COMMENTARY

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. 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. 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.

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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Important information

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The Janus Henderson Fund (the "Fund") is a Luxembourg SICAV incorporated on 26 September 2000, managed by Henderson Management S.A. A copy of the Fund's prospectus and key investor information document can be obtained from Henderson Global Investors Limited in its capacity as Investment Manager and Distributor. Issued in Europe by Janus Henderson Investors. Janus Henderson Investors is the name under which investment products and services are provided by Janus Capital International Limited (reg no. 3594615), Henderson Global Investors Limited (reg. no. 906355), Henderson Investment Funds Limited (reg. no. 2678531), Henderson Equity Partners Limited (reg. no.2606646), (each registered in England and Wales at 201 Bishopsgate, London EC2M 3AE and regulated by the Financial Conduct Authority) and Henderson Management S.A. (reg no. B22848 at 2 Rue de Bitbourg, L-1273, Luxembourg an dregulated by the Commission de Surveillance du Secteur Financier). Copies of the Fund's prospectus, Key Investor Information Document, articles of incorporation, annual and semi-annual reports are available in English and other local languages as required from www.janushenderson.com. These documents can also be obtained free of cost from the Fund's registered office in Luxembourg: 2 Rue de Bitbourg, L-1273 Luxembourg, in Germany: Janus Henderson Investors, Tower 185, Friedrich-Ebert-Anlage 35-37, 60327 Frankfurt am Main, in Austria: UniCredit Bank Austria, Schottengasse 6-8, 1010 Wien, in Spain: offices of the Spanish distributors, a list of which may be obtained at www.cnmv.es (Janus Henderson Fund is registered with the CNMV under number 259. The Custodian in Spain is BNP PARIBAS SECURITIES SERVICES S.C.A.); in Belgium: Belgian Financial Service Provider CACEIS Belgium S.A., Avenue du Port 86 C b320, B-1000 Brussels; in Singapore: Singapore Representative: Janus Henderson Investors (Singapore) Limited, 138 Market Street, #34-03/04 CapitaGreen, Singapore 048946; and in Switzerland from the Swiss representative: BNP Paribas Securities Services, Paris, succursale de Zurich, Selnaustrasse 16, CH-8002 Zurich who are also the Swiss Paying Agent. The summary of Investors Rights is available in English from https://www.janushenderson.com/summary-of-investors-rights-english. Henderson Management SA may decide to terminate the marketing arrangements of this Collective Investment Scheme in accordance with the appropriate regulation.

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