3Q19 Global & International Equity

FUND COMMENTARY

Global Value Fund

Market Environment

- Political tension around the globe clearly is making a more pronounced impact on the global economy, and we believe risks are elevated and skewed to the downside.
- U.S.-China trade tensions and Brexit are two primary causes of a slowdown in economic activity as corporates around the world face elevated uncertainty in making investment decisions.
- Central banks already have begun cutting interest rates and have increased quantitative easing in order to provide stimulus, but with rates at such historically low levels, it remains highly uncertain what degree of impact this monetary stimulus will have.

Performance Summary

The Fund lagged both its primary benchmark, the MSCI World Index℠, and its secondary benchmark, the MSCI All Country World Index℠, for the quarter ending September 30, 2019, as the market eked out modest gains but experienced increased volatility. Stock selection in health care, technology and consumer discretionary detracted from relative results. Holdings in Japan and the United States also lagged. Stock selection in financials, communication services and industrials contributed to performance. From a geographic perspective, stock selection in the UK and France aided performance.

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

Portfolio Discussion

In our view, our portfolio remains defensively positioned, with meaningful overweights in traditionally less economically sensitive industry groups such as food, beverage and tobacco, pharmaceuticals and telecommunications. We also have a meaningful overweight to cash. We generally are underweight more economically sensitive sectors such as technology, consumer discretionary, energy, materials and industrials. During the period, this resulted in mixed performance. Communication services was among our top sectors, and the top contributor for the period was Alphabet, the search and advertising giant and parent company of Google. Google delivered accelerating growth in its most recent results and announced a $25 billion share repurchase.

We also experienced positive contribution from more economically sensitive sectors such as financials and industrials. Wells Fargo, one of the world's largest financial institutions, outperformed as investors reacted favorably to the hiring of a new CEO from outside the company to help navigate Wells Fargo out of the regulatory and political scrutiny it has faced in recent years. BAE Systems, the UK's largest defense contractor, gained as the company executed well on programs in the U.S. and UK and saw waning investor concern over its exposure to Saudi Arabia.

While we were attracted to what we believed to be the resilience and reward-to-risk ratio in the health care sector, this area delivered two of our largest detractors during

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the period. The largest was global pharmaceuticals giant Pfizer, which traded down on weaker guidance and the announcement it would combine its aging drug portfolio with Mylan Pharmaceuticals and spin off to shareholders. We continue to believe, however, that the reward-to-risk relationship remains compelling. Similarly, diversified health care firm Johnson & Johnson lagged as investors contemplated potential exposure from talc and opioid litigation. Based on what we believe are reasonable liability estimates, Johnson & Johnson has more than adequate resources to address these challenges, and we have continued to hold our position.

We added one new position in the period, a U.S. regional bank, and we exited our position in the eye-care company Alcon, which was spun out of Novartis. We continue to look for securities with better reward-to-risk ratios, which we generally are finding in more economically sensitive areas, and to review those securities with compressed reward-to-risk in less economically sensitive areas like consumer staples.

Top Contributors	Ending Weight (%)	Contribution (%)
Alphabet Inc	3.74	0.42
Wells Fargo & Co	4.11	0.30
Vodafone Group PLC	1.23	0.22
BAE Systems PLC	2.10	0.21
Chubb Ltd	1.84	0.17

Top Detractors	Ending Weight (%)	Contribution (%)
Pfizer Inc	3.36	-0.66
Bank of Ireland Group PLC	1.00	-0.31
Johnson & Johnson	3.91	-0.27
Singapore Telecommunications Ltd	1.80	-0.21
Amcor PLC	0.79	-0.13

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

We have observed two distinct dynamics in financial markets that are somewhat difficult to reconcile. On the one hand, macroeconomic indicators are clearly decelerating if not outright contracting. For example, the ISM Manufacturing Index, which is an indicator of recent U.S. economic activity, continued declining and fell below 50 in August/September, implying a contraction of activity. The collective impact of trade tension, Brexit and geopolitics is increasingly being felt, especially in Europe and China, but even in the U.S., as well. These increasingly gloomy indicators heighten our concerns about a looming recession and especially its impact on more economically sensitive areas of the stock market.

And yet, amid this elevated investor fear, we simultaneously observe the valuation spread between “defensives” and “cyclicals” widening to abnormally high levels. This suggests that investors are willing to pay increasingly high multiples for the perception of earnings stability, which we would point out in high-flying sectors such as technology, might be more illusory in the face of a real economic downturn. Specifically, September saw several days of violent reversals in which significant flows of capital left more “momentum” stocks in favor of down-and-out “value” stocks.

Hence, beaten-up economically sensitive stocks are increasingly populating our research agendas. We *gradually* have been increasing our exposure here as reward-to-risk ratios strike us as more compelling in areas such as financials and consumer discretionary. However, we remain firmly rooted in our Perkins process with a disciplined focus on downside mitigation.

Thank you for your co-investment and continued confidence in Perkins Investment Management.

Portfolio Management

Sub-advised by Perkins® Investment Management LLC

Gregory Kolb, CFA

George Maglares

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

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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 9/30/19 the top ten portfolio holdings of Janus Henderson Global Value Fund are: Wells Fargo & Co (4.12%), Johnson & Johnson (3.92%), Oracle Corp (3.77%), Alphabet Inc (3.74%), Pfizer Inc (3.36%), Sanofi (2.42%), Public Storage (2.23%), BAE Systems PLC (2.09%), Cognizant Technology Solutions Corp (2.07%) and PepsiCo Inc (2.06%). 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.

Value stocks can continue to be undervalued by the market for long periods of time and may not appreciate to the extent expected.

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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