

# Janus Henderson Emerging Markets Opportunities Fund

August 2020

For promotional purposes

## Fund Manager Name

Daniel J. Graña, CFA

## Macro backdrop

Emerging market stocks rose in August, albeit at a pace slower than that registered by developed market equities. While Indian and Chinese stocks led the way, Brazilian shares were weighed down by the country's continuing battle to control the COVID-19 pandemic. Most sectors generated positive returns during the month, with consumer discretionary and materials stocks leading the way.

## Fund performance and activity

For August, the fund returned 1.66% while its benchmark, the MSCI Emerging Markets Index returned 0.22% and the IA Global Emerging Markets peer group returned 1.46%.

Returns across the emerging market equities universe were dispersed during the period as corporate earnings tended to be the driving force behind individual stock moves rather than any overarching theme. One of the period's top contributors was Voltronic Power Technology. The company, which is a leading global supplier of white-label uninterruptable power supply units, saw its stock rise on the back of a well-received earnings report. Both revenues and operating margins increased, resulting in impressive 30%-plus year-over-year earnings growth. Driving margin expansion was the disciplined cost control that the management team is known for. Strong demand, even during the global economic slowdown, proves that the company's products are needed more than ever to back up data centres and networks in an increasingly digital global economy.

Ivanhoe Mines also contributed to results, fuelled by rising copper prices. The Canada-based company owns some of the most promising, high-volume, low-cost copper assets in the world. Copper prices rebounded on improving global economic activity, namely what was captured in Chinese purchasing manager data as that country has become the world's largest consumer of copper.

A leading detractor for the period was Asian ecommerce provider Vipshop Holding. The stock fell on news that the company's chief financial officer was leaving. The company continues to execute well and, importantly, is investing in growing its customer base. Still, the shift in senior management has created some near-term headwinds.

Taiwanese semiconductor company MediaTek also weighed on results. Weakness was driven by the expansion of the bans that a major customer, Huawei, faces in a number of its markets. MediaTek had been a key beneficiary from certain competitors getting blacklisted during an ongoing trade war as Huawei instead adopted MediaTek's solutions in its 5G phones. However, as those bans have now extended to Huawei, those unit gains will be diminished as other handset suppliers benefit.

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## Outlook/strategy

Emerging markets presently find themselves in two camps with respect to the pandemic. China, along with other northern Asian countries, have shown progress in containment, allowing a path for economic recovery. India, Indonesia and Brazil, however, likely face deteriorating situations. When coupled with developed market weakness, we see few signs of sustained economic growth. For this reason, we approach GDP-sensitive sectors with an eye toward idiosyncratic dislocations where we believe attractive fundamentals have been overwhelmed by macro concerns.

We have further increased our exposure to the technology and consumer themes that we believe will drive longer-term emerging market earnings growth. Despite the strong performance of technology stocks, we believe the market still underappreciates the duration of these firms' growth trajectories. Of special interest are companies and countries that are forging their own intellectual property and brands. We believe Vietnam is well positioned to be among the next countries to deliver on these fronts.

Conversely, we see economic uncertainty weighing on banks and commodities producers. Through our lens of corporate governance, we are also wary of several emerging market-based companies being called into "national service" to help support the recovery of economies from the pandemic.

Part of the policy prescription to combat economic contraction has been leverage. Many regions have likely reached the point where the marginal productivity of debt has been maximised, with additional leverage weighing on productivity growth. This development comes at a poor time given that the sun appears to be setting on the golden age of globalisation, thus robbing the economy of a decades-long tailwind.

Source: Janus Henderson Investors, as at 31 August 2020

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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	1.7	0.2	1.5	2nd	-	-
YTD	4.5	-0.4	-2.3	1st	-	-
1 year	6.2	4.5	2.0	2nd	-	-
3 years (annualised)	0.2	1.9	0.6	3rd	-	-
5 years (annualised)	9.8	12.1	10.9	3rd	10.8	14.4
10 years (annualised)	4.8	5.6	4.8	3rd	5.7	7.7
Since inception (annualised)	7.0	-	-	-	7.9	-

Source: at 31 Aug 2020. © 2020 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 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
30 Jun 2015 to 30 Jun 2016	12.8	3.9	5.3	13.9	5.9

Source: at 30 Jun 2020. © 2020 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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