4Q18 Portfolio Commentary

Janus Henderson INVESTORS

Global Select Fund

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Investment Environment

Equity markets were volatile and some major indices neared correction territory. Fears of slowing global economic growth, rising trade tensions between the U.S. and China, a rising fed funds rate and the potential for a disorderly "Brexit" all played a role in driving stocks lower. The energy and technology sectors were among the worst performers in the index during the month.

Performance Discussion

The Fund underperformed its benchmark, the MSCI All Country World Index SM, during the period. We employ a high-conviction investment approach seeking strong risk-adjusted performance over the long term. Over time, we believe we can drive excess returns in a risk-efficient manner by identifying companies whose free-cash-flow growth is underestimated by the market. In shorter time horizons our strategy may lag the benchmark, however, as it did this period.

Our stock selection within the financial sector was the largest detractor from relative performance. Within the sector, we hold several large banks that sold off due to fears the global economy was slowing. As we note in our outlook, our conviction in these stocks has not wavered, and we believe the single-digit multiples assigned to these companies present some of the best buying opportunities in the market. In short, we believe the market has overlooked strong balance sheets and high-quality loan exposure of these banks, and believe many of our banks holdings carry more capital and less risk than at any point in their history. While these companies would benefit from stronger economic growth, we would expect our bank stocks to rebound even in a weaker economic environment if they show resilience from a loan-quality perspective.

While economic concerns affected most of our financial stocks, one holding, Goldman Sachs, also traded down due to concerns about former employees' involvement in a Malaysian government investment fund scandal. While the issue will likely be a near-term overhang for the company, we continue to hold the stock. We believe the market has overlooked ways in which Goldman is using technology to disrupt old ways of doing business in the investment banking industry, and has an opportunity to dominate the digitization of Wall Street.

Outside the financial sector, GVC Holdings was a large detractor. The stock has been under pressure due to negative news about the gambling industry in the UK, including a government proposal to cut the maximum stake at betting terminals, which would negatively affect one of the gambling companies GVC acquired. A new tax law levied on digital gaming was also higher than expected and weighed on the stock. We continue to like the company, however. Our original thesis for the company was that it would improve monetization of Bwin.Party Digital

Highlights

- Fears of slowing global economic growth and rising trade tensions between the U.S. and China drove stocks lower in the fourth quarter.
- The Fund underperformed its benchmark.
- Heading into 2019, both the economic growth and market performance hinge largely on the ability of China and the U.S. to resolve trade conflicts. Against this uncertain backdrop, we have marginally reduced the total number of stocks in our portfolio to focus on our highest-conviction ideas.

Entertainment, an online gaming operator it acquired. While that thesis is still playing out, we see additional upside from legalized U.S. sports betting, as GVC owns a business-to-business platform that provides the technology to most sportsbook operators in Nevada and could extend that technology to other sites.

While disappointed with relative performance this quarter, there were still bright spots within the portfolio. NRG Energy was our top contributor to performance. The stock has been up for the past two quarters as the market has come to appreciate the company's balance sheet strength and cash-flow generation as it sells assets and sheds businesses that were less profitable. We continue to like the utility company's potential as it delevers and buys back stock.

Merck was another top contributor. Stock of the pharmaceutical company has been up as the market has come to appreciate the growth potential of its cancer-fighting immunotherapy, Keytruda, and Gardasil, a treatment for human papillomavirus (HPV). In addition to strong sales growth, indications for Keytruda continue to expand, most recently to potentially treating kidney cancer. Meanwhile, Gardasil continues to have a long runway for growth as it rolls out in China and gains wider adoption in the U.S. We continue to see upside in the stock, as the use of both therapies expands.

Coca-Cola was also a top contributor. The stock was up after the company reported management changes, including a new CFO and a new COO position, which were viewed favorably by the market. Better-than-expected earnings and sales growth also lifted the stock. We continue to like the strategies employed by a new management team, including refranchising its bottling operations and improving revenue-per-volume by emphasizing smaller servings and single-serve products.

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

Outlook

Heading into 2019, both the global economy and stock market performance hinge largely on a single, unpredictable issue: trade conflict. Trade tension negatively affected stocks for much of the fourth quarter, and will continue to be an overhang for stocks until the market gets clarity on whether China and the U.S. can resolve conflicts.

The outcome is far from certain, and depends on the ability of strong personalities to negotiate rationally. Our optimistic view is that politicians aren't in the business of hurting themselves and will strive to get a deal done. China's economy is already showing significant signs of slowing, and its leadership appears motivated to complete a trade deal. A recent agreement to lower auto-related tariffs is a sign that China is willing to make some big concessions and act in good faith. If the two countries can reach an agreement, we would expect a significant rebound in markets, particularly emerging market equities.

While we still see a pathway to trade resolution, we're also aware that as long as populism gains force, free trade could remain under threat. If the U.S. and China cannot resolve trade conflicts there's no sugarcoating the consequences: a stagflationary environment that will have long-term implications as companies rewire global supply chains. Already, we see discouraging signs that some multinational companies are rethinking logistics and are delaying capital spending in light of the uncertainty.

The fact that central banks are removing liquidity from markets would only magnify the market impacts of a full-out trade war and ensuing slowdown.

Against this uncertain backdrop, we've reduced our exposure to a few companies whose growth is tied to the strength of the Chinese consumer, and also avoided some companies in the technology hardware supply chain.

As we look across our Chinese holdings, our largest positions are in Internet companies that provide the backbone of the country's digital economy. We don't deny these companies would be hurt by an economic slowdown, but their growth is underpinned by secular trends as more and more Chinese consumption and entertainment migrates online. These secular tailwinds should allow the companies to grow earnings even in the face of economic contraction.

Going forward, we will continue to use any slide in stocks to be opportunistic. We believe the market has been overly pessimistic toward any stocks with a cyclical tilt to their businesses and see several opportunities in competitively advantaged companies making materials and products the world depends on, but that trade at substantial discounts to their intrinsic value. Already, we've added to some of these positions accordingly.

We also see opportunity in the financial sector, where we find quality institutions trading at an incredible discount to their intrinsic value with balance sheets stronger than at any point in the last 20 years, but that trade at single-digit, price-earnings multiples due to fear of an economic slowdown.

Though we seek to take advantage of volatility, at a broad level we have trimmed the total number of stocks in our portfolio. In an uncertain market environment, we believe we are defusing risk by concentrating on those stocks we feel most certain about.

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

Top Contributors	Ending Weight (%)	Contribution (%)	Top Detractors	Ending Weight (%)	Contribution (%)
NRG Energy Inc	4.73	0.30	Citigroup Inc.	3.54	-1.09
Merck & Co., Inc.	2.77	0.17	Goldman Sachs Group Inc	2.76	-0.80
The Coca-Cola Company	3.84	0.11	GVC Holdings PLC	1.82	-0.62
Container Corp Of India Ltd	0.98	0.10	Alibaba Group Holding Ltd (ADR)	3.85	-0.60
PulteGroup Inc	2.16	0.10	Canadian Natural Resources Ltd	1.97	-0.58

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

NRG Energy: NRG Energy owns and operates a diverse portfolio of power-generating facilities, primarily in the U.S. We think the wholesale energy provider should benefit from a long-term process of retiring coal plants and a rebound in natural gas prices. We also believe management's plan to cut costs and divest some businesses should help the company significantly grow free cash flow.

Merck & Co.: The pharmaceutical company is benefiting from the rapid sales growth of Keytruda, a leading checkpoint inhibitor for the treatment of certain cancers, including melanoma and non-small cell lung cancer. We believe Merck is well positioned to expand Keytruda for other indications in the near future. We also like the management team, which has executed clinical trials well.

Coca-Cola: The Coca-Cola Company is an American corporation, and manufacturer, retailer and marketer of nonalcoholic beverage concentrates and syrups. We continue to like Coca-Cola's earnings growth potential as a new management team implements several new strategies including refranchising its bottling operations and shifting its product mix to smaller-size products, which sell for higher prices per volume. We also like the company's potential to expand its portfolio so it can fully leverage the powerful route-to-market advantage it enjoys with a brand assortment that is just as compelling.

Container Corp.: Container Corp. is one of India's largest operators of logistics facilities. We believe the company is a prime beneficiary of India's fast-growing economy and the government's focus on improving road and railway infrastructure. By building its facilities around India's key railway hubs, we believe Container Corp. has positioned itself as the company to help corporations use rail more effectively.

Pulte Homes: Pulte is one of the largest home construction companies in the U.S. We believe the company will benefit from favorable supply and demand dynamics in the U.S. housing market.

Top Detractors

Citigroup: The global diversified financial services holding company's businesses provide consumers, corporations, governments and institutions with a broad range of financial products and services. We like the company's position as one of the few banks with a true global presence in financial centers, which makes it one of the only lenders that can facilitate the movement of cash around the world. We also feel the bank has a stronger capital position than the market realizes, and expect the bank to use that capital constructively in a less stringent regulatory environment.

Goldman Sachs Group: Goldman Sachs is a multinational financial services company engaged in global investment banking, investment management, securities and other financial services, primarily with institutional clients. We think there are powerful network effects around Goldman's business. The company's relationships with corporations, mutual funds, hedge funds, sovereign wealth funds and other institutional clients give it valuable information about markets it can leverage to build new relationships. We also like that the company has demonstrated an ability to profitably navigate both cyclical and secular challenges to its business, and has continued to invest in technology, which it is using to displace old ways of doing business in many financial industries.

GVC Holdings: GVC Holdings is a UK-based sports-betting and online-gambling operator. We are optimistic about the company because we see its online gaming as highly scalable, with a high potential return on invested capital. We also believe that management can improve monetization of an online gaming operator it acquired.

Alibaba Group: The Chinese e-commerce company provides consumer-to-consumer, business-to-consumer and business-to-business sales services via web and mobile platforms. We think increased spending power for the Chinese consumer and rapid growth in e-commerce in China are long-term tailwinds for the company. We also believe take rates should continue to trend up for the company.

Canadian Natural Resources: Canadian Natural Resources is an oil and gas exploration, development and production company headquartered in Calgary. We believe the company has an impressive portfolio of assets and like the management team's focus on creating shareholder value.

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 12/31/18 the top ten portfolio holdings of Janus Henderson Global Select Fund are: NRG Energy Inc (4.75%), Alphabet Inc. (4.12%), Alibaba Group Holding Ltd (ADR) (3.86%), The Coca-Cola Company (3.84%), Citigroup Inc. (3.55%), Merck & Co., Inc. (2.77%), Goldman Sachs Group Inc (2.76%), Safran SA (2.72%), Parker-Hannifin Corp (2.53%) and Microsoft Corporation (2.49%). 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.

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.

Janus Henderson Distributors

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