COMMENTARY

Janus Henderson Latin American Fund

Q4 2021

For qualified investors only
Marketing communication

Fund Manager Name

Daniel J. Graña, CFA

Macro backdrop

Latin American stocks experienced downward volatility in the fourth quarter as worries over new COVID-19 variants added to global economic uncertainty. Higher input costs, labour and supply shortages and shipping bottlenecks were also headwinds for economic activity. Inflation concerns and expectations for tighter monetary policy from the US Federal Reserve (Fed) and other central banks put upward pressure on interest rates, while pressuring currencies across Latin America. Against this backdrop the MSCI Latin America Index lagged the performance of the broader MSCI Emerging Markets Index.

Fund performance and activity

The fund outperformed the index for quarter, aided by stock selection.

Relative performance was supported by our investment in Solaris Resources. This Ecuadoran copper producer has benefited from positive demand and pricing trends for copper. It also reported promising drill results for its Warintza project in Ecuador. Additionally, we like the management team's allocation of capital. Our investment in Solaris ties into our long-term theme around decarbonisation. We believe increased investments in green energy will drive long-term demand for copper, a major export of Latin America and a key component used in electric vehicles and solar panels.

We continued to see opportunity tied to ecommerce growth in Latin America. Wal-Mart de Mexico, another top contributor for the quarter, is one of the three leading online retailers in Mexico. The company reported strong results, supported by a growing ecommerce business that is finally being recognised by the market. The company's steady growth profile also appealed to investors concerned about fiscal policy uncertainty and the potential for higher interest rates.

The global sell-off in high growth, longer duration investments pressured several of our software stocks. These included VTEX, a leading ecommerce Software as a Service company in Latin America. VTEX provides an integrated, end-to-end solution that helps large global enterprises and brands connect with customers and manage their ecommerce efforts. In our view the recent stock decline was out of line with fundamentals. We continue to see opportunity for VTEX not only across Latin America but globally, given the company's plans to expand its ecosystem to customers around the world.

Higher interest rates also weighed on stock performance for medical education company Afya, another detractor. This medical education company is leveraging its technological capabilities and strategic acquisition strategy to improve the quality and standardisation of medical education in Brazil. It also provides an end-to-end digital ecommerce platform that physicians can use post-graduation. Afya reported strong earnings performance. This reflected growth in its undergraduate medical education business, which we have viewed as the long-term driver of the company's returns. These gains helped offset delayed revenues from its continuing education business, as some of its doctor customers postponed the practical portions of their courses. We continue to own Afya given its relatively stable earnings profile and strong fundamentals.

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Outlook/strategy

As we look ahead to 2022, we believe the near-term outlook for emerging market stocks may depend on several factors. First, if inflation in the US proves less transitory than policy makers expect, the Fed may move more aggressively to raise interest rates. Historically, higher US interest rates have acted as a headwind for emerging market stocks.

Events in China, one of the world's largest consumers of raw materials, could also have reverberations in Latin America. It remains to be seen whether the Chinese government will be able to manage a soft economic landing while managing other national priorities.

Additionally, Latin American markets face other sources of uncertainty around 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 emerging markets, as companies leverage new technologies to meet local needs while also addressing global challenges. We see innovation tied to such powerful trends as decarbonisation, digitisation and expanding access to life-saving medical treatments.

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 December 2021

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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	7.1	4.9	4.7	1st	-	-
YTD	1.8	-1.1	-6.0	1st	-	-
1 year	1.8	-1.1	-6.0	1st	-	-
3 years (annualised)	-0.7	-2.2	-3.2	1st	-	-
5 years (annualised)	0.5	0.0	-0.8	1st	2.3	2.0
10 years (annualised)	-0.7	-0.8	-1.1	1st	1.0	1.2
Since inception 29 Oct 2004 (annualised)	7.0	7.0	7.0	-	8.8	9.1

Source: at 31 Dec 2021. © 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	3.6	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.

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