SMALL CAP VALUE COMPOSITE

Perkins
—JANUS HENDERSON—

UNCOMMON VALUE℠

PORTFOLIO COMMENTARY | 2Q18

PERFORMANCE REVIEW

The Portfolio underperformed the Russell 2000® Value Index during the quarter. Small-cap equities sharply outperformed mid and large stocks, driven by strong ETF flows given investors' perception that they are more immune to global trade wars. The benchmark posted its best results since the fourth quarter of 2016, driven by micro caps – due, in part, to their less-liquid nature – and high-valuation stocks (i.e., stocks with high price-to-earnings ratios and low or zero earnings) drove performance. From a sector perspective, energy, telecom and real estate were among the strongest performers in the index, while financials, industrials and consumer staples lagged.

Energy was the best-performing sector within the benchmark as the commodity rose 10% after the OPEC production increase was not as large as investors feared. We saw a fair amount of short covering in the sector and our more defensively oriented and less-levered balance sheet holdings did not keep pace. Despite an interest rate hike, financials lagged as longer-term interest rates declined and the yield curve flattened. We had one take out as Fifth Third acquired portfolio holding MB Financial within the bank space. Our insurance holdings underperformed in the period given weaker-than-expected pricing; the group had been a strong performer earlier this year as consolidation helped improve sentiment. Stock selection was positive within information technology as our holdings continue to execute and win new business. Our utilities holdings also outperformed for the period.

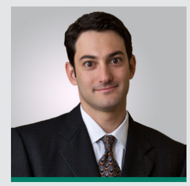
For detailed performance information, please visit
www.perkinsinvestmentmanagement.com

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. While small caps have experienced strong earnings growth this year, we do not believe small-cap stocks are immune from a global trade war: undoubtedly, there will be spill-on effects. Additionally, earnings growth across all market caps is likely to slow in the second half of the year as comparables become increasingly difficult. 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 consumer staples and industrials while adding to banks and information technology. We have added to banks as they benefit from the ongoing Federal Reserve tightening and a favorable regulatory environment (easing of onerous bank requirements). Additionally, smaller 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. While large-cap tech stocks (i.e., the so-called FANG stocks) have had very strong performance and valuations there are high, small-cap technology has lagged. We are focused on identifying stocks with strong balance sheets trading at what we believe to be reasonable valuations that we expect will continue to execute and win new business.

Portfolio Manager:
Justin Tugman, CFA



Portfolio Manager:
Craig Kempler, CFA

EXECUTIVE SUMMARY

- Small caps outperformed mid- and large-cap stocks given investors' perception that smaller caps are more immune from trade wars.
- We remain focused on limiting downside in what we believe is a richly valued equity market.
- During the quarter, we added to banks and information technology.

We continue to believe that value is in the early stages of improving performance relative to growth, as was the case within small caps during the most recent period. 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 Small 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 (%)
Nomad Foods Ltd	2.64	0.50	Encore Wire Corp	1.75	-0.35
National Presto Industries Inc	1.06	0.35	RenaissanceRe Holdings Ltd	1.73	-0.23
UniFirst Corp/MA	2.68	0.30	First American Financial Corp	1.27	-0.16
Black Hills Corp	2.15	0.27	Hancock Whitney Corp	1.34	-0.14
Cal-Maine Foods Inc	1.63	0.24	Prosperity Bancshares Inc	2.31	-0.14

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

Nomad Holdings: Nomad is the market leader in European frozen foods with brands including Birds Eye, Findus and recently acquired Goodfella's Pizza. Nomad reported better sales and earnings aided by price hikes and strong demand in its core markets. Initial guidance for 2018 may be conservative as 2017 guidance was raised three times during the year. We continue to own the shares as the company has improved the balance sheet leverage to a reasonable level after recent acquisitions, generates strong free cash flow, trades at a discount to U.S. peers, and has leading market share in their geographies.

National Presto: National Presto Industries operates two segments: defense and housewares. The defense segment manufactures medium-caliber ammunition and is one of the largest suppliers to the Department of Defense (DoD). The houseware segment owns the Presto brand and distributes small appliances and housewares to retailers. We believe the U.S. defense budget is at the beginning of an upcycle and the defense segment should benefit as the DoD replenishes ammunition inventory. We also believe National Presto Industries is defensively positioned, with more than 15% of the market cap in cash and strong free-cash-flow generation. The stock was a strong contributor as it posted

TOP DETRACTORS

Encore Wire Corp.: Encore Wire is one of the largest manufacturers of copper and aluminum wire in the U.S. After being one of our best performers in the first quarter, the stock lagged last quarter after a mixed earnings report. While the company is in a commodity business with fierce competition, we believe management has built a world-class, low-cost manufacturing footprint that provides premium service to its customers and sports a net cash balance sheet. With a continued positive backdrop on the U.S. construction markets, we believe the company is well positioned to continue this trend and have selectively added to the position on weakness.

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.

First American Financial: First American is the second-largest title insurance company, underwriting both residential

TOP CONTRIBUTORS (continued)

significant growth in the defense segment. We trimmed our position on strength.

UniFirst Corp: UniFirst is the third-largest provider of rental uniforms in the U.S., and also has smaller operations in Canada. UniFirst's stock was one of the better performers in the period, driven in part by continued positive sentiment regarding the company's use of cash going forward after last quarter's announcement of an approximate $140 million share buyback from the founding family at a discount to the market. Despite the buyback, the company still has about 7% of its market cap in net cash and will likely look to smalll bolt-on merger and acquisition deals to further propel growth. We trimmed our position in UniFirst after a strong performance in the period and what we view as a diminished risk-to-reward profile.

TOP DETRACTORS (continued)

and commercial policies on new purchase and refinanced transactions. The stock underperformed due to weaker-than-expected first quarter revenues and higher interest rates. Despite the impact of higher interest rates, purchase orders have continued to grow and commercial orders remain strong, offsetting the lack of refinance-driven order volume. Additionally, there is increased uncertainty whether an announced consolidation within the title insurance space will pass muster with the government, which if it occurs, will likely be a positive for First American. We added to our position during the period.

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: Cedar Fair LP (2.91%), UniFirst Corp/MA (2.69%), Nomad Foods Ltd (2.65%), Hanover Insurance Group Inc (2.57%), Prosperity Bancshares Inc (2.31%), Equity Commonwealth (2.16%), Black Hills Corp (2.15%), Sun Communities Inc (1.88%), Valvoline Inc (1.80%) and Argo Group International Holdings Ltd (1.78%). 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 Small Cap Value portfolios, benchmarked to the Russell 2000® Value Index, invest primarily in US companies whose market capitalization, at time of initial purchase, is less than the 12-month average of the maximum market capitalization for companies included in the Russell 2000 Value Index. Prior to 2003, the composite was known as the Berger Small Cap Value Equity Composite. Prior to 2003, the composite included both institutional accounts and mutual funds. In 2003 and 2004 the composite included 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 June 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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