

# Janus Henderson UK Property PAIF I Inc

November 2021  
Investment Research



## Overview

The managers primarily seek to provide an income from a portfolio of well-managed, quality UK commercial properties. There is also the potential for capital growth over the medium to longer term. Charges are taken from capital.

Capital Accumulation	Capital Preservation	Income	Inflation Protection
●		●	

## Square Mile Expected Outcome

We believe that this fund should be able to outperform the IA UK Direct Property Sector over a rolling five year period.

<b>Launch Date:</b> 07/06/1999	<b>Distribution Pay Date:</b> Mar 01, Jun 01, Sep 01, Dec 01 (Final)
<b>Yield:</b> 2.63%	<b>Ongoing Charge Figure:</b> 0.85%
<b>Transaction Cost ex Ante:</b> 0.11%	<b>Fund Manager:</b> Ainslie McLennan, Marcus Langlands Pearse
<b>Domicile:</b> United Kingdom	<b>Fund Size (as at 30 Sep 2021):</b> £1061.0m
<b>Asset Class:</b> Property	<b>IA Sector:</b> IA UK Direct Property
<b>Active/Passive:</b> Active	



## Fund Opinion

This fund offers investors access to a managed portfolio of commercial properties, providing income and the potential for capital growth. In June 2015 management of the fund transitioned to TH Real Estate (now Nuveen Real Estate) who run the fund on behalf of Janus Henderson Global Investors on a sub-advisory basis. Despite this change, the fund's named managers, Marcus Langlands-Pearce and Ainslie McLennan have remained at the helm and continue to run the fund in the same consistent way. The managers are very aware of the needs of investors and manage the fund with a long-term focus on what they believe a commercial property portfolio should aim to deliver. They recognise the asset class can provide capital growth at various times during the investment cycle, but their emphasis is very much on the importance of income. They have a keen sense for the key drivers of the UK commercial property market and therefore seek to invest in good quality properties with financially sound tenants in order to mitigate these risks. However, physical property is an illiquid asset class and that at times of market stress it may be difficult for open-ended funds to maintain daily dealing at steady prices. This could potentially lead to funds closing, possibly for protracted periods of time, or, as was also the case with this fund in the aftermath of the UK referendum on EU membership, applying significant fair value price adjustments and/or dilution levies. In March 2020, redemptions were suspended as the fund's valuers deemed there to be a material uncertainty in valuing its properties. Once the uncertainty clause was lifted, and the managers had raised cash to a level comfortable to deal with expected redemptions, they reopened the fund for trading in February 2021.

## Fund Description

Janus Henderson was formed in 2017 following the merger of US based, Janus Capital Group, which was founded in 1969, and Henderson Global Investors which was founded in the UK and has a history dating back to 1930s.

This fund has been managed on behalf of Janus Henderson Global Investors by Nuveen Investors (formerly TH Real Estate) since June 2015. Day to day management remains the responsibility of Ainslie McLennan and Marcus Langlands-Pearce, who have been associated with this strategy since 2009 and who both have a great deal of experience in managing commercial property portfolios. They are members of THRE's extensive property team which comprises of over 200 staff. Ms McLennan chairs the weekly UK property investment meeting and sits on the UK property investment committee - the forum where all recommended transactions are considered and all fund strategies and events are discussed. Investment support is provided by a broad range of property professionals who specialise in areas such as research, risk analysis, business development and finance & treasury.

The fund is designed to provide a steady level of income with the potential for capital growth over the medium to longer term. In order to achieve these objectives, the managers employ an investment process that seeks to add value at various levels. Initially they look to take advantage of broader macroeconomic themes which take into account areas such as which sectors and towns are deemed attractive and what is the most appropriate way to access the opportunity. Once identified, in depth analysis is conducted on any suitable properties with ideas emanating from the team's network of industry contacts, owners & developers and the general investment market.

Property analysis focuses on tenant quality, with the managers preferring what they perceive to be low-risk tenants that have strong financial resources. In order to provide a good level of secure income, the length and strength of leases are also critical. The team looks to improve the quality of the fund's properties in order to attract and retain better quality tenants in longer leases. Although this emphasis on quality tends to lead to a high allocation to properties located in London and the South East of England, there is a good level of diversification with the team striving to minimise the risk to any one sector, property or tenant by investing the portfolio across a broad range of each when possible.

Physical property is an illiquid asset class, hence in order to maintain a suitable level of liquidity the fund's cash level will typically range between 10% to 20%. However, during times of market stress it may be difficult for open-ended funds to maintain daily dealing at steady prices.

Over 2017 and 2018, the fund experienced a number of price swings which precipitated some volatility. Janus Henderson announced a change to the pricing basis that will be applied to the fund on 25th March 2019. This fund moved to dual pricing on a full spread basis. This should provide a more stable pricing that fully reflects the cost of buying and selling properties so the full cost of buying properties is an upfront cost.

## Risk Summary

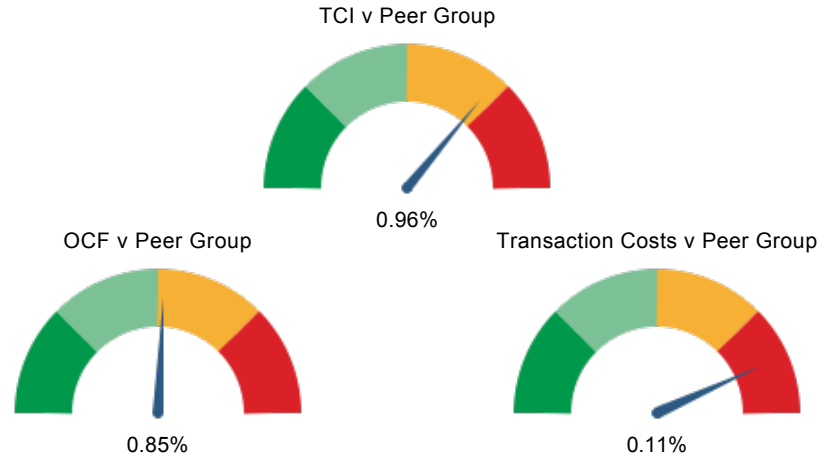
This is an open ended fund investing in an illiquid asset class. This leads to the risk that investors may face delays when selling their holdings and trading in the fund may be subject to suspension and/or significant downward pricing adjustments. In difficult market conditions, some investments may be hard to value and this may lead to unpredictable changes in the fund price.

The fund converted to a Property Authorised Investment Fund (PAIF) structure in May 2016. As a result, eligible investors (such as charities, ISA and SIPP holders) can receive income gross of tax. The fund is daily dealing with a feeder fund running alongside for investors who cannot hold the PAIF due to operational or other issues.

## Value for Money

The ongoing charge figure for the clean share class of this fund is slightly above the peer group. The fund's transaction costs however have been reported as negative, most likely due to market slippage, the difference between the price quoted when a trade is placed in the market and the price the trade is executed. The Total Cost of Investing (TCI) is below the median. We believe that it represents acceptable value for money given the management team and extensive resources.

Following the introduction of MiFID II regulations in January 2018, Janus Henderson have been absorbing the costs associated with their research.



## ESG Integration

<b>Company Assessment</b>	0	1+	2	3
The company has made ESG factors available to the investment teams as an input to their analysis, but they are not compelled to consider that as a factor when making investment decisions.				
<b>UN PRI Strategy &amp; Governance Rating</b>	A+			
<b>Fund Assessment</b>	0	1	2	3
ESG factors may be considered by the fund's manager as an input into their analysis but are not a formal part of the investment process.				

## Responsible Investing Approach

Exclusion	Responsible Practices	Sustainability	Impact
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### Additional Information

<b>Annualised Return</b>	2.89%
<b>Annualised Volatility</b>	2.27%
<b>Max Drawdown</b>	-3.88%
<b>Max Gain</b>	4.91%
<b>Max Loss</b>	-2.80%
<b>Sharpe Ratio</b>	1.05
<b>Sortino Ratio</b>	0.57

(3 years data to last month end unless otherwise stated)

### Currency of Share Class

GBP

### Fund Price (as at 12 Nov 2021)

115.8 pence

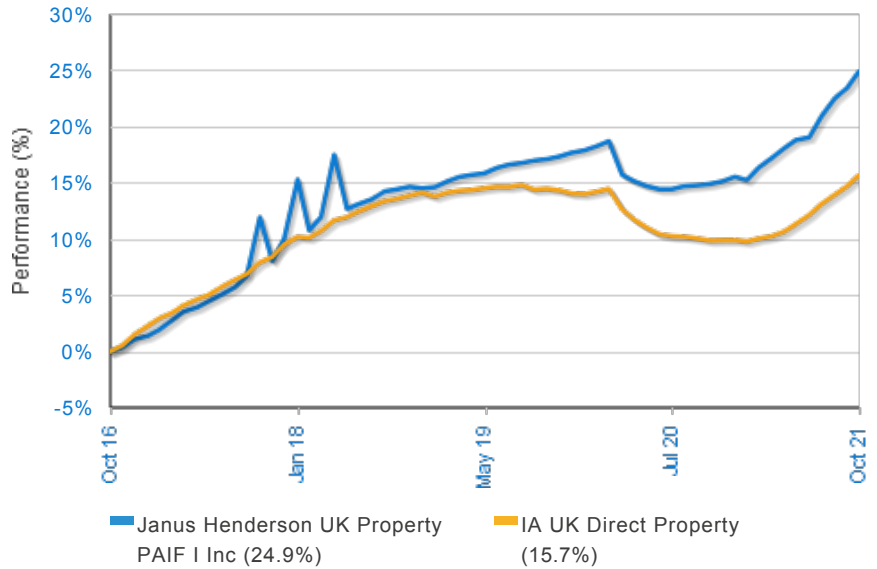
### Benchmark

IA Property

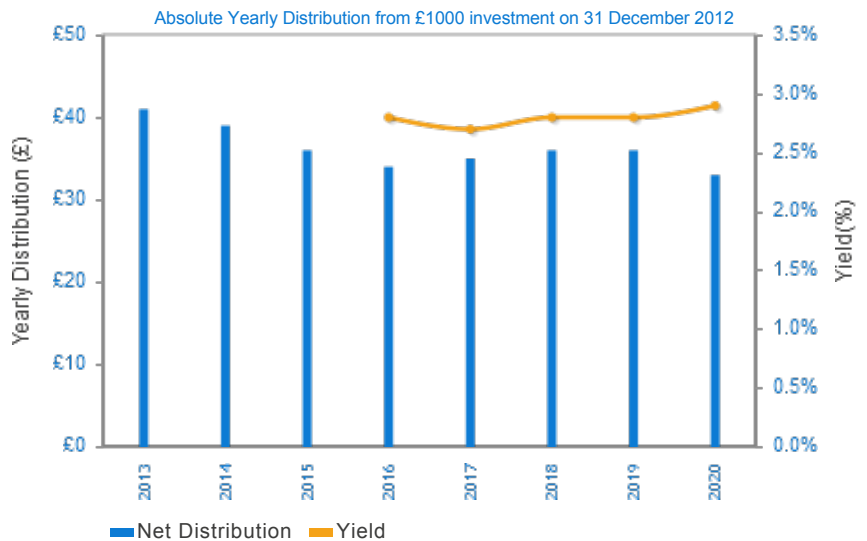
### Discrete Annual Performance to Last Quarter End

Period	Fund (%)	Sector (%)	Quartile Ranking
0-12m	7.5	4.2	2
12-24m	-2.0	-3.9	2
24-36m	2.4	0.8	2
36-48m	7.2	6.2	2
48-60m	8.6	7.9	2

## Capital Growth

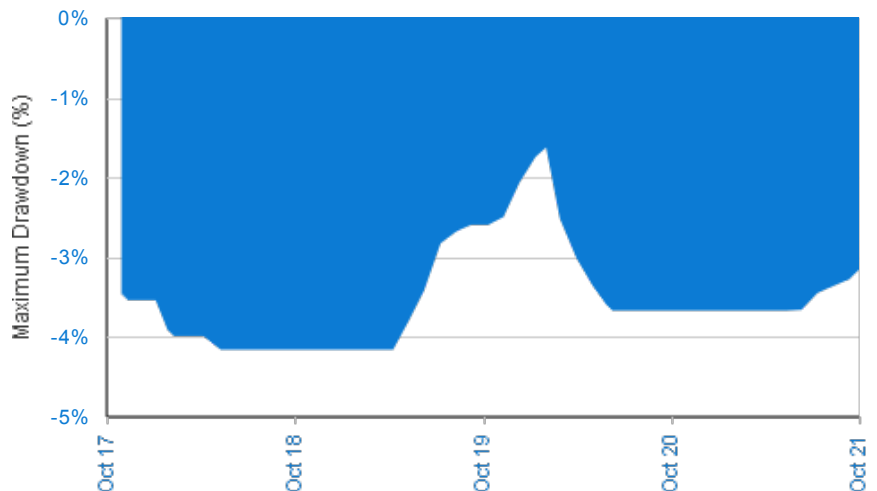


## Income



This graph assumes that income is distributed to shareholders and not reinvested. Yield represents share price fluctuations. The fund's yield has been calculated by Square Mile by taking the price of the fund at the start of the year and dividing it by the distributions over the full calendar year.

## Maximum Drawdown (Rolling 12 Months)



### Asset Allocation Positioning

Name	%
Property	84.1
Money Market	15.9

(Data as at 30 Sep 2021)

### Top Ten Holdings

(Data as at 30 Sep 2021)

Company Name	%
CAPITAL BUSINESS PARK, CAMBRIDGE	10.5
LUTON, BILTON WAY (ENTITY), LUTON	6.1
EDDIE STOBART, RUNCORN	4.4
JOHN LEWIS, CROYDON	3.5
DALTON PARK, MURTON, DURHAM	3.4
22-24 WORPLE ROAD, WIMBLEDON	3.3
DC2 WESTON RD, CREWE	3.2
73-77 PENRHYN ROAD, KINGSTON-UPON-THAMES	2.4
UNIT 1-9, CRIBBS CAUSEWAY CENTRE, BRISTOL	2.3
TROJAN WAY, CROYDON, CROYDON	2.3

### Sector Breakdown

(Data as at 30 Sep 2021)



- Industrial - Property (30%)
- Retail - Property (19%)
- Offices - Property (19%)
- Other - Property (16%)
- Money Market (16%)

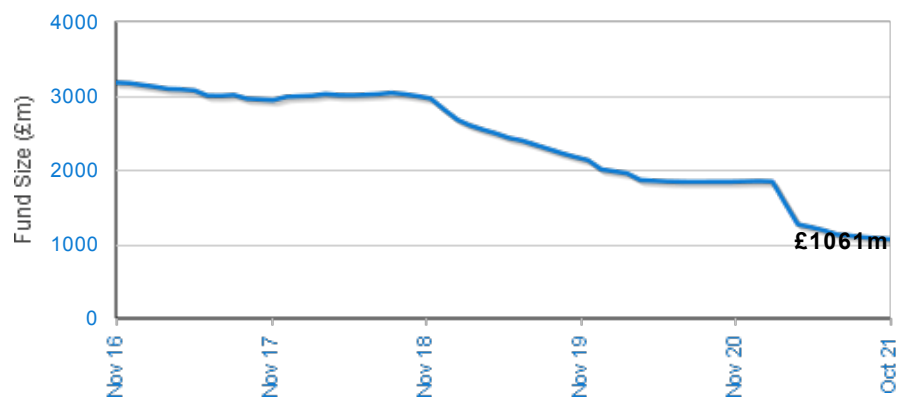
### Geographic Breakdown

(Data as at 30 Sep 2021)



- South East UK (61%)
- Midlands (22%)
- Wales (10%)
- Scotland (7%)

### Assets Under Management



## Qualitative Risk Assessment

	Significant	Potentially Significant	Not Significant
Equity Risk			●
Interest Rate Risk		●	
Credit Risk			●
Exchange Rate Risk			●
Liquidity Risk	●		
Emerging Markets Risk			●
Derivative Risk			●
Manager Risk		●	

### Equity Risk

The fund has no material direct exposure to shares.

### Interest Rate Risk

The fund is a property fund. Higher interest rates may adversely affect property valuations.

### Credit Risk

This fund does not have significant exposure to corporate debt.

### Exchange Rate Risk

The fund is predominantly invested in domestic assets.

### Liquidity Risk

The fund invests in assets which are potentially difficult to sell. The fund may have to resort to selling assets at below fair value and/or any investor could face delays when selling. This risks of this happening are most acute at times of financial distress.

### Emerging Markets Risk

The fund predominantly invests in developed markets.

### Derivative Risk

The portfolio is predominantly invested in physical assets.

### Manager Risk

The manager is seen as an important element in Square Mile's rating of the fund, although potential alternatives may exist elsewhere in the organisation. Square Mile will reappraise the rating if the lead manager were to leave.

FE Risk Rating: 15.00

SRRI: 4

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