

JANUS HENDERSON PORTFOLIO CONSTRUCTION AND STRATEGY

# PORTFOLIO PANORAMA

Edition 1 | Europe ex UK | March 2025

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Janus Henderson  
Portfolio Construction  
and Strategy Team

# Portfolio Panorama



## 01 INVESTOR BEHAVIOUR

Geopolitical realignment, tariff threats, and diverging global central bank policy have caused market turbulence. European Investors have dialled down equity risk.

## 02 EQUITIES

Having ridden the tech titans' wave, European investors have started to increase exposure to underdog small-caps, which could be gearing up for a comeback.

## 03 FIXED INCOME

Investors swapped cash for bonds in a strategic move towards quality and as a way to lock in higher rates for longer.

## 04 ALTERNATIVES AND IMPLEMENTATION

The shift away from liquid alternative investments intensified as traditional assets posted double-digit gains in 2023 and 2024. Appetite for passive investments surged, significantly decreasing the average cost of portfolios.

## Janus Henderson's Portfolio Construction and Strategy Team introduces **Portfolio Panorama**

Welcome to the inaugural issue of Portfolio Panorama by the Janus Henderson Portfolio Construction and Strategy (PCS) Team. The goal is to simplify the complexities of investing, backed by analysis of over 20,000 model portfolios for nearly 5,000 global clients.

In this dynamic financial environment, it's crucial to stay ahead and understand allocation shifts. Thanks to the Janus Henderson Edge™ analytics platform, we're able to uncover investment trends to help inform your decision-making.

In this edition, we focus on aggregated data from European (excluding UK) portfolios over two distinct six-month intervals: the 'Previous Period' (March-August 2024) and the 'Current Period' (September 2024-February 2025).

This analysis highlights how client approaches to constructing portfolios have evolved and the asset allocation implications.

### **The Janus Henderson PCS Team**



“ Investors are starting to become more cautious when positioning their portfolios...but have also been allocating to small cap equities suggesting a desire to find the ‘winners’ amongst the uncertainty.”

### **Matthew Bullock**

Head of Portfolio Construction and Strategy,  
EMEA & APAC

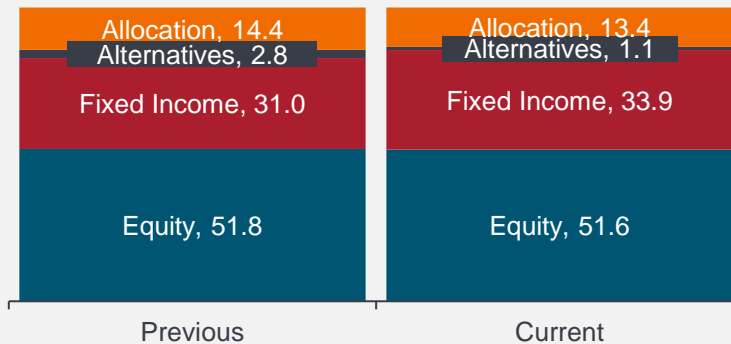


## Investor behaviour

“ Sentiment in 2024, on average, reflected cautious optimism, as investors followed a balanced approach. We’ve seen a minor decrease in risk appetite, as market participants closely monitor policy changes and geopolitical developments. This led to a careful balancing of portfolios across growth opportunities and safe-haven assets.” - PCS Team

### Portfolio breakdown by asset class

Avg. portfolio allocation %, top-level



**Allocation:** Allocation and multi-asset funds continued to account for around 14% of the average portfolio.



**Alternatives:** Clients more than halved their allocation to alternatives as equity valuations reached all-time highs.



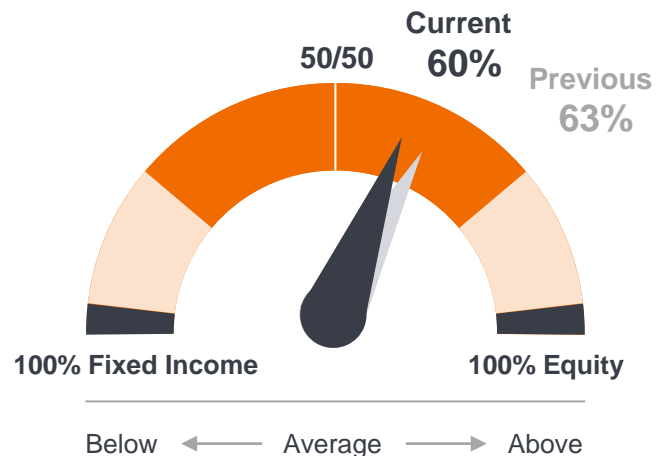
**Fixed Income:** Allocations to fixed income strategies increased based on attractive yields and the portfolio protection offered against equity drawdowns.



**Equity:** Investors kept their equity positioning stable across portfolios.

### Slight shift away from equities towards fixed income

Avg. portfolio allocation %, top-level



“

Facing tariffs and geopolitical tumult, investors tread cautiously in uncertain markets.”

“

Artificial intelligence innovation stirs market uncertainty, pushing investors to closely examine their holdings and actively seek out the next big winners.”

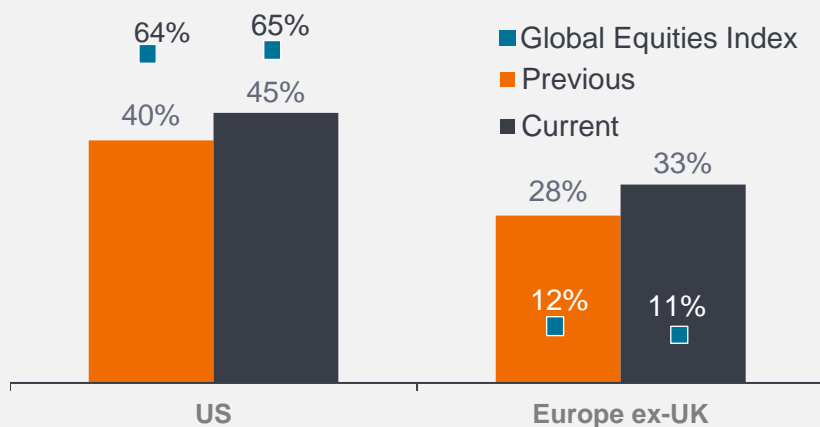
- Client voices across European investors

## Equities

“Over the past 12 months, a supportive economic backdrop encouraged clients to start pivoting their focus towards smaller-capitalisation companies, shifting away from the previously dominant mega-cap technology giants.” - PCS Team

### Regional breakdown

% of total equity allocation, look-through



**Home bias:** European clients kept the so-called "home bias" to European equities and stayed overweight vs. the global equities index. The allocation to the US has increased, as has the allocation to European stocks.



**Sectors:** The most popular sector in equities over the last 12 months was technology, followed by industrials and healthcare.



**Market capitalisation:** Large caps dominated allocations over both periods, although small caps rose in favour. Mid cap allocations declined but remain well above the global equities index.

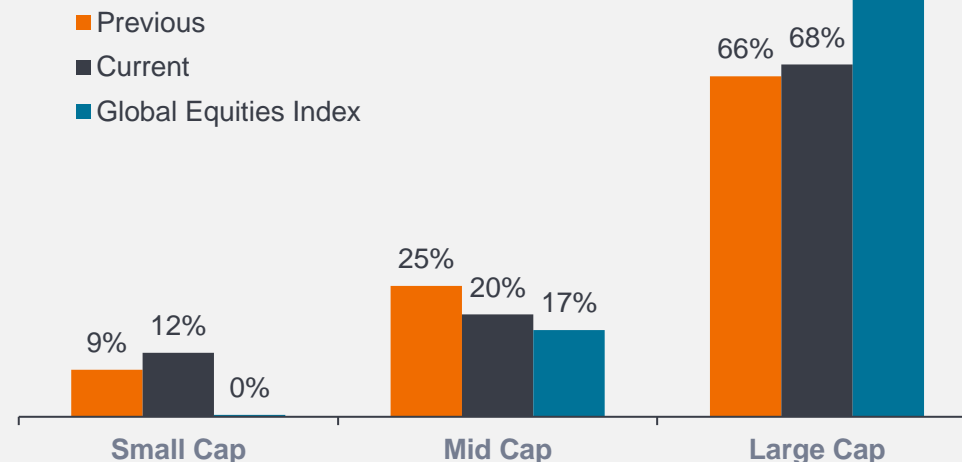
### Top 3 sectors amongst clients

% of total equity allocation, look-through, vs. global equities

Previous	Current
Technology <b>22%</b> Glb. Equities <b>25%</b>	Technology <b>25%</b> Glb. Equities <b>26%</b>
Industrials <b>14%</b> Glb. Equities <b>10%</b>	Industrials <b>16%</b> Glb. Equities <b>10%</b>
Healthcare <b>13%</b> Glb. Equities <b>11%</b>	Healthcare <b>14%</b> Glb. Equities <b>11%</b>

### Market capitalisation breakdown

% of total equity allocation, look-through

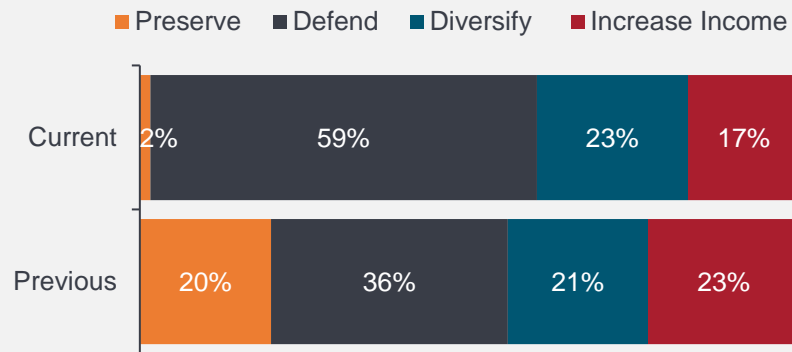


## Fixed Income

“European clients made a strategic pivot towards different fixed income asset classes. This was to secure yields as the tide shifted and rate-cutting by central banks introduced a new layer of uncertainty to cash returns.” - PCS Team

### Goals-based fixed income allocation<sup>1</sup>

% of total fixed income, top-level



**Goals-Based Fixed Income Allocation:** Clients shifted their focus from preservation strategies, like money markets and cash, towards defensive fixed-income assets, including government and high-quality corporate bonds.



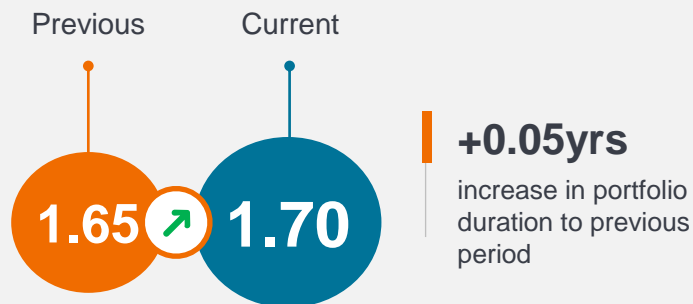
**Duration:** Average duration in European portfolios increased slightly as central banks cut rates.



**Sectors:** Aligning with the transition out of preservation goals-based strategies, funds shifted out of cash and money markets into government bonds, corporate bonds and securitised.

### Duration increased slightly over the past 12 months

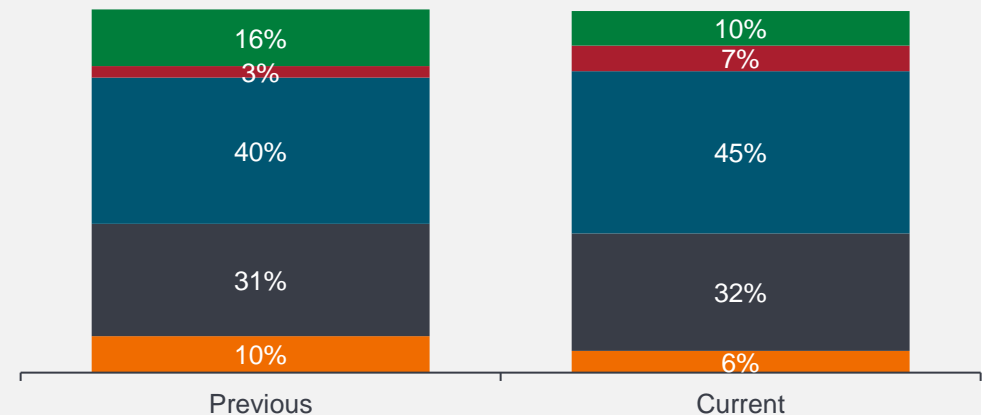
In years, portfolio average, look-through



### Sector breakdown

Sector exposure in %, look-through

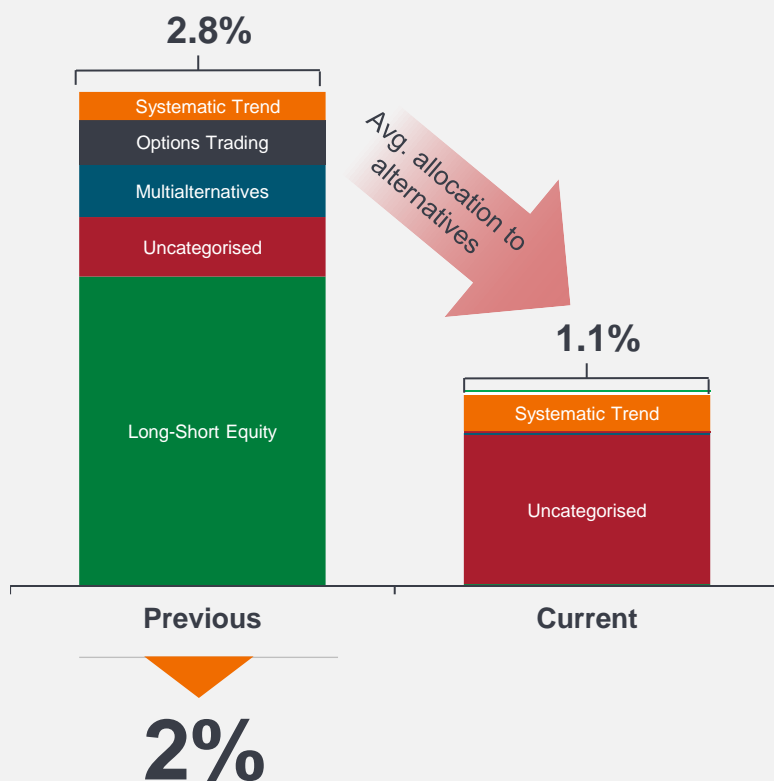
Legend: Cash & Money Market (orange), Government (dark grey), Corporate (teal), Securitised (red), Derivatives (green)



## Alternatives and Implementation

“Amid a sustained equity bull run in 2023 and 2024, clients have scaled back on liquid alternative investments within their portfolios. Meanwhile, low-cost index or passive funds have surged in popularity.” - PCS Team

### Average allocation to alternative investments % of categories, top-level



of overall allocations was invested in long-short equity strategies in the previous period. This went down to close to zero in the current period.

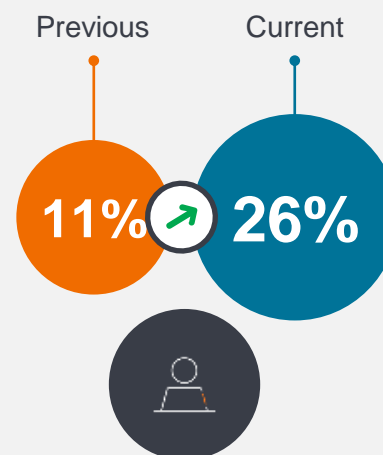


**Alternatives:** Allocations to alternative investments declined over the past 6 months. Long-short equity strategies, which emerged as the favoured approach in the previous period, fell markedly, while exposure was increased in uncategorised alternative funds.



**Passive allocations and fees:** Average portfolio fees have fallen, mirroring a rise in passive or index funds known for their lower costs.

### Portfolio allocation to passive or index funds % of total portfolio, top-level



### Portfolio expense ratio In basis points (bps), top-level





## Methodology

The information in this report originates from client portfolios uploaded into our proprietary analytical system, Janus Henderson Edge™ from March 2024 to February 2025.

Underlying data is solely derived from Morningstar and from Janus Henderson internal sources. For this report we use 140 portfolios that were added to Janus Henderson Edge™ in March to December 2024, and in January and February 2025 across Europe ex-U.K. countries (i.e., France, Spain, Germany, Italy, Belgium, Luxembourg, Switzerland, Netherlands, Malta, Austria, Portugal).

**Portfolio Breakdown by Asset Class\***: Average exposure of all portfolios in each region.

**Portfolio Risk Gauge\***: Only considers the weights in Fixed Income and Equity funds. The allocations are reweighted to 100% with the average equity weight shown. We assume that a higher/lower allocation to equities reflects an increased/reduced risk appetite.

**Home bias\*\***: Compares the allocation to local equities versus US Equities.

**Sector breakdown\*\***: Average equity allocations across MSCI Global Industry Classification Standard (GICS) sectors.

**Market Cap breakdown\*\***: Average exposures by market. Small caps include Micro Caps, and Large caps include giant caps.

**Goals Based Fixed Income Allocation\***: Average allocations four fixed income investment goals as per our proprietary framework.

**Duration\*\***: Shows the weighted average duration using the reported Effective Duration for each fund.

**Fixed Income Sector Breakdown\*\***: Average exposures to fixed income sub-sectors.

**Alternatives\***: Average allocations to Morningstar Categories for funds classified as Alternatives, shown as a percentages of the total.

**Passive funds\***: Average allocations to funds classified by Morningstar as “Index Funds”.

**Expense ratio\***: Average expense ratios as reported by Morningstar. The “Net Expense Ratio” field is used for US mutual funds and ETFs, while the “KIID Ongoing Charge” is used for non-US mutual funds and ETFs.

\*Denotes calculations at Top Level.

\*\*Denotes calculations on a look-through basis. See the Definitions section.

Source for all data: Morningstar and Janus Henderson Investors.

## Definitions

**Home bias** refers to the tendency of investors to allocate capital to securities of companies from or domiciled in their home country.

**Duration** measures a bond price’s sensitivity to changes in interest rates. The longer a bond’s duration, the higher its sensitivity to changes in interest rates and vice versa.

**Goals-Based Framework**: Janus Henderson’s PCS team’s proprietary framework which classifies fixed income funds into four categories, based on different investment goals:

- 1) Preserve – capital protection (typically cash and money market)
- 2) Defend – ballast against equity volatility during a market drawdown
- 3) Diversify – dynamically combines some elements of equity ballast with higher income potential
- 4) Increase Income – highest total return within fixed income by seeking high income opportunities and potential capital appreciation to achieve equity-like return on a global scale

**Top-level allocations**: Calculated as allocations using the broadest classification of the funds used in the portfolios. It ignores any underlying exposures to equities and fixed income for funds classified as Allocation (i.e., multi-asset) funds.

**Look-through Allocations**: Calculated as allocations to equities and fixed income, including Allocation funds using the underlying positions in equities and bonds.



## Meet the PCS Team

The PCS team performs customised analyses on investment portfolios, providing differentiated, data-driven diagnostics.

From a diverse universe of thousands of models emerge trends, themes, and potential opportunities in portfolio construction that we believe will be interesting and beneficial to any investor.

- ▶ **Matthew Bullock**, Head of Portfolio Construction and Strategy, EMEA & APAC
- ▶ **Sabrina Denis**, Senior Portfolio Strategist
- ▶ **Mario H. Aguilar CFA**, Senior Portfolio Strategist
- ▶ **Francesco Sciaudone CFA**, Portfolio Construction & Strategy Analyst



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# Janus Henderson

INVESTORS

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