LARGE CAP VALUE COMPOSITE

Perkins
—JANUS HENDERSON—
UNCOMMON VALUE℠

PORTFOLIO COMMENTARY | 2Q18

Portfolio Manager:
Kevin Preloger

EXECUTIVE SUMMARY

- The Large Cap Value Portfolio outperformed its benchmark during the quarter.
- Stock selection in consumer discretionary and financials aided relative returns, while materials and real estate detracted.
- While the market has continued to perform well, the risks to the downside are elevated, thus we continue to be defensively positioned.

PERFORMANCE REVIEW

The Portfolio outperformed the Russell 1000® Value Index for the quarter. U.S. stocks delivered gains during the quarter despite bouts of market volatility as rising trade tensions threatened to weigh on business confidence.

Our relative outperformance was driven by strong stock selection in a number of sectors. The consumer discretionary sector, specifically media, was the leading contributor to relative returns. The sector's outperformance was largely due to Twenty-First Century Fox, which traded sharply higher amid a bidding war for various pieces of the media conglomerate. Our holdings in financials were also a strong contributor to results despite the fact that the sector was the worst performer in the index. The Portfolio's position in Wells Fargo helped drive the sector's returns as the stock recovered from recent negative headlines. Industrials were also another bright spot for the Portfolio as our holdings traded higher despite the noise around tariffs and trade restrictions that resulted in a negative return for the sector in the benchmark.

Relative sector detractors were led by materials, largely due to our allocation to food and beverage can manufacturer Crown Holdings. Investors have continued to punish the stock after it increased its debt load to complete the acquisition of an industrial packaging company. We believe this is an overreaction given the company's significant free-cash-flow generation, which should delever the balance sheet. Our real estate holdings also weighed on relative returns largely due to our underweight allocation as the sector was among the top contributors in the benchmark despite the fact that interest rates moved higher in the quarter.

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

OUTLOOK AND POSITIONING

While the market has continued to perform well, the risks to the downside are elevated and seem to increase daily. It is unclear what the trigger point might be in a market that is richly valued on many metrics and with investors who have generally ignored any developments that might be construed as negative. The market has clearly benefited from strong year-over-year earnings growth due in large part to lower taxes, but the comparisons will become more difficult as we enter the back half of 2018. While many large-cap stocks have material international exposure, trade battles will not leave all companies immune. However, we look to take advantage of any stock price weakness resulting from headline risk rather than business risk resulting from any adverse trade policy. In this environment, while we acknowledge that the market may continue to move higher, we believe it makes sense to continue to be defensively positioned given the complacency regarding any possible negative developments.

During the quarter, we made some nominal changes to the Portfolio, but our relative over- and underweights generally remain the same. We reduced some of our technology holdings given valuation concerns, and swapped some positions in the consumer staples area into holdings we feel are better positioned to react to changing consumer preferences. Our relative weightings are largely unchanged with overweights in the consumer staples, financials, health care and materials sectors. The Portfolio's relative underweights are in consumer discretionary, energy, industrials, real estate, technology, telecom and utilities, while industrials is neutral weighted. While valuations are still above average levels, the recent volatility has presented many more opportunities to review. Consistent with our long-term process, buy and sell decisions are driven by our consideration of the trade-off between risk and reward. We will look to take advantage of this market volatility to opportunistically adjust our positioning, including selectively adding new stocks to the portfolio and increasing exposure to existing positions.

We continue to believe that value is in the early stages of improving performance relative to growth as the latter has led equities higher in this nine-year bull market. In our view, "normalizing" interest rates and economic growth in the U.S., where central bank intervention is waning coupled with accelerating inflation, should bode well for value stocks in the future.

Thank you for your continued co-investment with us in the Large Cap Value Portfolio.

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

Top Contributors	Ending Weight (%)	Contribution (%)	Top Detractors	Ending Weight (%)	Contribution (%)
Occidental Petroleum Corp	2.54	0.81	Crown Holdings Inc	3.05	-0.40
Twenty-First Century Fox Inc	2.65	0.81	Affiliated Managers Group Inc	0.00	-0.22
Noble Energy Inc	3.18	0.46	Berkshire Hathaway Inc	1.97	-0.19
Merck & Co Inc	3.21	0.35	Chubb Ltd	2.64	-0.18
Laboratory Corp of America Holdings	2.82	0.27	Johnson & Johnson	3.30	-0.16

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

Occidental Petroleum Corp.: Occidental Petroleum is a global independent oil and gas producer with significant investments in midstream and downstream businesses. After being one of our largest detractors in the first quarter, the company's shares increased during the second quarter as stronger crude oil prices helped drive earnings and cash flow in first quarter results. Furthermore, the management team announced increased crude oil production guidance as well as a higher profit outlook in its midstream and chemicals businesses. We remain encouraged by the company's defensive balance sheet and its ability to increase returns on capital employed in the current environment. While we trimmed some of our holdings on price strength, we maintain an above-average-size position.

Twenty-First Century Fox: Twenty-First Century Fox is one of the largest global media conglomerates. It operates three segments: cable networks, television broadcast and filmed entertainment. The company also owns stakes in British broadcaster Sky, Star India, Hulu, and generates its revenue from affiliate fees, advertising and content. It is able to earn

TOP DETRACTORS

Crown Holdings: Crown Holdings is one of the largest global manufacturers of aluminum and steel cans for the food and beverage industry. With beverage cans nearing 53% of earnings and food cans being 28%, the company sells to end markets which are highly stable throughout an economic cycle. Additionally, the company completed the acquisition of a sizable industrial packaging company and investors who had owned the stock for non-industrial exposure sold the company due to the deal. While we are neutral on the acquisition, we believe the market has overreacted. We view Crown as a solid company with significant free-cash-flow growth over the next several years, and as a result, maintain our position.

Affiliated Managers: Affiliated Managers Group underperformed in the second quarter due to disappointing organic growth and institutional outflows in the first quarter as asset management firms continue to fight the constant pressure from passive alternatives. The company also announced a sudden management change as the CEO is leaving for health reasons. We exited the position during the

TOP CONTRIBUTORS (continued)

outsized fees because it bundles its cable and broadcast services together when negotiating with cable operators. We have always liked the assets at Fox given its focus on live programming, such as news and sports, since that is its competitive advantage over other players that have entered the media arena. Fox appears to be the ideal acquisition target for both Disney and Comcast as they evolve their media businesses. The stock was a strong performer as the bidding war between Disney and Comcast intensified. We trimmed our holdings as the price approached our target, but maintain a position as the takeover battle is not done yet.

Noble Energy: Noble Energy Inc. is an independent exploration and production company that has core assets in oil and gas assets in Colorado, Texas and offshore Israel. The stock outperformed during the quarter as the company reported better-than-expected first quarter earnings results, announced a $750 million share repurchase program and increased the quarterly dividend by 10%. Noble also benefited from increasing crude oil prices throughout the quarter. We maintained our position in the period as the company's cash flow generation and returns profile strengthens while overall leverage continues to decline.

TOP DETRACTORS (continued)

quarter as we established a new position in an independent investment management company that was lagging Affiliated Managers on a trailing one-year period; we believe the new holding presents a better opportunity given its valuation and healthy dividend yield.

Berkshire Hathaway: Berkshire Hathaway underperformed in the second quarter due to weaker than expected results in the first half of 2018, especially within the GEICO insurance segment and rail business. Although the company has more than $100 billion in excess capital on its balance sheet, there have been few meaningful deals to improve earnings power over the past year. We trimmed some of our holdings given the uncertainty over management succession, but recognize the diversification and portfolio of solid companies will remain when new talent is at the helm. In addition, given the fortress-like balance sheet, and optionality to purchase assets at more attractive prices, we continue to hold a stake.

Portfolio Manager information is as of 7/2/18.

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: Pfizer Inc (3.88%), Oracle Corp (3.48%), US Bancorp (3.41%), Johnson & Johnson (3.30%), Merck & Co Inc (3.21%), Noble Energy Inc (3.18%), Wells Fargo & Co (3.15%), Crown Holdings Inc (3.05%), Evergy Inc (2.83%) and Laboratory Corp of America Holdings (2.82%). 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 Large Cap Value portfolios, benchmarked to the Russell 1000® Value Index, are broadly diversified and seek to identify quality large sized US companies trading at discounted prices with favorable risk reward potential. The strategy emphasizes common stocks of companies with market capitalizations above $10 billion. A typical portfolio will contain 40 to 60 securities. Prior to 2017, portfolios held between 60 and 140 securities. The composite was created in July 2008 and may include proprietary mutual funds, subadvised pooled funds, and separately managed institutional accounts. Prior to January 1, 2009, the composite included separately managed institutional accounts and sub-advised pooled funds. In December 2009 Janus Capital Group acquired the Large Cap Value (LCV) strategy of PWMCO, LLC. Accounts included in the PWMCO LLC LCV strategy are managed in a substantially similar fashion to the Perkins Large Cap Value Composite; as such Composite performance has been restated back to October 1, 2006, the inception of the PWMCO LLC LCV strategy.

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.

C-0618-17902 10-30-18

388-42-22455 07/18