4Q18 Portfolio Commentary

Janus Henderson INVESTORS

Growth and Income Fund

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Investment Environment

A sense of nervousness prevailed during the period as investors navigated myriad economic and political concerns. Slowing global economic growth – particularly in China – presented a worrisome backdrop. Comments by the Federal Reserve (Fed) also caused volatility, as market participants expressed concern over the possibility of the Fed continuing to raise interest rates despite escalating economic and market weakness.

Developments in Washington further rattled markets after a shift in control of the House of Representatives led to political gridlock and a partial U.S. government shutdown. Oil prices also made headlines as the West Texas Intermediate (WTI) price per barrel tumbled more than 40% intra-quarter. Despite modest gains at period end, major equity indices ended the period with steep losses. Energy and information technology stocks led the S&P 500® Index lower. Utilities was the only sector to generate positive returns. Real estate and consumer staples also fared relatively well.

Performance Discussion

The Fund outperformed its S&P 500 Index benchmark. We seek to provide our clients with both growth of capital and quarterly income. As part of that investment mandate, we focus much of our research efforts on identifying large, well-established companies with predictable and sustainable earnings growth and high or rising dividends. We believe investing in companies that pay out a large portion of their free cash flow in dividends and have the ability to grow their dividends over time will drive better risk-adjusted performance over the long term.

The higher-quality, more defensive nature of our holdings aided the Fund during the period's pronounced market weakness. Companies exhibiting strong free cash flow and higher dividend yields tended to fair better during the flight to quality that took place. Our stock selection in the relatively strong-performing health care sector was a leading contributor to relative outperformance. Stock selection in financials and industrials also contributed to results.

CME Group led absolute contributors during the quarter. The operator of financial exchanges benefited from market volatility and heightened volumes in interest rate and equity futures. Going forward, we maintain a favorable opinion of the more stable nature of CME Group's business model relative to other large financial institutions. The company continues to see considerable open interest in futures, which is their core business, and is positioned to further benefit from ongoing market volatility. CME Group also continues to increase its number of customers and use

Highlights

- Slowing global economic growth, continued trade tensions between the U.S. and China, and concerns of a policy misstep by the Fed drove stocks lower.
- The Fund outperformed its benchmark, with stock selection in health care, financials and industrials driving outperformance.
- Given the macroeconomic backdrop, we maintain a cautious outlook and will continue to emphasize companies with dividends that are supported by free cash flow, and those making investments that should ultimately drive dividend growth.

cases, and its acquisition of electronic markets company NEX Group plc, which closed in November, should eventually be accretive to earnings.

Merck & Co. was another top performer. The company benefited from a generally strong quarter for pharmaceutical companies due in part to relatively less rhetoric around pricing regulation. Sales of Keytruda, its cancer-fighting immunotherapy, continue to be strong and the drug continues to take market share from its largest rival. We believe the immunotherapy still has significant growth potential, particularly in overseas markets and in cases of lung cancer treatment.

McDonald's was another leading contributor. We like that this is a more-defensive stock within the pro-cyclical consumer discretionary sector. In our view, the company's stable cash flows make it an appealing holding, particularly in times of market weakness. McDonald's has been experiencing strong same-store sales growth, partly as a result of capital expenditures for its "Experience the Future" remodeling program, geared toward modernizing its restaurants. Other initiatives such as their mobile app and the "McDelivery" partnership with Uber Eats are also supporting earnings. McDonald's has also done an admirable job of growing sales overseas and is relatively less affected by geopolitical concerns than other multinational companies.

A zero weighting in the relatively strong-performing utilities sector, and an underweight to the real estate sector, weighed on relative results. At the individual stock level, the following holdings disappointed:

Apple led absolute detractors. The company is in the middle of a less-impactful product upgrade cycle that has led to softer demand for iPhones. Concerns over economic weakness in China further pressured the demand outlook which led the stock lower. We trimmed our position intra-quarter and were underweight the Index at period end. However, we intend to maintain our position, believing that the company remains poised to benefit from higher average selling prices of its newest phones, which is supporting profit growth. Its services business, including Apple Music and cloud services, also result in a growing, recurring revenue stream. Further, we appreciate the company's focus on returning cash to shareholders by way of increased dividends and stock buybacks.

The sell-off in the technology sector, rather than any company-specific news, resulted in our large position in Microsoft being among top detractors. The company's fundamentals remain strong and its consistent revenue growth is commendable for a company of its size. It continues to benefit from the secular shift to Software as a Service, as evidenced by robust demand for its Azure cloud platform and the subscription-based Office 365 suite. Microsoft again raised its dividend during the quarter and we admire the consistency in which it returns capital to shareholders.

Boeing was another detractor. U.S.-China trade relations and the health of the Chinese economy generated investor concern around the potential impact to Boeing since Chinese customers account for a portion of its order backlog. A Lion Air Boeing 737 MAX aircraft was involved in an accident in Indonesia, which also pressured the stock during the period as investors wait to see if orders will be impacted. Additionally, Boeing won multiple defense contracts that will require considerable expenditures to fulfill, which led investors to question the feasibility of returns on the projects. We maintain a favorable opinion of Boeing as global air traffic remains robust and the company is executing well on production ramps. Growth in their defense business is also helping to balance their business segments, and positive momentum in their service business is contributing less-cyclical, higher-margin revenues. The company recently increased their dividend again, which demonstrates confidence in their cash flows and future growth prospects.

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

Outlook

Concerns around the U.S. government shutdown, slowing growth in China, trade tensions and overall global economic weakness present an uncomfortable macroeconomic backdrop. While mindful of the various downside risks, a generally healthy U.S. economy and positive indicators such as healthy wage inflation, strong employment and a robust holiday shopping season highlight the strength of the consumer. If progress is made around trade policy or the U.S. budget, a strong rebound in the equity markets is not unfeasible.

We are favoring companies with more of a U.S. footprint and are seeking to mitigate exposure to companies that may be impacted by trade rhetoric and slowing global growth. We will continue to focus on companies with dividends that are fully supported by free cash flow, and on companies making business investments that should drive dividend growth over time. Overall, we believe the Fund's higher-yield target coupled with the generally defensive nature of the companies we own makes it well suited for equity investors during this late-cycle macroeconomic environment.

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

Top Contributors	Ending Weight (%)	Contribution (%)	Top Detractors	Ending Weight (%)	Contribution (%)
CME Group Inc.	3.71	0.36	Apple Inc.	3.13	-1.24
Merck & Co., Inc.	3.51	0.25	Microsoft Corporation	5.06	-0.56
Eli Lilly and Company	2.96	0.21	The Boeing Company	3.77	-0.50
McDonald's Corporation	3.39	0.20	Accenture plc	2.69	-0.48
Omnicom Group Inc.	1.48	0.11	Altria Group, Inc.	2.43	-0.45

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

CME Group Inc.: We believe CME Group, which runs options and futures exchanges, stands to benefit from an increasingly global user base and the continued digitization of its markets, including U.S. equity futures and commodities. In addition, market volatility and rising interest rates should help increase trading volume on CME's exchanges and boost the company's revenues. Its acquisition of electronic markets company NEX Group should also be accretive to earnings.

Merck & Co., Inc.: 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.

Eli Lilly and Company: The pharmaceutical company is benefiting from a number of recent drug launches, including Trulicity, which helps lower blood sugar for diabetes patients; Jardiance, a treatment that lowers the risk of cardiovascular death in diabetics; Taltz, used by adults with moderate to severe psoriasis, a chronic skin condition; Olumiant, an oral drug for rheumatoid arthritis; and Emgality, a CGRP inhibitor to prevent migraines. We believe these products will help drive sales growth and lead to significant margin expansion for the company.

McDonald's Corporation: We appreciate improvements that the fast-food giant has been making. For example, menu, supply chain and marketing innovations, as well as store remodels, have boosted sales at existing McDonald's locations. The company has also worked toward appealing to digital-savvy customers through mobile order and pay capabilities. We also appreciate McDonald's track record of regularly increasing its dividend.

Omnicom Group Inc.: Omnicom Group is an advertising and marketing holding company whose agencies and networks operate globally. We believe that as media complexity continues to increase and advertising continues to shift toward digital content, the role of agencies will become more relevant in assisting advertisers. Omnicom's investment in digital initiatives should also result in sustainable earnings growth and the company's ability to continue paying its dividend.

Top Detractors

Apple Inc.: One of the world's largest mobile device and computer makers, Apple has been the beneficiary of incremental sales opportunities and increased penetration in new geographies, mobile service providers and product categories. Innovation in the capabilities of its mobile devices has continued to lead to higher average selling prices across the globe. Further, the Apple ecosystem of devices continues to grow and has led to increased demand for additional high-margin services from the company.

Microsoft Corporation: Microsoft, the legacy software giant, has reinvented itself to become the second-largest provider of cloud-based IT services. We believe the transformation has been a smart one, as more companies move workloads from physical servers to the cloud. We are also impressed by Microsoft's transition to a subscription-based model for its popular Office suite, and the company's continued focus on cutting costs, buying back shares and raising its dividend. While the stock has risen significantly, we still see upside for Microsoft's cloud business, as only a small fraction of business workloads currently operate in the cloud.

The Boeing Company: The Boeing Company is the largest manufacturer of commercial jet aircraft in the world. The company also builds military aircraft and provides support services to both commercial airlines and the U.S. military. We believe Boeing has the opportunity to grow its domestic and foreign defense businesses. Growth in commercial air travel globally should lead to strong demand for its commercial airplanes, as should the increasingly efficient and reliable planes being produced through Boeing's innovation pipeline. Boeing also continues to create efficiencies in its production processes. Resulting cost reductions have led to higher free cash flow, which enabled the company to increase its dividend and repurchase shares.

Accenture plc: The global consulting company is well positioned with expertise to help their clients manage their transition to the digital economy, whether that be through technology deployment or restructuring business models. We believe the investments they have made to bolster their consulting practices in digital analytics, cloud implementations, security services and interactive marketing will continue to drive revenue and cash-flow growth in the future. Given the high returns on capital of the consulting business and Accenture's continued focus on becoming more efficient with its resources, strong

Top Detractors (continued)

free-cash-flow generation enables Accenture to pay an attractive dividend and return additional cash to shareholders through stock buybacks.

Altria Group, Inc.: The tobacco company remains an attractive holding given its historical ability to generate significant levels of cash, a high percentage of which is returned to shareholders via dividends and share buybacks. We think despite declining cigarette volumes in the U.S., Altria's cash flows will grow moderately over time as the company continues to improve margins and grow the non-cigarette business. Its recent investment in e-cigarette company Juul allows them access to the best technology and the best brand in the non-combustible space.

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

Janus Henderson INVESTORS

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 Growth and Income Fund are: Microsoft Corporation (5.07%), The Boeing Company (3.77%), CME Group Inc. (3.71%), Merck & Co., Inc. (3.51%), McDonald's Corporation (3.39%), JPMorgan Chase & Co (3.30%), Apple Inc. (3.13%), Eli Lilly and Company (2.96%), Texas Instruments Inc (2.90%) and Accenture plc (2.69%). 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.

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

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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