GLOBAL VALUE COMPOSITE

Perkins
—JANUS HENDERSON—
UNCOMMON VALUE℠

PORTFOLIO COMMENTARY | 2Q18

PERFORMANCE REVIEW

For the quarter, the Global Value Portfolio underperformed its primary benchmark, the MSCI World Index℠, and its secondary benchmark, the MSCI All Country World Index℠. Stocks gained modestly in the second quarter though performance was quite varied by sector, with defensive sectors like staples and telecom continuing to lag while technology appears to be a perceived haven for many investors, and energy stocks rallied with the commodity price recovery. Our primary benchmark increased 1.93% and our defensive positioning led us to lag.

Stock selection in financials and utilities aided relative performance. From a geographic perspective, stock selection in Sweden and Mexico contributed to results. Our holdings in technology and consumer discretionary hurt results. Stock selection in the U.S. and South Korea detracted. Our cash weighting was a relative detractor in the period.

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

OUTLOOK AND POSITIONING

Despite extensive stimulus measures, including significant recent fiscal stimulus in the U.S. from tax reform, we continue to believe global securities prices already reflect a significant degree of optimism about economic and corporate earnings growth, while underlying risks are rapidly multiplying. The quarter was marked by increasingly bellicose rhetoric and action by political leaders around the world, straining relationships with long-standing allies and competitors alike. Preliminary actions on tariffs by the U.S. are already increasing fears, with notable pressure on economically sensitive sectors such as industrials and financials within equities but also volatile currency markets and significant emerging market outflows. Despite a stated objective of improving trade balances and job outlooks in the U.S., many executives are publicly indicating unintended adverse consequences from U.S. trade policy.

In Europe, tensions over the future of the common currency have clearly escalated after a populist government won elections in Italy, and Angela Merkel faces heightened opposition to her coalition in Germany. The prospect of an orderly "Brexit" also appears remote, and corporations are being increasingly outspoken about the negative implications of chaotic negotiations within the British government itself and in its negotiations with the EU.

While equity market valuations remain expensive, we are beginning to see some areas of the market display fear, including pockets of automotive, media and consumer discretionary. Our research agenda is increasingly populated by these types of opportunities as opposed to bulking up more in existing overweight positions in staples and health care. These more economically sensitive sectors have many traditional characteristics of value investments: statistically low trading multiples, depressed relative valuations and negative sentiment. As always, with our investment process focused on downside mitigation first, we are rigorously vetting these opportunities and intently focused on avoiding "traps." Consistent with our process, we are moving in a measured and deliberate way.

While the Portfolio lagged the benchmark during the quarter, we retain our conviction that staples, health care and telecom remain among the most resilient business models

Portfolio Manager:
Gregory Kolb, CFA

Portfolio Manager:
George Maglares

EXECUTIVE SUMMARY

- Despite intense fiscal and monetary stimulus around the world leading to improved GDP figures, stock prices are increasingly volatile and struggling to keep up with the gains of the recent past.
- The U.S. is stoking global trade tensions, with impacts being felt broadly.
- Political developments in Europe cast increasing doubt on the cohesion of the EU.

with the most compelling risk-to-reward ratios at present. We would expect our overweight positions in these areas to outperform in a period of true economic fear/stress, which may lead us to outperform over full and complete market cycles. We are also quite skeptical of areas with stronger recent performance such as technology. Our concern is that investors are ascribing defensiveness to technology stocks while losing sight of the underlying cyclicality behind the customers' (both corporate and consumer) decision to purchase in that space.

Four new positions were established in the quarter: a Germany-based auto manufacturer, two U.S.-based insurance companies and a Korean casino operator. We exited our holdings in America Movil, Granite Point Mortgage Trust, KT&G Corporation and XL Group. We continue to hold a portion of the portfolio in cash, as we seek to exercise sell discipline with stocks that reach our price targets and amid a dearth of what we believe to be bargain securities in the market.

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

REPRESENTATIVE ACCOUNT TOP CONTRIBUTORS AND DETRACTORS FOR THE QUARTER ENDED 6/30/18

Top Contributors	Ending Weight (%)	Contribution (%)	Top Detractors	Ending Weight (%)	Contribution (%)
Alphabet Inc	4.60	0.34	Yahoo Japan Corp	1.12	-0.40
Swedish Match AB	1.28	0.26	RenaissanceRe Holdings Ltd	2.11	-0.27
Wells Fargo & Co	4.62	0.26	Singapore Telecommunications Ltd	1.95	-0.26
Exelon Corp	2.02	0.18	Hyundai Motor Co	1.41	-0.26
Infosys Ltd (ADR)	1.80	0.18	GEA Group AG	1.03	-0.23

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

Alphabet: Alphabet is an Internet media company with its primary business being online search. The shares outperformed during the quarter due to strong revenue growth and diminishing worries over newly enacted European regulation. Despite the company's size, revenue has continued to grow 20%-plus year over year, driven by a combination of ad spend moving online and share gains from smaller online advertisers. Europe's new regulation on third-party data tracking, General Data Protection Regulation (GDPR), went into effect in May and appears to be neutral/slightly positive for Google, rather than the initial worry of it being negative. Despite the outperformance, we believe the risk-to-reward ratio remains attractive given the company's solid moat, strong balance sheet, and its ability to benefit from the secular trend of ad spend moving online.

Swedish Match: Swedish Match is a tobacco company that earns 60% of its profits from snus and moist snuff. The firm receives the majority of revenue and earnings from Scandinavia, with a small percentage from the U.S. The snus

TOP DETRACTORS

Yahoo Japan: Yahoo Japan is one of the most visited websites in Japan with search and display advertising contributing a majority of profit. The shares underperformed this quarter due to weaker guidance. Growth in Yahoo Japan's core advertising business slowed this quarter and is expected to remain subdued in the near term. At the same time, the company is increasing investment spend to compete in mobile payments, which is depressing margins. We believe the risk-to-reward ratio remains attractive given the company's strong balance sheet, dominant positioning in search and display advertising, and its ability to benefit from the secular trend of ad spend moving online.

RenaissanceRe: RenaissanceRe underperformed during the second quarter of 2018 due to weaker pricing commentary on the first quarter conference calls and disappointing June property-catastrophe renewals. The Florida property-catastrophe market, in which RenaissanceRe has meaningful share, renews in June. Therefore, RenaissanceRe was disproportionately impacted

TOP CONTRIBUTORS (continued)

category has positive volume growth, which is a rarity for a tobacco company. The company continues to seek "reduced harm" status for its products, and it has launched a new synthetic nicotine product, "ZYN," which is testing well in the U.S. While we believe it is a very well-managed company in an interesting niche, we have begun reducing our exposure as the risk-to-reward ratio has compressed on such strong share price performance.

Wells Fargo: Wells Fargo outperformed in the second quarter of 2018 due to much better-than-expected results from the annual Dodd Frank Act Stress Test (DFAST) and the Comprehensive Capital Analysis and Review (CCAR). Wells Fargo not only passed both the quantitative and qualitative aspects of the test, but was granted the approval to return over 140% of earnings to shareholders in the form of buybacks and dividends. The results were much better than analysts were expecting and drove upward earnings revisions. Despite the regulatory headwinds and management changes over the last couple years, we believe Wells Fargo's valuation multiples have room to expand.

TOP DETRACTORS (continued)

by the reports of weaker than expected pricing. We continue to see RenaissanceRe as an attractively priced leader in a consolidating market.

Singapore Telecommunications: Singapore Telecommunications is the largest telecom provider in Singapore and second largest in Australia. It also has significant exposure to higher-growth emerging markets in Asia through its partial ownership in various telecom providers. The stock underperformed due to heightened competition in Singapore, India and Indonesia. In Singapore, mobile will likely continue to face pressure as a fourth mobile operator enters the market. However, we believe the company is well positioned as the incumbent with a diversified revenue stream. As competition stabilizes in India and Indonesia, we expect Singapore Telecommunications to benefit from the lower wireless and data penetration in these and other emerging markets. We believe the risk-to-reward ratio remains attractive given the company's diversification, market leadership positions, and 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 6/30/18 the top ten portfolio holdings of the Representative Account are: Wells Fargo & Co (4.61%), Alphabet Inc (4.60%), Pfizer Inc (4.47%), Johnson & Johnson (4.29%), Oracle Corp (4.18%), Procter & Gamble Co (3.44%), Coca-Cola Co (3.17%), PepsiCo Inc (2.90%), Novartis AG (2.22%) and Sanofi (2.16%). 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 6/30/18 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 Global Value portfolios, benchmarked to the MSCI World Index℠ and secondarily to the MSCI All Country World Index℠, 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.

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

Janus Capital Management LLC serves as investment adviser.

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