JANIAN
INVESTMENT ADVISERS, LLC

February 19, 2025

Dear Clients & Friends:

2024 INVESTMENT REVIEW

STRATEGY	2024 Rate of Return*	Comparable Index Return
Unhedged Securities (Taxable)	11.4%	23.8%
Unhedged Securities After Tax (Estimated)	*10.4%*	
Hedged Securities (Taxable)	14.1%	7.8%
Hedged Securities After Tax (Estimated)	*13.1%*	
Fixed Income (Non-Taxable)	4.2%	1.3%

* Average Client Account, Net of Management & Trading Fees[1]

Securities markets had another unusual year. The animal spirits that we mentioned a year ago remained with us, although they were somewhat less concentrated in a relatively small number of stocks. Bonds essentially went nowhere, and certainly not to the festive party that stocks did.

Janian's long stock portfolio participated more in the market's rally than in 2023. Meanwhile, the short stock portfolio made money, and the fixed income portfolio beat the index, as it has in most years since inception.

We'll 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.

Unhedged Securities[2]

% 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
2024	11.42	23.75
Annualized	8.12	13.11

*Fees = Management & Trading Fees

Our long stock portfolio did not change much in 2024. We sold with significant profits in two large positions (LAM Research and Novozymes, now known as Novonesis) and small losses in two other large positions (CableOne and Lamb Watson[3]); we also made a slight total profit from exiting several small positions for a variety of reasons.

Given our estimate of rising risks in the stock market, we have been calling clients to discuss potential adjustments to your asset allocation. We follow many economic and business statistics that are inputs into this estimate, and we're happy to discuss these in greater detail if you'd like.

[2] VTI = Vanguard Total Stock Market ETF.

[3] In both cases, the companies' business prospects worsened from our initial evaluation, and we sold ahead of the stock falling further past our sales price.

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Hedged Securities[4]

% 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
2024	14.07	7.83	10.37
Annualized	5.90	3.95	7.77

*Fees = Management & Trading Fees

Janian's Hedged Securities strategy had a good year, led by the performance of the short portfolio.

[4] BND = Vanguard Total Bond Market ETF.

U.S. government data indicates that our approach to hedged investing differs significantly from many "hedge funds,"[5] as we avoid net leverage and, most of the time, gross leverage as well. Our views regarding taxes[6] and risk management are the drivers of this different approach.

Regarding risk management, Janian views its Hedged Strategy as a risk reduction strategy. We attempt to buy some 'insurance' against the stock market falling by selling short some stocks. If we can drive the cost of that insurance lower by selecting shorts that fall in price, great - but it is a fact of history that most of the time, stock prices have (on average) gone up, not down, and therefore we do not expect to make money on shorting most of the time. Especially in an 'animal spirit' bull market[7].

While we continue to compare our results to an "Index of Similar Hedge Funds," we acknowledge its limitations given our differing approach. We also believe that, given the remarkable concentration in equity indices that have driven the VTI's performance the last few years, in some ways this "Index" is a more reasonable benchmark of Janian's performance than the VTI or a combination of the VTI and BND.

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[5] Please see https://www.financialresearch.gov/hedge-fund-monitor/ for that data.

[6] Janian's clients are all individuals and as a group face 'average' or 'higher than average' income taxes.

For hedge funds, a large portion of their capital is not taxed much at the fund level and, critically, sometimes has lighter-than-average tax treatment at the individual fund manager level. Thus, that capital would be more eager to borrow (to leverage any positive returns) in exchange for taking on the faster [i.e., shorter holding periods with higher tax rates for most individuals] trading necessary to try to manage the concomitant greater risk exposure.

Why is a large portion of hedge fund capital not taxed much at the fund level? The offshore vehicles (often Cayman-domiciled) for most hedge funds, which are usually subject to only de minimus taxes, are almost always the largest part of hedge funds' assets under management.

With respect to tax treatment at the individual fund manager level, it has long puzzled us that U.S. voters, who for the most part do not have access to Trump-like tax avoidance schemes and instead pay a meaningful part of their income in income taxes, do not seem to pay much attention to what's possible for hedge fund managers. Failed attempts to have fund manager incentive fees treated as short-term income instead of long-term capital gains have gotten some attention. However, there's more to this - much, much more! https://www.propublica.org/has published many articles about various aspects of this situation. Check it out, and then ask your congressional representatives why these fund managers get tax treatment that you do not.

[7] According to the website in footnote 5, "Hedge funds provide a number of benefits to financial markets. For example, they perform arbitrage that reduces or eliminates mispricing across similar securities and instruments." At first blush, that sounds great - don't we want a mistake like "mispricing" "eliminate[d]"? But: (1) to correct enough mispricings to make a net profit, wouldn't you have to have a really big computer and faster communications than other traders? Isn't it, essentially, the already-rich who get to have access to such things? And once you establish your privileged position to correct lots of mispricings, doesn't this create a (for you) virtuous cycle where now you're even richer, so you get even better equipment, etc., even faster, on and infinitely on? Long story short: "Hedge funds" are increasingly focused on exploiting the rest of us, because they have some tech and we don't. Janian is NOT doing that, but simply trying to pick some stocks that won't go up as much as the rest of the market. (2) We wrote in our 2021 Year End and 2022Q2 Letters about high-speed trading's tax on the rest of us. High-speed trading usually tries to camouflage itself by saying it's "arbitrage." (3) Please re-read footnote 6 above. Why again should all this be tax-advantaged?

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
2024	4.22	1.34
Annualized	0.51	0.10

*Fees = Management & Trading Fees

**Thru 2018Q3

In our Fixed Income strategy, we have maintained an overweight to mortgage and other asset-backed bonds, short durations in general, and an underweight to 'typical' corporate bonds.

Best wishes for a happy and healthy 2025 to you and your family.

Sincerely,

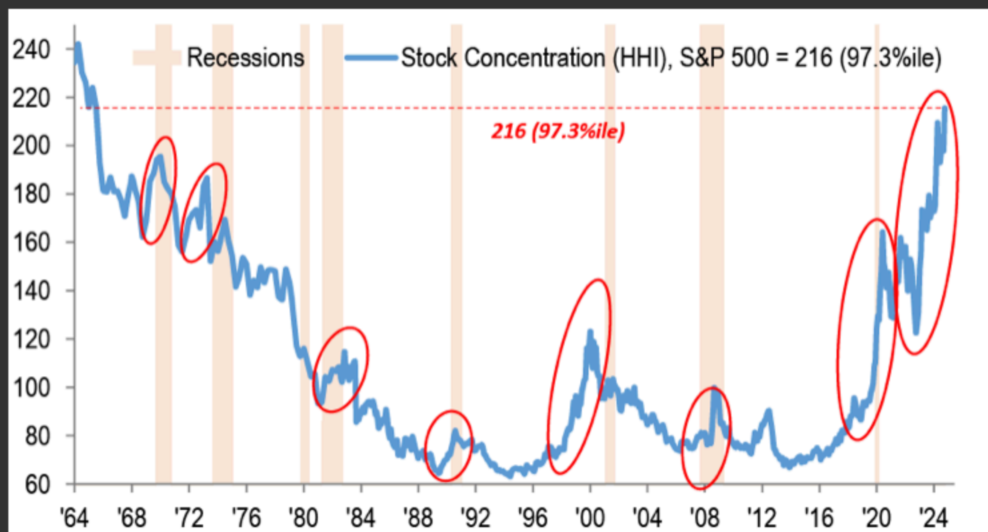
James W. Hague

James W. Hague
Founder
Janian Investment Advisers, LLC

APPENDIX

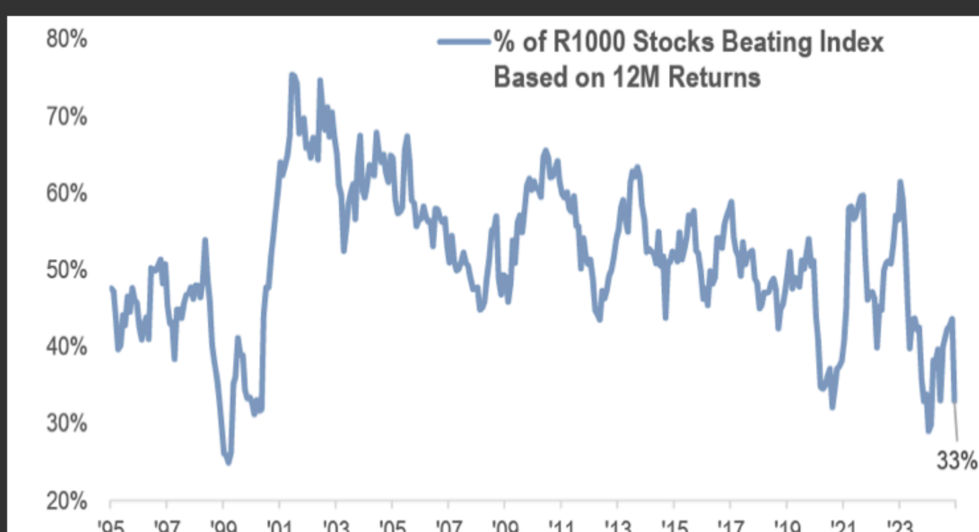
As we've pointed out before, the market background from 22Q4 through 24Q3 was difficult for Janian's approach. Unusually difficult. We'll illustrate with a few pictures courtesy of JP Morgan:

Figure 12: Market Concentration at 60yr High



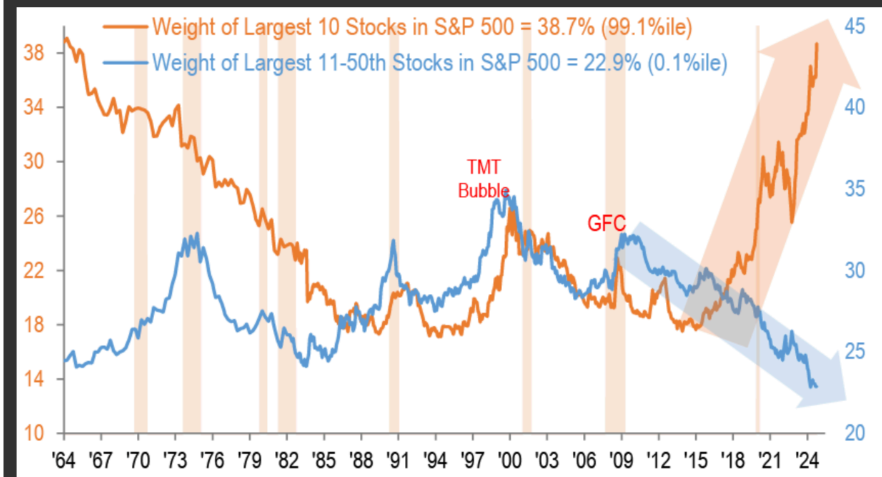
Source: J.P. Morgan US Equity Strategy and Quantitative Research

Figure 6: % of Stocks Outperforming Russell 1000 Index (LTM)



Source: J.P. Morgan US Equity Strategy and Quantitative Research

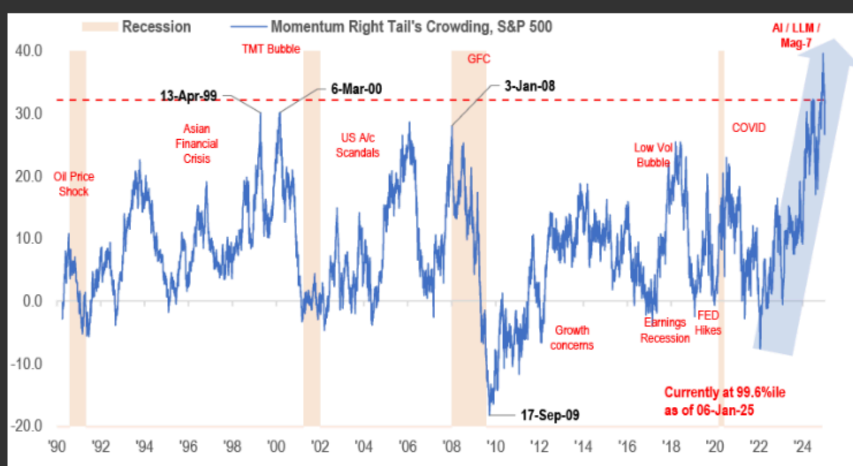
Figure 4: Mega-Caps / Top-10 Take All



Source: J.P. Morgan Equity & Quant Strategy

The stock market's been crowded into a relative handful of stocks that have gone up a lot. Everything else, not so much. It has been hero or zero.

Figure 8: Momentum Crowding (Right-Tail)



Source: J.P. Morgan US Equity Strategy and Quantitative Research

The main factor driving the winners? The circular logic that they've been winners. Not fundamental analysis of their business prospects, not careful evaluation of the price versus risks embedded in the security, not anything that is especially business-like or forward-looking: what's mattered is what happened yesterday.