Bond Market ETF (BND) have gained 1.7% and 0.6%, respectively.

Broadly speaking, money managers are anticipating that momentum in the \$1.3 trillion CLO market will build further in the months ahead. While issuance has been depressed in the face of low M&A activity and a lack of demand for liabilities, several new managers have sold deals in the US recently.

While Janus has found success with JAAA, the \$109 million Janus Henderson B-BBB CLO ETF (JBBB) – which tracks riskier credits – has struggled to find its audience since launching in January 2022. Though the fund has climbed nearly 13% on a total return basis this year, potential investors want to see a longer track record given its risk profile, according to Kerschner.

"We launched it just over a year and a half ago, so people want to see – this is a new product, it's going to have more volatility, how's it going to react in different markets?" Kerschner said. "Bottom line, what we've said at Janus Henderson is look, we want to make sure we have a bit of a track record, that we show off our expertise in this sector, and then once we have that we will go out there and pound the table."

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