

Janus Henderson US Contrarian Fund

Q3 2021

For promotional purposes
For US Financial Professionals servicing non-US persons

Fund Manager Name

Nick Schommer, CFA

Market environment

The S&P 500 Index posted a positive return for the quarter. The index retreated in September after reaching all-time highs, and markets remained locked in a tug-of-war amid divergent macroeconomic themes. While demand remained strong in the US, the spread of the COVID-19 Delta variant and broadening supply chain disruptions dampened economic growth and led to upward inflationary pressures. During the quarter, the US Federal Reserve (Fed) indicated that it could begin to taper its asset purchases that were put in place during the global pandemic. However, consumer balance sheets remained generally strong – bolstered by stimulus, strong capital markets and a robust housing market – with the potential to fuel growth as the Delta variant wanes and supply chains are repaired.

Performance summary

The fund (class A2 US dollar shares) underperformed its S&P 500® Index benchmark for the quarter.

Portfolio discussion

Copper miner Freeport McMoRan was among the top detractors. During the quarter, economically sensitive stocks with global exposure suffered as the market digested the impact of the COVID-19 Delta variant. Additionally, concerns around the Chinese property market surfaced as one of the largest property developers in China, Evergrande, dealt with its balance sheet problems. Long term however, we remained constructive on Freeport. As the global economy transforms its power consumption away from fossil fuels and toward electric generation, copper will be a key input as new technologies are significantly more reliant on copper than those that they will replace.

Gaming REIT VICI Properties was also among the top detractors. During the quarter, the company announced its acquisition of MGM Growth Properties, which post-close could potentially make, in our view, VICI one of the largest triple-net REITs in the US. While we believed this to be a positive long-term development for VICI, the acquisition required a large equity issuance to fund, which hurt stock performance in the short term. Rising interest rates during the period were also a headwind in general for interest rate-sensitive equity REITs.

Horizon Therapeutics was among the top contributors to performance. In previous quarters, Horizon was negatively impacted as the government utilised some of the company's production capacity to make COVID-19 vaccines. During the period, the company reported second quarter results that showed demand continued to be strong for its drug Tepezza, used to treat thyroid eye disease. This reinforced the belief that the supply disruptions were the primary cause of lower results in the previous two quarters, and that the company can continue to meet growing demand as it resumes full production capacity.

Casino operator Caesars Entertainment was also among the top contributors. The company reported strong results during the quarter and demand in its regional and Las Vegas markets remained resilient despite the Delta variant surge. Late in the period, the company's stock rose after it announced the sale of the international assets of recently acquired William Hill for a price that was above expectations.

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Manager outlook

Despite the fact that the Delta variant, broadening supply chain disruptions and inflationary pressures dampened growth during the quarter, the US consumer continues to be in a healthy position. We think this creates a favourable environment for continued macroeconomic recovery. Fiscal stimulus, strong capital markets, a robust housing market and rising wages have led to elevated savings rates and generally strong consumer balance sheets. Against this backdrop, we expect strong gross domestic product (GDP) growth in 2022, as consumer spending – which makes up the majority of GDP – can fuel growth as the Delta variant wanes and supply chains are repaired.

At the same time, we are mindful that the economic recovery could remain choppy. During the quarter, the Fed indicated it could begin to taper its asset purchases later this year. This creates the prospect for increased market volatility. The processes of economic reopening and repairing supply chains will likely be uneven, which could also lead to wider market swings.

While the core of our process is identifying companies with misunderstood business models, the temporary impact of the Delta variant in the third quarter provided us with opportunities to increase the position size of some stocks in the undervalued assets portion of the fund. We will continue to use this versatility to lean into areas of the market that do not necessarily look like the crowded areas that other investors have rushed toward. As always, we seek to be flexible in our approach to identifying stocks to create a high-conviction portfolio of uncorrelated sources of risk and return.

Source: Janus Henderson Investors, as at 30 September 2021

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Fund information

Index	S&P 500 Index
Morningstar sector	Europe OE US Flex-Cap Equity
Objective	The Fund aims to provide capital growth over the long term.
Performance target	To outperform the S&P 500 Index by at least 2% per annum, before the deduction of charges, over any 5 year period.

Performance in (USD)

Performance %	A2 (Net)	Index	Sector	Quartile ranking	A2 (Gross)	Target (Gross)
1 month	-4.2	-4.7	-4.1	2nd	-	-
YTD	16.2	15.9	13.3	2nd	-	-
1 year	40.3	30.0	30.9	2nd	-	-
3 years (annualised)	19.9	16.0	13.2	1st	-	-
5 years (annualised)	16.6	16.9	14.1	1st	19.5	19.2
10 years (annualised)	12.2	16.6	13.1	3rd	14.8	19.0
Since inception 24 Dec 1998 (annualised)	6.0	7.7	8.9	-	8.4	9.8

Source: at 30 Sep 2021. © 2021 Morningstar. All rights reserved, performance is with gross income reinvested. Performance/performance target related data will display only where relevant to the share class inception date and annualised target time period.

Calendar year returns %	A2 (Net)	Index	Sector	A2 (Gross)	Target (Gross)
2020	26.9	18.4	20.0	29.9	20.8
2019	40.9	31.5	26.7	44.5	34.1
2018	-6.4	-4.4	-8.9	-4.1	-2.5
2017	3.2	21.8	19.0	5.6	24.3
2016	7.8	12.0	8.4	10.4	14.2

Source: at 30 Sep 2021. © 2021 Morningstar. All rights reserved, performance is with gross income reinvested. Discrete performance data may change due to final dividend information being received after quarter end.

Source for target returns (where applicable) – Janus Henderson. Where quartiles are shown, 1st quartile means the share class is ranked in the top 25% of share classes in its sector.

Please note the performance target is to be achieved over a specific annualised time period. Refer to the performance target wording within the objective.

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For further information on the Janus Henderson fund range please contact your local sales office or visit our website: www.janushenderson.com.

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The information in this commentary does not qualify as an investment recommendation.

Important information

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