FUND COMMENTARY

Emerging Markets Fund

Market Environment

- Emerging market (EM) equities sold off along with global markets as investors reacted to an unprecedented curtailment of economic activity in the wake of the COVID-19 pandemic.
- EM stocks only slightly underperformed developed markets, buoyed by China, which was viewed as being further along the path toward recovery. Commodities-driven economies fared poorly, as did countries already on fragile economic footing.
- Health care registered some of the smallest declines, joined by technology and communications, as these companies' products helped populations navigate disruption in their daily lives. Cyclical stocks registered some of the most pronounced drawdowns.

Performance Summary

For the quarter ended March 31, 2020, the Fund underperformed its benchmark, the MSCI Emerging Markets Index. The dramatic events of the past several weeks lent credence to our belief that one is best served by viewing emerging markets through the lenses of country risk, corporate fundamentals and governance.

For detailed performance information, please visit janushenderson.com/performance.

Portfolio Discussion

We don't disaggregate country risk from currency risk, and our reasoning for this approach has been on display during the COVID-19 outbreak. With investors shunning riskier assets, global bond markets seized up, forcing fixed income investors to hedge their holdings by shorting local currencies. This placed acute pressure on countries dependent upon capital inflows to fund current account deficits as the risk of capital flight increased. This dynamic aggravated the challenging environment brought on by the rare occurrence of simultaneous supply and demand shocks.

Countries already on tenuous economic footing were most vulnerable to these threats. Brazil had only been emerging from recession when confronted by this crisis. With demand for its commodities exports – chief among them, oil – slashed, efforts to maintain economic growth were overwhelmed. Consequently, many of the quarter's top individual detractors were Brazilian entities, among them Petrobras, Banco Bradesco and IRB-Brasil Resseguros.

Conversely, some EM countries were better positioned to absorb the shock. Asian countries that experienced 2003's SARS outbreak initiated a more effective response to COVID-19. Investors perceived these efforts as placing these economies on a faster track toward recovery. China, which was forced into action early and has a system of governance that allowed for draconian containment efforts, is largely viewed as nearing the end of the tunnel. Accordingly, several Chinese companies were leading contributors for the month.

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Some of these stocks' resilience can be linked to the role they have played in helping China navigate the crisis. Tencent – the period's top relative contributor – benefited not only from homebound citizens increasing their time spent gaming but also from the dominant position of its WeChat messaging platform. Another contributor, Beijing Tiantan Biological, was boosted by hopes that its products may be part of the solution to contain future COVID-19 outbreaks.

Top Contributors	Average Weight (%)	Relative Contribution (%)
Tencent Holdings Ltd	7.78	0.63
Beijing Tiantan Biological	1.21	0.49
China Lesso Group Holdings Ltd	1.22	0.27
Hong Kong Exchanges & Clearing Ltd	1.67	0.26
China Conch Venture Holdings Ltd	1.29	0.26

Top Detractors	Average Weight (%)	Relative Contribution (%)
Petroleo Brasileiro	1.74	-1.09
Banco Bradesco S.A.	2.12	-0.84
IRB Brasil Resseguros SA	1.08	-0.76
GeoPark Ltd	1.17	-0.70
PT Wijaya Karya (Persero)	1.09	-0.53

The holdings identified in this table, in compliance with Janus Henderson policy, do not represent all of the securities purchased, held or sold during the period. To obtain a list showing every holding as a percentage of the portfolio at the end of the most recent publicly available disclosure period, contact 800.668.0434 or visit janushenderson.com/info.
Relative contribution reflects how the portfolio's holdings impacted return relative to the benchmark. Cash and securities not held in the portfolio are not shown.

Manager Outlook

For years, growth in emerging markets was defined by the drive toward globalization and the benefits it bestowed upon export-based economies. With the greatest incremental contribution from globalization likely behind us, emerging economies must rely upon new sources to expand gross domestic product. Several countries with large domestic markets have achieved a level of wealth where consumption is becoming a greater contributor to growth. Complementing this – and on display during the virus outbreak – is the growing role technology plays in economic activity. China has been a leader in e-commerce and social media engagement, but we expect future innovation will emerge from more value-added intellectual property as the country adopts cloud computing and artificial intelligence.

In the wake of the crisis, we expect to see a push for diversifying supply chains. Corporations were already revisiting their reliance upon individual suppliers and countries due to last year's trade war, and we expect these initiatives to accelerate. Anecdotally, in conversations with management teams, we are hearing stories of companies establishing additional channels for key production inputs and end products.

We also expect the crisis to be a catalyst for wider adoption of digital platforms. Several cohorts that had yet to fully engage e-commerce and social media had no choice but to do so during the pandemic. We also believe investment in digital infrastructure in finance, industry and other sectors will become national priorities. An area where we see considerable promise is digital payments. And it's not just in China but increasingly in Africa and the Middle East.

Still, we see near-term risks ahead. We believe that neither Indonesia nor India – with their large migrant workforces and ill-equipped public health systems – are well prepared to handle a surge in COVID-19 cases. When applying our portfolio lenses, we see other challenges. Countries with large current account deficits and foreign-denominated debt may continue to be at risk of capital flight. On the corporate level, highly leveraged companies should continue to be shunned. On governance, the nature of this crisis has led to calls for companies to commit to "national service." While these endeavors have their place, we worry that such initiatives can run contrary to the interest of minority shareholders.

Portfolio Management

Daniel Graña, CFA

For more information, please visit **janushenderson.com.**

Please consider the charges, risks, expenses and investment objectives carefully before investing. For a prospectus or, if available, a summary prospectus containing this and other information, please call Janus Henderson at 800.668.0434 or download the file from janushenderson.com/info. Read it carefully before you invest or send money.

Past performance is no guarantee of future results. Call 800.668.0434 or visit janushenderson.com/performance for current month-end performance.

Discussion is based on the performance of Class I Shares.

As of 3/31/20 the top ten portfolio holdings of Janus Henderson Emerging Markets Fund are: Tencent Holdings Ltd (9.56%), Alibaba Group Holding Ltd (ADR) (8.50%), Samsung Electronics Co Ltd (6.03%), Taiwan Semiconductor Manufacturing Co Ltd (5.74%), Ping An Insurance Group Co of China Ltd (3.98%), Naspers Ltd (2.97%), AIA Group Ltd (2.52%), HDFC Bank Ltd (2.19%), Housing Development Finance Corp Ltd (2.05%) and Hong Kong Exchanges & Clearing Ltd (1.94%). There are no assurances that any portfolio currently holds these securities or other securities mentioned.

The opinions are as of 3/31/20 and are subject to change without notice. Janus Henderson may have a business relationship with certain entities discussed. The comments should not be construed as a recommendation of individual holdings or market sectors, but as an illustration of broader themes.

For equity portfolios, relative contribution compares the performance of a security in the portfolio to the benchmark's total return, factoring in the difference in weight of that security in the benchmark. Returns are calculated using daily returns and previous day ending weights rolled up by ticker, gross of advisory fees, may exclude certain derivatives and will differ from actual performance.

Investing involves risk, including the possible loss of principal and fluctuation of value.

Foreign securities are subject to additional risks including currency fluctuations, political and economic uncertainty, increased volatility, lower liquidity and differing financial and information reporting standards, all of which are magnified in emerging markets.

Concentrated investments in a single sector, industry or region will be more susceptible to factors affecting that group and may be more volatile than less concentrated investments or the market as a whole.

Increased portfolio turnover may result in higher expenses and potentially higher net taxable gains or losses.

MSCI Emerging Markets Index℠ reflects the equity market performance of emerging markets.

Index performance does not reflect the expenses of managing a portfolio as an index is unmanaged and not available for direct investment.

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