



January 30, 2024

Dear Clients & Friends:

2023 INVESTMENT REVIEW

<u>STRATEGY</u>	<u>2023 Rate of Return*</u>	<u>Comparable Index Return</u>
Unhedged Securities (Taxable)	3.5%	26.0%
<i>Unhedged Securities After Tax (Estimated)</i>	4.7%	
Hedged Securities (Taxable)	-2.8%	6.9%
<i>Hedged Securities After Tax (Estimated)</i>	-2.5%	
Fixed Income (Non-Taxable)	7.3%	5.7%

* Average Client Account, Net of Management & Trading Fees¹

Securities markets had an unusual year. A relative handful of stocks did great; almost everything else was meh. Further, the great stocks were aggressive bets on a future ‘that will be different this time.’ The markets thus had some similarities to the Y2K boom for some stocks in 1999.

Like then, the best investment strategy would have been to ignore financial statement analysis, business model evaluation, resume checks on management, etc., and instead just throw one’s money into the gambling pit with the most noise. It’s great fun while it lasts (FWIW, the animal spirits that have been awakened are currently still noisily with us²).

Although Janian did make some money in its unhedged strategies, for the most part, alas, we earnestly stood outside of the party, studying financial statements and frowning at the results of some of the management checks that we conducted.

We’ll very, very briefly discuss each investment strategy’s specifics in the next few pages.

¹ Please contact us if you’d like an explanation of how we calculate these returns. The *After Tax* returns ignore State and ‘NIIT’ taxes.

² https://www.topdowncharts.com/euphoriameter?utm_source=substack&utm_medium=email

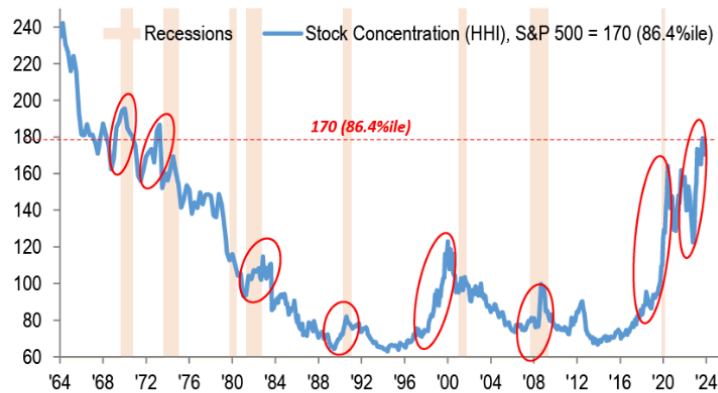
Unhedged Securities³

	% Change	
	Unhedged Securities Strategy, Net of Fees*	VTI
2018	(12.53)	(5.13)
2019	28.95	30.80
2020	35.09	20.95
2021	28.31	25.70
2022	(23.41)	(19.50)
2023	3.51	26.03
Annualized	7.58	11.43

*Fees = Management & Trading Fees

As mentioned above, 2023’s market returns were extremely concentrated in a small number of stocks:

Figure 4: Peak Concentration in 50-60 years



Source: J.P. Morgan Equity Macro Research

This intense expression of speculative fervor massively dominated any company-specific goings-on in Janian’s portfolios, so we see no good reason to detail any of the latter. Suffice it to say that we did not foresee where the puck was going, and, instead, ground out a mild gain for the year.

³ VTI = Vanguard Total Stock Market ETF.

Hedged Securities⁴

	% Change		
	Hedged Securities Strategy, Net of Fees*	Index of Similar Hedge Funds	50% VTI, 50% BND
2013	18.52	11.14	15.69
2014	10.21	1.42	9.26
2015	(6.65)	(2.33)	0.40
2016	6.00	0.10	7.63
2017	10.17	9.98	12.39
2018	(9.64)	(9.42)	(2.59)
2019	20.90	10.71	19.76
2020	2.68	4.60	14.33
2021	27.38	12.14	12.02
2022	(11.82)	(3.18)	(16.33)
2023	(2.77)	6.90	15.87
Annualized	5.19	3.60	7.53

*Fees = Management & Trading Fees

Our short portfolio returned about the same as an inverse of the stock market. Given that one of the main risks that we tried to hedge against was the ending of the speculative fervor in the stocks that led the market, we consider this to have been a less-terrible result than might have otherwise been the case.

⁴ BND = Vanguard Total Bond Market ETF.

Fixed Income

	% Change	
	Fixed Income Strategy, Net of Fees*	BND
2013	16.77	(2.14)
2014	(11.50)	5.96
2015	(4.38)	0.39
2016	3.89	2.57
2017	2.13	3.62
2018**	0.16	(1.66)
2019	N/A	N/A
2020	N/A	N/A
2021	N/A	N/A
2022	(9.50)	(13.15)
2023	7.30	5.70
Annualized	0.18	(0.01)

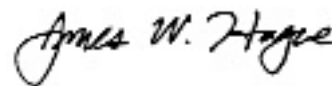
*Fees = Management & Trading Fees

**Thru 2018Q3

Nothing notable happened in our Fixed Income strategy.

Best wishes for a happy and healthy 2024 to you and your family.

Sincerely,



James W. Hague
Founder
Janian Investment Advisers, LLC