SMALL CAP VALUE COMPOSITE

Perkins
—JANUS HENDERSON—

UNCOMMON VALUE℠

PORTFOLIO COMMENTARY | 4Q18

PERFORMANCE REVIEW

The strategy outperformed the Russell 2000® Value Index during the quarter. The equity market sold off sharply with the index posting its worst quarter since 2011. The sell-off was driven by a number of issues including: 1) the strength of the economy, 2) the Federal Reserve (Fed) hiking rates too quickly in an uncertain environment, 3) trade war fears, 4) earnings releases that didn't meet the market's high expectations and 5) credit deteriorating (high-yield spreads widening). Additionally, oil prices plummeted 38% during the period despite OPEC supply cuts leaving one wondering about demand and, thus, the health of the global economy. Within the benchmark, the energy sector was the hardest hit and our underweight and stock selection were additive to relative returns. Materials was the third-worst-performing sector within the benchmark, but our more defensively oriented stocks held up better, led by several names that benefited from declining oil prices. Our real estate holdings were another bright spot as they declined substantially less than those in the benchmark. The only sector where we had negative stock selection for the period was health care, but it was more than offset by our underweight in the sector. Utilities was the best-performing sector for the benchmark and while our stock selection was positive, our underweight dampened relative returns.

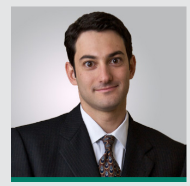
We have been selective, but disciplined buyers on weakness this quarter. We have added to some of our higher-quality holdings and have made a few swaps in an effort to upgrade the overall quality of the portfolio. Strong balance sheets have always been a focus for us and are becoming increasingly important to the market as credit conditions have weakened of late.

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

OUTLOOK AND POSITIONING

We have mentioned in recent commentaries our cautious approach to the market and concern that the market was completely ignoring any bad news or signs of potential problems while steadily climbing to new highs. In the quarter, bad news was no longer ignored and the relief rallies from good news were sold aggressively. Increased volatility in the market may be with us for a while longer and will likely unnerve some investors, but this is exactly the time adhering to the investment process is paramount. Our investment team is evaluating the recent market decline by reviewing the weakest areas within the market for potential new opportunities. As a general matter, it seems that concerns about the duration of the economic cycle are spreading, and each particular sector has its own dynamics to consider. For example, semiconductors and semiconductor equipment have been down substantially in the last few months. After several years of higher share prices fueled by surging demand and soaring profits, many investors believed these were no longer cyclical companies, but we are now seeing falling prices for memory chips, declining orders for equipment and weakening end demand. It turns out they are cyclical after all. Following a several year run of multiple expansion, the stocks are now experiencing contracting multiples and declining earnings, which makes getting comfortable with the downside risks in these stocks more challenging. Thus we have been patiently waiting for more favorable reward-to-risk ratios in this group.

Portfolio Manager:
Justin Tugman, CFA



Portfolio Manager:
Craig Kempler, CFA

EXECUTIVE SUMMARY

- Outperformance during the quarter was driven by broad-based stock selection.
- We have been selective buyers on market weakness, but we believe patience is key given high volatility and economic uncertainty.
- We remain overweight consumer staples, financials, industrials and materials.

Other areas seeing big declines include several materials and automobile and automotive components companies that have recently warned on earnings due to a combination of rising input costs, falling demand and trade war developments. Banks are also under pressure on weak loan growth and higher funding costs amid a flattening yield curve. Aggregating across the market's laggards, the stock market consensus appears to be grappling with the idea that we've passed the peak of the current expansion and benign investing environment. While the market has viewed recent developments in the economic landscape and the yield curve negatively as it relates to banks, we continue to believe they are one of the cheapest areas in the market and, given solid capital positions, many banks have been active with share buybacks recently, and we have been adding to our positions.

In our opinion, as trading conditions have become more volatile and investors fearful, the likelihood of identifying bargain stock prices grows. Pain on the other side of the trade is the first, but not the only, criteria. Second, the company should have a durable competitive advantage, such that, over time and through market cycles, it will be able to earn more than its fair share of profits. Third, the balance sheet should be well capitalized and liquid to enable the company to endure a much more difficult operating environment should that scenario lie ahead. Finally, a stock's price should be low enough relative to a company's earnings power and net asset value to offer a margin of safety and attractive return potential over the long term. Investors are in the process of resetting their expectations for corporate earnings estimates and total return expectations. While this can be a challenging investing environment, owning high-quality companies with strong balance sheets should ultimately prove to be profitable in the long run.

In addition to orienting our research effort around identifying stock bargains, we are mindful of correlations across the various cyclical exposures in our portfolios, as well as the aggregate weights we have in those areas. Given that we don't know whether the economy is at the beginning of a major downturn (stock market is already down a lot) or not, we are making our buys slowly and cautiously, particularly in the more cyclical areas of the market. At some point, this market sell-off will end and there will be attractive opportunities for those who have successfully navigated the volatility. Adhering to your process is critical to be in a position to take advantage of these opportunities. In the shorter term, investing on fundamentals has proved much more challenging given the impact of headwinds from algorithms, liquidity issues and trade tweets. Patience may prove the most important investing attribute of all.

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 12/31/18

Top Contributors	Ending Weight (%)	Contribution (%)	Top Detractors	Ending Weight (%)	Contribution (%)
Dorman Products, Inc.	1.18	0.21	Ryder System, Inc.	1.69	-0.77
Black Hills Corporation	2.29	0.18	Delphi Technologies PLC	0.48	-0.65
Argo Group International Holdings, Ltd.	2.47	0.15	Cadence Bancorporation	1.64	-0.64
NewMarket Corporation	2.54	0.06	Graphic Packaging Holding Company	2.51	-0.59
NorthWestern Corporation	1.64	0.03	Apergy Corporation	1.02	-0.48

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

Dorman Products, Inc.: Dorman Products is a supplier of automotive aftermarket products – in our view, one of the most stable and resilient categories given countercyclical characteristics. It continuously introduces new products or

TOP DETRACTORS

Ryder System, Inc.: Ryder System is one of the largest providers of supply chain logistics to a broad range of industrial, retail, automotive and consumer packaged goods companies. Specifically, the company provides full-service

TOP CONTRIBUTORS (continued)

line extensions to fuel growth. Dorman's main customers are the large auto aftermarket retailers, such as O'Reilly, Advanced Auto Parts and AutoZone. The company does not manufacture its products, thus it has a capital-light business model. The stock was a strong contributor during the quarter as sluggish trends in the auto aftermarket space improved and its customers started restocking products. We have slightly trimmed our position following strong performance.

Black Hills Corporation: Black Hills Corporation is a natural gas and electric utility company based in Rapid City, South Dakota. The company serves 1.25 million customers across eight states. Black Hills shares had positive returns in the quarter as the company introduced better-than-expected earnings and capital expenditure guidance for 2019 and 2020, while winning regulatory approval and settlements for several outstanding issues. Additionally, utilities as a whole were easily the best-performing group in the quarter. We continue to hold a sizable position in the stock, but did trim our position given the strength in Black Hills.

Argo Group International Holdings, Ltd.: Argo Group is a Bermuda-based insurance and reinsurance company, with specialties in U.S. excess and surplus insurance, Lloyds-based large account specialty and locally based international specialty and property reinsurance. The company outperformed in the quarter, as the financial sector and broader market sold off. Argo's business is resilient to interest rate, yield curve and credit volatility relative to other financials, making it more defensive in times of macroeconomic stress. Argo also has increased its balance sheet diversity, limiting exposure to the reinsurance pricing cycle. We added to our position early in the quarter and maintain a sizable position in Argo.

TOP DETRACTORS (continued)

truck leasing, commercial rental and maintenance of trucks and integrated logistics services. During the quarter, the stock came under significant pressure following weak forward guidance. Additionally, the economic fears that started to appear in the market especially hurt transportation companies. Despite the weakness in the stock and the outlook, we think the company is strategically well positioned to continue to take advantage of increased outsourced logistics spending by corporations. Thus, we maintain a position in the stock.

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. 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 weakness in China, diesel declines and new emissions regulation in Europe and cyclical concerns in North America. The company missed earnings due to lower margins as new products are operating well below scale and the company couples with production cuts. Delphi expects trends to be difficult over the next year, but continues to invest in growth categories related to efficiency and electrification. We trimmed the position given more challenging conditions, but believe the current price embeds an overly pessimistic scenario.

Cadence Bancorporation: Cadence Bancorp is a Houston, Texas-based bank that recently announced an acquisition that will grow the company's presence throughout the Gulf Coast. Cadence underperformed in the fourth quarter primarily due to a large sell-off in banks as well as weakness in crude oil prices, which may negatively impact the Texas economy, and additional expected dilution on the acquisition of State Bank. Cadence's loan portfolio has 11% exposed to the oil and gas industry, which creates the need for higher loan loss allowances and lower earnings when the price of oil declines. The acquisition of State Bank was previously announced in May, but was updated in December to include an additional 4.3 million Cadence shares to account for the decline in Cadence's stock price. Given limited downside in the name, we added to our position on weakness.

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 12/31/18 the top ten portfolio holdings of the Representative Account are: Cedar Fair LP (3.57%), Hanover Insurance Group Inc (2.91%), UniFirst Corp/MA (2.88%), Equity Commonwealth (2.71%), Nomad Foods Ltd (2.67%), NewMarket Corporation (2.54%), Graphic Packaging Holding Company (2.51%), Argo Group International Holdings, Ltd. (2.47%), RenaissanceRe Holdings Ltd (2.35%) and Black Hills Corporation (2.29%). 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 12/31/18 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.

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

Perkins Investment Management LLC is a subsidiary of Janus Henderson Group plc and serves as the sub-adviser on certain products.

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