

## Balanced Fund

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### Market Environment

- Large-cap equities wavered during the period, but ultimately finished higher.
- Stocks tied to global trade, such as energy and materials, tended to see negative impacts on their businesses, while low interest rates stimulated other sectors such as utilities and real estate.
- 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.
- Slowing growth and central bank accommodation provided a supportive environment for bonds.
- Yields fell across the Treasury curve, with the benchmark 10-year bond yield closing September at 1.66%, down from 2.01% in June.
- Corporate yields over Treasuries (spreads) fluctuated intra-period, but ultimately finished near where they began. Investment grade outperformed high yield.

### Performance Summary

The Fund, which seeks to provide more consistent returns over time by allocating across the spectrum of fixed income and equity securities, outperformed the Balanced Index, a blended benchmark of the S&P 500<sup>®</sup> Index (55%) and the Bloomberg Barclays U.S. Aggregate Bond Index (45%). The Fund outperformed its primary benchmark, the S&P 500 Index, and its secondary benchmark, the Bloomberg Barclays U.S. Aggregate Bond Index.



For detailed performance information, please visit [janushenderson.com/performance](http://janushenderson.com/performance).

### Portfolio Discussion

Compared to the Balanced Index, the Fund remains overweight equities, with roughly 63% allocated to stocks, 37% to fixed income and a small portion in cash. We increased the allocation to equities during the quarter, believing the Fed's accommodative stance and low interest rate environment is more supportive of equities relative to fixed income. While we are cognizant of the many potential headwinds – slowing global growth, Brexit, trade tensions, health care reform and U.S. politics, to name a few – within the equity sleeve, we remain focused on companies that are engaged in innovation, which we believe are less susceptible to macro headwinds and can grow despite these scenarios. Going forward, the equity weighting will continue to be dynamic, based on market conditions and the investment opportunities our teams identify across asset classes.

## Equity Sleeve

The Fund's equity sleeve outperformed its benchmark, the S&P 500 Index. Strong stock selection, particularly in the consumer discretionary and information technology sectors, drove the sleeve's relative results. Our zero weight in utilities, which tend to not meet our earnings growth preferences, held back relative results given the quarter's rally in the rate-sensitive sector.

Alphabet led individual contributors to absolute performance. Missed revenue targets and regulatory pressure burdened the stock earlier in the year, but a reacceleration in revenue during the quarter reassured 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.

Apple was another contributor. Volume expectations for the company's phones have increased after the successful launch of its iPhone 11, and investors are forecasting a strong 2020 product cycle in terms of absolute units sold as we approach the rollout of 5G. Apple is also seeing growth in its services and accessories business segments.

Other positions detracted for the quarter. Managed health care company UnitedHealth Group led absolute detractors. Rhetoric around Medicare for All policies pressured the HMO industry during the period. We continue to have a strong opinion of UnitedHealth's fundamentals and its future growth prospects.

Altria Group also detracted. The stock fell as vaporizing-related illnesses made headlines and certain states introduced legislation affecting e-cigarettes. While Altria's investment in Juul has been disappointing, we believe it is already reflected in the company's financials and that Altria can still achieve modest growth in its dividend.

Top Contributors	Equity	
	Ending Weight (%)	Contribution (%)
Alphabet Inc	3.65	0.43
Apple Inc	3.24	0.40
Home Depot Inc	2.94	0.33
Lam Research Corp	1.41	0.28
Costco Wholesale Corp	3.12	0.27

Top Detractors	Equity	
	Ending Weight (%)	Contribution (%)
UnitedHealth Group Inc	2.37	-0.29
Altria Group Inc	1.92	-0.27
CSX Corp	2.07	-0.24
EOG Resources Inc	0.56	-0.15
Adobe Inc	2.09	-0.14

## Fixed Income Sleeve

The Fund's fixed income sleeve outperformed its benchmark, the Bloomberg Barclays U.S. Aggregate Bond Index. The shift by the Fed and other developed world central banks toward more accommodative policy has fostered an environment in which both Treasuries and credit can perform well. As a result, we maintained our overweight allocation to corporate credit and continued adding exposure over the quarter. While we held our underweight allocation to Treasuries, and further reduced our exposure, we remained biased to longer-dated Treasuries. Our positioning in both asset classes proved beneficial to relative outperformance.

At the issuer level, a position in Newell Brands (the maker of Rubbermaid), aided results. Soft fundamentals and a poor balance sheet had generated negative sentiment in the name, but as our research had anticipated, Newell executed asset sales to protect credit ratings during the quarter, a move that was well received by investors.

While we were pleased with the sleeve's performance overall, certain positioning detracted from relative results. Our cash balance, for example, dragged on performance. Cash is not used as a strategy within the but is a residual of our bottom-up, fundamental investment process. Assets without duration struggled to keep pace with longer-dated bonds during the period, and some of our shorter-dated positions weighed on performance. On a single-name basis, Ford was among leading relative detractors. Slower-than-expected execution of the company's restructuring plan led Moodys to downgrade the automaker to high yield in September. Mindful that Ford has yet to take aggressive action to protect its ratings, we are reviewing our position.

Top Contributors	Fixed Income	
	Average Weight (%)	Relative Contribution (%)
U.S. Treasury N/B	16.38	0.24
Newell Brands	0.61	0.03
AT&T Inc	1.66	0.03
Crown Castle	0.84	0.03
Campbell Soup Co	0.53	0.03

Top Detractors	Fixed Income	
	Average Weight (%)	Relative Contribution (%)
FG G07300	8.07	-0.05
Fn Fm1689	11.54	-0.03
Range Resources	0.28	-0.03
Ford Motor Credit Co	1.19	-0.03
FNCL 2 1/20	1.99	-0.02

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, contact 800.668.0434 or visit [janushenderson.com/info](http://janushenderson.com/info). Relative contribution is the difference between the contribution by ticker to the portfolio's performance versus that ticker's contribution to the benchmark's performance. It reflects how the portfolio's holdings impacted return relative to the benchmark. Cash and tickers not held in the portfolio are excluded. Certain derivatives, such as Interest Rate Swaps, may be excluded.

## Manager Outlook

Despite macroeconomic concerns around slowing economic growth, Fed policy and political uncertainty, the attractive backdrop for U.S. equities remains intact. Low interest rates are supportive for growing companies that are investing in expansion, the type of companies that we would expect to take market share in a slow-growth economy. The strength of the consumer is another bright spot; consumer spending has shown no signs of abating, and unemployment remains at low levels. Further, equity valuations appear reasonable, and dividend yields are attractive compared to fixed income yields – in both Treasuries and credit.

In the equity sleeve, 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. This includes companies that are disruptors in their sectors and/or benefiting from attractive secular tailwinds, companies we believe will face less adverse impact from macroeconomic challenges.

Within the fixed income sleeve, we are mindful that fourth quarters tend to come with volatility, and we intend to utilize our Treasuries allocation to help mitigate negative impact to the portfolio overall. However, we are still identifying opportunities in corporate credit and remain focused on finding stable sources of yield. We continue to look to agency mortgage-backed securities and securitized credit tied to the strength of the consumer as means to help diversify the portfolio. Across asset classes, both thorough vetting of opportunities and security avoidance remain critical as we strive to deliver on our core tenets of capital preservation and strong risk-adjusted returns.

## Portfolio Management

### Equity Sleeve

- Marc Pinto, CFA
- Jeremiah Buckley, CFA

### Fixed Income Sleeve

- Darrell Watters
- Mayur Saigal

For more information, please visit [janushenderson.com](http://janushenderson.com).

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Past performance is no guarantee of future results. Call 800.668.0434 or visit [janushenderson.com/performance](http://janushenderson.com/performance) for current month-end performance.

Diversification neither assures a profit nor eliminates the risk of experiencing investment losses.

**Duration** measures a bond price's sensitivity to changes in interest rates. The longer a bond's duration, the higher its sensitivity to changes in interest rates and vice versa.

Discussion is based on the performance of Class I Shares.

As of 9/30/19 the top ten portfolio holdings of Janus Henderson Balanced Fund are: Microsoft Corp (3.90%), Mastercard Inc (2.95%), Alphabet Inc (2.33%), Boeing Co (2.17%), Apple Inc (2.06%), McDonald's Corp (2.05%), Costco Wholesale Corp (1.99%), US Bancorp (1.90%), Home Depot Inc (1.87%) and Comcast Corp (1.51%). There are no assurances that any portfolio currently holds these securities or other securities mentioned.

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.

For fixed income portfolios, relative contribution is calculated by rolling up securities by ticker and comparing the daily returns for securities in the portfolio relative to those in the index. Relative contribution is based on returns gross of advisory fees, and may differ from actual performance.

**Investing involves risk, including the possible loss of principal and fluctuation of value.**

**Fixed income securities are subject to interest rate, inflation, credit and default risk. The bond market is volatile. As interest rates rise, bond prices usually fall, and vice versa. The return of principal is not guaranteed, and prices may decline if an issuer fails to make timely payments or its credit strength weakens.**

**Growth stocks are subject to increased risk of loss and price volatility and may not realize their perceived growth potential.**

**S&P 500® Index** reflects U.S. large-cap equity performance and represents broad U.S. equity market performance.

**Bloomberg Barclays U.S. Aggregate Bond Index** is a broad-based measure of the investment grade, US dollar-denominated, fixed-rate taxable bond market.

**Balanced Index** is an internally-calculated, hypothetical combination of total returns from the S&P 500® Index (55%) and the Bloomberg Barclays U.S. Aggregate Bond Index (45%).

Index performance does not reflect the expenses of managing a portfolio as an index is unmanaged and not available for direct investment.

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