

PORTFOLIO COMMENTARY

US Opportunistic Growth

Market Environment

- The Russell 1000[®] Growth Index ended the quarter with a modest gain despite underlying volatility sparked by global economic uncertainties and political tensions.
- While the U.S. economy appeared relatively resilient, and consumer fundamentals remained healthy, the Federal Reserve (Fed) responded to risks of slowing global growth with two interest rate cuts.
- Stocks tied to global trade tended to see negative impacts on their businesses, while low interest rates stimulated industries such as housing.
- Late in the quarter, investors sought value in previously out-of-favor areas of the market while they sold higher-valuation momentum stocks.

Performance Summary

The Portfolio outperformed its benchmark, the Russell 1000 Growth Index, for the quarter ending September 30, 2019. Stock selection benefited relative performance, particularly in the financials and information technology sectors. Sector positioning detracted from relative results. This included an overweight to the consumer discretionary sector and a zero weight to the industrials sector.



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

Portfolio Discussion

We did not make any significant changes to the positioning of the Portfolio during the quarter. Lam Research, a manufacturer of etching and deposition equipment used to produce memory chips, was the top individual contributor. The memory industry had been in a downturn earlier in the year, but Lam benefited as demand bottomed, prices stabilized and inventory improved. Our investment thesis remains intact as we believe Lam's cutting-edge technology and increasing applications within the Internet of Things should aid the company in the long term.

Alphabet, parent company of Google, was another contributor. The company had missed revenue targets and faced pressure from regulators earlier in the year, but during the third quarter it announced a reacceleration in revenues that assured investors of its growth trajectory. The company remains the search engine leader and is a key beneficiary from the secular shift toward mobile, video, programmatic and cross-device advertising.

While we were pleased with the results of many companies in the Portfolio, other holdings disappointed. Netflix was one of the largest detractors. The company reported lower-than-expected subscriber growth during the period, which sent the stock lower. New competitors like Disney and Apple also made headlines by announcing competing over-the-top media streaming services. We remain positive on Netflix, as it remains the leader in global streaming distribution, which is an industry that continues to take market share from traditional cable and satellite providers.

US Opportunistic Growth (quarter ended 9/30/19)

Amazon.com also detracted. The company reported a modest deceleration in its Amazon Web Services (AWS) revenue, which we would expect as the cloud business grows ever larger in size, and it also increased spending on its one-day delivery service. We remain positive on the company as its one-

day shipping should be accretive to Amazon's long-term growth story, and AWS revenue still grew more than the rest of its competition combined – a testament to its dominant industry position.

Top Contributors	Representative Account	
	Ending Weight (%)	Contribution (%)
Lam Research Corp	3.74	0.88
Alphabet Inc	7.07	0.80
Microsoft Corp	8.78	0.35
Blackstone Group Inc	2.92	0.29
Mastercard Inc	9.03	0.24

Top Detractors	Representative Account	
	Ending Weight (%)	Contribution (%)
Netflix Inc	1.93	-0.75
Amazon.com Inc	7.71	-0.70
Wayfair Inc	1.11	-0.33
Adobe Inc	4.11	-0.27
UnitedHealth Group Inc	1.65	-0.20

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

Despite macroeconomic concerns around slowing economic growth, Fed policy, and political uncertainty, there remains a strong backdrop for U.S. equities. Low interest rates are very supportive for growing companies that are investing for expansion, which we would expect to take market share in a slow-growth economy. The strength of the consumer is another bright spot; consumer spending has not shown any signs of abating, and unemployment remains at low levels. Further, equity valuations appear reasonable, and the asset class' yield is attractive compared to fixed income.

We will continue our bottom-up focus on companies we believe have sound fundamentals and strong growth prospects. We particularly like those that are actively making investments that should drive shareholder value over time, and we believe many of these companies are potentially less likely to be as affected by macroeconomic issues. This includes companies that are disruptors in their sectors and/or benefiting from attractive secular tailwinds.

Portfolio Management



Marc Pinto, CFA

For more information, please visit janushenderson.com.

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INVESTORS

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 9/30/19 the top five portfolio holdings of the Representative Account are: Mastercard Inc (9.03%), Microsoft Corp (8.78%), Amazon.com Inc (7.71%), Alphabet Inc (7.07%) and Adobe Inc (4.11%). 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 9/30/19 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.

Opportunistic Growth Composite, benchmarked to the Russell 1000[®] Growth Index, includes portfolios that pursue strong growth opportunities in companies of any size, wherever they may exist. Under normal market conditions, the portfolios hold less than 80 equity securities. Effective January 1, 2005 the composite definition was changed to include sub-advised pooled funds as well as separately managed institutional accounts. A minimum asset size requirement of \$1 million for composite participation was used prior to January 1, 2006. The composite was created in January 1995.

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