3Q22 Global & International Equity

FUND COMMENTARY

# Global Equity Income Fund

## Market Environment

- Equity markets rallied at the beginning of the third quarter, as interest rate expectations had stabilized and some areas of the market were beginning to look oversold, especially in the U.S. technology and growth sectors.
- Sentiment turned in August, however, after comments from Federal Reserve Chair Jerome Powell stating that price stability likely would require maintaining a restrictive policy stance for some time. This triggered a sell-off in markets as they began to price in a faster pace of rate hikes, both in the U.S. and elsewhere. The impact of further energy price rises on businesses and consumers in Europe also weighed on sentiment, while slowing global economic growth led to a sharp fall in oil prices. During September, central banks continued to take a hard line against inflation, as they implemented large interest rate hikes and vowed to follow up with similarly large increases.
- Russia raised tensions with the West as it illegally annexed parts of the Ukraine and threatened to use nuclear arms, although Ukraine regained large swathes of territory following a swift counteroffensive. Oil prices continued to fall, given concerns about the threat to demand from slowing global economic growth and a further strengthening of the U.S. dollar.
- Within this context, developed markets continued to outperform emerging markets. The only sector to produce positive returns was consumer discretionary, driven by a relief rally in companies whose shares had severely underperformed in the first half of 2022. Sectors that typically hold higher levels of debt, such as real estate, utilities, and telecommunications, were the largest underperformers during the period, as the increase in interest rate hikes affects the capital structure of these businesses.

## Performance Summary

The Fund underperformed both its primary benchmark, the MSCI World Index℠, and its secondary benchmark, the 85% MSCI ACWI Ex U.S. High Yield Dividend / 15% MSCI USA High Dividend Yield Index, for the quarter ended September 30, 2022.

**For detailed performance information, please visit janushenderson.com/performance.**

## Portfolio Discussion

The Fund's stock selection in healthcare was the largest detractor from relative returns over the period. Holdings in Sanofi and GSK (formerly GlaxoSmithKline) underperformed due to their exposure to former gastrointestinal blockbuster drug Zantac, which is at the center of a U.S. class action lawsuit. Although sentiment may remain negative until there is clarity on the financial implications for these companies, the share price reactions appear to be pricing in a worst-case scenario and do not account for the potential shared liability given Zantac has been owned over the years by multiple pharmaceutical companies.

Stock selection in the financial sector also detracted, with the non-life insurance sector in particular weighing on performance. Here, a leading car insurance and general

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insurance products company is experiencing higher-than-expected costs to repair and replace cars and cannot yet reprice contracts. This should lead to repricing in due course, but their profit has been impacted in the short term. While some of the Fund's other insurance names have underperformed due to sentiment, we do not view it as a systemic problem.

By region, the Fund's stock selection in the UK was detrimental to relative returns during the quarter. Despite elevated inflation in the UK, the new government unveiled a fiscal package without outlining how it would be funded, suggesting that government borrowing would need to rise markedly. The market responded negatively, with sterling declining and gilt yields (the interest paid on British government bonds) rising. In Europe, ongoing concerns about gas prices and availability drove relative underperformance, as the Fund's positions in European equities are more heavily weighted to global market leaders that have sold off more than peers listed in other regions, despite regionally diverse revenue exposures.

The largest contributor to relative performance was stock selection in materials, where Nutrien, an agricultural chemicals company, and UPM-Kymmene, a leading manufacturer of forest products such as graphic papers, drove the Fund's relative outperformance in Canada and Finland, respectively. The Fund's underweight in real estate was additive, as was stock selection in industrials, where Randstad, a Dutch multinational human resource consulting firm, was among the top individual contributors.

The Fund's hedging – a forward agreement with an investment dealer to sell a certain amount of a currency on a future date, at the present-day exchange rate – on the euro and sterling were supportive for returns, as they provided some protection against the currencies devaluing against the strong dollar.

| Top Contributors | Average Weight (%) | Relative Contribution (%) |
|---|---|---|
| Tokio Marine Holdings Inc | 0.67 | 0.18 |
| UPM-Kymmene Oyj | 1.47 | 0.15 |
| Unilever PLC | 2.92 | 0.12 |
| Nutrien Ltd | 1.07 | 0.12 |
| Randstad NV | 0.36 | 0.11 |

| Top Detractors | Average Weight (%) | Relative Contribution (%) |
|---|---|---|
| GSK plc | 2.26 | -0.65 |
| Sanofi SA | 2.55 | -0.45 |
| Tele2 AB | 1.40 | -0.26 |
| Tesco PLC | 1.33 | -0.25 |
| Persimmon plc | 0.68 | -0.25 |

The holdings identified in this table, in compliance with Janus Henderson policy, do not represent all of the securities purchased, held or sold during the period. To obtain a list showing every holding as a percentage of the portfolio at the end of the most recent publicly available disclosure period, contact 800.668.0434 or visit janushenderson.com/info. Relative contribution reflects how the portfolio's holdings impacted return relative to the benchmark. Cash and securities not held in the portfolio are not shown.

## Manager Outlook

It is a difficult time to make predictions. Interest rates are rising in a slowing growth environment, so the short-term outlook for economic growth is more negative than expected earlier in the year. We are confident, however, that the companies held in the portfolio can weather the current conditions, and that a great deal of bad news is priced in. We continue to be positively surprised by the shareholder returns being announced, in terms of both dividends and share buybacks, which suggests that management teams share our confidence in the long-term outlooks for their companies.

We think a prolonged period of market volatility is likely. This will provide the opportunity to identify what we see as attractively valued companies with strong free cash flow characteristics and balance sheets that we believe are well positioned to navigate the more challenging economic environment.

## Portfolio Management

**Ben Lofthouse, CFA**

**Alex Crooke**

**Job Curtis**

For more information, please visit **janushenderson.com.**

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**Please consider the charges, risks, expenses and investment objectives carefully before investing. For a prospectus or, if available, a summary prospectus containing this and other information, please call Janus Henderson at 800.668.0434 or download the file from janushenderson.com/info. Read it carefully before you invest or send money.**

**Past performance is no guarantee of future results. Call 800.668.0434 or visit janushenderson.com/performance for current month-end performance.**

Discussion is based on the performance of Class I Shares.

As of 9/30/22 the top 10 portfolio holdings of Janus Henderson Global Equity Income Fund are: British American Tobacco PLC (3.37%), Bristol-Myers Squibb Co (3.35%), TotalEnergies SE (3.07%), Unilever PLC (3.08%), Merck & Co Inc (2.93%), Pioneer Natural Resources Co (2.89%), Roche Holding AG (2.57%), Sanofi SA (2.40%), BHP Group Ltd (2.36%) and Tokio Marine Holdings Inc (2.10%). There are no assurances that any portfolio currently holds these securities or other securities mentioned.

The opinions are as of 9/30/22, are subject to change and may not reflect the views of others in the organization. Janus Henderson may have a business relationship with certain entities discussed. The comments should not be construed as a recommendation of individual holdings or market sectors, but as an illustration of broader themes.

For equity portfolios, relative contribution compares the performance of a security in the portfolio to the benchmark's total return, factoring in the difference in weight of that security in the benchmark. Returns are calculated using daily returns and previous day ending weights rolled up by ticker, gross of advisory fees, may exclude certain derivatives and does not represent actual performance.

**Investing involves risk, including the possible loss of principal and fluctuation of value.**

**Foreign securities are subject to additional risks including currency fluctuations, political and economic uncertainty, increased volatility, lower liquidity and differing financial and information reporting standards, all of which are magnified in emerging markets.**

**MSCI World Index℠** reflects the equity market performance of global developed markets.

**85% MSCI ACWI ex-US High Div Yld / 15% MSCI USA High Div Yld Index** is an internally-calculated, hypothetical combination of total returns from the MSCI All Country World ex-USA High Dividend Yield Index (85%) and the MSCI USA High Dividend Yield Index (15%). The underlying indices reflect the performance of higher dividend yield large and mid-cap equities from (i) global developed and emerging markets excluding the U.S. and (ii) the U.S. markets.

Index performance does not reflect the expenses of managing a portfolio as an index is unmanaged and not available for direct investment.



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