4Q18 Portfolio Commentary

Janus Henderson INVESTORS

Enterprise Fund

Brian Demain, CFA
Portfolio Manager

Cody Wheaton, CFA
Portfolio Manager

Investment Environment

Equity markets were volatile and ended the period with major indices in or near correction territory. Fears of slowing global economic growth, rising trade tensions between the U.S. and China and continued increases in the fed funds rate all played a role in driving stocks lower. The energy and health care sectors were among the worst performers in the index during the quarter.

Performance Discussion

The Fund outperformed its benchmark, the Russell Midcap® Growth Index, during the period. Our Fund tends to emphasize "durable growth" companies that we believe have more predictable business models, recurring revenue streams, strong free-cash-flow growth and strong competitive positioning that should allow them to take market share and experience sustainable long-term growth across a variety of economic environments. We believe a collection of such companies can help the Fund outperform when markets are down and the economic outlook is uncertain, leading to relative outperformance over full market cycles. We saw that play out this quarter, as our portfolio outperformed the broader market when mid-cap stocks generally sold off.

Strong stock selection in the health care sector was a large contributor to relative performance. We've been underweight biotech stocks within the sector due to valuation concerns, and that underweight helped during the quarter as biotechnology stocks sold off more sharply than the rest of the index. Within the sector we see more opportunity in medical device companies. We highlight that opportunity more in our outlook, but in short, we like the durable business models associated with companies producing innovative devices that people depend on to improve or extend their lives.

Stock selection in the financial sector also contributed to relative performance. Within the sector, we have limited exposure to banks and that helped relative results as bank stocks fell sharply due to concerns about a weakening economy. We find more opportunity with insurance companies and other financial companies less exposed to capital market and macroeconomic cycles.

While stock selection in the health care and financial sectors were large drivers of relative outperformance, we also had bright spots outside those sectors. Xilinx was our largest contributor on an absolute basis. In what was generally a tough environment for companies in the semiconductor supply chain, Xilinx beat earnings estimates and raised earnings guidance, which helped lift the stock. We continue to like Xilinx's growth potential, and believe its field programmable gate arrays (FPGAs) will take share from application-specific integrated circuits (ASICs), which are generally less customizable and more expensive.

Highlights

- Equity markets were volatile and ended the period with major indices near correction territory.
- The Fund outperformed its benchmark. Stock selection in the health care and financial sectors contributed to relative performance.
- We maintain an underweight to the consumer staples sector, and believe many companies within the sector are not as "defensive" as the market perceives.

Even though we outperformed the market on a relative basis, in a sharp down market we also held stocks that detracted from performance. WEX Inc. was our largest detractor. The company provides fuel payment cards for trucking fleets and also provides several other unique payment services. Falling fuel prices are a headwind for revenues, but we continue to like the company and believe it has earned its leading market share position through differentiated back-end reporting, bill pay consolidation features and complex analytics.

Neurocrine Biosciences was another detractor. One of its treatments, Ingrezza, treats tardive dyskinesia, a debilitating condition characterized by involuntary and repetitive movements that can be caused by some medications such as antipsychotic therapies. After the drug's commercial launch, uptake of Ingrezza has exceeded estimates, highlighting the large market opportunity in this first indication. A recent clinical trial testing Ingrezza in the management of Tourette syndrome failed this quarter, which weighed on the stock. In our view, the market for Tourette syndrome was small relative to the approved use cases for the drug. We continue to believe Neurocrine's products address high, unmet medical needs and will grow into substantial sources of revenue for the company.

Flex was another detractor. The company provides supply chain solutions to businesses around the world. It had been working on a solution to near-source manufacturing for Nike, but after delays on the project both sides walked away from it. While this was a negative for the company, we continue to like the stock and believe the company provides great value to its customers.

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

Outlook

Many of the issues that roiled markets during the quarter – trade conflict, Brexit negotiations, uncertainty about global growth and monetary tightening – are likely to persist. As a result, we expect more volatility in the coming months. However, we think investors should rethink how they prepare for it.

Traditionally, when questions about the economy surface, many investors' knee-jerk reaction is to pile into consumer staples stocks. The revenues tied to selling these more basic goods and services are thought to be a source of stability when consumers and businesses cut spending elsewhere. We saw this investment trend play out again in the fourth quarter, with consumer staples stocks broadly outperforming the rest of the market.

We believe the notion that these stocks provide "safety" is misguided, however, and this is reflected in our portfolio where we are underweight the consumer staples sector. Not only do these stocks trade at high valuations relative to the market, but new distribution channels and digital touchpoints for reaching consumers have whittled away the barriers to entry they once enjoyed. Other trends such as changing consumer preferences toward more authentic, local, organic or natural products create further headwinds for many staples companies.

We see both better stability – and better growth – in other pockets of the market. In recent months we have increased our exposure to financial technology and "information services" companies. These companies provide data, analytics or business process software that is absolutely vital to the businesses that depend on it. The mission-critical nature of these data and services give these companies a high degree of pricing power and, in our view, make their revenue streams less cyclical.

Another area where we see opportunity is in medical device companies. A convergence of factors including innovation, a rising global middle class that demands better health care and a rising aging population all underpin strong demand. And similar to information services companies, the critical nature of medical devices to someone's survival removes cyclicality from their revenue streams. A surgery to install a new heart valve, for example, can't wait until the economy improves.

Both the information services and medical device stocks generally trade at a slight premium to consumer staples companies, but in our view they have similar defensive characteristics, stronger competitive advantages and ultimately, better growth. If volatility persists, we'll rest easier holding these stocks than what we currently see in the consumer staples sector.

Top Contributors and Detractors for the Quarter Ended 12/31/18

Top Contributors	Ending Weight (%)	Contribution (%)	Top Detractors	Ending Weight (%)	Contribution (%)
Xilinx Inc	1.14	0.08	WEX Inc	1.65	-0.60
Omnicom Group Inc.	0.83	0.06	Neurocrine Biosciences Inc	0.79	-0.48
Varian Medical Systems Inc	0.84	0.02	Flex Ltd	0.76	-0.46
Euronet Worldwide Inc	0.38	0.01	SS&C Technologies Holdings Inc	1.82	-0.39
Gildan Activewear Inc	1.20	0.00	PerkinElmer Inc	1.87	-0.38

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.

Top Contributors

Xilinx: Xilinx is a provider of programmable logic devices. We believe the company's field programmable gate arrays (FPGAs) are poised to take share from semiconductor companies that provide application-specific integrated circuits (ASICs) for electronic systems, because the cost of designing an ASIC is getting prohibitively expensive for many applications as semiconductors get smaller and smaller. We also believe the company is well positioned for emerging artificial intelligence applications.

Omnicom Group: Omnicom Group is an advertising and marketing holding company whose agencies and networks operate internationally. We believe that as media complexity continues to increase, the role of agencies will become more relevant in assisting advertisers.

Varian Medical Systems: Varian Medical Systems is engaged in the design, manufacture, sale and service of equipment and software products for treating cancer with radiotherapy. The company is a leader in providing radiation oncology equipment to a growing market with best-in-class technology and execution, in our view. We believe expansion into underserved international markets should also propel growth.

Euronet Worldwide: Euronet offers transaction processing and distribution solutions to financial institutions, retailers, service providers and individual consumers. We like the company for its distinct growth platforms in money transfer, prepaid and mobile, along with its recurring revenues and growth opportunities. We believe Euronet also has an attractive ATM outsourcing business with market-leading positions in Europe.

Gildan Activewear: Gildan is a leading supplier of quality-branded basic apparel, including T-shirts, fleece, sport shirts, socks and underwear. We believe the company has a cost advantage over competing basic wear brands and that it will gain market share as it grows its retail presence, offering similar quality at a lower price than competition.

Top Detractors

WEX Inc.: WEX provides payment processing and information management services to vehicle fleets. We believe that WEX has earned its leading market share position through differentiated back-end reporting, bill pay consolidation features and complex analytics. In addition, we estimate that it would take significant effort for competitors to achieve similar transaction fees. We also like the company's strong customer retention, international expansion and potential for growth into other verticals.

Neurocrine Biosciences: Neurocrine Biosciences has benefited from continued sales growth for the company's lead drug, Ingrezza. Approved by the FDA in 2017, Ingrezza treats tardive dyskinesia, a debilitating condition characterized by involuntary and repetitive movements. After the drug's commercial launch, uptake of Ingrezza has exceeded estimates. We believe Neurocrine's drug addresses a high, unmet need and will continue to gain market share. In addition, we like that Neurocrine has a second partnered drug that launched in 2018 for women's health, as well as a growing pipeline of drugs created in-house.

Flex: Flex is an American supply chain solutions company that offers design, manufacturing, distribution and aftermarket services to original equipment manufacturers. The company historically assembled electronic devices for a number of consumer electronics companies. We like that Flex is diversifying its business by expanding to serve industrial, medical and consumer discretionary end markets. We believe some of its "near sourcing" manufacturing solutions could be transformational for large companies.

SS&C Technologies: The company is a global provider of investment and financial software-enabled services and is focused exclusively on the global financial services industry. We like SS&C because the majority of its revenue comes from recurring sources such as subscription services or software maintenance, where client retention has remained high.

PerkinElmer: The company produces life science tools for the human and environmental health end markets. We believe it has a strong set of niche products and like that management is working to improve operating margins. We also believe increased awareness on food and environmental safety is a long-term tailwind for the company.

For more information, please visit **janushenderson.com.**

Janus Henderson INVESTORS

Please consider the charges, risks, expenses and investment objectives carefully before investing. For a prospectus or, if available, a summary prospectus containing this and other information, please call Janus Henderson at 800.668.0434 or download the file from janushenderson.com/info. Read it carefully before you invest or send money.

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.

Closed to certain new investors.

As of 12/31/18 the top ten portfolio holdings of Janus Henderson Enterprise Fund are: TD Ameritrade Holding Corp (2.27%), Boston Scientific Corp (2.22%), Cooper Cos Inc (2.12%), TE Connectivity Ltd (2.12%), Aon PLC (2.11%), Microchip Technology Inc (2.09%), Sensata Technologies Holding PLC (2.04%), Nice Ltd (ADR) (2.04%), Global Payments Inc (1.96%) and Constellation Software Inc/Canada (1.94%). There are no assurances that any portfolio currently holds these securities or other securities mentioned.

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.

Performance may be affected by risks that include those associated with non-diversification, portfolio turnover, short sales, potential conflicts of interest, foreign and emerging markets, initial public offerings (IPOs), high-yield and high-risk securities, undervalued, overlooked and smaller capitalization companies, real estate related securities including Real Estate Investment Trusts (REITs), derivatives, and commodity-linked investments. Each product has different risks. Please see the prospectus for more information about risks, holdings and other details.

Foreign securities are subject to additional risks including currency fluctuations, political and economic uncertainty, increased volatility, lower liquidity and differing financial and information reporting standards, all of which are magnified in emerging markets.

Russell Midcap® Growth Index reflects the performance of U.S. mid-cap equities with higher price-to-book ratios and higher forecasted growth values.

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

Janus Henderson Distributors

C-1218-21889 04-15-19

188-42-16683 01/19