

# EMERGING MARKETS FUND

## Portfolio Introduction and Overview

14 October 2021

**Daniel J. Graña, CFA**  
Portfolio Manager

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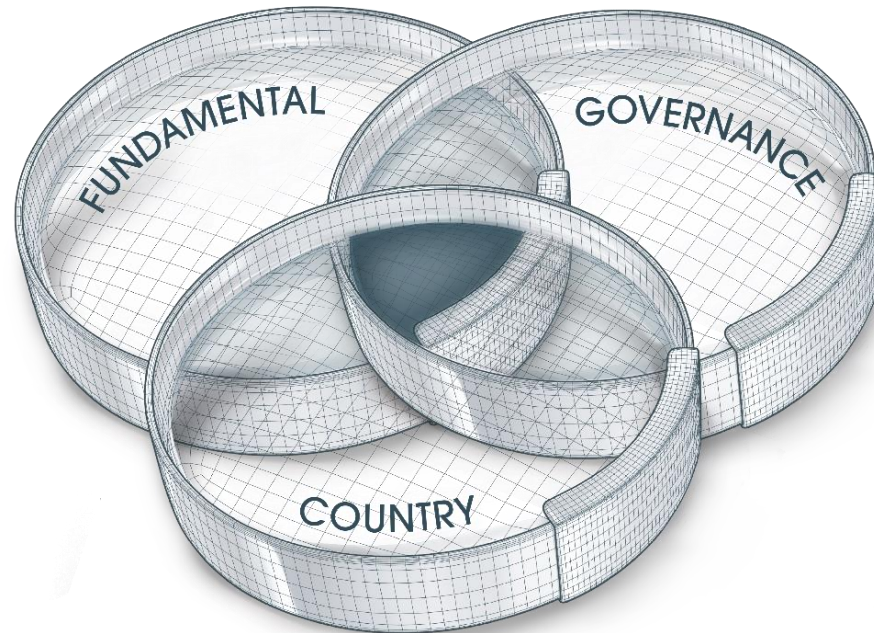
The value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested.



# INVESTMENT PHILOSOPHY

Countries and corporations in emerging markets are at different stages of economic, political and business development and make choices that create significant opportunities and risks.

We believe that investing in businesses that are at the intersection of attractive country, governance and company fundamentals enables us to deliver superior risk-adjusted returns.



Note: Investing involves risk, including the possible loss of principal and fluctuation of value. There is no assurance the stated objectives will be met.

# ALL-CAP EMERGING MARKET EQUITY

## Defining characteristics

- All-cap, style-agnostic portfolio
- Disciplined approach focusing on the intersection of country, governance and fundamental analysis
- Rigorous implementation of risk budgeting, with a significant portion of risk in out-of-benchmark names

## Strategy Overview

### Strategy Inception

October 1, 2019

### Number of Holdings

50 – 80

### Expected Tracking Error Range

4% – 7%

### Portfolio Manager

Daniel Graña, CFA

### Investment Style

Agnostic

### Risk-Adjusted Return Objective

0.5 Information Ratio or better\*

### Available Strategy Vehicles

US Mutual Fund

Separate Account

UCITS

UK OEIC

### Benchmark

MSCI Emerging Market Equity Index

Source: Janus Henderson Investors, as at 30 September 2021.

Note: \*Over a full market cycle. The value of an investment and the income from it can fall as well as rise and you may not get back.

# EMERGING MARKETS EQUITY INVESTMENT TEAM

Over 50 years of combined emerging markets investment experience



**Daniel J. Graña, CFA**

Portfolio Manager

- 26 years of investment experience
- 26 years of emerging markets investment experience
- Located in Boston



**Matthew Culley**

Assistant Portfolio Manager,  
Research Analyst

- 13 years of investment experience
- 10 years of emerging markets investment experience
- Located in Boston



**Matthew Doody**

Research Analyst

- 18 years of investment experience
- 15 years of emerging markets investment experience
- Located in Boston



**Daphne Poon, CFA**

Research Analyst

- 8 years of investment experience
- 8 years of emerging markets investment experience
- Located in Singapore



**Steve Weeple**

Client Portfolio Manager

- 24 years of investment experience
- 6 years of emerging markets investment experience
- Located in Boston

# KNOWLEDGE SHARED

Leveraging the resources of the broader firm



Source: Janus Henderson Investors, as at 30 September 2021.



# INVESTMENT PROCESS OVERVIEW

Consistent and disciplined investment process



Building the Investment Universe

Expand from the index,  
then narrow the list



Finding the Intersection  
of Our Three Lenses

- ✓ Country
- ✓ Governance
- ✓ Fundamental



Portfolio Candidates

Risk/Reward skew  
analysis



Portfolio Construction &  
Risk Management

Building a risk-aware  
portfolio

All-cap, style-agnostic portfolio with 50 – 80 holdings

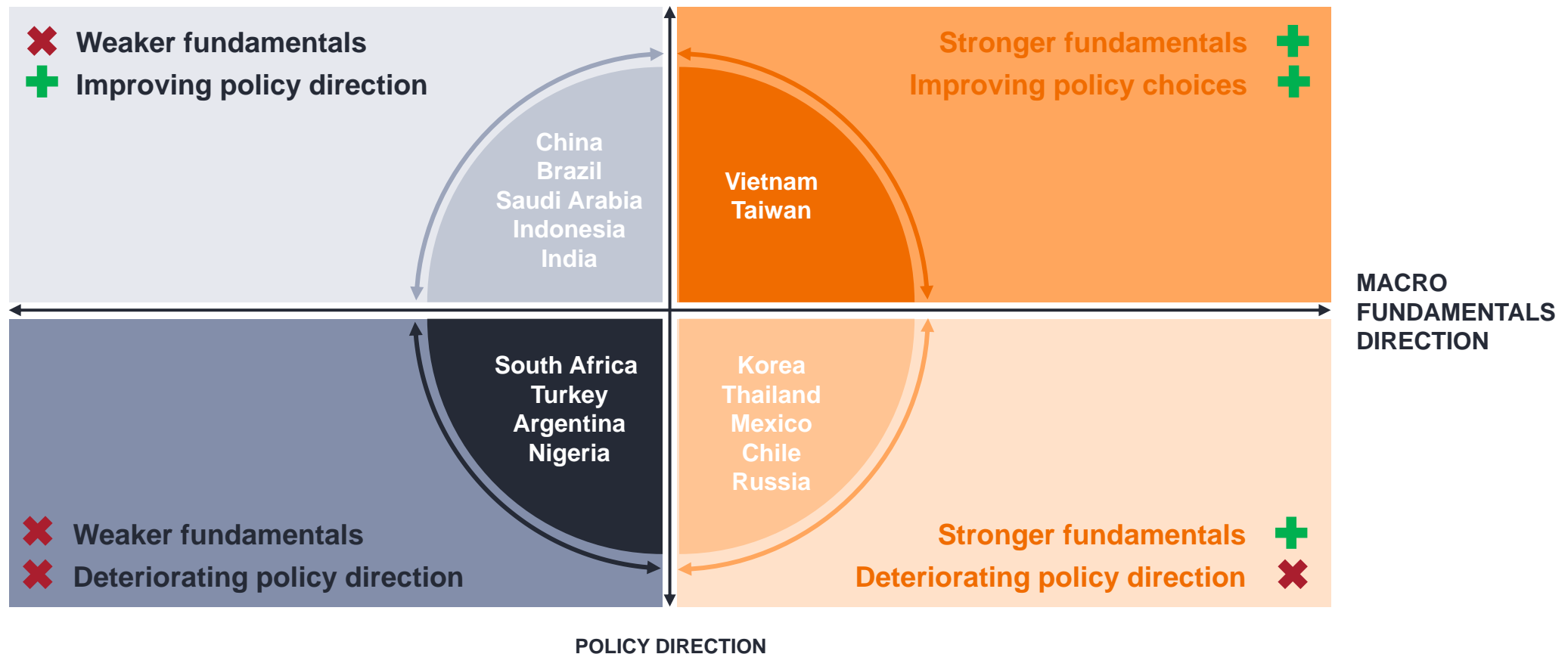
Source: Janus Henderson Investors, as at 30 September 2021.



# FINDING THE INTERSECTION: COUNTRY FRAMEWORK

We analyze “direction-of-travel” to identify our most compelling country picking-pools

## Janus Henderson Emerging Market Equity Team’s Country Outlook



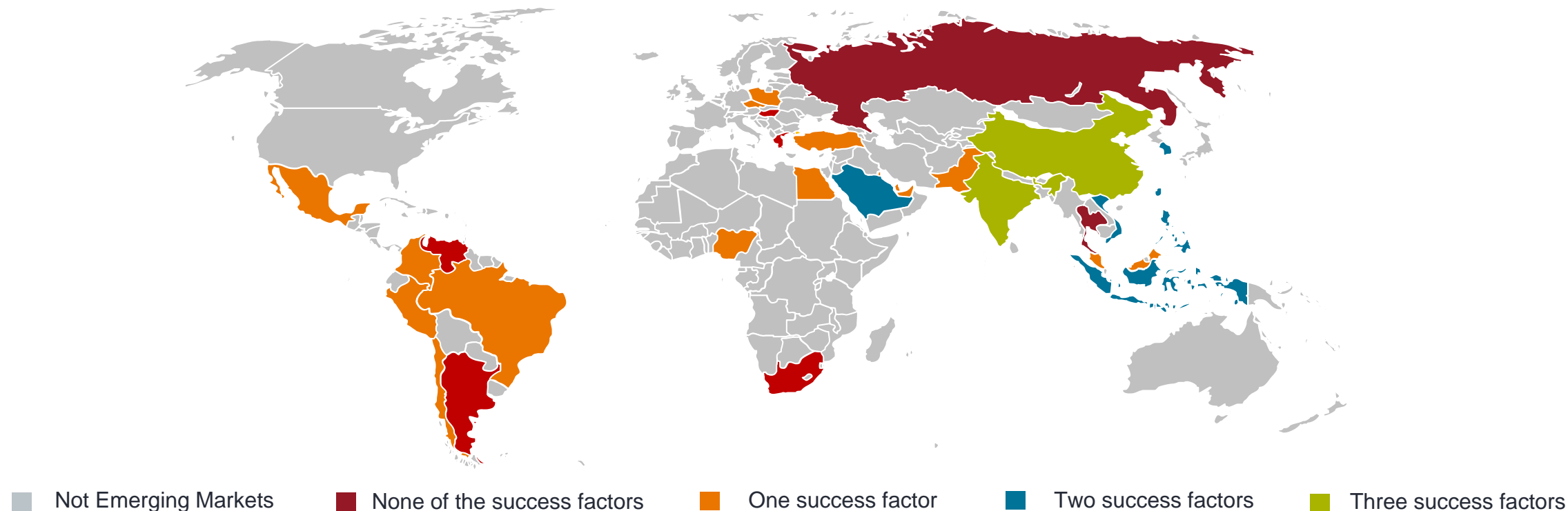
Source: Janus Henderson Investors, as at 30 September 2021.

Note: The above are the teams views and should not be construed as advice and may not reflect other opinions in the organization.



# COUNTRY FRAMEWORK: A LONG-RUN PERSPECTIVE

Not all countries are well positioned over the long-term



## Future success factors:

- Large domestic market given de-globalization
- Creation of intellectual property (technology patents and brands)
- Reformist or innovative government

Note: The above are the team's views as at 30 September 2021 and should not be construed as advice and may not reflect other opinions in the organization.





# FINDING THE INTERSECTION: GOVERNANCE FRAMEWORK

Emerging market companies are naturally behind the developed world in terms of GES practices

- Improving governance will typically occur in emerging markets before environmental or social advances
- We will only invest in companies and countries where we believe there are strong or improving governance structures

## Codified set of governance principles built up over more than 50 years of emerging market investing

### Company Governance Considerations

- Minority shareholder protections
- Transparency, disclosure and accounting practices
- Capital allocation
- Related-party transactions

### Political Governance Considerations

- Strength and independence of institutions
- Rule of law
- Predictability of regulatory regime

Note: GES: Governance, Environmental, Social. The above are the teams views as at 30 September 2021 and should not be construed as advice and may not reflect other opinions in the organization.

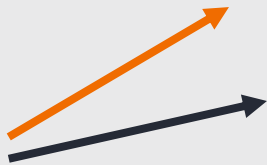


# FINDING THE INTERSECTION: FUNDAMENTAL FRAMEWORK

## Fundamental analysis matters

- Analysis seeks to identify companies with strong or improving fundamentals
- We seek differentiated insights into the magnitude, duration, quality and/or use of earnings or cash flow

### Magnitude of Earnings or Cash Flow



### Duration of Earnings or Cash Flow



### Quality of Earnings or Cash Flow



### Use of Earnings or Cash Flow



— Our Differentiated View

— Market Consensus



# PORTFOLIO CONSTRUCTION AND RISK MANAGEMENT

Risk is intrinsic to how the portfolio is managed

## Constructing the Portfolio

- Evaluate the risk characteristics of each security
- Allocate risk with each security's marginal contribution to tracking error in mind
- Manage the portfolio's style tilts
- Assure there are no unintended exposures

## Leveraging the Firm's Resources

- Quarterly review with Risk and Co-Head of Equities
- Risk team provides bespoke research
  - Analyze changing nature of factor volatilities and correlations
  - Perform scenario analysis when the risk model's predictive power is perceived to be low

## Sell Discipline:

Stock falls out of the intersection of the three lenses

- Change in country perspective
- Change in governance
- Change in fundamentals

Change in risk/reward potential

- Diminished upside skew
- Diminished probability of outcomes

Risk budget allocation

- Manage overall portfolio risk

Note: Any risk management process discussed includes an effort to monitor and manage risk which should not be confused with and does not imply low risk or the ability to control certain risk factors.



# PORTFOLIO CONSTRUCTION AND RISK MANAGEMENT

## Risk is intrinsic to how the portfolio is managed

- We manage the portfolio based on each name's marginal contribution to tracking error
- The result is a differentiated portfolio with a significant contribution from out-of-benchmark names

Top Holdings (%)	Absolute Weight
Taiwan Semiconductor Co., Ltd.	7.7
Tencent Holdings, Ltd.	6.5
Samsung Electronics Co., Ltd.	5.2
Naspers, Ltd.	3.4
Alibaba Group Holding, Ltd.	3.1
Housing Development Co., Ltd.	2.9
Meituan	2.5
NAVER Co.	2.4
Ivanhoe Mines, Ltd.	2.3
Li Auto, Inc.	1.8
Oil Co. LUKOIL PJSC	1.8
Accton Technology Co.	1.7
MercadoLibre, Inc.	1.6
Yum China Holdings, Inc.	1.6
Linklogis, Inc.	1.5
Vietnam Technological & Commercial Bank	1.5
Vinhomes JSC	1.5
LG Chem, Ltd.	1.5
ICICI Bank Limited	1.5
Yunnan Energy Co., Ltd.	1.4

Top Active Holdings (%)	Active Weight
Naspers, Ltd.	2.3
Ivanhoe Mines, Ltd.	2.3
Housing Development Co., Ltd.	2.3
NAVER Co.	1.9
Accton Technology Co.	1.7
Taiwan Semiconductor Co., Ltd.	1.6
Li Auto, Inc.	1.6
MercadoLibre, Inc.	1.6
Linklogis Inc.	1.5
Vietnam Technological & Commercial Bank	1.5
Vinhomes JSC	1.5
Tencent Holdings, Ltd.	1.5
Yunnan Energy Co., Ltd.	1.4
Afya, Ltd.	1.4
Anglo American plc	1.4
Everest Medicines, Ltd.	1.4
Wingtech Technology Co., Ltd.	1.4
New Horizon Health, Ltd.	1.4
Varun Beverages, Ltd.	1.3
Oil Co. LUKOIL PJSC	1.3

Top Contributors to Tracking Error (%)	Contrib. to TE
Li Auto, Inc.	5.3
Ivanhoe Mines, Ltd.	4.9
Everest Medicines, Ltd.	4.1
New Horizon Health, Ltd.	3.7
Linklogis, Inc.	3.7
Yunnan Energy Co., Ltd.	3.6
MercadoLibre, Inc.	3.4
LONGi Green Energy Technology Co., Ltd.	3.3
Accton Technology Co.	3.1
Flat Glass Group Co., Ltd.	3.1
21Vianet Group, Inc.	2.8
Network International Holdings Plc	2.7
Wingtech Technology Co., Ltd.	2.7
Naspers, Ltd.	2.4
Full Truck Alliance Co., Ltd.	2.4
Sea Ltd. (Singapore)	2.4
Ozon Holdings Plc	2.3
Afya, Ltd.	2.2
Tencent Holdings, Ltd.	1.8
Taiwan Semiconductor Co., Ltd.	1.7

Source: Janus Henderson Investors, as at 30 June 2021.

Note: Around 37% of the portfolio is in out-of-benchmark names, representing nearly 46% of predicted tracking error.

Pink shading represents out-of-benchmark names. Data is based on a representative account of the strategy and may vary from other accounts in the strategy, due to asset size and other factors. The representative account is believed to most closely reflect the current portfolio management style. References made to individual securities should not constitute or form part of any offer or solicitation to issue, sell, subscribe or purchase, and neither should be assumed profitable.

# PORTFOLIO CHARACTERISTICS

## Janus Henderson Emerging Markets Fund

Top Holdings (%)	Absolute Weight	Active Weight
Taiwan Semiconductor Co., Ltd.	7.7	1.6
Tencent Holdings, Ltd.	6.5	1.5
Samsung Electronics Co., Ltd.	5.2	0.6
Naspers, Ltd.	3.4	2.3
Alibaba Group Holding, Ltd.	3.1	-1.9
Housing Development Finance Co., Ltd.	2.9	2.3
Meituan	2.5	0.8
NAVER Co.	2.4	1.9
Ivanhoe Mines, Ltd.	2.3	2.3
Li Auto, Inc.	1.8	1.6

Characteristics	Fund	Benchmark
Number of Securities	65	1,404
Active Share	72.9%	—
P/E (12m forward)	18.8x	13.3x
Dividend Yield (12m forward)	1.1%	2.2%
ROE	14.6%	13.8%
EPS Growth (3yr trailing)	19.5%	13.4%
Sales Growth (12m forward)	41.0%	29.6%

Top Contributors to Tracking Error (%)	Active Weight	Contribution to Tracking Error
Li Auto, Inc.	1.6	5.3
Ivanhoe Mines, Ltd.	2.2	4.7
Everest Medicines, Ltd.	1.4	4.0
New Horizon Health, Ltd.	1.5	3.9
Linklogis, Inc.	1.4	3.7
Yunnan Energy Co., Ltd.	1.4	3.7
MercadoLibre, Inc.	1.6	3.5
LONGi Green Energy Technology Co. Ltd.	1.2	3.2
Accton Technology Co.	1.7	3.2
Flat Glass Group Co., Ltd.	0.9	2.8

Market Cap (%)		Portfolio Weight	Benchmark Weight	Active Weight	Contribution to TE
Mega Cap	>\$20B	49.2	48.5	0.6	26.6
Large Cap	\$5B-\$20B	11.9	29.7	-17.8	25.8
Mid Cap	\$1B-\$5B	25.4	19.7	5.7	40.1
Small Cap	<\$1B	9.1	2.0	7.2	7.7

Source: Janus Henderson Investors, as at 30 June 2021.

Note: Totals may not add up due to rounding. Sector classifications follow the Global Industry Classification Standard (GICS). References made to individual securities should not constitute or form part of any offer or solicitation to issue, sell, subscribe or purchase, and neither should be assumed profitable. Portfolio holdings are subject to change without notice.

# DISCLAIMERS

## Investment 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.**

The Fund invests at least two-thirds of its assets in shares (equities) and equity-related securities of companies, of any size, in any industry, in emerging markets. Companies will have their registered office in or do most of their business (directly or through subsidiaries) in emerging markets. 'Emerging markets' may be countries in the MSCI Emerging Markets Index, those included in the World Bank definition of developing (low and lower middle income) economies, or which are, in the investment manager's opinion, developing.

The Fund may also invest in other assets including companies outside emerging markets, cash and money market instruments.

The investment manager may use derivatives (complex financial instruments) to reduce risk or to manage the Fund more efficiently.

The Fund is actively managed with reference to the MSCI Emerging Markets Index, which is broadly representative of the companies in which it may invest, as this forms the basis of the Fund's performance target. The investment manager has discretion to choose investments for the Fund with weightings different to the index or not in the index, but at times the Fund may hold investments similar to the index.



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How Sustainability Risks are part of the investment process: The investments underlying this financial product (referred to as the Fund) do not take into account the EU criteria for environmentally sustainable economic activities, although the Management Company and the Investment Manager have agreed a decision making process that will apply to investment decisions relating to the Fund as further detailed in the Prospectus.

The likely impacts of sustainability risks on the returns of the Fund: While the analysis of ESG factors is an integral component across the Investment Manager's investment capabilities and one of a number of inputs to the selection of investments and portfolio construction, the investment process of the Investment Manager is primarily designed to maximise long-term risk-adjusted returns for investors. Therefore, in managing the Fund, the Investment Manager does not maximise portfolio alignment with sustainability risks as a separate goal in its own right nor does it precisely attribute the impact of ESG factors on returns for the Fund.

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