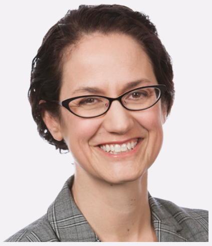
December 2017

Janus Henderson
—KNOWLEDGE. SHARED—

Portfolio Manager View:
Carmel Wellso

Carmel Wellso, Director of Research within Janus Henderson's Research Team, provides the team's outlook for equity markets in 2018, including views on the main headwinds and the most attractive investment areas.



Carmel Wellso
Portfolio Manager
Director of Research

What lessons have you learned from 2017?

Economic conditions around the world generally strengthened in 2017. Corporate results and guidance for many companies were positive; China continued to execute on its transition to a consumer-driven economy; India implemented key reforms; prices for many raw materials rose as a result of stronger demand; and European industrial firms hinted at supply shortages, to name a few examples. At the same time, a significant number of equity markets continued to ratchet higher. A long stretch of positive returns can be unnerving, but we don't see market excesses. On the contrary, 2017 demonstrated that the global economy is on sound footing.

What are the key themes likely to shape the markets in which you invest in 2018 and how is this likely to impact portfolio positioning?

Central banks are nearing (if not already at) the point where they will start to taper or reverse accommodative monetary policies that have supported asset prices since the end of the financial crisis. At the same time, long-term bond yields could start to rise as global economic activity improves and earnings expand. If corporate profit growth can offset higher bond yields, stocks will remain attractive. As such, we think earnings growth is key to stock performance going forward.

Where do you currently see the most compelling opportunities and the risks within your asset class?

We think the divide between companies that can deliver growth and those at risk of becoming laggards is one of the most important stories of the market today. Equity markets, in our opinion, can continue to rise, but investors could see a broader dispersion of stock performance than in recent years.

With that in mind, we are focusing on opportunities in the health care and technology sectors. Thanks to demographic trends and ongoing innovation, the right companies in these sectors should enjoy wide competitive moats and could potentially deliver significant growth. We also believe financials and some cyclical industries – where valuation multiples have been relatively compressed – have the potential to outperform. Against a backdrop of economic growth and rising interest rates, these firms could release pent-up earnings growth and deliver attractive returns to investors.

For more information, please visit **janushenderson.com.**

Janus Henderson
—KNOWLEDGE. SHARED—

C-1217-14168 06-15-18

666-15-414094 12-17