COMMENTARY

Janus Henderson Emerging Markets Fund

August 2023

Marketing communication - For professional investors only
Past performance does not predict future returns

Fund Manager Name

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Investment environment

Emerging market equities suffered volatility in August amid fears of slowing global economic growth, especially in China. Prospects for additional central bank rate hikes in the developed markets also kept upward pressure on global interest rates, which acted as a headwind for equities.

Market declines were widespread, spanning most sectors. Consumer discretionary was the weakest-performing sector for the MSCI Emerging Markets Index, reflecting concerns that a reopening-driven resurgence in consumer spending may be starting to play out. Energy stocks outperformed the broader Index.

Most regions had negative stock performance for the month, with the weakest performance in Latin American countries such as Columbia. Emerging market stocks in Europe outperformed the broader Index.

Portfolio review

The fund fell and underperformed its benchmark, the MSCI Emerging Markets Index. Allocation decisions, including an underweight position to China, aided relative performance and more than offset the negative impact of stock selection.

Several of our investments in India were notable positive contributors to relative performance. These included Kalyan Jewelers. This Indian jewellery store chain continued to execute well, and it reported better-than-expected sales and profitability. These results helped raise market sentiment around the company's strategy of new store development through a franchise model, a transition it hopes will reduce the capital intensity of the business.

Indian online travel agent MakeMyTrip was another strong performer. The stock rose following the company's better-than-anticipated financial results, which balanced strong revenue growth and improved profitability. The company's efforts to invest heavily in the business over the past few years, including during the COVID-related downturn, have started to bear fruit as travel volumes have normalised and MakeMyTrip has been able to expand its share in a rebounding market. We also have a favourable outlook for the growth of India's travel sector long-term, as consumer incomes rise. We believe MakeMyTrip is well positioned to benefit from this growth given its dominant position in the online travel space.

Outside of India, long-term holding Accton Technology was another standout performer. This Taiwanese company is a pioneer in "white box," or unbranded, networking equipment that uses off-the-shelf, standardised components and offers a more accessible and cost-effective alternative to branded equipment. The stock has benefited from investor excitement around potential surging demand for networking equipment to support the deployment of generative artificial intelligence (AI). Accton Technology has already seen indications of early-stage adoption of next-generation technologies by its hyperscale data-centre customers. We believe AI-related investment will be a strong driver of networking equipment sales over the next few years, benefiting companies such as Accton Technologies.

On a negative note, several of our Chinese investments were relative detractors for the month. These included Linklogis, which provides supply-chain financing for small- and medium-size businesses. The stock declined as Linklogis reported weaker-than-expected financial results. The company's returns have been hampered by China's macroeconomic slowdown and reduced technology-related capital spending by banks, a critical consumer of its products.

New Horizon Health was another detractor. An official anticorruption campaign aimed at China's health care sector pressured the stock, even though New Horizon was not directly targeted. On a positive note, the company reported better-than-expected financial results for the first half of the year. We continue to see long-term potential for this health care company, which is changing the detection and treatment of colorectal cancer in China with its non-invasive, easy to use, highly accurate and reasonably priced ColoClear test. The company hopes this patented technology platform may have applications for other indications beyond colorectal cancer.

Signs of slowing consumer spending in China also pressured shares of Angelalign Technology, a leading supplier of clear orthodontic devices in China. The company has seen weaker shipment volumes and reduced consumer demand trends, leading to a downturn in the stock. Despite short-term uncertainty, we continue to see long-term potential for increased spending on orthodontics in China.

Manager outlook

We recognise the potential for slowing global economic growth, with implications for the emerging markets. At the same time, we have become more optimistic about the outlook for emerging markets relative to developed economies. Central banks in the emerging markets started to raise rates ahead of banks in the US and Europe, and are further along in containing inflation. For this reason, we believe we could see rates stabilise sooner in the emerging markets, relative to the US and Europe.

While the post-reopening recovery in China has been more measured than expected, Chinese policymakers have announced a series of stimulus measures that may support growth later in the year. Outside of China, we continue to find opportunities in Vietnam, Indonesia, and Mexico. These three countries are benefiting from the rearchitecting of supply chains and the trend toward nearshoring, and "friendshoring," as corporations seek to secure supply chains closer to home. We also see strong opportunities in the Middle East, notably in Saudi Arabia, as a result of a higher oil price environment and the ongoing modernisation and liberalisation of the country. We also continue to identify longer-term trends that we believe are creating attractive opportunities, from innovation in health care to investments in electric vehicles and green energy. Above all, we believe our disciplined investment approach may help us navigate this challenging period, guided by our multi-lens approach that considers a company's fundamentals and governance, as well as the macro and policy landscape.

Source: Janus Henderson Investors, as at 31 August 2023

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Fund information (Investment policy is on the next page)

Index	MSCI Emerging Markets Index
Morningstar sector	Europe OE Global Emerging Markets 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 Emerging Markets Index by 2% per annum, before the deduction of charges, over any 5 year period.

Performance in (EUR)

Performance %	A2 (Net)	Index	Sector	A2 (Gross)	Target (Gross)
1 month	-5.0	-4.7	-4.0	-	-
YTD	0.8	2.8	3.5	-	-
1 year	-10.8	-6.2	-4.6	-	-
3 years (annualised)	-1.3	1.9	1.2	-	-
5 years (annualised)	0.0	2.4	1.9	1.8	4.4
10 years (annualised)	3.1	5.1	4.3	4.9	7.2

Source: at 31 Aug 2023. © 2023 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.

Calendar year returns %	A2 (Net)	Index	Sector
2023 to 30 Jun 2023	3.5	2.6	3.6
2022	-22.0	-14.9	-16.8
2021	8.0	4.9	5.0
2020	11.4	8.5	7.2
2019	9.7	20.6	21.0
2018	-13.7	-10.3	-12.3
2017	13.4	20.6	18.6
2016	13.8	14.5	12.6
2015	-1.9	-4.9	-4.3
2014	10.9	11.8	10.9
2013	-5.8	-6.5	-5.6

Source: at 30 Jun 2023. © 2023 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.

Investment into the fund will acquire units/shares of the fund itself and not the underlying assets owned by the fund.

Note that any differences among portfolio securities currencies, share class currencies and costs to be paid or represented in currencies other than your home currency will expose you to currency risk. Costs and returns may increase or decrease as a result of currency and exchange rate fluctuations.

Fund charges will impact the value of your investment. In particular, the ongoing charges applicable to each fund will dilute investment performance, particularly over time. For further explanation of charges please visit our Fund Charges page at http://www.janushenderson.com.

Source for target returns (where applicable) – Janus Henderson. Please note the performance target is to be achieved over a specific annualised time period. Refer to the performance target wording within the objective. With effect from 1 January 2023, the Key Investor Information document (KIID) changed to the Key Information Document (KID), except in the UK where investors should continue to refer to the KIID. Availability of share classes shown may be limited by law in certain jurisdictions. Performance records/scenarios are detailed within the fund's specific KIID/KID, fees and charges, and the respective risk rating may vary. Further information can be found in the fund's prospectus and KIID/KID which must be reviewed before investing. Please consult your local sales representative if you have any further queries.

From 3 August 2015. The Fund changed its investment policy. Past performance shown before 3 August 2015 was achieved under circumstances that no longer apply. Please note on 18 February 2022, the Janus Henderson Latin American Fund merged into the Janus Henderson Emerging Markets Fund.

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Past performance does not predict future returns. 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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Janus Henderson Emerging Markets Fund

What are the risks specific to this fund?

- The Fund could lose money if a counterparty with which the Fund trades becomes unwilling or unable to meet its obligations, or as a result of failure or delay in operational processes or the failure of a third party provider.
- Shares/Units can lose value rapidly, and typically involve higher risks than bonds or money market instruments. The value of your investment may fall as a result.
- Shares of small and mid-size companies can be more volatile than shares of larger companies, and at times it may be difficult to value or to sell shares at desired times and prices, increasing the risk of losses.
- Emerging markets expose the Fund to higher volatility and greater risk of loss than developed markets; they are susceptible to adverse political and economic events, and may be less well regulated with less robust custody and settlement procedures.
- This Fund may have a particularly concentrated portfolio relative to its investment universe or other funds in its sector. An adverse event impacting even a small number of holdings could create significant volatility or losses for the Fund.
- The Fund may use derivatives with the aim of reducing risk or managing the portfolio more efficiently. However this introduces other risks, in particular, that a derivative counterparty may not meet its contractual obligations.
- If the Fund holds assets in currencies other than the base currency of the Fund, or you invest in a share/unit class of a different currency to the Fund (unless hedged, i.e. mitigated by taking an offsetting position in a related security), the value of your investment may be impacted by changes in exchange rates.
- Securities within the Fund could become hard to value or to sell at a desired time and price, especially in extreme market conditions when asset prices may be falling, increasing the risk of investment losses.
- The Fund may incur a higher level of transaction costs as a result of investing in less actively traded or less developed markets compared to a fund that invests in more active/developed markets. These transaction costs are in addition to the Fund's Ongoing Charges.

General risks

- Past performance does not predict future returns.
- 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.
- Tax assumptions and reliefs depend upon an investor's particular circumstances and may be subject to change.

Investment policy

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 invest in companies of any size, including smaller capitalisation companies, in any industry.

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.

Janus Henderson Emerging Markets Fund

For further information on the Luxembourg-domiciled Janus Henderson fund range please contact your local sales office or visit our website: www.janushenderson.com.

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