

Janus Henderson Emerging Markets Opportunities Fund

June 2021

For promotional purposes

Fund Manager Name

Daniel J. Graña, CFA

Macro backdrop

Emerging market stocks rose in June, assisted by optimism over Covid-19 vaccine distribution and hopes for a global economic recovery. Concerns over new variants of the virus and the potential for higher interest rates were headwinds, however. Industrial stocks outperformed, supported by hopes for improved economic growth, while real estate stocks underperformed as lockdown measures remained a source of uncertainty for the sector in some countries.

Fund performance and activity

The fund returned 6.3% and outperformed its benchmark, the MSCI Emerging Markets Index, which returned 3.1% over June. Its Global Emerging Markets peer group returned 3.2%.

Stock selection largely drove relative outperformance, while allocation was a smaller positive contributor. We continued to view emerging market investments through multiple lenses that included country macro trends, company fundamentals and corporate governance. We have also followed several global trends that we believe are creating attractive long-term investment opportunities. These include the move to decarbonisation, especially in China where President Xi has laid out ambitious plans to reach carbon neutrality by 2060. This aggressive timeline will necessitate significant investments in renewables and electric vehicles, and we have identified a number of well-managed, well-positioned companies that operate in this ecosystem. These include Li Auto, which we see as a differentiated innovator in the global race to produce electric vehicles. In our view, electric vehicles are the future in China as well as globally, and we have been encouraged by Li Auto's strong technology background, positive customer acceptance trends and quality "China-centric" design. Further down the supplier chain, we are invested in Yunnan Energy New Material, a producer of separators for lithium batteries which are a key component in many green energy applications. Both holdings were strong performers for the month as their businesses continued to grow rapidly on the back of accelerating electric vehicle demand and continued market share gains. The construction of electric vehicle and solar arrays also requires large amounts of copper, and this led us to invest in copper producers such as Anglo American. The price of copper rallied over the past year but pulled back in June. As a result, Anglo America's stock declined and was a relative detractor for the month. We took advantage of this decline to add to our position.

The growth in digital payments is another trend we are following. More transactions in the emerging markets are moving from cash to card. The expansion in ecommerce is also driving demand for secure, efficient electronic payments. Our interest in this space led us to dLocal, a Uruguay-based company that facilitates cross-border payments. The company has partnerships with leading global companies such as Amazon.com, helping them to conduct business and collect consumer payments in Latin America. We invested in the company's recent initial public offering (IPO) given our confidence in its management team and corporate governance structure. The stock has performed well since we purchased it and was a top positive contributor for the month.

Our interest in innovation in the electronics payment space also led us to Network International, a well-positioned provider of technology-enabled payment solutions in the Middle East and Africa. The stock rose earlier in 2021, based on hopes for a rebound in tourism to Abu Dhabi, a major market for the company. The stock gave back some of these gains in June as the spread of new variants of COVID-19 led to renewed travel restrictions. We believed this was a short-term issue and held onto the stock.

Naspers was another notable detector. This South Africa-based internet and communication company is a major investor in Chinese internet company Tencent, and Tencent's fortunes often drive stock performance for Naspers. Tencent has faced headwinds recently as the Chinese government has increased its regulatory scrutiny of large technology companies, and this also pressured stock performance for Naspers. Despite this near-term uncertainty, we remain invested in Naspers, given its diversified portfolio of investments in leading internet, electronics payments and ecommerce companies.

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Outlook/strategy

Our investment strategy remains guided by our multi-lens approach that considers company fundamentals and corporate governance as well as the macro and policy landscape. On the macro side, we see reasons for optimism with the availability of COVID-19 vaccines and other therapeutics that may help address the pandemic and lead to a broadening of emerging market opportunities. At the same time, we see divergence in how individual countries are dealing with the crisis. While some governments have been proactive in distributing vaccines and addressing outbreaks, others have struggled with logistics challenges, new variants and reduced vaccine efficacy. We believe these challenges could create different trajectories for emerging market countries. Those that succeed in combating the pandemic may return more quickly to normal levels of economic activity. Countries that are slow to roll-out vaccines or address uncontrolled viral spread may face longer-term health, economic and fiscal repercussions. India in particular has been very hard hit by the virus, and its weak fiscal position limits the government's ability to support the economy. Given our concerns over the macro outlook, the fund remains underweight in India and other countries still struggling with the virus. Instead, we continue to look to countries in north Asia, particularly China, Taiwan and Korea, that have made more progress in addressing the pandemic. Nonetheless, we caution that the pandemic is far from over, and new variants and additional waves of the virus remain sources of near-term uncertainty, both for the global economy and for the fiscal conditions of many emerging markets.

Source: Janus Henderson Investors, as at 30 June 2021

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Fund information

Index MSCI Emerging Markets Index
Index usage Target, Comparator

The MSCI Emerging Markets Index is a measure of the combined performance of large and medium sized companies from emerging stock markets. It forms the basis of the Fund's performance target and provides a useful comparison against which the Fund's performance can be assessed over time.

Peer group benchmark IA Global Emerging Markets Equity
Peer group benchmark usage Comparator

The Investment Association (IA) groups funds with similar geographic and/or investment remit into sectors. The Fund's ranking within the sector (as calculated by a number of data providers) can be a useful performance comparison against other funds with similar aims.

Objective The Fund aims to provide a return, from a combination of capital growth and income over the long term.

Performance target To outperform the MSCI Emerging Markets Index by 2% per annum, before the deduction of charges, over any 5 year period.

Performance in (GBP)

Performance %	I (Net)	Index	Peer group	Quartile ranking	I (Gross)	Target (Gross)
1 month	6.3	3.1	3.2	1st	-	-
YTD	8.9	6.5	6.6	1st	-	-
1 year	29.4	26.4	28.3	2nd	-	-
3 years (annualised)	9.9	10.0	9.6	2nd	-	-
5 years (annualised)	10.1	12.7	11.7	4th	11.1	14.9
10 years (annualised)	5.5	6.2	5.7	3rd	6.5	8.4
Since inception 27 Feb 1987 (annualised)	7.5	-	-	-	8.4	-

Source: at 30 Jun 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.

Discrete year performance %	I (Net)	Index	Peer group	I (Gross)	Target (Gross)
30 Jun 2020 to 30 Jun 2021	29.4	26.4	28.3	30.6	29.0
30 Jun 2019 to 30 Jun 2020	-1.7	-0.1	-3.3	-0.8	1.9
30 Jun 2018 to 30 Jun 2019	4.4	5.4	6.1	5.3	7.5
30 Jun 2017 to 30 Jun 2018	1.0	6.8	4.1	1.9	9.0
30 Jun 2016 to 30 Jun 2017	20.6	27.8	27.0	21.7	30.3

Source: at 30 Jun 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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Past performance is not a guide to future performance. The value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested.

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Important information

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