ALL CAP VALUE COMPOSITE

Perkins
—JANUS HENDERSON—

UNCOMMON VALUE℠

PORTFOLIO COMMENTARY | 4Q18

PERFORMANCE REVIEW

The All Cap Value strategy slightly underperformed the Russell 3000® Value Index during the quarter. The equity market sold-off sharply with the index, driven by a number of concerns including: 1) the strength of the global economy, 2) the Federal Reserve (Fed) hiking rates too quickly, 3) trade war fears, 4) earnings releases that didn't meet the market's high expectations and 5) credit deteriorating (high-yield spreads widening). Additionally, oil prices plummeted 38% during the period as OPEC supply cuts were not favorably received by the market, impacting our holdings in energy. Further, our stock selection in communication services detracted from relative performance, driven by Alphabet, which fell with other leading technology stocks due to growth and regulation concerns. We don't think the drop was warranted, and continue to like Alphabet given its wide moat generated by the network effect as the dominant Internet search provider. Stock selection in financials also detracted as well as our underweight in utilities. While we like the stability and defensive characteristics of utility companies, we think valuations are expensive and resulted in our underweight position.

Not surprisingly, our stock selection in real estate was additive, as our defensive names in manufactured housing and self-storage REITs held up better in a negative market environment. In addition, our stock selection in consumer discretionary and materials added to relative performance. Our holding in NewMarket Corporation benefited from lower raw material costs as oil prices declined, and hence the name acted as a natural hedge to some of our energy names.

In terms of sector positioning, we reduced our energy exposure and added to real estate and consumer staples, staying consistent with our defensive value approach. We believe these sectors will be able to better weather a tough economic environment. In general, we expect our strategies at Perkins to perform better than their benchmarks and peers during down markets. To that end, we believe our positioning today could help us reach our goal of benchmark-beating returns, with potentially less volatility over a full market cycle.

For detailed performance information, please visit
www.perkinsinvestmentmanagement.com

OUTLOOK AND POSITIONING

Our investment team is evaluating the recent equity market decline by reviewing the weakest areas (i.e., stocks with the biggest price declines). As a general matter, it seems that concerns about the duration of the economic cycle are spreading, and each particular sector and industry has its own dynamic to consider. For example, semiconductors and semiconductor equipment have been down substantially in the last few months. After several years of surging demand and record profits, companies are now seeing falling prices for memory chips, declining orders for equipment and weakening end demand.

Other areas seeing big declines include several materials and automobile and automotive components companies that have recently warned on earnings due to a combination of rising input costs, falling demand and trade war developments. Banks are also under pressure on weak loan growth and higher funding costs. Aggregating across the market's laggards, the stock market consensus appears to be grappling with the idea

Portfolio Manager:
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Ted Thome, CFA

EXECUTIVE SUMMARY

- The All Cap Value strategy slightly underperformed the Russell 3000 Value Index for the period.
- Stock selection in materials and real estate was additive to relative performance.
- We continue to remain defensively positioned, adding to consumer staples and real estate sectors during the quarter.

that we may have passed the peak of the current expansion and benign investing environment.

In our opinion, as trading conditions become more volatile and sellers more fearful, the likelihood of identifying bargain stock prices grows. Pain on the other side of the trade is the first, but not the only, criteria. Second, the company should have a durable competitive advantage, such that, over time and through market cycles, it will be able to earn more than its fair share of profits. Third, the balance sheet should be well capitalized and liquid to enable the company to endure a much more difficult operating environment should that scenario lie ahead. Finally, a stock's price should be low enough relative to a company's earning power/net asset value so as to offer a margin of safety, should the market environment weaken further, and attractive return potential over the long term.

In addition to orienting our research effort around identifying stock bargains, we are mindful of correlations across the various cyclical exposures in our portfolios, as well as the aggregate weights we have in those areas. Given that we don't know whether the economy and/or market are at the beginning of a major downturn, we are attempting to make our buys slowly and cautiously, particularly in the more cyclical areas of the market. At some point, the bull market will end, and divine patience should prove the most important investing attribute of all.

Thank you for your continued co-investment with us in the All Cap Value strategy.

REPRESENTATIVE ACCOUNT TOP CONTRIBUTORS AND DETRACTORS FOR THE QUARTER ENDED 12/31/18

Top Contributors	Ending Weight (%)	Contribution (%)	Top Detractors	Ending Weight (%)	Contribution (%)
Merck & Co., Inc.	2.91	0.25	Laboratory Corp of America Holdings	3.93	-1.06
Evergy, Inc.	1.13	0.04	Citigroup Inc.	2.46	-0.80
NewMarket Corporation	2.13	0.04	Occidental Petroleum Corporation	2.37	-0.67
Exelon Corporation	1.15	0.04	Cadence Bancorporation	1.18	-0.56
National Storage Affiliates Trust	0.00	0.04	Schlumberger Limited	1.08	-0.52

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 visit perkinsinvestmentmanagement.com.

TOP CONTRIBUTORS

Merck & Co., Inc.: Merck outperformed in the quarter after reporting better-than-expected earnings driven in part by strength in sales of Keytruda, a leading immuno-oncology drug. Furthermore, Merck and other large pharmaceutical companies benefited from less potential drug pricing pressure, and a general rotation into the health care sector as investors seek more defensive positions. We trimmed some of our holdings on strength, but still maintain a position in the portfolio.

Evergy, Inc.: Evergy is an electric utility with core operations in Kansas and Missouri. The shares outperformed during the quarter as they reported better-than-expected earnings for the third quarter, increased the dividend by approximately 3% and remain on track to repurchase 60 million shares

TOP DETRACTORS

Laboratory Corporation of America Holdings: Laboratory Corporation underperformed during the quarter after the company lowered 2018 guidance due to weaker-than-expected volumes in the lab segment. The softness in demand was primarily due to slower growth in referred direct-to-consumer genetic testing, lower referral volume from hospitals and health systems, volume declines from certain managed care plans that will no longer be exclusive to LabCorp in 2019 and adverse weather. We believe the longer-term fundamental drivers for LabCorp remain intact for both its lab services business and contract research organization, and continue hold our position.

Citigroup Inc.: Citigroup underperformed in the fourth quarter due to a large sell-off in large-cap banks, driven by

TOP CONTRIBUTORS (continued)

over the next two years. Additionally, utilities were the best-performing group within the benchmark given the turmoil in the broader stock market. The company continues to manage their merger integration well and long-term earnings growth is above the industry average. We continue to hold our position in the stock.

NewMarket Corporation: NewMarket is a specialty chemical company that manufactures additives for the lubricant and fuel markets that helps maximize performance for those products in engines. After suffering through rising raw material prices the last few years, the recent decline in oil prices was viewed as a positive by the market. This helped the stock outperform the broader market as their gross margin declines are likely ending and potentially reversing. We continue to like the company and its strategic position, and have held the position even with the recent outperformance.

TOP DETRACTORS (continued)

interest rate volatility and a further flattening yield curve. Additionally, slightly higher 2018 expense guidance, credit concerns around the consumer portfolio, potential fourth quarter trading losses and lower capital market expectations further pressured the stock. However, Citigroup's 13% long-term return on tangible common equity target appears achievable despite the reduced 2018 earnings expectations.

Occidental Petroleum Corporation: Occidental Petroleum is a Houston, Texas-based energy company with global assets that span upstream oil and gas exploration and production, and midstream and downstream chemicals operations. Occidental shares weighed on results as global crude oil prices retrenched during the period and ushered in fresh concerns of all global producers having to cut their 2019 outlook. While lower commodity prices will hurt Occidental's bottom line, we believe the company is better positioned to withstand lower commodity prices relative to peers due to its diversified business mix and clean balance sheet. We continue to have a favorable reward-to-risk ratio on Occidental's shares.

Past performance is no guarantee of future results.

Discussion is based on performance gross of fees.

Information relating to portfolio holdings is based on the representative account in the composite and may vary for other accounts in the strategy due to asset size, client guidelines and other factors. The representative account is believed to most closely reflect the current portfolio management style.

As of 12/31/18 the top ten portfolio holdings of the Representative Account are: Oracle Corporation (4.20%), Johnson & Johnson (4.18%), Laboratory Corp of America Holdings (3.92%), Pfizer Inc (3.41%), Alphabet Inc (3.08%), Lamar Advertising Co (3.04%), Equity Commonwealth (3.00%), Merck & Co., Inc. (2.91%), Colgate-Palmolive Co (2.79%) and Berkshire Hathaway Inc (2.79%). There are no assurances that any portfolio currently holds these securities or other securities mentioned.

Portfolio holdings are as of the date indicated, and are subject to change. This material should not be construed as a recommendation to buy or sell any security.

The opinions are as of 12/31/18 and are subject to change without notice. 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.

Security contribution to performance is measured by using an algorithm that multiplies the daily performance of each security with the previous day's ending weight in the portfolio and is gross of advisory fees. Fixed income securities and certain equity securities, such as private placements and some share classes of equity securities, are excluded.

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

Perkins All Cap Value portfolios, benchmarked to the Russell 3000® Value Index, are broadly diversified and seek to identify quality US companies trading at discounted prices with favorable risk reward potential. A typical portfolio will contain 60 to 90 securities and will invest no less than 10% of assets in each market cap category (small, mid and large) and no more than 50% in small cap stocks. The composite was created in January 2010.

Janus Henderson provides investment advisory services in the U.S. through Janus Capital Management LLC, together with its participating affiliates.

Perkins Investment Management LLC is a subsidiary of Janus Henderson Group plc and serves as the sub-adviser on certain products.

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