4Q18 Portfolio Commentary

Janus Henderson INVESTORS

Overseas Fund
VIT Overseas Portfolio

George Maris, CFA
Portfolio Manager

Julian McManus
Portfolio Manager

Garth Yettick, CFA
Portfolio Manager

Investment Environment

Equity markets were volatile and some major indices neared correction territory. Fears of slowing global economic growth, rising trade tensions between the U.S. and China, a rising fed funds rate and the potential for a disorderly "Brexit" all played a role in driving stocks lower. The energy and technology sectors were among the worst performers in the index during the quarter.

Performance Discussion

The Fund underperformed its benchmark, the MSCI All Country World ex U.S. Index^{SM}, during the period. Our underperformance was due largely to stock selection within the consumer discretionary and financial sectors.

Within the consumer discretionary sector, our positions in GVC Holdings and Alibaba weighed on relative and absolute performance. The stock of GVC has been under pressure due to negative news about the gambling industry in the UK, including a government proposal to cut the maximum stake at betting terminals, which would negatively affect one of the gambling companies GVC acquired. A new tax law levied on digital gaming was also higher than expected and weighed on the stock. We continue to like the company, however. Our original thesis for the company was that it would improve monetization of Bwin.Party Digital Entertainment, an online gaming operator it acquired. While that thesis is still playing out, we see additional upside from legalized U.S. sports betting, as GVC owns a business-to-business platform that provides the technology to most sportsbook operators in Nevada and could extend that technology to other sites.

Alibaba sold off largely due to concerns about the Chinese economy. The fact that the stock represented one of the only ways many investors could express a negative view about China, likely exacerbated the sell-off. We believe such reactions overlook the long-term, secular growth opportunity in front of Alibaba. A fragmented market of offline retail sales in China totals $4 trillion, and this market is ripe for disruption by Alibaba's platform. In our view, the company has only increased its technological capabilities relative to competitors, deepening a competitive advantage for the company.

Within the financial sector, we were hurt by our exposure to several large bank stocks that sold off due to fears about a slowing global economy. As we note in our outlook, our conviction in these stocks has not wavered, and we believe the single-digit multiples assigned to these companies present some of the best buying opportunities in the market. In short, we believe the market has overlooked strong balance sheets and high-quality loan exposure of these banks, and

Highlights

- Fears of slowing global economic growth and rising trade tensions between the U.S. and China drove stocks lower in the fourth quarter.
- The Fund underperformed its benchmark.
- Heading into 2019, both the economic growth and market performance hinge largely on the ability of China and the U.S. to resolve trade conflicts. Against this uncertain backdrop, we have marginally reduced the total number of stocks in our portfolio to focus on our highest-conviction ideas.

believe many of our banks holdings carry more capital and less risk than at any point in their history. While these companies would benefit from stronger economic growth, we would expect our bank stocks to rebound even in a weaker economic environment if they show resilience from a loan-quality perspective.

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

Outlook

Heading into 2019, both the global economy and stock market performance hinge largely on a single, unpredictable issue: trade conflict. Trade tension buffeted stocks for much of the fourth quarter, and will continue to be an overhang for stocks until the market gets clarity on whether China and the U.S. can resolve conflicts.

The outcome is far from certain and depends on the ability of strong personalities to negotiate rationally. Our optimistic view is that politicians aren't in the business of hurting themselves and will strive to get a deal done. China's economy is already showing signs of slowing, and its leadership appears motivated to complete a trade deal. A recent agreement to lower auto-related tariffs is a sign that China is willing to make some big concessions and act in good faith. If the two countries can reach an agreement, we would expect a significant rebound in markets, particularly emerging market equities.

While we still see a pathway to trade resolution, we're also aware that as long as populism gains ground, free trade could remain under assault. If the U.S. and China cannot resolve trade conflicts there's no sugarcoating the consequences: a stagflationary environment that will have long-term implications as companies rewire global supply chains. Already, we see discouraging signs that some multinational companies are rethinking logistics and are delaying capital spending in light of the uncertainty.

The fact that central banks are removing liquidity from markets would only magnify the market impacts of a full-out trade war and ensuing slowdown.

Against this uncertain backdrop, we've reduced our exposure to a few companies whose growth is tied to the strength of the Chinese consumer, and also avoided some companies in the technology hardware supply chain.

As we look across our Chinese holdings, our largest positions are in Internet companies that provide the backbone of the country's digital economy. We don't deny these companies would be hurt by an economic slowdown, but their growth is underpinned by secular trends as more and more Chinese consumption and entertainment migrates online. These secular tailwinds should allow the companies to grow earnings even in the face of economic contraction.

Going forward, we will continue to use any slide in stocks to be opportunistic. We believe the market has been overly pessimistic toward any stocks with a cyclical tilt to their businesses and see several opportunities in competitively advantaged companies making materials and products the world depends on, but that trade at substantial discounts to their intrinsic value. Already, we've added to some of these positions accordingly.

We also see opportunity in the financial sector, where we find quality institutions trading at an incredible discount to their intrinsic value with balance sheets stronger than at any point in the last 20 years, but that trade at single-digit, price-earnings multiples due to fear of an economic slowdown.

Though we seek to take advantage of volatility, at a broad level we have trimmed the total number of stocks in our portfolio. In an uncertain market environment, we believe we are defusing risk by concentrating on those stocks we feel most certain about.

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

Top Contributors	Ending Weight (%)	Contribution (%)	Top Detractors	Ending Weight (%)	Contribution (%)
Hindustan Zinc Ltd	2.53	0.15	BNP Paribas SA	3.45	-1.05
Container Corp Of India Ltd	1.35	0.14	Canadian Natural Resources Ltd	3.13	-0.90
LIC Housing Finance Ltd	0.56	0.06	Mitsubishi UFJ Financial Group Inc	3.58	-0.83
Indivior PLC	0.00	0.03	GVC Holdings PLC	2.40	-0.81
Cia de Saneamento do Parana	0.00	0.02	Alibaba Group Holding Ltd (ADR)	4.79	-0.80

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.

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

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.

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 Overseas Fund are: Alibaba Group Holding Ltd (ADR) (4.79%), Safran SA (4.76%), Diageo PLC (4.12%), AIA Group Ltd (3.92%), Mitsubishi UFJ Financial Group Inc (3.61%), Rio Tinto Ltd (3.54%), ASML Holding NV (3.48%), NN Group NV (3.47%), BNP Paribas SA (3.45%) and Sony Financial Holdings Inc (3.38%). 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.

MSCI All Country World ex USA Index℠ reflects the equity market performance of global developed and emerging markets, excluding the U.S.

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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