MID CAP VALUE COMPOSITE

Perkins
—JANUS HENDERSON—

UNCOMMON VALUE℠

PORTFOLIO COMMENTARY | 2Q18

PERFORMANCE REVIEW

The strategy underperformed the Russell Midcap® Value Index for the quarter. The benchmark was led by the energy and telecom sectors – which posted impressive double-digit gains – as well as real estate, which also delivered strong returns, while industrials, financials and consumer staples were down for the period. While the Portfolio's overall stock selection was positive for the quarter, our overweight to industrials, financials and consumer staples detracted from relative returns.

Despite an interest rate hike, financials lagged as the yield curve flattened amid falling longer-term interest rates. We had one take out as Fifth Third acquired portfolio-holding MB Financial within the bank space. Our insurance holdings underperformed as pricing was weaker than expected and the group was a strong performer earlier this year as consolidation helped improve sentiment. Energy was the best-performing sector within the benchmark as crude oil prices rose 10% after the OPEC production increase was not as large as investors feared. While our holdings participated in the rally, they did not keep pace fully with the benchmark. Within industrials, stock selection was positive as our more defensively oriented holdings held up better than those in the benchmark. Several of our industrial stocks continue to execute well in what has proven to be a challenging market for generating the incremental margins investors now expect. Health care selection was another bright spot, driven by Laboratory Corporation, a national clinical laboratory company. The company posted strong earnings and is in a good position to broaden its client base.

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 mid-cap stocks have less international exposure than many of their large- and mega-cap peers, trade wars will not leave any company completely immune to some of the spillover effects. In this environment, while we acknowledge that the market may continue to move higher, we think it makes sense to be defensively positioned given the complacency regarding any possible negative developments.

During the quarter, we pared back select consumer staples and industrials holdings while adding to materials, along with select bank holdings as the industry stands to benefit from the ongoing Federal Reserve tightening and a favorable regulatory environment as onerous bank requirements are easing. Additionally, smaller and mid-size banks are seeing much better loan growth than larger banks. Bank merger and acquisition (M&A) activity has picked up with a number of deals announced in recent months, including portfolio holding MB Financial. We expect M&A to continue now that banks have more clarity on the regulatory environment.

Portfolio Manager:
Kevin Preloger

Portfolio Manager:
Justin Tugman, CFA

EXECUTIVE SUMMARY

- Positive stock selection in industrials and health care aided relative returns, while financials and real estate detracted.
- We added to materials and select bank holdings during the quarter.
- We remain focused on mitigating downside in what we view as a richly valued and complacent equity market.

We continue to believe that value is in the early stages of improving performance relative to growth as was the case within midcaps during the most recent period, where underperformance by value relative to growth was much less pronounced compared to the previous quarter. 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 going forward.

Thank you for your continued co-investment with us in the Mid 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 (%)
Noble Energy Inc	2.66	0.41	Crown Holdings Inc	1.96	-0.34
Lamb Weston Holdings Inc	1.73	0.34	RenaissanceRe Holdings Ltd	2.29	-0.33
Laboratory Corp of America Holdings	3.07	0.30	Affiliated Managers Group Inc	0.80	-0.26
Gulfport Energy Corp	1.25	0.29	Invesco Ltd	1.28	-0.21
WR Grace & Co	1.64	0.26	LKQ Corp	1.34	-0.17

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

Noble Energy: Noble Energy Inc. is a Houston, Texas-based independent exploration and production company that has oil and gas assets in Colorado, Texas and offshore Israel. The stock outperformed during the period as the company reported better-than-expected first quarter earnings, announced a $750 million share repurchase program and increased the quarterly dividend by 10%. Noble also benefited from increasing WTI crude oil prices throughout the quarter. While we did trim our position, we continue to like the shares as the company's cash flow generation and returns profile strengthens while overall leverage continues to decline, particularly once the offshore Israeli assets come online.

Lamb Weston: Lamb Weston is a producer of potato products, including French fries. They are the dominant player in the U.S., with over 40% market share, and are number two globally. The company continues to execute well as demand for its products has allowed the company to raise prices and add additional capacity to meet the strong growth in demand. Lamb Weston had strong top-line growth in the most recent quarter and a positive outlook. The company is one of the few food staples companies that has consistently generated strong top line growth, and the market has

TOP DETRACTORS

Crown Holdings: Crown Holdings is one of the largest global manufacturers of aluminum and steel cans for the food and beverage industry. The company sells to end markets which are highly stable, although slow growing. Additionally, the company is in the process of closing on the acquisition of a sizable industrial packaging company and investors who had owned the stock for non-industrial exposure sold the stock 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 opportunities over the next several years.

RenaissanceRe: RenaissanceRe is a global property-catastrophe and specialty insurer. The stock underperformed for the quarter due to weaker pricing guidance 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 by the reports of weaker-than-expected pricing in the Florida market. We continue to see RenaissanceRe as an attractively priced leader in a consolidating market.

TOP CONTRIBUTORS (continued)

rewarded the shares nicely for that growth. We hold a core position given strong industry trends and solid execution, though we have trimmed on strength and what we view as a less attractive risk-to-reward profile.

Laboratory Corp.: Laboratory Corporation of America is one of two national lab services providers with a national network of primary labs and patient service centers. The stock outperformed after reporting strong earnings and guidance, driven by both lab services and the contract research business. In addition, the company announced new contracts with both United Healthcare and Aetna that will begin January 2019. We believe these large managed care contracts will continue to drive lab volumes to LabCorp given its scale and scope advantages. We continue to hold our position in the company given the stock's attractive valuation.

TOP DETRACTORS (continued)

Affiliated Managers: Affiliated Managers Group is an asset manager that uses an affiliate structure and revenue sharing relationship with their owned funds. The stock underperformed due to disappointing organic growth and institutional outflows. Also, Affiliated announced a sudden, yet explainable, management change in May due to health concerns. Although the asset management industry continues to experience secular headwinds, we believe Affiliated is well positioned to benefit from the growth in alternatives. We also believe the business model is more defensive relative to peers in the event of a market decline. We trimmed our position in the period as we redeployed the proceeds to another investment manager that we believe has a more attractive risk-to-reward profile.

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: Equity LifeStyle Properties Inc (3.57%), Evergy Inc (3.12%), Laboratory Corp of America Holdings (3.07%), Equity Commonwealth (2.98%), Lamar Advertising Co (2.75%), Torchmark Corp (2.69%), Noble Energy Inc (2.66%), Cimarex Energy Co (2.65%), First Horizon National Corp (2.63%) and Hartford Financial Services Group Inc (2.51%). 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 Mid Cap Value portfolios, benchmarked to the Russell Midcap® Value Index, are broadly diversified and seek to identify quality mid-sized US companies trading at discounted prices with favorable risk/reward potential. Portfolios invest primarily in US companies whose market capitalization, at time of initial purchase, fall within the 12-month average of the capitalization range of the Russell Midcap Value Index. Prior to 2003, the composite was known as the Berger Mid Cap Value Equity Composite. Prior to 2003 the composite included both institutional accounts and mutual funds. In 2003 and 2004 the composite include only separately managed institutional accounts. Effective January 1, 2005 the composite definition was changed to include sub-advised pooled funds as well as separately managed institutional accounts. Effective January 1, 2009 the composite definition was expanded to also include proprietary mutual funds. A minimum asset size requirement of $1 million for composite participation was used prior to January 1, 2006. The composite was created in December 1998.

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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