4Q18 Portfolio Commentary

Janus Henderson INVESTORS

Global Technology Fund
VIT Global Technology Portfolio

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Investment Environment

Global stocks came under significant pressure during the quarter, with the technology sector being among the weaker performers. Each segment of the sector generated negative returns, led by technology hardware, storage and peripherals as its heavyweight constituent Apple slipped nearly 30%. Positioning a portfolio to weather such broad market sell-offs can be challenging, but we had our concerns going into the quarter and took steps to balance the Fund's Resilience and Optionality sleeves. These sleeves represent a lens through which we view the portfolio's components. Resilience positions tend to be larger, established companies with more stable, long-duration growth profiles. Positions that exhibit Optionality tend to be companies earlier in their growth cycle with potential for higher sustainable growth. Similarly, leading into – and during – the quarter, we reduced our exposure to several large-cap Internet names. While we still believe in the long-term prospects of these platforms, we observed the degree to which much of 2018's global stock gains were concentrated in these companies, a development that led to what we viewed as stretched valuations in some cases. With many pockets of the broader market already exhibiting signs of weakness, we believed the selling pressure could eventually catch up with the rally's leaders and shifted the portfolio accordingly. Also buttressing the portfolio was our inclusion of companies outside the technology sector. We believe that several companies in other sectors have technology so deeply ingrained in their business models that they merit inclusion in the Fund. One such segment is the real estate investment trusts (REITs) that operate cellphone towers. Given the defensive nature of these yield-generating stocks, they fell substantially less than the broader market. The cautious positioning resulting from these aforementioned steps helped the Fund outperform the broader tech sector as measured by our secondary benchmark.

Performance Discussion

The Fund underperformed its primary benchmark, the S&P 500® Index, but outperformed its secondary benchmark, the MSCI All Country World Information Technology Index℠. Since we believe technology markets are complex, we construct a portfolio with special attention to downside risk, seeking to balance Resilience and Optionality. We believe our focus on stocks that are both less volatile on a risk-adjusted basis than those in the MSCI benchmark and well positioned to benefit from the rapid rate of change in technology will provide better performance for our shareholders over the long term.

The lens through which we view the Fund – Resilience and Optionality – served us well during the period. Technology's position at the epicenter of the market sell-off presented us with a challenging environment. It is to navigate such periods that we maintain a Resilience sleeve, and

Highlights

- The technology sector lost ground during the period as broader stocks sold off.
- The Fund underperformed its primary benchmark, but outperformed its secondary, technology-focused benchmark.
- We believe the secular themes that are set to drive sector earnings higher in the years to come remain intact.

seek to avoid segments of the market that we consider structurally challenged or having stretched valuations. Much of the quarter's outperformance relative to our secondary benchmark came from our material underweight to technology hardware, storage and peripherals, namely Apple. Also contributing was our out-of-benchmark allocation to interactive media and services. This is the newly created classification, which houses some of the large Internet platforms that previously belonged in the technology sector. Interactive media's outperformance relative to the tech sector was largely due to Google parent Alphabet faring better than much of its former sector peers. Underperformance was concentrated in the Fund's interactive home entertainment holdings, largely due to weakness in game creator Activision Blizzard. An underweight to systems software also weighed on results as shares in Microsoft outperformed much of the sector.

American Tower REIT was the Fund's largest contributor. REITs and other defensive stocks generally performed well during the market sell-off, but strong operating performance also played a role in the stock's appreciation. Going forward, we like the growth opportunity in front of American Tower. The company owns and operates wireless and broadcast communications towers, and demand for its critical infrastructure should only grow as the population uses ever more data.

In what was generally a tough environment for companies in the semiconductor supply chain, Xilinx beat earnings estimates and raised guidance, which helped lift the stock. We continue to like Xilinx's growth potential, and believe its field programmable gate arrays (FPGAs) will take share from application-specific integrated circuits (ASICs), which are generally less customizable and more expensive.

Also contributing was media company Twenty-First Century Fox, which we exited by the end of the period.

Game creator Activision Blizzard detracted most from results. The stock fell after missing earnings expectations, largely the consequence of disappointing unit sales. Also weighing on performance was the pressure put on much of the gaming industry by Fortnite, an online competitor that includes a free-to-play tier. The popularity of that title has opened up the possibility that industry stalwarts, including Activision, may need to adjust their business plans, which could result in tighter margins. We continue to believe there are broad, favorable secular trends around video games as the demographic for gaming is growing, and engagement is increasing. However, we did trim the position during the quarter because we believe the range of outcomes for the company has widened.

Nvidia was also a large detractor. The semiconductor maker's stock declined after the company reported earnings below consensus expectations. Part of the headwinds Nvidia faced was due to the reversal of fortunes of cryptocurrency mining as that process relied heavily on complex processing units of the type Nvidia produces. This led to an inventory overhang, which was not able to be absorbed by other markets, namely gaming, which was experiencing its own challenges. We continue to like Nvidia's long-term outlook. The company is a leading supplier of graphics processing units (GPUs), which are at the forefront of accelerated computing, artificial intelligence and autonomous driving. We like the company's growth potential as these secular themes push forward.

While the Fund's underweight to Apple aided relative performance given the pronounced slide in its stock, it did detract from absolute performance. The impetus behind Apple's recent weakness was the market's concerns about units finally becoming reality. This was a view that we arrived at earlier than many investors and was a reason behind our underweight in the company. We continue to gauge the prospects for Apple's line of new iPhones not only to ascertain a value on that company, but on the multiple firms that comprise iPhone's expansive supply chain.

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

Outlook

Just as the impressive gains registered by mega-cap technology names during the 2018 rally garnered much attention, so did the sector's late-year sell-off. We understand this spotlight can be disconcerting for our investors. That is why, rather than managing to the day's headlines, we instead focus on the secular themes that, in our view, are transforming the technology sector and will likely be key drivers of earnings growth for years to come. Among these are the proliferation of the Internet of Things (IoT), the continued adoption of the cloud and Software as a Service (SaaS), and the expected leap forward in efficiencies gained as companies integrate artificial intelligence (AI) into their business models.

Still, the durable nature of these themes does not exempt their path from the undulations of the business cycle. For example, demand for the more complex chips needed to deploy IoT and AI applications represents a tailwind for semiconductors. Yet, midway through 2018 we began to notice market imbalances as inventory levels piled up. This development was only exacerbated by the uncertainty surrounding the U.S.-China trade spat, which acutely affected semiconductors. Recent consolidation has led to a more rationalized industry structure, likely narrowing the amplitude of the current inventory overhang. Despite semiconductors having been an early signal for the tech downdraft, we are not certain that current earnings estimates have been sufficiently revised downward. We continue to watch the sector and expect to opportunistically add to our favored names once their share prices present attractive entry points.

Other themes we favor entail services that are less susceptible to the ebb and flow of the economy. One is digital payments. At present, digital payments comprise 10% of global transactions. We believe this will grow considerably in the years to come, benefiting established payment networks, digital payment platforms like those dominating the Chinese marketplace and evolving business models, including integrated payment platforms.

We lowered the Fund's Optionality exposure as we deciphered signals of potential stress, and believe that the current balance between Resilience and Optionality is appropriate. We expect that the sell-off will eventually afford us the chance to increase our allocation to higher-growth names at substantial discounts to what were available only a few months ago.

The quarter reminded us that the business cycle still exists, exogenous developments such as trade disputes can force a rejiggering of supply chains and rally leaders can experience a quick reversal of fortunes. By focusing on robust, secular themes where technology is reshaping entire segments of the global economy and including technology-centric companies from other sectors, we believe we can construct a portfolio that positions our investors to participate in earnings growth that we expect technology to deliver in the years to come.

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

Top Contributors	Ending Weight (%)	Contribution (%)	Top Detractors	Ending Weight (%)	Contribution (%)
American Tower Corp	1.52	0.14	Activision Blizzard, Inc.	0.87	-0.96
Xilinx Inc	1.54	0.12	NVIDIA Corp	1.40	-0.87
Twenty-First Century Fox, Inc.	0.00	0.05	Amazon.com, Inc.	2.77	-0.81
Pure Storage Inc	0.00	0.03	Alphabet Inc.	6.22	-0.75
NetApp Inc	0.00	0.02	Apple Inc.	2.08	-0.72

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

American Tower REIT: American Tower owns wireless communications and broadcast towers in the U.S. and internationally. The company leases antenna sites on multitenant towers to communications service providers for mobile voice and data communications. We expect mobile traffic growth and the rollout of 5G services to boost wireless network spending, which, in turn, should spur demand for tower tenancy, as well as additional towers. We also like that a large percentage of American Tower's revenue is generated internationally, where rapid growth in low-priced Android smartphones should drive significant mobile data and therefore tower demand. While we continue to like American Tower's outlook, we trimmed the stock as it approached our valuation target to pursue other growth opportunities for the portfolio.

Xilinx: Xilinx is a provider of programmable logic devices. We believe the company's field programmable gate arrays (FPGAs) are poised to take share from semiconductor companies that provide application-specific integrated circuits (ASICs) for electronic systems, because the cost of designing an ASIC is getting prohibitively expensive for many applications as semiconductors get smaller and smaller. We also believe the company is well positioned for emerging artificial intelligence applications.

Twenty-First Century Fox: Twenty-First Century Fox is one of the largest global media conglomerates. It operates three segments: cable networks, television broadcast and filmed entertainment. The company also owns stakes in British broadcaster Sky, Star India and Hulu, and generates its revenue from affiliate fees, advertising and content. During the period, we exited our position in the company.

Top Detractors

Activision Blizzard: Activision is a developer and publisher of interactive video games. We continue to believe there are some broad, favorable secular trends around video games as the demographic audience for gaming is growing, and engagement is increasing. However, we did trim the position during the period because we believe the range of outcomes for the company has widened, and trimming the position makes room to add to position sizes of higher-conviction ideas.

Nvidia: Nvidia is the leader in graphics processing units (GPUs), or what they would call visual computing. GPUs have historically been PC and gaming centric, but we like their growth potential as GPUs are increasingly used in emerging applications that require high levels of parallel processing such as data center acceleration and autonomous driving.

Amazon: The online retailer is a major player in a number of retail categories, including books, apparel, home goods, video and electronics. Amazon offers an appealing combination of value and convenience. As a result, membership in its annual subscription service, Amazon Prime, has increased at a double-digit rate in recent years, creating a loyal base of shoppers who tend to spend more than non-Prime members. In addition, Amazon Web Services (AWS), the firm's cloud-computing business, is an industry leader. Importantly, we believe AWS has a long runway of growth, as we are only in the early stages of companies shifting workloads from on-site servers to the cloud.

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.

The discussion and data quoted are based upon the results, holdings and characteristics of the similarly managed Janus Henderson mutual fund. Such data may vary for the Janus Henderson VIT portfolio due to asset size, investment guidelines and other factors. We believe the mutual fund most closely reflects the portfolio management style for this strategy.

As of 12/31/18 the top ten portfolio holdings of Janus Henderson Global Technology Fund are: Microsoft Corporation (6.60%), Alphabet Inc. (6.23%), Tencent Holdings Ltd (3.68%), salesforce.com Inc (3.62%), Texas Instruments Inc (3.38%), Alibaba Group Holding Ltd (ADR) (3.26%), Adobe Inc (2.91%), Mastercard Incorporated (2.83%), Amazon.com, Inc. (2.78%) and Microchip Technology Inc (2.75%). 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.

S&P 500® Index reflects U.S. large-cap equity performance and represents broad U.S. equity market performance.

MSCI All Country World Information Technology Index℠ reflects the performance of information technology stocks from 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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