3Q19
U.S. Equity

FUND COMMENTARY

Growth and Income Fund

Market Environment

- The S&P 500® Index ended the quarter with a modest gain despite underlying volatility sparked by global economic uncertainties and political tensions.
- While the U.S. economy appeared relatively resilient, and consumer fundamentals remained healthy, the Federal Reserve (Fed) responded to risks of slowing global growth with two interest rate cuts.
- Stocks tied to global trade, such as energy and materials, tended to see negative impacts on their businesses, while low interest rates stimulated other industries, such as utilities and real estate.
- Late in the quarter, investors sought value in previously out-of-favor areas of the market while they sold higher-valuation momentum stocks.

Performance Summary

The Fund outperformed its benchmark, the S&P 500 Index, for the quarter ending September 30, 2019. Stock selection was favorable across a number of sectors, including information technology and consumer discretionary. Our lack of exposure to the utilities sector, which tends to not meet our earnings growth requirements, modestly detracted from relative results given the sector's rally.

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

Portfolio Discussion

We did not make any significant changes to the positioning of the Fund during the quarter. Apple was the top individual contributor. Volume expectations for the company's phones have increased after the successful launch of its iPhone 11, and investors are forecasting the 2020 product cycle to be better in terms of absolute units sold as we approach the rollout of 5G. Apple's services business, including Apple Music and cloud services, has resulted in a growing, recurring revenue stream that makes it less dependent on the phone replacement cycle. Also, its higher-margin accessory business, which includes the Apple Watch and AirPods, continues to experience strong growth. Lastly, we appreciate the company's focus on returning cash to shareholders by way of increased dividends and stock buybacks.

Texas Instruments was another contributor. The semiconductor manufacturer was buoyed by the stabilization in global automotive production, particularly in China, since modern vehicles require ever-increasing amounts of chips. The company's analog and other high-margin semiconductor sub-segments have allowed it to generate substantial free cash flow, which it has returned to shareholders through increased dividend payments and share repurchases.

Altria Group was the largest individual detractor. The stock fell as vaporizing-related illnesses made headlines throughout the period, and certain states introduced legislation to prohibit sales of flavored e-cigarettes. While its investment in vaporizer company Juul has been disappointing, we believe the cost of that investment is

Janus Henderson
INVESTORS

already reflected in Altria's financials, and management recently reiterated forward-looking earnings growth guidance. Also, the decline in cigarette volumes has stabilized and Altria has been able to raise prices on its tobacco products. We believe the company can achieve modest growth in the dividend.

Specialty glass company Corning was another detractor. Recent tariffs have impacted prices and hampered demand for televisions that incorporate the company's glass technology. Demand for its fiber-optic material was also weak during the period as some telecommunication carriers paused their residential fiber-optic deployments to instead focus on 5G infrastructure. Ultimately, we believe the 5G rollout will be beneficial for Corning but the transition will likely result in short-term headwinds. The company continues to invest in itself and improve efficiencies, and has a number of initiatives related to its Gorilla Glass brand that should drive revenue growth in the future.

Top Contributors	Ending Weight (%)	Contribution (%)
Apple Inc	3.43	0.42
Texas Instruments Inc	3.21	0.39
United Parcel Service Inc	1.89	0.31
CME Group Inc	3.32	0.29
KLA Corp	1.05	0.28

Top Detractors	Ending Weight (%)	Contribution (%)
Altria Group Inc	1.71	-0.24
Corning Inc	1.49	-0.24
Pfizer Inc	1.03	-0.21
UnitedHealth Group Inc	1.62	-0.19
CSX Corp	0.98	-0.11

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

With the Fed now clearly in an easing cycle, its handling of interest rate policy in the slowing global economic growth environment will be of key importance to equity market participants. The potential for policy error remains extremely relevant, and markets are concerned the Fed may not be aggressive enough in easing – especially as the domestic industrial economy continues to exhibit weakness. Political uncertainty in Washington and the upcoming 2020 presidential election, including the wide differences in proposed policies, will likely contribute to market volatility. We will also be monitoring the macroeconomic environment outside the U.S., particularly in Europe where yields on many countries' sovereign debt remain in negative territory.

Despite these concerns, there remains a strong backdrop for U.S. equities. The low interest rate environment is very supportive for growing companies that are investing for expansion, which we would expect to take market share in a slow-growth economy. The strength of the consumer is another bright spot; consumer spending has not shown any signs of abating, and unemployment remains at low levels. Further, equity valuations appear reasonable, and the asset class' yield is attractive compared to fixed income. Regardless of the direction of the markets, we will continue our bottom-up focus on companies we believe have sound fundamentals and strong growth prospects. We particularly like those that are actively making investments that should drive shareholder value over time, and we believe many of these companies are potentially less likely to be as affected by macroeconomic issues. This includes companies that are disruptors in their sectors and/or benefiting from attractive secular tailwinds.

Portfolio Management

Jeremiah Buckley, CFA

Marc Pinto, CFA

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 9/30/19 the top ten portfolio holdings of Janus Henderson Growth and Income Fund are: Microsoft Corp (5.53%), Apple Inc (3.42%), McDonald's Corp (3.39%), CME Group Inc (3.32%), JPMorgan Chase & Co (3.30%), Texas Instruments Inc (3.21%), Merck & Co Inc (3.20%), Boeing Co (3.18%), Accenture PLC (3.06%) and US Bancorp (2.55%). 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 market risk and it is possible to lose money by investing. Investment return and value will fluctuate in response to issuer, political, market and economic developments, which can affect a single issuer, issuers within an industry, economic sector or geographic region, or the market as a whole.

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

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.

Janus Henderson Distributors