SMALL CAP VALUE COMPOSITE

Perkins
— JANUS HENDERSON —
UNCOMMON VALUE℠

PORTFOLIO COMMENTARY | 3Q18

PERFORMANCE REVIEW

The strategy underperformed the Russell 2000® Value Index during the quarter. Shrugging off any hint of bad news during the period, the equity market continued to grind higher, led by riskier companies, such as those with higher betas (a measure of volatility). After strong performance last quarter, small-cap stocks took a breather and lagged mid- and large-cap stocks. Telecom, health care and industrials were among the strongest performers in the index, while consumer staples, energy and real estate trailed.

For the quarter, stock selection in consumer discretionary detracted from relative returns. This was driven by our top holding, Cedar Fair, an amusement park operator, which underperformed after lowering guidance due to unfavorable weather. Additionally, slowing auto sales globally and trade tariff headlines weighed on auto-related stocks. Within financials, our bank holdings lagged despite rising rates largely due to a flattening yield curve. Additionally, slower loan growth is beginning to emerge and is weighing on sentiment within the banks. While our overweight to consumer staples detracted, our stock selection was strong as many of our holdings are still posting solid organic growth. Stock selection in real estate was also positive for the period.

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

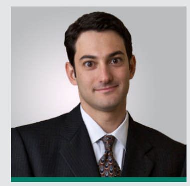
OUTLOOK AND POSITIONING

In our view, defending gains realized during the great bull market will require a resilient portfolio. This begins at the individual stock level, starting with our company-specific fundamental and valuation analysis by asking the question "What could go wrong?" Once that is answered, we then consider the optimistic scenarios. Frankly, the "what could go wrong" side of the ledger is becoming increasingly lengthy when compared to the rosier outlooks. Companies with revenues that are highly diversified by customer, are not overly economically sensitive and that have healthy balance sheets are appealing candidates for our portfolio. Our analysts are identifying high-quality and attractively valued stocks of this type across many industries. We are also intrigued by "off-the-beaten-path" companies that are not as well known in the investment community and therefore perhaps not as richly valued and vulnerable to forced selling as companies in the benchmark.

Resilience is also a crucial consideration. Given the radically easy monetary policy that central banks around the world have continued to deploy nearly a decade after the Global Financial Crisis, it is to be expected that the bull market has been broad in nature. Monetary policy is a blunt tool. This suggests to us the converse may also be true. As policy accommodation is removed it would seem the risks reside on the downside, and market participants have not considered this change. Therefore, in addition to buying individual stocks that have been carefully vetted, we aim to build diversified portfolios that will look and act differently than the benchmark. We believe reducing correlations across holdings will be an important risk-mitigating feature when volatility returns.

Our thoughts on the changing financial lexicon are more anecdotal than hard science, to be sure. Still, investment cycles have their tops and it may prove beneficial to consider the indicators, even those of a subjective nature. Investors who defend their gains well in

Portfolio Manager:
Justin Tugman, CFA



Portfolio Manager:
Craig Kempler, CFA

EXECUTIVE SUMMARY

- We remain focused on limiting downside in what we view as a richly valued equity market.
- During the quarter, we added to real estate, information technology and select consumer discretionary positions.
- We believe value is in the early stages of improving performance relative to growth.

the next down cycle will, by extension, be better positioned to outperform over the full market cycle relative to those who lag in a sell-off. At some point, we believe that the punch bowl, which has been continually filled by easy credit conditions, will spring a leak and investors need to be prepared for the consequences. We are not implying that we are bearish and calling for the end of the bull market. But we are cautious on the path forward and while we want to position the portfolio to realize gains if the market continues higher, we also want to protect our investors if the market does encounter turbulence.

To that end, during the quarter, we trimmed industrials on strength and added to real estate as valuation is more compelling than it has been in a number of quarters. We also added to information technology and select consumer discretionary positions as we are seeing improving reward to risks in those sectors. We are still overweight consumer staples and industrial companies and we believe our holdings have relatively attractive reward-to-risk ratios, diversified customer bases and solid balance sheets. Although we remain underweight technology and real estate, we have found more potential ideas based on recent price weakness. While short-term, this has been the wrong call, we remain underweight health care based on valuation and fundamentals.

The portfolio also continues to be overweight financials and materials. We remain underweight consumer discretionary, energy and utilities. Additionally, we continue to have no exposure to telecommunications, as the balance sheets within the sector are too levered for our liking.

We continue to believe value is in the early stages of improving performance relative to growth. Within small caps, value has underperformed growth in eight of the past 10 years. In our view, a more "normalized" interest rate environment, waning central bank intervention, accelerating inflation and less fiscal stimulus going forward should bode well for value stocks relative to growth.

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 9/30/18

Top Contributors	Ending Weight (%)	Contribution (%)	Top Detractors	Ending Weight (%)	Contribution (%)
Casey's General Stores, Inc.	1.15	0.26	Cedar Fair, L.P.	3.07	-0.49
Cambrex Corporation	0.83	0.23	Delphi Technologies PLC	1.03	-0.44
Euronet Worldwide, Inc.	1.18	0.20	Carolina Financial Corporation	1.28	-0.17
RenaissanceRe Holdings Ltd.	1.90	0.19	Cadence Bancorporation	1.59	-0.16
Thermon Group Holdings, Inc.	1.36	0.17	Gulfport Energy Corporation	0.70	-0.15

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

Casey's General Stores, Inc.: Casey's General Stores is an Iowa-based owner of convenience stores predominantly in the Midwest, but has also expanded into the Southeastern U.S. over the past few years. With Casey's focus on small-town retail locations, and ownership of most of its real estate, we believe the company remains well positioned in the fragmented, but slowly consolidating convenience store space. Casey's is seeing initial signs of success with its recently announced Value Creation Plan that focuses on growth initiatives like digital engagement and price

TOP DETRACTORS

Cedar Fair, L.P.: Cedar Fair operates regional amusement parks and on-site hotels; it is geographically diversified with parks across nine states in the U.S. and one in Canada. Cedar Fair has long-term opportunities to grow topline as it continues to build out undeveloped acres and increases penetration of its seasonal pass. The company reported soft revenue results this quarter as some parks were impacted by weather and one ride opening was delayed in California. We added to our position on the recent weakness based on what we believe are Cedar Fair's defensive characteristics,

TOP CONTRIBUTORS (continued)

optimization, plus continued cost-saving efforts and an increased share buyback plan. Casey's has been a strong operator over the years and we retain a core position, though with the stock up meaningfully during the quarter – largely on better fuel pricing as profit per gallon was at a multi-year high – we trimmed our position as the reward-to-risk ratio declined.

Cambrex Corporation: Cambrex is a life sciences company focused on the development and manufacturing of small molecule active pharmaceutical ingredients (API) and Good Manufacturing Practice (GMP) Intermediates for the innovator (branded) and generic pharmaceutical markets. Cambrex outperformed during the period after announcing the acquisition of Halo Pharma, a finished dosage form Contract Development and Manufacturing Organization (CDMO). The acquisition will expand the total addressable market for Cambrex, provide cross-selling opportunities with their API business and aid the company in diversifying away from its largest customer, Gilead. We continue to hold a position in the portfolio, but did trim the position on strength during the quarter.

Euronet Worldwide, Inc.: Euronet provides payment processing services for consumer transactions at ATMs, purchases at point-of-sale terminals, money transfers and purchases of prepaid cards. The company has a global footprint, with a greater presence in developing countries in Europe where ATM penetration is lower. The stock outperformed after strong earnings, as well as investors becoming less fearful regarding potential regulations impacting its ATM business in Europe. We continue to hold our position given the stock's attractive valuation and under-levered balance sheet.

TOP DETRACTORS (continued)

stable fundamentals and increasingly attractive reward to risk.

Delphi Technologies PLC: Delphi Technologies is an auto supplier of powertrain solutions for gasoline and diesel engines as well as power electronics for hybrids and electric vehicles. We feel the company is well positioned to grow content per vehicle as combustion engines become more efficient due to regulation and electrification begins to take off. The stock has been under pressure given concerns around trade, diesel declines in Europe and cyclical concerns. Delphi missed expectations in the second quarter and lowered full-year guidance mainly due to the revenue decline in China as the market deals with lower government incentives that have pressured auto sales. The company expects trends to improve in subsequent quarters, supported by the backlog and model launches. We have slowly added to our position and believe the current price embeds an overly pessimistic scenario.

Carolina Financial Corporation: Carolina Financial underperformed in the third quarter largely due to the risk of a short-term slow-down in loan growth and increased charge offs driven by Hurricane Florence. Although the hurricane was catastrophic to the areas impacted, the total effect of Hurricane Florence on Carolina Financial appears limited. We added to our position given a more attractive reward-to-risk profile for the stock.

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 9/30/18 the top ten portfolio holdings of the Representative Account are: Cedar Fair, L.P. (3.07%), Nomad Foods Ltd (2.75%), UniFirst Corp/MA (2.54%), Hanover Insurance Group Inc (2.51%), Graphic Packaging Holding Co (2.37%), Prosperity Bancshares Inc (2.31%), Ryder System Inc (2.23%), Equity Commonwealth (2.17%), Black Hills Corp (2.01%) and Sun Communities Inc (1.92%). 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 9/30/18 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.

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Janus Capital Management LLC serves as investment adviser.

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