Global Life Sciences Fund

Investment Environment

Health care stocks experienced heightened volatility for much of the period, largely as a result of uncertainty around potential drug pricing reform and proposals for a single-payer medical system in the U.S. The sector was also caught up in a broad equity market sell-off. Still, mergers and acquisitions, positive drug trial outcomes and strong demand for medical equipment and supplies helped health care stocks to rebound. On a sub-sector basis, health care technology and health care supply firms delivered the largest gains. Only two sub-sectors, biotechnology and managed health care, finished the period in negative territory.

Performance Discussion

The Fund outperformed its primary benchmark, the MSCI World Health Care IndexSM, but underperformed its secondary benchmark, the S&P 500 Index, for the quarter. We seek to invest in companies worldwide that are addressing high, unmet medical needs and providing efficient and cost-effective health care solutions. We believe the health care sector, with its rapid growth and high complexity, offers abundant opportunities for differentiated research. We believe understanding both the science and the business behind new therapies and having a disciplined investment process are key to driving long-term results.

During the quarter, stock selection in life sciences tools and services, and health care equipment contributed positively to returns. However, the Fund’s holdings in biotechnology and health care technology weighed on relative performance.

Some private companies that we invested in went public during the quarter, resulting in sizable returns for the Fund. Silk Road Medical is one such example, and the top contributor during the period. When we first invested in 2017, the company had a market value of roughly $160 million. After going public in early April, Silk Road’s market value rose to more than $1.4 billion as of the end of June. The company has developed transcatheter artery revascularization (TCAR), a less invasive way of removing plaque from carotid arteries to prevent stroke. We believe TCAR is transforming the way carotid artery surgery is done, driving revenue growth of more than 100% annually. With market penetration still in the single digits, we see significant growth ahead.

Another top contributor, BridgeBio Pharma, was also a private company that went public. We initially bought the stock two years ago at a market value of around $300 million. After going public in late June, the company closed the quarter with a valuation of more than $3 billion. BridgeBio licenses, develops and markets therapies targeting genetic diseases. In only four years since inception, the company’s pipeline has grown to 19 drugs under development, including two

Highlights

• Although health care stocks experienced heightened volatility, the sector still delivered gains thanks to organic product growth and positive clinical data.

• The Fund outperformed its primary benchmark, but underperformed its secondary benchmark.

• We believe the sector offers a number of long-term growth opportunities and that recent volatility has created attractive valuations for some stocks.
in late-stage pivotal clinical trials. With a capital-efficient model, BridgeBio appears to have strong growth prospects.

Catalent also aided performance. During the period, the company acquired Paragon Bioservices for $1.2 billion. Catalent partners with pharmaceutical, biotech and consumer health companies to develop, deliver and supply new pharmaceutical products. Paragon, meanwhile, develops and manufactures complex biopharmaceuticals such as gene therapies. As such, we believe the acquisition could help Catalent expand its ability to make specialized treatments and, by extension, its presence in the rapidly growing cell- and gene-therapy markets.

While we were pleased by these results, other holdings weighed on returns, including BioCryst Pharmaceuticals, the top detractor. The stock declined after the company reported underwhelming phase 3 trial results for an oral drug to treat hereditary angioedema (HAE), a genetic disorder that leads to painful and sometimes fatal swelling. We believe the drug will still receive regulatory approval, but that it could capture less market share than originally expected. Long term, we like BioCryst’s focus on developing oral medicines for rare illnesses such as complement-mediated diseases and fibrodysplasia ossificans progressiva, a condition in which muscle tissue is gradually replaced by bone.

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

Outlook

We believe health care is benefiting from a number of attractive growth opportunities. Medical device companies, for one, are seeing strong new product cycles in robotic surgery, diabetes and heart disease. Valuations for many of these stocks have reached the high end of their historical ranges, but we believe multiples are backed by growth that could extend for many years to come. Consequently, we have added to some of these positions.

We also believe the sell-off in managed care companies is overdone. In our opinion, the odds of a single-payer health care system passing in the U.S. are extremely low; implementing one would cost trillions of dollars and be highly disruptive for more than 150 million individuals with commercial insurance. Meanwhile, some insurers have exposure to structural growth opportunities, such as Medicare Advantage, and are creating operational efficiencies that could improve pricing. At the same time, we seek to invest in firms that we think could be less vulnerable to political uncertainty. These include companies in the animal health industry, those that manufacture cash-pay products (such as contact lenses or cosmetic treatments) and those with a strong presence outside the U.S.

Finally, we continue to favor small and mid-size biotechnology firms, many of which are developing today’s innovative therapies for patients with high, unmet medical needs. This contrasts with a rising number of large-cap biotechs, which increasingly face patent cliffs for key products and lack a diverse pipeline of new drugs. We also remain cautious on hospitals and members of the drug supply chain, which could see profit margins squeezed by reform.

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

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<thead>
<tr>
<th>Top Contributors</th>
<th>Ending Weight (%)</th>
<th>Contribution (%)</th>
<th>Top Detractors</th>
<th>Ending Weight (%)</th>
<th>Contribution (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Silk Road Medical Inc</td>
<td>1.79</td>
<td>0.61</td>
<td>BioCryst Pharmaceuticals Inc</td>
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<td>BridgeBio Pharma</td>
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<td>Takeda Pharmaceutical Co Ltd</td>
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<td>Catalent Inc</td>
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<td>Myovant Sciences Ltd</td>
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<td>Mirati Therapeutics Inc</td>
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<td>0.30</td>
<td>Wave Life Sciences Ltd</td>
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<td>-0.31</td>
</tr>
<tr>
<td>Sarepta Therapeutics Inc</td>
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<td>0.28</td>
<td>Eli Lilly &amp; Co</td>
<td>1.47</td>
<td>-0.29</td>
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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 Global Life Sciences Fund are: Merck & Co Inc (4.31%), Novartis AG (ADR) (3.46%), Abbott Laboratories (3.10%), UnitedHealth Group Inc (2.81%), Thermo Fisher Scientific Inc (2.80%), AstraZeneca PLC (2.77%), Takeda Pharmaceutical Co Ltd (2.68%), Anthem Inc (2.59%), Boston Scientific Corp (2.36%) and Humana Inc (2.27%). 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 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.

Initial Public Offerings (IPOs) are highly speculative investments and may be subject to lower liquidity and greater volatility. Special risks associated with IPOs include limited operating history, unseasoned trading, high turnover and non-repeatable performance.

MSCI World Health Care Index™ reflects the performance of health care stocks from global developed markets.


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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