International Opportunities Fund

December 31, 2018

Quarterly update and outlook

Overview

International equities fell over the quarter, with Japan the weakest performing market.

Fund performance

The Fund underperformed the MSCI EAFE® Index. In what was a challenging environment, the Europe-1 and Japan sub-portfolios led the relative underperformance while the Asia-Pacific and Emerging Markets sub-portfolios outperformed their benchmarks.

Exposure to the energy sector, against the backdrop of a falling oil price, detracted from performance. Kosmos was the biggest detractor, but continues to remain a high-conviction position. Their ventures, which include a gas field in Senegal and Mauritania as well as oil interests in Ghana, will likely fund further exploration efforts. We believe Kosmos has material upside from current levels and the stock now trades with a free-cash-flow yield.

British American Tobacco also detracted from performance. Over the period it was reported that the FDA intended to ban menthol cigarettes, which precipitated a fall in the share price. While regulatory pressure is likely to persist in developed markets, we don't believe that investors are accurately valuing the company and any ban would likely take years to enact. Tobacco use may be declining in developed markets, but tobacco companies are continuing to see growth in the use of their products in emerging markets. Indeed, almost half of British American Tobacco's revenues now come from emerging markets. The stock now offers a dividend yield of over 7% and we believe it is oversold.

Indian financial services conglomerate Housing Development Finance (HDFC) contributed positively. HDFC's origins are in housing finance, but it has expanded to provide life insurance, asset management and traditional banking services. HDFC has achieved growth over time by taking a long-term, disciplined approach. Its state-owned peers are more capital constrained and face a variety of asset quality issues. Financial services penetration levels are still relatively low in India and with increasing demand for consumer credit, insurance and other services, we believe HDFC is well placed to benefit from this structural trend.

Banco Bradesco, a Brazilian private sector bank, also contributed positively. The rally in the Brazilian equity market after the election of Jair Bolsonaro as the president of Brazil provided us with the opportunity to exit the stock.

Outlook

The Fund's performance was disappointing in 2018. Looking at the year as a whole, while the Fund's smaller sub-portfolios (by allocation) outperformed their respective benchmarks, the underperformance of the Fund's larger sub-portfolios dominated returns. Clearly we are disappointed, but we are endeavoring to improve returns for our clients in 2019 and are excited by our opportunity set.

The ferocity of the market sell-off in the final months of 2018 has cast a huge shadow over the investment outlook for the new year. The big question now facing investors is whether the correction has created an attractive entry point for putting money to work or whether we are at the start of a sustained downtrend in risk assets. We lean toward the former view and think investors will ultimately be rewarded for riding out the current market turbulence.

2018 was a year in which investors were forced to confront a number of unprecedented and difficult-to-calibrate policy and political risks. The most significant one was the ending of quantitative easing (QE). Our long-held view is still that it marks a regime change in financial markets, ushering in a more challenging environment of lower returns and higher volatility than enjoyed during the QE era. To some extent, we would see the market turbulence witnessed in 2018 as reflecting investors' adjustment to this new world.

The other big policy question overshadowing the market outlook is whether international trade tensions will escalate again, threatening global economic confidence and growth. While this topic dominated market sentiment at different times in 2018, we feel that concern on this front has already peaked. Beyond policy matters, we expect that political flare-ups will demand investor attention once again in in 2019. The U.S. government shutdown, developments in Italy and the Brexit negotiations look most likely to generate market-moving headlines in the early months of the year.

In summary, we believe the days of QE-becalmed financial markets are over – volatility is back and we all have to adjust. We believe the heightened nervousness has generated a number of fresh investment candidates. We still maintain that the central philosophy of our Fund, focused stock-picking, provides the best recipe to navigate and extract gains for our clients. We are intent on improving our record and if this is allied with a weaker U.S. dollar, we are confident that 2019 could be a successful year.

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Top 5 Sectors		% of Fund
1.	Information Technology	20.0%
2.	Financials	19.2%
3.	Health Care	15.5%
4.	Industrials	11.3%
5.	Consumer Staples	10.9%

Top 10 holdings		% of Fund			% of Fund
1.	Novo Nordisk A/S	3.4%	6.	Roche Holding AG	2.7%
2.	ASML Holding N.V.	3.1%	7.	Credit Agricole S.A.	2.6%
3.	SAP SE	3.0%	8.	Assa Abloy AB	2.6%
4.	RELX PLC	2.9%	9.	Uni-President Enterprises	2.6%
5.	Bayer AG	2.8%	10.	British American Tobacco	2.5%

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

Top Contributors	Ending Weight (%)	Contribution (%)	Top Detractors	Ending Weight (%)	Contribution (%)
Housing Development Finance	2.06	0.24	Kosmos Energy Ltd.	2.37	-1.66
HDFC Bank Limited	1.36	0.12	British American Tobacco	2.47	-0.89
ENGIE Brasil Energia S.A.	0.31	0.07	SoftBank Group Corp.	1.69	-0.72
Banco Bradesco S.A.	0.00	0.06	Bayer AG	2.76	-0.71
Roche Holding AG	2.70	0.05	Credit Agricole S.A.	2.64	-0.70

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.

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Janus Henderson INVESTORS

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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 the Fund's Class I Shares.

Holdings are subject to change without notice.

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 EAFE® (Europe, Australasia, Far East) Index reflects the equity market performance of developed markets, excluding the U.S. and Canada.

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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C-1218-21633 04-15-19

188-42-411154 01/19