3Q19 Global & International Equity

FUND COMMENTARY

Global Research Fund

Market Environment

- Global equities ended the third quarter with marginal gains.
- After a solid start to the quarter, equities declined in August on uncertainty around the future path of global economic growth and escalating U.S.-China trade tension.
- These concerns, combined with uncertainty around the future path of global growth, increased investors' preference for traditionally safer asset classes.
- Against this backdrop, central bankers across the globe eased monetary policy, with U.S. policymakers reducing interest rates twice during the quarter for a total reduction of 50 basis points.
- In the final weeks of the quarter, stocks recovered and investors began to favor value stocks over growth stocks.

Performance Summary

For the quarter ended September 30, 2019, the Fund underperformed its benchmark, the MSCI World Index℠, and its secondary benchmark, the MSCI All Country World Index℠. Areas of relative weakness included the health care and communication services sectors. While we aim to outperform over shorter periods, our goal is to provide consistent outperformance long term by focusing on what we consider our strength: picking stocks and avoiding macroeconomic risks. Stocks are selected by our six global sector teams, which employ a bottom-up, fundamental approach to identify what we consider the best global opportunities.

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

Portfolio Discussion

Notable detractors included Netflix, a provider of online streaming television and movie content. Netflix reported a decline in U.S. subscribers during the second quarter and missed international subscriber growth estimates, sparking concern that it may be losing momentum and that streaming services planned by Disney and Apple may create further headwinds to subscriber growth. Although the competitive landscape continues to evolve, over the long term we believe Netflix will benefit from a trend in which traditional and satellite TV viewers are increasingly shifting to streaming TV.

Amazon.com also detracted. The online retailer reported weaker-than-expected growth in Amazon Web Services (AWS), its cloud computing segment, and fell short of second-quarter earnings estimates. Further pressuring the stock was antitrust scrutiny. Our conviction in Amazon.com remains high. As cloud computing continues to grow, we expect AWS to become a more meaningful driver of Amazon.com's overall business.

Areas of relative weakness in the Fund included materials, where concerns about an economic slowdown coupled with the U.S.-China trade relationship led to a sector-wide downturn. Detractors included metals and mining company Teck Resources. Our research indicates that the underlying fundamentals of this company remain strong. It

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generates stable cash flow, enjoys strong earnings, is disciplined in its capital expenditures, and has good shareholder practices.

The stock of Hong Kong-based life insurance company AIA Group was impacted by anti-government demonstrations in Hong Kong that led to a decline in visitors from mainland China. Chinese visitors use AIA's products as a hedge against the falling yuan and a route outside China's restrictive capital controls. We are comfortable maintaining our position in the stock, but will continue to closely monitor developments in Hong Kong and at AIA.

Notable contributors included stocks that benefited from improving dynamics within the semiconductor industry. During the quarter, growth in cloud computing, which translated into rising demand for memory, as well as strong initial demand for 5G devices and infrastructure benefited our position in ASML Holding, a developer of semiconductor manufacturing equipment. Strong contributors also included Texas Instruments, a supplier of chips used in automobiles. Despite the U.S.-China trade war, recent data show stabilization in global auto production, particularly in China. Further supporting stock gains was the company's announcement of a 17% dividend hike.

Alphabet also gained. Although the parent company of Google is one of several big tech firms facing regulatory scrutiny, strong second-quarter revenue driven by growth in its core advertising business eclipsed news of the Justice Department's antitrust reviews of Google. We believe the likelihood Alphabet will be forced to break up is small. In fact, recent developments add to our conviction in the company. These include Alphabet's approval of a $25 billion stock repurchase plan and the introduction of advertising formats aimed at improving the user experience. In our view, Alphabet's valuation remains attractive relative to other large-cap companies that are not growing nearly as fast as Alphabet.

Fund performance also was buoyed by financial exchange operator London Stock Exchange Group (LSEG). Investors bid shares higher following LSEG's announcement that it plans to buy financial data provider Refinitive. We share the market's optimism, viewing the proposed merger as an opportunity for LSEG to strengthen its capital markets position through the addition of multi-asset capabilities. We believe the combined businesses will enable LSEG to better capitalize on strong and growing demand for financial data and analytics.

Top Contributors	Ending Weight (%)	Contribution (%)
ASML Holding NV	2.22	0.35
Alphabet Inc	2.24	0.26
London Stock Exchange Group PLC	0.96	0.23
L3Harris Technologies Inc	1.31	0.20
Texas Instruments Inc	1.50	0.18

Top Detractors	Ending Weight (%)	Contribution (%)
Netflix Inc	0.99	-0.36
Amazon.com Inc	2.59	-0.23
Teck Resources Ltd	0.53	-0.22
AIA Group Ltd	1.48	-0.21
EOG Resources Inc	0.65	-0.16

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

A number of economic indicators suggest the global economy is entering a period of slower growth. As such, we believe investors should brace for continued market volatility as external shocks such as Brexit, the 2020 presidential campaign and the U.S.-China trade war could become additional headwinds. Likewise, positive surprises could also lead to sharp market swings. In September, for example, as trade tensions seemed to ease, investors quickly bought up stocks of cyclical companies (firms whose revenues tend to be tied to the economic cycle), which previously had been beaten down.

Rather than chase market whims, we'd prefer to look for what we call defensive-growth companies. These are firms whose business models are benefiting from secular growth drivers – say, from the electronification of global payments or the shift to the cloud – and therefore tend to be less dependent on economic expansion for growth. We are also focused on finding companies with strong balance sheets, capable management teams and competitive advantages that make it possible to defend or increase market share. The stocks may not always outperform. But as the outlook for global growth remains uncertain, we'd rather focus on firms that have the potential for consistent growth regardless of the economic backdrop.

Portfolio Management

Team Managed

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 9/30/19 the top ten portfolio holdings of Janus Henderson Global Research Fund are: Microsoft Corp (3.31%), Amazon.com Inc (2.60%), JPMorgan Chase & Co (2.31%), Alphabet Inc (2.24%), ASML Holding NV (2.22%), Mastercard Inc (2.09%), Visa Inc (1.95%), Safran SA (1.94%), Constellation Brands Inc (1.87%) and Unilever NV (1.80%). There are no assurances that any portfolio currently holds these securities or other securities mentioned.

The opinions are as of 9/30/19 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.

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

MSCI World Index℠ reflects the equity market performance of global developed markets.

MSCI All Country World Index℠ reflects the equity market performance of global developed and emerging 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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