4Q18 Portfolio Commentary

Janus Henderson INVESTORS

Research Fund

Investment Environment

Equity markets were volatile and some major indices hit or neared correction territory. Fears of slowing global economic growth, rising trade tensions between the U.S. and China, a rising U.S. 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. While indices ended the period down, markets rebounded somewhat in the last few days of December.

Performance Discussion

The Fund underperformed its primary benchmark, the Russell 1000® Growth Index, and secondary benchmark, the S&P 500® Index. Our goal is to provide consistent outperformance over the long term by focusing on what we consider our strengths: picking stocks and avoiding macroeconomic risks. Stocks are selected by our six sector teams, which employ a bottom-up, fundamental approach to identify what we consider the best opportunities.

Our stock selection in the technology and health care sectors detracted most from relative performance. Our stock selection in the industrial and energy sectors contributed to relative results.

Amazon was our largest detractor on an absolute basis The stock was down after the company released earnings guidance below consensus estimates. International growth for the company has also slowed in recent months, but our general view on the stock hasn't changed. The company's scale and distribution advantage have entrenched it as the dominant e-commerce platform, which could allow it to continue gaining consumer wallet share as shopping gravitates to online and mobile purchases. Meanwhile, Amazon Web Services is improving the way companies utilize IT services, using its scale to offer a disruptive pricing model to businesses seeking IT functions in the cloud.

Nvidia was also a large detractor. The stock declined after the company reported earnings below consensus expectations. We continue to like the Nvidia's long-term outlook, however. The company is a leading supplier of graphics processing units (GPUs), which are at the forefront of accelerated computing, artificial intelligence and autonomous driving. We like the company's growth potential as these secular themes push forward.

Alphabet was another detractor. Technology stocks fell sharply and Alphabet was no exception. Increasing regulatory scrutiny of major digital platforms was also an overhang for the stock. Our view on the stock remains unchanged, however, and we still believe all of the levers to drive long-

Highlights

- Equity markets were volatile and some major indices hit or neared correction territory.
- The Fund underperformed its benchmark.
- We believe equity investors should be prepared for more volatility in the coming months. Several factors suggest that the global economy could deliver slower growth in 2019.

Portfolio Management

Team Managed

term growth for Alphabet remain in place. In short, we believe the Internet search engine leader is a key beneficiary from the secular shift toward mobile, video, programmatic and cross-device advertising. We also believe the company has a leading edge in technologies such as artificial intelligence and autonomous driving solutions, which will play a role in driving future growth.

On an absolute basis, Starbucks was our top contributor to performance. Better-than-expected fourth quarter earnings from improved same-store sales both in the U.S. and China served as a catalyst for the stock. We continue to like the company and believe its global brand and network of stores are a competitive advantage as it sells a habitual product to consumers around the world.

Eli Lilly was also a top contributor. The stock climbed after the firm reported positive results from a mid-stage clinical trial for a drug that targets two hormones in diabetes patients. In the study, Eli Lilly's drug demonstrated best-in-class blood sugar reduction and body weight loss in patients with type 2 diabetes, the most common type of diabetes globally. Eli Lilly has initiated phase 3 trials for the treatment, with results expected in late 2021. Given the promising results thus far, we believe this therapy could have multibillion-dollar sales potential. This would add to Eli Lilly's expanding roster of recently approved products, including Emgality, a migraine prevention treatment that won FDA approval in 2018, which we believe also has strong potential.

Merck was another top contributor. The pharmaceutical giant has reported positive earnings and revenue growth driven, in part, by sales of Keytruda, a cancer-fighting immunotherapy. We believe Keytruda still has significant growth potential: In late summer, both the FDA and European Medicines Agency approved a combination treatment of Keytruda and chemotherapy to address non-small cell lung cancer, the largest cancer indication. Late-stage clinical trials showed that this combination significantly improved overall survival for patients, reducing the risk of death by more than 50% compared to chemotherapy alone. In addition, Merck continues to research other potential indications for the drug. For example, the company recently reported positive trial data for Keytruda to treat kidney and esophageal cancers. And in November, the FDA approved Keytruda for recurring cases of liver cancer.

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

Outlook

We believe equity investors should be prepared for more volatility in the coming months. The business cycle is aging, a decades-low unemployment rate in the U.S. has started to put upward pressure on wages and the Federal Reserve continues to normalize monetary policy. In addition, geopolitical risks have created headwinds, from ongoing trade tensions between the U.S. and China to uncertainty about Brexit. While these factors do not signal that a recession is imminent, in our opinion, they do suggest that the global economy could deliver slower growth in 2019.

In such an environment, we believe stocks sensitive to economic growth or interest rate moves could be challenged. As a result, we continue to look for growth stories that we believe will persist irrespective of the business cycle, including innovation in health care and the shift to the digital economy. At the same, market volatility has led to a significant re-rating in the valuations of stocks globally. As multiples improve, we will aim to take advantage of secular growth stories that previously looked expensive. Select emerging market stocks, for example, could benefit from the potential diversification of global supply chains while companies with ample free cash flows may decide to increase dividends or repurchase shares. In our experience, focusing on these types of fundamentals makes it easier to ride out periods of market volatility and often leads to better long-term results.

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

Top Contributors	Ending Weight (%)	Contribution (%)	Top Detractors	Ending Weight (%)	Contribution (%)
Starbucks Corporation	1.56	0.17	Amazon.com, Inc.	5.86	-1.61
Eli Lilly and Company	1.07	0.08	Apple Inc.	3.77	-1.36
McDonald's Corporation	1.05	0.08	NVIDIA Corp	1.36	-1.15
Merck & Co., Inc.	0.97	0.07	Alphabet Inc.	7.05	-0.87
American Tower Corp	0.00	0.07	Activision Blizzard, Inc.	0.00	-0.62

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

Starbucks: The coffee retailer is a global brand, selling a habitual product, and we believe the company has a sustainable margin profile. Given these characteristics, we believe the stock trades at an attractive multiple relative to the market. Going forward, we like the potential for Starbucks to grow earnings per share and return cash to shareholders.

Eli Lilly & Co.: 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; and Taltz, used by adults with moderate to severe psoriasis, a chronic skin condition. In addition, in June, the FDA approved Olumiant (baricitinib), an oral drug for rheumatoid arthritis. We believe these products will help drive sales growth and lead to significant margin expansion.

McDonald's: We appreciate the fast-food giant's potential to grow free cash flow once it remodels many of its U.S. franchises. As free cash flow grows, we believe McDonald's has the potential to meaningfully grow its dividend.

Merck: 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.

American Tower REIT: American Tower owns wireless communications and broadcast towers in the U.S. and internationally. The company leases antenna sites on multitenant towers to communications service providers for mobile voice and data communications. We expect mobile traffic growth and the rollout of 5G services to boost wireless network spending, which, in turn, should spur demand for tower tenancy, as well as additional towers. We also like that a large percentage of American Tower's revenue is generated internationally, where rapid growth in low-priced Android smartphones may drive significant mobile data and therefore tower demand. While we continue to like American Tower's outlook, we sold the stock as it approached our valuation target to pursue other growth opportunities for the portfolio.

Top Detractors

Amazon: The online retailer is a major player in a number of retail categories. Amazon offers an appealing combination of value and convenience. As a result, membership in its annual subscription service, Amazon Prime, has increased at a double-digit rate in recent years, creating a loyal base of shoppers who tend to spend more than non-Prime members. In addition, Amazon Web Services (AWS), the firm's cloud-computing business, is an industry leader. Importantly, we believe AWS has a long runway of growth, as we are only in the early stages of companies shifting workloads from onsite servers to the cloud.

Apple: We like Apple for the strength of their ecosystem and their ability to monetize their billion users globally over time through services and accessories in addition to iPhone sales. We also are positive on their ability to return more cash to shareholders over the next several years via buybacks and dividend.

Nvidia: Nvidia is the leader in graphics processing units (GPUs), or what they would call visual computing. GPUs have historically been PC and gaming centric, but we like their growth potential as GPUs are increasingly used in emerging applications that require high levels of parallel processing such as data center acceleration and autonomous driving.

Alphabet: We believe the Internet search engine leader, which was formerly known as Google, is well positioned with a resilient core search business and optionality around YouTube, Waymo, cloud computing and hardware. The company is also benefiting from the secular shift toward mobile, video, programmatic and cross-device advertising.

Activision Blizzard: Activision is a developer and publisher of interactive video games. We continue to believe there are some broad, favorable secular trends around video games as the demographic audience for gaming is growing, and engagement is increasing. However, we sold the position during the period because we believe the range of outcomes for the company has widened, and selling the position made room for higher-conviction ideas.

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

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 Class I Shares.

As of 12/31/18 the top ten portfolio holdings of Janus Henderson Research Fund are: Alphabet Inc. (7.04%), Microsoft Corporation (6.93%), Amazon.com, Inc. (5.86%), Apple Inc. (3.77%), Visa Inc (2.91%), Mastercard Incorporated (2.42%), Adobe Inc (2.38%), Texas Instruments Inc (2.27%), The Coca-Cola Company (2.16%) and salesforce.com Inc (2.03%). 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.

Russell 1000® Growth Index reflects the performance of U.S. large-cap equities with higher price-to-book ratios and higher forecasted growth values.

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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