2Q19 Portfolio Commentary

Janus Henderson INVESTORS

Enterprise Fund

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Investment Environment

Stocks gained ground in the second quarter, but not without volatility. Several U.S. stock indices hit record highs in April, driven by resilient corporate profits and better-than-expected GDP growth. U.S. 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.

Performance Discussion

The portfolio outperformed its benchmark, the Russell Midcap® Growth Index this quarter, due largely to strong stock selection within several sectors. Stock selection in the industrial sector was one of the largest contributors to relative outperformance. We tend to own fewer economically sensitive industrial companies than the index, and that positioning helped in an environment where global economic growth was a growing market concern. CoStar Group was a top contributor within the sector, and is an example of a less-economically dependent stock we hold. We like the recurring revenue streams associated with its subscription-based commercial real estate database and see positive optionality around its business in the apartment rental market.

Stock selection in the technology sector also helped relative results. We've been underexposed to some of the highly valued consumer Internet and Software as a Service (SaaS) companies that were market leaders for the benchmark in the first quarter. Some of these highly valued stocks were weaker this quarter, which helped stock selection within the sector. We discuss our valuation concerns more in our Outlook, but in short, we will continue to be underweight these companies until more attractive valuation opportunities present themselves.

In addition, Global Payments was a top contributor within the technology sector. Consolidation among payments companies, including a recently announced merger between Global Payments and Total System Services, has highlighted the value of payments networks and also created enthusiasm for these companies to produce considerable cost synergies. We continue to see upside for the stock. As frictionless transactions become a customer expectation of every retailer and service provider, payments services become increasingly more important to every business. Global Payments is one of a handful of companies that has benefited from this trend.

While pleased with relative performance this quarter, our cash position was a drag on relative results. Our cash position diminished toward the end of 2018, when volatility presented an opportunity to add some ideas to the portfolio. However, after a sharp market rebound to start the

Highlights

- Stocks gained ground in the second quarter, but were volatile.
- The Fund outperformed its benchmark.
- We remain concerned about high valuations for pockets of the mid-cap market.

year, valuations are again elevated for many secular growth companies and also for steadier, durable growth companies that we typically favor. Against that backdrop, we want to be patient reinvesting capital only when we find attractive risk-adjusted returns, and are still keeping some cash on hand.

On an individual stock basis, Waters Corp. was a large detractor from performance. The company manufactures analytical chemistry instruments that are used by pharmaceutical and biotech companies. A weak first quarter earnings report weighed on the stock. We trimmed the position to pursue other ideas within the health care sector.

SS&C Technologies was another detractor. The stock had been up over the prior six months and gave back some ground after lowering their revenue forecast for the year and reporting organic revenue growth that was a little disappointing this quarter. None of this changes our long-term view, however. The company provides a host of software-enabled services to asset managers, hedge funds and wealth management firms, and has made several strategic acquisitions through the years to improve its service offering to the financial industry. We like the management team's history of making accretive acquisitions and continue to see upside for the stock as SS&C cross-sells some of its services and gains further efficiencies from acquired companies.

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

Outlook

We believe markets continue to demonstrate a high level of complacency. The number of promising but exceptionally valued companies going public this year speaks to the risk appetite. Excessive valuations of stocks tied to popular growth trends also speak to the market's exuberance.

Our concerns about high valuations are not new, and were also expressed in last quarter's commentary. We see excessive valuations for many consumer Internet and Software as a Service companies. We own a few of these companies – and like the business models and management teams associated with others – but valuation discipline remains a hallmark of our investment process and we remain concerned about excessive valuations associated with many of these businesses.

Some of these highly valued stocks were weaker this quarter and our underexposure to them helped relative performance, but valuations still remain high, in our view, so our positioning in the technology sector remains the same. We continue to favor tech hardware companies, many of which trade at single digit earnings multiples, yet operate in favorable industry structures and have secular tailwinds supporting their businesses as we grow more dependent on connected devices.

In the coming months, we would not be surprised to see trade conflict and slow global economic growth create bouts of volatility again. As the election season approaches, we don't expect business-friendly political rhetoric from either side of the aisle. This, too, could be a source of volatility. We plan to use that volatility to our advantage, using our cash position to add positions of attractive growth companies when attractive valuation opportunities present themselves.

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

Top Contributors	Ending Weight (%)	Contribution (%)	Top Detractors	Ending Weight (%)	Contribution (%)
Global Payments Inc	2.38	0.38	Waters Corp	1.26	-0.23
TE Connectivity Ltd	2.08	0.36	SS&C Technologies Holdings Inc	1.80	-0.20
Broadridge Financial Solutions Inc	1.75	0.36	GoDaddy Inc	1.38	-0.12
CoStar Group Inc	2.01	0.34	Sealed Air Corp	1.32	-0.10
STERIS PLC	1.87	0.29	Alkermes PLC	0.01	-0.10

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.

Closed to certain new investors.

As of 6/30/19 the top ten portfolio holdings of Janus Henderson Enterprise Fund are: Global Payments Inc (2.39%), Constellation Software Inc/Canada (2.23%), Cooper Cos Inc (2.19%), Aon PLC (2.17%), Boston Scientific Corp (2.10%), TE Connectivity Ltd (2.08%), CoStar Group Inc (2.01%), Nice Ltd (ADR) (2.00%), Microchip Technology Inc (2.00%) and TD Ameritrade Holding Corp (1.91%). 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.

Smaller capitalization securities may be less stable and more susceptible to adverse developments, and may be more volatile and less liquid than larger capitalization securities.

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

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-0619-25105 10-15-19

188-42-16683 07/19