GLOBAL VALUE COMPOSITE

Perkins
—JANUS HENDERSON—
UNCOMMON VALUE℠

PORTFOLIO COMMENTARY | 1Q19

PERFORMANCE REVIEW

For the quarter, the Janus Henderson Global Value Portfolio underperformed its primary benchmark, the MSCI World Index℠, and its secondary benchmark, the MSCI All Country World Index℠. Markets began the year in white-hot fashion, with our primary benchmark gaining 12.6% in the period. A number of themes made familiar during the long bull market returned in early 2019, including the U.S. outperforming international and growth beating value. Coupled with the dreadful final quarter of 2018, recent market movements have been somewhat extreme, which can be disorienting. We believe taking a longer view can be helpful in this regard.

First quarter performance was aided by stock selection in financials and real estate. From a geographic perspective, holdings in Switzerland and the UK outperformed. Our holdings in technology and stock selection in consumer discretionary detracted from relative performance during the period. Holdings in the U.S. and South Korea also lagged. Our cash weighting, which declined significantly toward the end of 2018 as we made incremental investments in the midst of the declining market, detracted as well.

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

OUTLOOK AND POSITIONING

Gains thus far in 2019 have been driven primarily by valuation multiple expansion. The phenomenon is most notable in the U.S., where consensus earnings per share (EPS) estimates for the S&P 500® Index in 2019 and 2020 are now both lower than they were to start the year, according to Bloomberg. A similar dynamic has unfolded in Europe with EPS estimates for the STOXX Europe 600 Index trending lower to begin the year. A recent dovish turn by several of the world's leading central banks, combined with investors' hope for better economic growth in the not-too-distant future, seem to be behind the improved sentiment. In our view, the brief window that had opened late last year to purchase securities at attractive valuations in an environment which had clearly become fearful has unfortunately now closed, for the most part.

While sentiment in the market has been volatile and most recently improved, our outlook has been more steady and cautious. The economy has clearly decelerated from a year ago, with the New York Federal Reserve Staff Nowcast estimate for first and second quarter U.S. GDP growth at 1.3% and 1.6%, respectively. Looking abroad, the Brexit debate continues to pressure activity there, various indicators from the eurozone have trended toward stagnation and/or recession and China's growth pace continues to slow. While not one in the same, these decelerating GDP trends seem to be working their way into a more modest outlook for corporate profits.

At the same time, central banks have generally already been quite supportive of their economies via low policy rates and significant asset purchases. Short-term rates are already negative in much of the eurozone and Japan, and the U.S. Federal Reserve, while clearly in a better position than its counterparts, has precious little room to cut should the economy weaken further. We wonder whether the "central bank put" is still alive, or perhaps we're transitioning to a different era of sorts in financial markets.

We continue to debate the merits of "stable" businesses at relatively rich multiples as compared to "cyclical" companies at lower multiples. We've shifted our portfolio

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EXECUTIVE SUMMARY

- Stock markets began 2019 in white-hot fashion with the MSCI World Index gaining 12.6% in the first quarter.
- Most of the gains were driven by valuation multiple expansion, not growth in earnings.
- We believe now is a time for caution, that avoiding losses will prove more important than maximizing gains in the coming years.

somewhat toward the latter, though we are aiming to be very careful about the potential for much weaker earnings and even lower valuation multiples for the more cyclical fare. We continue to believe now is a time for caution, that avoiding losses will prove more important than maximizing gains in the coming years.

Four new positions were established in the quarter: a U.S.-listed self-storage REIT, a Japan-based steel company, a Japan-based electronic connector manufacturer and a Japan-based diamond cutting tool manufacturer. We exited our holding in Infosys. We continue to hold a portion of the portfolio in cash, though the level has declined as we've identified investment opportunities meeting our criteria.

Thank you for your co-investment and continued confidence in Perkins Investment Management.

REPRESENTATIVE ACCOUNT TOP CONTRIBUTORS AND DETRACTORS FOR THE QUARTER ENDED 3/31/19

Top Contributors	Ending Weight (%)	Contribution (%)	Top Detractors	Ending Weight (%)	Contribution (%)
Oracle Corporation	4.61	0.83	Vodafone Group plc	1.22	-0.09
Synchrony Financial	1.94	0.59	Pfizer Inc.	4.24	-0.09
Alphabet Inc.	4.38	0.54	Grupo Televisa SAB (ADR)	0.56	-0.08
Procter & Gamble Company	1.34	0.44	Grand Korea Leisure Co Ltd.	0.60	-0.08
Johnson & Johnson	4.54	0.42	Bayerische Motoren Werke AG	1.72	-0.08

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

Oracle: Oracle is a global technology company that provides database, middleware and application software. The company also provides cloud computing services via the Oracle Cloud. The stock outperformed during the quarter due to solid earnings results, as well as a broad-based recovery in technology stocks during the period following weakness in the fourth quarter. We continue to hold our position.

Synchrony Financial: Synchrony outperformed in the first quarter following the announced renewal of the Sam's Club partnership, the sale of the Walmart portfolio to Capital One and the termination of Walmart's $800 million lawsuit. Each of these issues had been a large overhang on the stock and drove underperformance in 2018. With this overhang resolved and three of the largest partnerships renewed, Synchrony can accelerate capital redeployment in the form of buybacks and focus on organic growth.

Alphabet: Alphabet is the dominant Internet search provider and has used its large search share across geographies to have a dominant position in digital advertising. The company

TOP DETRACTORS

Vodafone Group: Vodafone is a leading European telecom operator that also has operations in several emerging markets. The stock underperformed during the quarter due to a variety of concerns including increased leverage post the Liberty transaction, increased competitive pressures in Italy and Spain, rising spectrum costs and currency weakness in emerging markets. Leverage will increase to 3x following the closure of the Liberty transaction, however, management has indicated they are open to asset disposals, including a sale of its estimated €12 billion towers portfolio, to reduce leverage if needed. Competitive pressures will likely continue in Italy and Spain for the foreseeable future, but these are offset by a strong German and a stabilizing UK market (an advantage of having a diversified geographic exposure). Overall, we continue to believe the risk-reward remains attractive given Vodafone's leading and diversified telco portfolio.

Pfizer: Following a strong performance in 2018, Pfizer lagged the broader market along with the health care sector in the first quarter of 2019. The company's full-year 2019 guidance was lower than expected, although fundamentals

TOP CONTRIBUTORS (continued)

is a primary beneficiary of the secular shift to online advertising as consumers spend more time in digital platforms than traditional ones such as TV and print. The company remains focused on innovation across its businesses, which help sustain consistent high growth. Alphabet has a deep moat that is protected by the first-mover advantage, technology innovations, patents and mindshare with advertising partners. The stock was a top performer this quarter as revenue growth was strong across all segments and came in ahead of consensus expectations. We continue to hold our position.

TOP DETRACTORS (continued)

remain intact to achieve mid-single-digit growth in the longer term as the impact from patent expirations within the existing drug portfolio lessen while new drug development starts to improve. We continue hold our positon in the company.

Grupo Televisa: Televisa is both the leading pay-TV provider in Mexico and producer of Spanish-speaking content. The stock underperformed in the quarter driven by a reduction in government advertising spending as well as continued concerns over secular headwinds from digital/over-the-top competition. The new government in Mexico is cutting advertising spending by up to 50%, which is having a direct impact on Televisa's content business. Private advertising spending, however, which represents 90% of Televisa's total ad spending, has been stable. While digital/OTT will continue to challenge the content side, Televisa's scale and vertical integration does give it a slight advantage in terms of lower costs and a history of producing highly rated Spanish content. Additionally, pay-TV, which represents the other two-thirds of the business, continues to be strong, helping offset some of the content headwinds. We believe the risk-reward remains attractive given the company's strong positioning in an underpenetrated pay-TV market, a history of producing highly rated Spanish-speaking content and a solid balance sheet.

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 3/31/19 the top ten portfolio holdings of the Representative Account are: Oracle Corporation (4.62%), Johnson & Johnson (4.54%), Alphabet Inc. (4.38%), Pfizer Inc. (4.24%), Wells Fargo & Co (4.03%), Coca-Cola Co (3.15%), PepsiCo Inc (2.98%), Novartis AG (2.49%), Sanofi (2.48%) and Nestle SA (2.17%). 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 3/31/19 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 Global Value Composite, benchmarked to the MSCI World Index℠ and secondarily to the MSCI All Country World Index℠, includes portfolios that seek to invest in attractively valued companies of any size throughout the world that are trading at discounted prices with favorable risk-reward potential. A typical portfolio will be invested in 60 to 90 companies across all regions of the world, including the United States. Previously, portfolios were invested in a substantially similar style in 25 to 45 securities. In July 2010 the portfolio manager became an employee of Perkins Investment Management. Effective January 1, 2005 the composite definition was changed to include only proprietary mutual funds and exclude sub-advised pooled funds. Effective January 1, 2009 the composite definition was expanded to also include sub-advised pooled funds and separately managed institutional accounts. The composite was created in January 2003.

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

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