

Portfolio Manager View:

Doug Rao

Doug Rao, Portfolio Manager of the Concentrated Growth and Concentrated All Cap Growth strategies, remains confident in the potential of companies growing in line with today's powerful secular growth themes.

What lessons have you learned from 2017?

The resiliency of global markets impressed me, especially given the wave of populism that we saw in developed markets in 2017. In fact, had you asked me 18 months ago how the market would react to certain election results, I would have expected multiples to contract some. Accommodative central bank policy has most certainly acted as a support for valuations of all risk assets.

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?

We believe U.S. stocks are fairly valued, given the backdrop of low interest rates and a resilient, albeit slow-growing, economy. Tax reform in the U.S. could be a catalyst for mergers and acquisitions, as companies repatriate their overseas cash. Also, the global economy appears to be stronger than it has been in over a decade, with inflation appearing broadly contained. Given that, we believe the business fundamentals of large-growth companies should continue to be very strong.

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

Growth stocks, which have seen very strong performance versus value stocks, are probably due for more modest returns. We believe companies will need to demonstrate earnings and free-cash-flow per share growth to experience further stock price appreciation.

To that end, many of our holdings underpin some of the most powerful secular growth themes in today's economy: the shift from offline to online spending, the switch of enterprise software from on-premises data centers to the cloud, a proliferation of connected devices in the home and business, and a growing global middle class, to name a few. We've been encouraged at the way some of these themes have accelerated in the past year and look poised to gain momentum. We remain confident in these companies' abilities to grow earnings, and welcome an environment where earnings growth is a key determinant of stock price appreciation.



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For more information, please visit janushenderson.com.

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