Janus Henderson INVESTORS

EMERGING MARKETS FUND

At a glance

Performance*
The Fund returned 5.11%, the Index returned 5.16% and the Sector returned 4.68%.

Contributors/detractors
Stock selection contributed to relative performance across most market sectors, especially consumer staples. Stock selection in the consumer discretionary sector detracted, however.

Outlook
We continue to seek longer-term trends that we believe are creating attractive opportunities for emerging market companies.

Portfolio management


Daniel J. Graña, CFA


Matthew Culley

Investment environment

- Global equities rallied in February, boosted by signs of continued economic resilience in the US and upbeat corporate earnings reports. Positive investor sentiment also aided the performance of emerging market stocks, which generally delivered positive returns for the month.
- Stocks in China and Hong Kong outperformed the MSCI Emerging Markets Index, as investors shook off some of the economic concerns that have pressured shares in recent months. Stocks in Egypt and South Africa underperformed with negative returns.
- Most sectors of the index delivered positive results for the month. The consumer discretionary sector had the strongest performance, while materials stocks lagged the broader market.

Portfolio review

The fund's relative performance benefited from a new position in Mexican discount retailer BBB Foods, as its shares rallied following the company's initial public offering (IPO) earlier in the month. We invested in BBB Foods because we believe it is a best-in-class operator with a track record of impressive same-store sales growth and store expansion.

BBB Foods currently owns about 2000 stores but hopes to expand this to over 10,000 locations. We also see potential around its efforts to introduce its proven low-cost, professional retailing model into a less formalised segment of the retail sector. The management team behind BBB Foods has demonstrated operational excellence across its key areas of focus, and we are excited to be an early investor in the company.

Nu Holdings, another positive contributor, is a digital bank that caters to over 30 million customers across Latin America. The company has become one of Latin America's premier financial brands through its client-friendly and differentiated product set. We have been impressed with its ability to add new customers and sell additional products to its existing clients while also delivering increased profitability. Additionally, the bank has earned very high returns on investment in its core market of Brazil, where over half of the adult population are customers. We see potential as the company looks to replicate these trends in Mexico and other Latin American markets. We continue to see Nu Holdings as one of the most attractive business models in emerging markets.

Marketing communication
For professional and qualified investors only.
Past performance does not predict future returns.
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*For benchmark and sector, if applicable, refer to Fund details on page 3. For relevant descriptions, risks and the Fund's investment policy statement, refer to Additional fund information on page 4.

Mexican spirits distiller Becle was another positive contributor, as the stock made a strong recovery after ending 2023 on a weak note. The late 2023 underperformance followed the company's disappointing third-quarter earnings release. In particular, higher prices for agave - a key tequila ingredient - pressured Becle's profit margins.

However, Becle recently released a full-year report that eased some investor concerns about its near-term outlook. Becle's management team also expressed confidence that agave prices may decline going forward, potentially alleviating margin pressures. We remain invested in Becle due to its brand strength and the long-term growth potential we see for the overall tequila market. We are also constructive on its energy drink business in another market segment where we see attractive long-term potential.

While HDFC Bank was a relative detractor, the India-based financial services company remains one of our favourite bank investments, located in one of our most favoured countries. We continue to see opportunity around India's strong macroeconomic fundamentals, and in our view HDFC is well positioned to benefit from these fundamentals as one of the country's highest-quality banks.

In particular, we believe HDFC is poised to grow loans, cross-sell products, and improve margins. Despite these attributes, HDFC has faced uncertainty due to India's tighter monetary policy conditions. This has led to higher interest rates, which have raised HDFC's funding costs and limited its ability to maintain its high historic pace of loan growth. Despite this near-term uncertainty, we continue to see potential for the company due to its market leadership in a relatively underpenetrated end market. Once the market has time to digest more moderate rates of loan growth, we believe investors may refocus on the company's long-term fundamentals.

Another detractor was One 97 Communications, an Indian digital payments company that has shown impressive penetration rates and innovation over the last few years. However, the company's banking arm has come under increased regulatory scrutiny, and it was ordered to stop taking additional customer deposits. This regulatory decision has materially compromised the company's ability to capitalise on network effects across its platform. It also raised our concerns about the company's governance, controls, and oversight processes. As a result, we sold our position in the stock.

Manager outlook

We are cautiously optimistic about the outlook for global economic growth even as we recognise uncertainty around central bank policies, which could affect the cost of capital in emerging markets. We are closely monitoring macroeconomic and policy developments in China, which could have broader implications for the global economy. We see risks attached to an increasingly complex geopolitical environment, as potential conflicts, legislative changes, or electoral results could have reverberations for global economic growth, inflation, and trade policy.

Despite these sources of uncertainty, we remain optimistic about the outlook for emerging markets relative to developed economies, where economic growth remains relatively slow, policy rates relatively elevated, and valuations for many stocks near historic highs. By contrast, most emerging markets have generally seen more accommodative monetary policy and improving economic trends, at least outside of China.

We are also seeing exciting innovations in emerging markets as visionary companies have worked to improve economic efficiencies, expand access to health care, and address the global climate crisis through electrification and green energy initiatives.

We are excited about pro-market reforms in several markets. India stands out due to its demographics, corporate governance, and transparency. We have been encouraged by the country's recent infrastructure investments and by changes to the bankruptcy code that may increase economic productivity. As we look to take advantage of such opportunities, we continue to pay close attention to company and country fundamentals and corporate governance. We believe this strategy could lead to favourable long-term outcomes.

Performance (%)

Returns	Cumulative 1 Month	3 Month	YTD	1 Year	Annualised 3 Year	5 Year	10 Year
A2 EUR (Net)	5.11	3.63	3.08	2.98	-6.23	0.50	3.15
Index	5.16	4.65	1.97	6.56	-2.64	2.93	5.62
Sector	4.68	5.06	2.33	6.27	-3.28	2.39	4.74
A2 EUR (Gross)	—	—	—	—	—	2.27	4.96
Target	—	—	—	—	—	4.99	7.73

Calendar year	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A2 EUR (Net)	3.10	-21.99	8.03	11.37	9.70	-13.66	13.39	13.80	-1.92	10.87
Index	6.11	-14.85	4.86	8.53	20.62	-10.27	20.58	14.51	-4.94	11.80
Sector	6.43	-16.75	4.97	7.20	20.99	-12.28	18.57	12.57	-4.29	10.93

Performance is on a net of fees basis, with gross income reinvested. Source: at 29/02/24. **Past performance does not predict future returns.** Performance/performance target related data will display only where relevant to the share class inception date and annualised target time period. **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.** Source for target returns (where applicable) - Janus Henderson Investors.

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 www.janushenderson.com.

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.

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.

For the fund's investment policy, refer to the Additional fund information on page 4.
Past performance does not predict future returns.

Fund details

Inception date	29 September 2000
Total net assets	59.80m
Asset class	Equities
Domicile	Luxembourg
Structure	SICAV
Base currency	USD
Index	MSCI Emerging Markets Index^{SM}
Morningstar sector	Global Emerging Markets Equity

Additional fund information

Tax assumptions and reliefs depend upon an investor's particular circumstances and may be subject to change. Please note the performance target is to be achieved over a specific annualised time period. Refer to the performance target wording within the objective. 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 and/or financial adviser if you have any queries. This is a Luxembourg SICAV Fund, regulated by the Commission de Surveillance du Secteur Financier (CSSF). These are the views of the author at the time of publication and may differ from the views of other individuals/teams at Janus Henderson Investors. Any securities, funds, sectors or indices mentioned within this article do not constitute or form part of any offer or solicitation to buy or sell them. The information in this commentary does not qualify as an investment recommendation. Investment into the fund will acquire units/shares of the fund itself and not the underlying assets owned by the fund. The ongoing charge is calculated using the PRIIP methodology. The PRIIP methodology differs to the UCITS ongoing charge methodology, as the PRIIP methodology captures additional recurring charges, including but not limited to: Interest paid on borrowing (e.g. bank interest); Any fees incurred in relation to stock-lending activity (i.e. the fee paid to the lending agent); Any costs associated with holding closed-ended vehicles. Cash balances and exposures are based on settled and unsettled trades as at the reporting date.

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.

Investment strategy

The Investment Manager seeks consistent risk-adjusted returns by looking to identify the most attractive opportunities within countries across various stages of economic and political development. This diverse landscape requires the Investment Manager to utilise an array of perspectives to fully evaluate these opportunities. By combining fundamental company research, market and economic analysis, a keen focus on governance and quantitative input, the portfolio attempts to capture price inefficiencies across companies of all sizes.

Fund specific risks

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 to help achieve its investment objective. This can result in leverage (higher levels of debt), which can magnify an investment outcome. Gains or losses to the Fund may therefore be greater than the cost of the derivative. Derivatives also introduce 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.

Source: Janus Henderson Investors, as at 29 February 2024, unless otherwise noted.

ESG integration is the practice of incorporating material environmental, social and governance (ESG) information or insights in a non-binding manner alongside traditional measures into the investment decision process to improve long term financial outcomes of portfolios. This product does not pursue a sustainable investment strategy or have a sustainable investment objective or otherwise take ESG factors into account in a binding manner. ESG related research is one of many factors considered within the investment process and in this material we seek to show why it is financially relevant. **To Argentina investors:** This document includes a private invitation to invest in securities. It is addressed only to you on an individual, exclusive, and confidential basis, and its unauthorised copying, disclosure, or transfer by any means whatsoever is absolutely and strictly forbidden. Janus Henderson Investors will not provide copies of this prospectus, or provide any kind of advice or clarification, or accept any offer or commitment to purchase the securities herein referred to from persons other than the intended recipient. The offer herein contained is not a public offering, and as such it is not and will not be registered with, or authorised by, the applicable enforcement authority. The information contained herein has been compiled by Janus Henderson Investors, who assumes the sole responsibility for the accuracy of the data herein disclosed. **To Brazilian investors:** The shares in the fund may not be offered or sold to the public in Brazil. Accordingly, the shares in the fund have not been and will not be registered with the Brazilian Securities and Exchange Commission (Comissão de Valores Mobiliários, the "CVM"), nor have been submitted to the foregoing agency for approval. Documents relating to the shares in the fund, as well as the information contained therein, may not be supplied to the public in Brazil, as the offering of the shares in the fund is not a public offering of shares in Brazil, nor used in connection with any offer for subscription or sale of securities to the public in Brazil. A seller of the shares in the fund may be asked by the purchaser to comply with procedural requirements to evidence previous title to the shares in the fund and may be subject to Brazilian tax on capital gains which may be withheld from the sale price. Persons wishing to offer or acquire the shares in the fund within Brazil should consult with their own counsel as to the applicability of these registration requirements or any exemption therefrom. **To Chilean Investors:** ESTA OFERTA PRIVADA SE INICIA EL DÍA DE LA FECHA DEL PRESENTE DOCUMENTO Y SE ACOGE A LAS

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