

Janus Henderson Latin American Fund

January 2022

Marketing communication
For professional investors only

Fund Manager Name

Daniel J. Graña, CFA

Macro backdrop

Emerging market stocks faced headwinds in January as COVID-19 concerns, geopolitical uncertainty, fear of rising inflation and the increased likelihood of central bank rate hikes raised risk premiums. The outlook for higher interest rates spurred a value rotation in the broader global market, as investors sold stocks that outperformed in 2021. Latin America stocks outperformed broader emerging market equities, as investors revised some of their fourth-quarter pessimism around political and fiscal policy risks for the region.

Fund performance and activity

The fund underperformed the index for the month.

Allocation decisions and stock selection detracted from relative performance. Broader equity market performance in January was negatively impacted by a growing global realisation that inflation may prove less "transitory" than investors and policymakers had hoped last year. As a result, investors now expect the Federal Reserve (Fed) to act more quickly and aggressively to raise interest rates in 2022.

The outlook for higher interest rates dampened investor appetites for risk. It also negatively impacted a number of fund holdings due to our focus on companies at the forefront of innovation. These companies may be early in their life cycles, and some may not yet be profitable. Such investments tend to underperform in a risk-off environment, especially as the prospect of higher interest rates discounts the value of future earnings streams.

Relative detractors for the month included Ecuadoran copper producer Solaris Resources. The company faced headwinds in this risk-averse environment as it has yet to produce revenues from its core Warintza project. Nonetheless, early drill tests for this asset have been promising, and we continue to see long-term potential for Solaris given the long-term global trend toward decarbonisation. Additionally, we believe increased investments in green energy will drive demand for copper, a key component used in electric vehicles and solar panels.

The shift away from growth-oriented investments also negatively impacted Globant, a leading provider of IT services in Latin America. Globant is at the forefront of helping companies digitise its operations, a key business priority according to our conversations with corporate IT officers. Given its strong global market position, we believe Globant is well placed to benefit from ongoing spending in this area.

MercadoLibre, another detractor, is a leading ecommerce and digital payments company in Latin America. The higher interest rate environment in Brazil has raised its funding costs, while pressuring lending spreads for its MercadoPago financial technology business. Credit losses affecting some of its peers have also overshadowed the broader Latin American digital payments space. Despite these issues, MercadoLibre has continued to execute well in both ecommerce and financial technology.

On the positive side, we benefited from improved performance by several other Brazilian investments, as their stocks rebounded from a broad-based decline in Brazilian stocks in the fourth quarter. These contributors included B3, the dominant stock exchange in Brazil, and Notre Dame Intermedica, a Brazilian hospital and insurance provider. Recent monetary tightening by Brazil's central bank may dampen the negative impact of US rate hikes on Brazilian investments. We have also seen some indications of moderating political and fiscal risks ahead of Brazil's upcoming presidential election, and this also assisted these companies' recent stock performance. However, we continue to see a challenging road ahead for Brazil, where surging inflation and spiking interest rates have made a recession more likely. For this reason, the strategy remains cautious about Brazil, as we remain committed to seeking out good companies in good countries with good governance.

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Outlook/strategy

Looking ahead, we acknowledge sources of near-term volatility for Latin America. Inflation in the US appears less transitory than policy makers had anticipated. As a result, the Fed is now expected to move more aggressively to raise interest rates. Historically, high US interest rates have acted as a headwind for emerging market stocks. Yet we would note many of the emerging markets where we invest are now fiscally stronger, with narrower current account deficits, than they were during past Fed tightening cycles. Additionally, central banks in countries including Brazil, began their own rate tightening earlier in 2021, which may mitigate some of the negative effect of US tightening.

Latin America faces other sources of uncertainty, however, including the pandemic, inflation risks and fiscal policy. Given these unknowns, we remain committed to viewing our investments through multiple lenses that include macro developments and corporate governance as well as company fundamentals. We also remain positive on the innovation we are seeing in the emerging markets, as companies leverage new technologies to meet local needs while also addressing global challenges. We will continue to seek out disciplined, innovative companies that combine good corporate fundamentals and good governance, while also operating in countries with favourable macro conditions and policymaking. We believe this strategy can lead to favourable investment outcomes over the longer term.

Source: Janus Henderson Investors, as at 31 January 2022

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Fund information

Index	MSCI EM Latin America Index
Morningstar sector	Europe OE Latin America Equity
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 EM Latin America Index by 2% per annum, before the deduction of charges, over any 5 year period.

Performance in (EUR)

Performance %	A2 (Net)	Index	Sector	Quartile ranking	A2 (Gross)	Target (Gross)
1 month	2.4	8.9	7.6	4th	-	-
YTD	2.4	8.9	7.6	4th	-	-
1 year	9.3	14.7	6.4	2nd	-	-
3 years (annualised)	-3.8	-3.8	-5.0	1st	-	-
5 years (annualised)	0.2	0.7	-0.2	2nd	1.9	2.7
10 years (annualised)	-1.5	-1.0	-1.5	2nd	0.2	1.0
Since inception 29 Oct 2004 (annualised)	7.1	7.5	7.4	-	9.0	9.6

Source: at 31 Jan 2022. © 2022 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 %	A2 (Net)	Index	Sector	A2 (Gross)	Target (Gross)
31 Dec 2020 to 31 Dec 2021	1.8	-1.1	-6.0	3.5	0.9
31 Dec 2019 to 31 Dec 2020	-17.4	-20.9	-20.6	-15.9	-19.3
31 Dec 2018 to 31 Dec 2019	16.5	19.6	21.6	18.6	22.0
31 Dec 2017 to 31 Dec 2018	-8.0	-1.9	-3.8	-6.4	0.1
31 Dec 2016 to 31 Dec 2017	13.9	8.7	10.2	15.8	10.9

Source: at 31 Dec 2021. © 2022 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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For further information on the Luxembourg-domiciled Janus Henderson fund range please contact your local sales office or visit our website: www.janushenderson.com.

Benelux

Janus Henderson Investors
Tel: +31 20 675 0146
Fax: +31 20 675 7197
Email: info.nederlands@janushenderson.com

France/Monaco

Janus Henderson Investors
Tel: +33 1 53 05 41 30
Fax: +33 1 44 51 94 22
Email: info.europe.francophone@janushenderson.com

Germany/Austria

Janus Henderson Investors
Tel: +49 69 86 003 0
Fax: +49 69 86 003 355
Email: info.germany@janushenderson.com

Dubai

Janus Henderson Investors
Tel: +9714 401 9565
Fax: +9714 401 9564
Email: JanusHenderson-MEACA@janushenderson.com

Hong Kong

Janus Henderson Investors
Tel: +852 2905 5188
Fax: +852 2905 5138
Email: marketing.asia@janushenderson.com

Italy

Janus Henderson Investors
Tel: +39 02 72 14 731
Fax: +39 02 72 14 7350
Email: info.italy@janushenderson.com

Latin America

Janus Henderson Investors
Tel: +44 20 7818 6458
Fax: +44 20 7818 7458
Email: sales.support@janushenderson.com

Nordics

Janus Henderson Investors
United Kingdom
Tel: +44 20 7818 4397
Fax: +44 20 7818 1819
Email: sales.support@janushenderson.com

Singapore

Janus Henderson Investors
Tel: +65 6836 3900
Fax: +65 6221 0039
Email: marketing.asia@janushenderson.com

Spain/Portugal/Andorra

Janus Henderson Investors
Tel: +34 91 562 6172
Fax: +34 91 564 6225
Email: info.iberia@janushenderson.com

Switzerland

Janus Henderson Investors
Tel: +41 43 888 62 62 (Zurich office)
Tel: +41 22 810 82 89 (Geneva office)
Email: info.switzerland@janushenderson.com

United Kingdom

Janus Henderson Investors
Tel: +44 20 7818 1818
Fax: +44 20 7818 1819
Email: sales.support@janushenderson.com

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