4Q19 Global & International Equity

PORTFOLIO COMMENTARY

Global Research Growth Equity

Market Environment

- An improving outlook for the global economy and the reversal of several negative trends helped global equity markets finish the fourth quarter with solid gains.
- A partial trade agreement between the U.S. and China, better-than-expected corporate earnings, approval of UK Prime Minister Boris Johnson's Brexit bill and continued accommodative monetary policy by global central banks contributed to investor optimism during the period.
- As the geopolitical backdrop improved, investors' preference for stocks in defensive sectors of the market shifted back toward investments in cyclical sectors.

Performance Summary

For the quarter ending December 31, 2019, the Portfolio outpaced its benchmark, the MSCI All Country World Index[SM]. Positive stock selection in the consumer and health care sectors drove outperformance. Notably, our goal is to provide consistent outperformance over the long term by focusing on what we consider our strength: picking stocks and avoiding macroeconomic risks. Stocks are selected by our seven global sector teams, which employ a bottom-up, fundamental approach to identify what we consider the best global opportunities.

For detailed performance information, please contact a Janus Henderson Institutional team representative.

Portfolio Discussion

Top individual contributors included technology holdings Apple and Microsoft. Apple's stock rallied on a better-than-expected launch for its iPhone 11 series and robust growth in wearables, particularly AirPods. The company recently reported strong fiscal 2019 earnings results and record-setting fourth quarter revenue fueled by accelerating growth in its services business. Notably, Apple's services segment has helped create a recurring revenue stream that makes the company less dependent on the phone replacement cycle.

Microsoft's stock advanced on the heels of another solid quarter in its Intelligent Cloud and Productivity/Business Process segments. The company also benefited from positive sentiment associated with winning a U.S. Defense Department multibillion-dollar cloud services deal. We remain impressed with the revenue growth of Microsoft's commercial cloud business, which is a leader in the buildout of enterprise cloud infrastructure globally.

Key detractors included beer and wine producer Constellation Brands. While the company's U.S. beer business, which is its key segment, continues to generate impressive growth, its divestiture of non-focus wine brands has taken longer to complete than expected. Also contributing to the stock's weak results was the disappointing performance of its cannabis investment, Canopy Growth. Headwinds for Canopy included a slower-than-expected retail rollout in Canada and steeper initial losses as the company ramps up operations. Our optimism for Constellation's stock is driven by the ongoing prospects for its robust U.S. beer business. Furthermore, we

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view Constellation's stake in Canopy as free optionality for which the market is giving the company no credit.

Airplane manufacturer The Boeing Company also weighed on performance. The stock fell after the timeline for returning its 737 MAX passenger aircraft to service was pushed out, resulting in a temporary halt in production of the plane. The 737 MAX was grounded after two fatal crashes. Although we will continue to closely monitor developments at Boeing, we maintained a position in the stock. Boeing has implemented a software update for the plane, which should improve its safety going forward, and is actively working with customers and regulators to finalize the recertification of the 737 MAX. Meanwhile, the board of directors has named a new CEO to help stabilize the business. Over the long term, airline industry trends are supportive of a growing global airline fleet while technological advances are spurring fleet upgrades. We believe Boeing's commercial and defense businesses are well positioned within the industry.

	Representative Account	
Top Contributors	Ending Weight (%)	Contribution (%)
Apple Inc	2.58	0.69
Microsoft Corp	5.02	0.61
Alibaba Group Holding Ltd (ADR)	2.46	0.57
Taiwan Semiconductor Manufacturing Co Ltd (ADR)	2.07	0.47
UnitedHealth Group Inc	1.45	0.42

	Representative Account	
Top Detractors	Ending Weight (%)	Contribution (%)
Constellation Brands Inc	1.82	-0.16
Boeing Co	0.88	-0.15
Gildan Activewear Inc	0.63	-0.14
Sage Therapeutics Inc	0.12	-0.12
AnaptysBio Inc	0.00	-0.09

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 recently available disclosure period contact a Janus Henderson institutional team representative.

Manager Outlook

As we head into 2020, we believe economic growth will be an important determinant of equity performance. In recent months, we have started to see signs that the global economy may be regaining its footing. In November, for example, headline purchasing managers' indices (a measure of manufacturing activity) expanded in 18 out of 30 regions, the highest ratio in two years. In the U.S., unemployment remains low and monthly wage growth has been running at 3% or more over the past year, suggesting a healthy consumer.

Should the economy be turning a corner, we believe traditionally cyclical stocks (firms closely tied to the business cycle) could be well positioned. These stocks have lagged growth peers and, in our opinion, offer attractive valuations at a time when a reaccelerating economy could drive demand for these firms' goods and services. On a regional basis, we believe beaten-down UK and Chinese equities could be well positioned. The Conservative Party's overwhelming win in the UK's general election in December suggests the end of parliamentary paralysis around Brexit, while progress on trade talks could help reinvigorate China's economy.

At the same time, plenty of uncertainty remains, from ongoing trade negotiations to the U.S. presidential election. If the economy stalls, cyclicals would likely lose their leadership position. As such, we think it's important to keep a close eye on economic indicators in 2020, including measures of corporate capital expenditure. But given geopolitical and macroeconomic uncertainties, we also believe central banks globally will keep monetary policy loose and that select governments could roll out fiscal stimulus in 2020. These efforts should add liquidity to financial markets and, in our opinion, further support equities.

Portfolio Management

Team Managed

For more information, please visit **janushenderson.com.**

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 12/31/19 the top ten portfolio holdings of the Representative Account are: Microsoft Corp (5.01%), Amazon.com Inc (3.92%), Alphabet Inc (3.88%), Apple Inc (2.58%), Alibaba Group Holding Ltd (ADR) (2.46%), Facebook Inc (2.26%), Adobe Inc (2.12%), ASML Holding NV (2.11%), Mastercard Inc (2.11%) and Taiwan Semiconductor Manufacturing Co Ltd (ADR) (2.07%). 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 12/31/19 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.

Global Research Growth Equity Composite, benchmarked to the MSCI All Country World Growth Index, includes portfolios that invest in high conviction investment ideas selected by the Janus Henderson research team, based on rigorous fundamental research. Investments will primarily be in large and mid size companies from around the world. The portfolios generally contain 80 to 120 securities and maintain sector weightings, based upon how Janus Henderson aligns sector research teams, that closely follow the MSCI All Country World Growth Index. Effective January 1, 2009 the composite definition was expanded to also include proprietary mutual funds. The composite was created in April 2005.

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