FUND COMMENTARY

European Focus Fund

Market Environment

- 2019 was an exceptionally strong year for European stocks. History suggests that it is likely to be followed by another positive year, though with more volatility and overall lower general stock market returns. Often it is when markets rise from deterioration to "less bad" to stabilization that the greatest gains are realized, but when they progress from stabilization to "better," equities have already anticipated part of the improvement.
- This resonates with our top-down view of the world. We were proven right over the second half of 2019 in our bullish and pro-cyclical view as the macro data stopped deteriorating and, over the last few months, showed nascent signs of improvement. This coincided with bearish investor positioning in equity markets and record valuation gaps between growth and value stocks.

Performance Summary

The Fund continued its strong performance over the year and outperformed its benchmark, the MSCI Europe Index[SM], over the quarter ending December 31, 2019. Good bottom-up stock picking and sector overweight positions in the industrials, information technology and materials sectors contributed to relative outperformance. While there were no significant detractors at a sector or a stock level, our underweight in financials and our cash positioning detracted slightly from relative returns.

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

Portfolio Discussion

At the stock level, Swiss vacuum valve developer and manufacturer VAT Group was the top performer, as the company reported robust third quarter results with order-intake above consensus and sales in line. The resultant share price hike was maintained into year-end as management predicted that the downturn in the semiconductor cycle was over. Within the semiconductors sector, STMicroelectronics was among the top contributors as it continued its strong year-to-date run following optimism regarding the general industry cycle and its specific 2020 growth prospects.

Other strong performers in the Fund included KION Group AG, the largest manufacturer of industrial trucks in Europe and a global leader in automation technology, which reported solid results. Encouragingly, order strength was not only in warehouse automation but also in forklift trucks due to their often-ignored defensive nature. Almost half of forklift-truck segment sales are from services that have exhibited stable growth even in recessions. Finally, the Fund benefited from its holding in Finnish pulp and paper manufacturer UPM-Kymmene Oyj. Pulp markets are in the process of working off excess inventories. UPM has the only sizable new pulp mill in the global capacity-expansion pipeline. Entry barriers are very high, and this mill alone could lead to earnings growth greater than 30% by 2023.

The top individual detractor to the Fund's performance was Danone, a French multinational food-products corporation, whose earnings dipped after falling yogurt

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sales and a decline in its bottled-water business. We trimmed our holding in the company over the quarter. Another consumer staples company, Belgium-based multinational brewing and drink giant Anheuser-Busch InBev SA, also was among the Fund's top detractors. Lastly, in financials, which detracted slightly from relative performance at the sector level, our position in the Italian online brokerage company FinecoBank detracted from absolute returns.

As we enter 2020 we have somewhat reduced the big cyclical-recovery themes running through the portfolio. The main reason for the trimming of the themes is that stocks are no longer as cheap as they were in 2019, when many cyclicals were priced for recession. The fear of missing out has lately forced more investor participation in the stock market rally. The common trait we seek in all of our investment cases is competent management teams demonstrating unwavering focus on shareholder value creation, backed by strong balance sheets. Amid the throng of quarterly earnings and other noise-chasing algorithmic, robotic and human so-called "investors," we spend a great deal of our time meeting these management teams to challenge our investment cases.

Top Contributors	Ending Weight (%)	Contribution (%)
VAT Group AG	4.14	1.34
STMicroelectronics NV	2.69	1.19
KION Group AG	3.76	1.17
UPM-Kymmene Oyj	3.91	0.68
Siltronic AG	2.67	0.65

Top Detractors	Ending Weight (%)	Contribution (%)
Danone SA	2.11	-0.16
Rheinmetall AG	0.00	-0.08
FinecoBank Banca Fineco SpA	1.17	-0.07
Anheuser-Busch InBev SA/NV	0.00	-0.05
IMA Industria Macchine Automatiche SpA	0.00	-0.04

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.

Manager Outlook

For the new year, global money-creation trends suggest economic momentum is likely to remain weak over the first quarter, with a chance to revive beginning in the second quarter. Further monetary pickup is needed from China in particular to confirm the stronger recovery scenario that is now beginning to get priced into stocks. Inventory de-stocking across many cyclical sectors – a point we belabored regularly over the last year – has largely completed and, eventually, we expect the re-stocking effects to kick in and contribute positively to the GDP.

The longer-lead-time capital expenditures (capex) and employment cycles remain fragile, however. The politicization of global trade has impacted the psyche of management teams, and it seems this may well remain an overhang and rein in animal spirits when it comes to business investments. After all, trade negotiations between the U.S. and China may very well get trapped in the run-up to the U.S. presidential election. And on the Europe side of the Atlantic, the trade deal between the European Union and the UK needs to be worked out by the end of 2020, and Italian elections are once again quite possible.

From the macro environment described above, the upcoming year may well lend itself to our strategy, which remains focused on a portfolio of bottom-up, well-researched, idiosyncratic stock ideas, reasonably balanced across sectors and factors. Our anticipated direction of travel is a gradual move to slightly fewer stocks in the Fund over the course of 2020.

Portfolio Management

Robert Schramm-Fuchs

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

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.

As of 12/31/19 the top ten portfolio holdings of Janus Henderson European Focus Fund are: Nestle SA (5.13%), VAT Group AG (4.20%), UPM-Kymmene Oyj (3.95%), Sanofi (3.87%), KION Group AG (3.80%), Volvo AB (3.68%), Roche Holding AG (3.53%), Barry Callebaut AG (3.43%), Infineon Technologies AG (2.82%) and STMicroelectronics NV (2.72%). There are no assurances that any portfolio currently holds these securities or other securities mentioned.

The opinions are as of 12/31/19 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 risk, including the possible loss of principal and fluctuation of value.

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.

Concentrated investments in a single sector, industry or region will be more susceptible to factors affecting that group and may be more volatile than less concentrated investments or the market as a whole.

Increased portfolio turnover may result in higher expenses and potentially higher net taxable gains or losses.

MSCI Europe IndexSM reflects the equity market performance of developed markets in Europe.

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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