

Contrarian Fund

Investment Environment

Stocks gained ground in the second quarter, but were volatile. Resilient corporate profits and better-than-expected GDP growth drove stocks higher in April. Equities lost ground in May as setbacks in U.S.-China trade negotiations raised fears that trade tensions will further dent global economic growth. Economic data also pointed to a weakening global economy during the period. Stocks then rebounded in June, driven in part by expectations of more accommodative monetary policy from central banks. Several U.S. indices hit record highs during the period.

Performance Discussion

The portfolio outperformed its benchmark, the S&P 500® Index, during the quarter. Our process focuses on investing in companies with durable business models that trade at a significant discount to their intrinsic value. Over time, we expect this discount to close through management execution or for others to realize this opportunity. In an environment characterized by low interest rates and slow global economic growth, inorganic growth is an attractive option for companies. During the quarter, our portfolio benefited from this trend of buy rather than build your growth as we had multiple firms that were acquisition targets.

Our two largest contributors to performance, Allergan and Anadarko Petroleum, both agreed to be acquired this quarter. Anadarko's stock was up after a bidding war for the company between Chevron and Occidental Petroleum, with Occidental eventually reaching a deal to acquire the company. We trimmed the position on the news.

AbbVie also announced it intends to acquire Allergan. We have long felt that the durability of growth of Allergan's medical aesthetics franchise was underappreciated by the market. We were not surprised to see AbbVie step in and buy the company as it looks for growth opportunities now that AbbVie's key drug, Humira, faces the loss of patent protection in coming years.

While pleased with relative performance, we still held stocks that detracted from overall results. NRG was our largest detractor. The stock of the utility company was down as power prices declined in its markets in anticipation of reduced electricity demand as a result of cooler, rainier weather. We continue to like the stock, however, and believe the market fails to appreciate that the company has been shifting its business mix toward a balance of power production and distribution. The distribution business should benefit from lower electricity prices, offsetting some of the losses for the power generation business when energy prices fall.

Highlights

- Stocks gained ground in the second quarter, but were volatile.
- The portfolio outperformed its benchmark, the S&P 500 Index, during the quarter. Some of our top contributors were acquisition targets.
- Given the uncertainty of geopolitical risk and trade tensions, we are keeping our focus on the core of our process: finding those companies with misunderstood business models where management execution is the driver of performance.



Nick Schommer, CFA
Portfolio Manager

2Q19 Portfolio Commentary

First Quantum, a copper mining company, was another detractor. Concerns about global trade and its impact on copper prices weighed on the stock this period. We sold the stock to pursue better opportunities for the portfolio.

Finally, Alphabet also detracted from performance. The stock was down after the company announced disappointing first quarter earnings results.

For detailed performance information, please visit janushenderson.com/performance.

Outlook

We believe the primary driver of equity markets in the coming months will be the result of resolutions around global trade. We have seen a recent slowdown in global growth as a result of trade tensions, but are aware growth could reaccelerate with the de-escalation of geopolitical risk given very accommodative central banks.

Antitrust concerns for the industry also weighed on the stock. We trimmed the position on near-term concerns around earnings, but remain positive on the stock long-term given its strength in search advertising and investments in areas such as autonomous driving and health care.

Given that geopolitical outcomes are hard to predict, we continue to focus on the core of our process of investing in companies with misunderstood business models where management execution is the key driver of performance. We believe we have much higher visibility into the outcomes for these companies and continue to find ample opportunities in this space.

Top Contributors and Detractors for the Quarter Ended 6/30/19

Top Contributors	Ending Weight (%)	Contribution (%)	Top Detractors	Ending Weight (%)	Contribution (%)
Anadarko Petroleum Corp	0.51	1.53	NRG Energy Inc	2.32	-0.53
Allergan PLC	5.69	0.87	Alphabet Inc	1.52	-0.35
PageSeguro Digital Ltd	3.22	0.82	BioCryst Pharmaceuticals Inc	0.00	-0.32
Walt Disney Co	4.03	0.79	First Quantum Minerals Ltd	0.00	-0.32
Summit Materials Inc	3.62	0.65	Vistra Energy Corp	2.29	-0.31

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.

For more information, please visit janushenderson.com.

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Past performance is no guarantee of future results. Call 800.668.0434 or visit janushenderson.com/performance for current month-end performance.

Discussion is based on the performance of Class I Shares.

As of 6/30/19 the top ten portfolio holdings of Janus Henderson Contrarian Fund are: Allergan PLC (5.51%), Crown Holdings Inc (5.05%), TD Ameritrade Holding Corp (4.50%), Vivendi SA (4.07%), Walt Disney Co (3.91%), Summit Materials Inc (3.51%), Apollo Global Management LLC (3.48%), Harris Corp (3.37%), Liberty Media Corp-Liberty Formula One (3.31%) and Intercontinental Exchange Inc (3.28%). There are no assurances that any portfolio currently holds these securities or other securities mentioned.

The opinions are as of 6/30/19 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 market risk and it is possible to lose money by investing. Investment return and value will fluctuate in response to issuer, political, market and economic developments, which can affect a single issuer, issuers within an industry, economic sector or geographic region, or the market as a whole.

Value stocks can continue to be undervalued by the market for long periods of time and may not appreciate to the extent expected.

The fund is classified as "nondiversified", meaning it has the ability to take larger positions in a smaller number of issuers than a "diversified" fund. Nondiversified funds may experience greater price volatility.

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

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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