

Janus Henderson  
—KNOWLEDGE. SHARED—



MARKET GPS  
**INVESTMENT  
OUTLOOK 2020**

The Janus Henderson Market GPS: Investment Outlook 2020 seeks to address the most pressing issues facing clients globally. Here we summarise the views of our asset class heads and highlight themes to watch in the year ahead. More in-depth insights are also available as part of the series.

---

At Janus Henderson, we rely on our detailed fundamental research and deep understanding of companies, sectors and asset classes to drive investment decisions. We assess near-term signals and global trends but avoid far-reaching macroeconomic calls.

Our investment teams discuss and debate their views regularly, but are free to form their own opinions of opportunities and risks in the marketplace. We feature commentary from individual portfolio managers on the Insights section of the Janus Henderson website as part of our *Knowledge. Shared* approach.

## INVESTOR CONCERNS

We believe in understanding investor needs and helping to deliver solutions. Our Outlook seeks to address current client concerns, including:

- Is now the time to take a contrarian position as part of an Equities allocation – or can recent winners continue to rise? Is now the time to move away from US overweights?
- How should investors position for trade war developments, geopolitical pressure and the US election cycle?
- If low or negative rates are here to stay, how should Fixed Income investors position themselves to profit?
- Are environmental, social and governance (ESG) considerations true drivers of investment returns?
- Can Alternative investments provide genuine diversification opportunities outside of traditional asset classes?

# EQUITIES

---

## SENTIMENT SWINGS LIKELY, FOCUS ON FUNDAMENTALS

Stocks hit record highs in 2019 even as geopolitical uncertainty led to heightened market volatility. We believe swings in sentiment could continue in 2020 and that a focus on fundamentals will be more important than ever.



ALEX CROOKE AND GEORGE MARIS  
CO-HEADS OF EQUITIES

## WEIGH THE RISKS

---

Can equity markets go higher? We think geopolitics will have an outsized impact on the answer. We also recognise that valuations are above long-term averages and some economic indicators are turning negative. But there are positive offsets: loosening monetary policy, a strong US labour market and the relative attractiveness of stocks to bonds. We think the equity train stays on the tracks but with bumps ahead.

US UNEMPLOYMENT  
RATE  
**50-YEAR  
LOW**  
of 3.5% in 2019<sup>1</sup>

## VALUATIONS MATTER

---

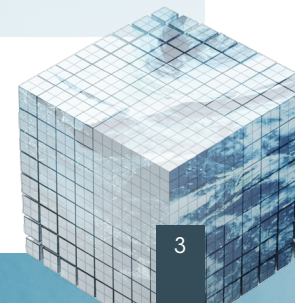
For much of 2019, investors rewarded defensive stocks, but September saw a sharp rotation to overlooked cyclicals. Did this shift in sentiment suggest that investors will no longer pay any price for “safety”? Such scepticism is prudent, and for 2020 we think it is critical to identify companies with sound fundamentals trading on attractive valuations.

## GO GLOBAL

---

We believe investors should diversify geographically. US stocks led global equities in 2019.<sup>2</sup> In 2020, we believe this leadership could expand to regions such as Europe, on which sentiment has been particularly negative, and Asian markets outside of China, which have become beneficiaries of the trade war. Globally, we also think opportunities exist in companies that are innovating, finding cost synergies in mergers and acquisitions or pulling other levers of growth, as well as in firms attuned to ESG.

CHINA'S  
INVESTMENT IN  
DEVELOPING ASIA  
**↑200%**  
in 2018<sup>3</sup>





# FIXED INCOME

---

## ACTIVE APPROACH CRUCIAL

Negative rates and weak data paint a challenging backdrop, but there is room to be positive within Fixed Income, an asset class that can tolerate mundane economic conditions.



JIM CIELINSKI  
GLOBAL HEAD OF FIXED INCOME

## SET REALISTIC EXPECTATIONS

---

Central bank policy will determine if a global recession is avoided in 2020 – and we believe it will. This will be coupled by an extension of the credit cycle supporting corporate bonds, but with the mathematics of already-low yields, investors should prepare for modest returns from Fixed Income generally.

INTEREST RATE  
MOVES  
**56 CUTS**  
in 3Q19  
— V. —  
**27 HIKES**  
in 3Q18<sup>4</sup>

## BE ACTIVE

---

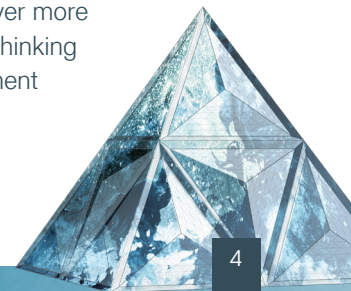
We are cautious on valuations. These are generally high and, with government bond rates so low, there are meagre foundations for meaningful returns. Certain sectors and areas of the market will be susceptible to shocks, particularly in a US presidential year; other areas will find support. We expect an increase in the dispersion of returns and, as disruption continues, active positioning will be key.

NEGATIVE-YIELDING  
GOVERNMENT DEBT  
**US\$13 T<sup>5</sup>**

## TAKE A BROAD PERSPECTIVE

---

The search for yield will force investors to look across the entire range of Fixed Income, with asset- and mortgage-backed securities being of potential interest. ESG considerations will also become ever more relevant. It is important not to become anchored in one's thinking or positioning when navigating the geopolitical and sentiment shifts ahead.



# ALTERNATIVES

---

## DIVERSIFY THROUGH SKILLS-BASED INVESTING

Alternative investments have grown markedly in popularity. The asset class is ever more relevant as investors question how much more traditional asset classes have to give. We believe diligence is required when assessing the options.



**MICHAEL HO**  
GLOBAL HEAD OF MULTI-ASSET  
AND ALTERNATIVES

## KNOW YOUR SOURCES OF RETURN

---

Many Alternatives managers rely on equity beta (market exposure) to generate returns. This won't provide diversification in a downturn. We believe it is critical for investors to understand whether returns are reliant on skills-based investing – with genuine diversification benefits – or exposure to markets when assessing opportunities, and we advocate for the former.

We believe Alternatives investing should provide **NEAR 0%** net exposure to traditional asset classes

## BE AWARE OF CHANGING MARKET DYNAMICS

---

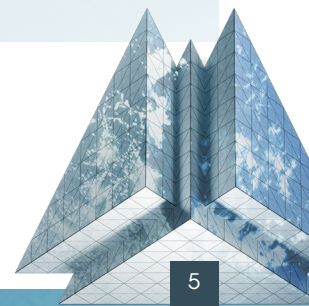
The increasing number of retirees means that society's sensitivity to investment loss is increasing and the potential consequences more pronounced. It is important to be mindful of the monetary accommodation of the last decade and its impact on asset class returns.

## WATCH RISKS TO TRADITIONAL ASSET CLASSES

---

At this late stage in the cycle, we look for structural shifts that indicate a mispricing of risk. Since 2009, Equities have been artificially buoyed by companies making the most of low-yielding debt to buy back shares. We believe investors should watch for a reversal of this trend, with potentially meaningful results in 2020. In our view, while timely given current conditions, adding truly diversifying sources of return to balanced portfolios is an approach with long-term merit.

EQUITY BUYBACKS  
BY US COMPANIES  
SINCE 2009  
**US\$3.7 T<sup>6</sup>**



<sup>1</sup> Source: Refinitiv Datastream, Bureau of Labor Statistics, US Department of Labor, US Unemployment Rate, Seasonally Adjusted, September 2019.

<sup>2</sup> As of 31 October 2019.

<sup>3</sup> Source: Asian Development Bank, December 2018. Greenfield investments are projects in which investors establish a new business or expand operations in foreign territories.

<sup>4</sup> Source: CBRates.com, November 2019.

<sup>5</sup> Source: Bloomberg, Bloomberg Barclays Global Aggregate Negative-Yielding Debt Market Value, November 2019.

<sup>6</sup> Source: Bank of America Merrill Lynch Research, September 2019.

The views presented are as of the date published. They are for information purposes only and should not be used or construed as investment, legal or tax advice or as an offer to sell, a solicitation of an offer to buy, or a recommendation to buy, sell or hold any security, investment strategy or market sector. Nothing in this material shall be deemed to be a direct or indirect provision of investment management services specific to any client requirements. Opinions and examples are meant as an illustration of broader themes, are not an indication of trading intent, and are subject to change at any time due to changes in market or economic conditions. It is not intended to indicate or imply that any illustration/example mentioned is now or was ever held in any portfolio. No forecasts can be guaranteed and there is no guarantee that the information supplied is complete or timely, nor are there any warranties with regard to the results obtained from its use. In preparing this document, Janus Henderson Investors has reasonable belief to rely upon the accuracy and completeness of all information available from public sources. Past performance is no guarantee of future results. Investing involves risk, including the possible loss of principal and fluctuation of value.

Not all products or services are available in all jurisdictions. The distribution of this material or the information contained in it may be restricted by law and may not be used in any jurisdiction or any circumstances in which its use would be unlawful. The contents of this material have not been approved or endorsed by any regulatory agency. Janus Henderson is not responsible for any unlawful distribution of this material to any third parties, in whole or in part, or for information reconstructed from this material.

This material may not be reproduced in whole or in part in any form, or referred to in any other publication, without express written permission. We may record telephone calls for our mutual protection, to improve customer service and for regulatory record keeping purposes.

In Europe, issued 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). Advisory services in the U.S. are provided by SEC registered investment advisers that are subsidiaries of Janus Henderson Group plc. In **Canada**, products and services are offered through Janus Capital Management LLC only to institutional investors in certain jurisdictions.

Issued in (a) **Singapore** by Janus Henderson Investors (Singapore) Limited, licensed and regulated by the Monetary Authority of Singapore. Janus Henderson Investors (Singapore) Limited Company Registration No. 199700782N, for use only with institutional investors as defined in Section 4A of the Securities and Futures Act, Singapore. This advertisement or publication has not been reviewed by Monetary Authority of Singapore. (b) **Hong Kong** by Janus Henderson Investors Hong Kong Limited, licensed and regulated by the Securities and Futures Commission, (c) **Taiwan** R.O.C by Janus Henderson Investors Taiwan Limited, licensed and regulated by the Financial Supervisory Commission R.O.C. Independently operated by Janus Henderson Investors Taiwan Limited. Suite 45 A-1, Taipei 101 Tower, No. 7, Sec. 5, Xin Yi Road, Taipei (110). Telephone: (02) 8101-1001. Approved SICE licence number 023, issued in 2018 by Financial Supervisory Commission, (d) **South Korea** by Janus Henderson Investors (Singapore) Limited. In South Korea, this material is issued for the exclusive use of the recipient who warrants by receipt of this material that they are Qualified Professional Investors, (e) **Japan** by Janus Henderson Investors (Japan) Limited, regulated by Financial Services Agency and registered as a Financial Instruments Firm conducting Investment Management Business, Investment Advisory and Agency Business and Type II Financial Instruments Business, (f) **Australia and New Zealand** by Janus Henderson Investors (Australia) Institutional Funds Management Limited (ABN 16 165 119 561, AFSL 444266) and (g) the **Middle East** by Janus Capital International Limited, regulated by the Dubai Financial Services Authority as a Representative Office. No transactions will be concluded in the Middle East and any enquiries should be made to Janus Henderson.

**For Other Countries/Regions in APAC:** This material is provided for your information purposes only and must not be distributed to other persons or redistributed. This material is issued for Institutional Investors only (or professional/sophisticated/qualified investors as such term may apply in local jurisdictions).

**Note to China (PRC), Africa and Colombia Readers:** Janus Henderson is (a) not licensed, authorised or registered with the China Securities Regulatory Commission for investment management business or investment consultancy business or otherwise approved by any PRC regulatory authorities to provide investment management services or investment consultancy services in the People's Republic of China (the "PRC") (which, for such purposes, does not include the Hong Kong or Macau Special Administrative Regions or Taiwan). Janus Henderson Investors makes no representation and warranties that it is, and will be, in compliance with PRC laws. This document and the information contained in it is only available to select targeted institutional investors in the PRC, (b) not authorised in South Africa for marketing and (c) not authorised to market its products and/or services in Colombia or to Colombian residents unless such promotion and marketing is made in compliance with applicable rules and regulations.

**For Professional and Institutional Investor Use only. This material is not to be reproduced or distributed to persons other than the recipient.**

**Outside of the U.S.:** For use only by institutional and sophisticated investors, qualified distributors, wholesale investors and wholesale clients as defined by the applicable jurisdiction. **Not for public viewing or distribution.**

Janus Henderson, Janus, Henderson and Knowledge. Shared are trademarks of Janus Henderson Group plc or one of its subsidiaries. © Janus Henderson Group plc.