3Q19
U.S. Equity

FUND COMMENTARY

Research Fund

Market Environment

- U.S. stocks ended the third quarter with small gains.
- After a solid start to the quarter, equities declined in August on uncertainty around the future path of global economic growth and escalating U.S.-China trade tension.
- These concerns, combined with uncertainty around the future path of global growth, increased investors' preference for traditionally more defensive asset classes.
- Against this backdrop, central bankers across the globe eased monetary policy, with U.S. policymakers reducing interest rates twice during the quarter for a total reduction of 50 basis points.
- In the final weeks of the quarter, stocks recovered and investors began to favor value stocks over growth stocks.

Performance Summary

The Fund gained marginally for the quarter ended September 30, 2019, yet underperformed its benchmark, the Russell 1000® Growth Index. Weak stock selection within the consumer and health care sectors weighed on relative performance. Conversely, our selections within the technology and financials sectors buoyed results.

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

Portfolio Discussion

Notable detractors within the consumer sector included Amazon.com. The online retailer reported weaker-than-expected growth in Amazon Web Services (AWS), its cloud computing segment, and fell short of second-quarter earnings estimates. Further pressuring the stock was antitrust scrutiny. Despite these setbacks, our conviction in Amazon.com remains high. As cloud computing continues to grow, we expect AWS to become a more meaningful driver of Amazon.com's overall business.

Another weak performer within the consumer sector was Netflix, a leading provider of online streaming television and movie content. Netflix reported a decline in U.S. subscribers during the second quarter and missed international subscriber growth estimates, sparking concern that it may be losing momentum and that streaming services planned by Disney and Apple may create further headwinds to subscriber growth. Although the competitive landscape continues to evolve, over the long term we believe Netflix will be a key beneficiary of a trend in which traditional and satellite TV viewers are increasingly shifting to streaming TV.

Areas of strength in the Fund included the information technology sector, where Alphabet was a key contributor. Although the parent company of Google is one of several big tech firms facing regulatory scrutiny, strong second-quarter revenue driven by growth in its core advertising business eclipsed news of the Justice Department's antitrust reviews of Google and other market-leading Internet platforms. Our research indicates that the likelihood Alphabet will be forced to break up is small. In fact, recent

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developments add to our conviction in the company. These include Alphabet's approval of a $25 billion stock repurchase plan and the introduction of new advertising formats aimed at improving the user experience. In our view, Alphabet's valuation remains attractive relative to other large-cap companies that are not growing nearly as fast as Alphabet.

Hardware and software firm Apple also contributed to results. A stabilization in U.S.-China trade relations and a delay of tariffs for products of Chinese origin contributed to Apple's share price appreciation. The stock also benefited from increasing optimism about growth drivers beyond the iPhone, including Apple's wearable technology and services. Other positives included initial data around the launch of the iPhone 11 family suggesting an improvement relative to last year's cycle.

Top Contributors	Ending Weight (%)	Contribution (%)
Alphabet Inc	6.00	0.70
Apple Inc	3.59	0.43
Microsoft Corp	8.58	0.34
Texas Instruments Inc	2.61	0.31
Lam Research Corp	1.47	0.29

Top Detractors	Ending Weight (%)	Contribution (%)
Amazon.com Inc	6.07	-0.55
Netflix Inc	1.51	-0.55
Altria Group Inc	1.67	-0.24
UnitedHealth Group Inc	1.98	-0.23
Facebook Inc	2.39	-0.22

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

A number of economic indicators suggest the global economy is entering a period of slower growth. As such, we believe investors should brace for continued market volatility as external shocks such as Brexit, the 2020 presidential campaign and the U.S.-China trade war could become additional headwinds. Likewise, positive surprises could also lead to sharp market swings. In September, for example, as trade tensions seemed to ease, investors quickly bought up stocks of cyclical companies (firms whose revenues tend to be tied to the economic cycle), which previously had been beaten down.

Rather than chase market whims, we'd prefer to look for what we call defensive-growth companies. These are firms whose business models are benefiting from secular growth drivers – say, from the electronification of global payments or the shift to the cloud – and therefore tend to be less dependent on economic expansion for growth. We are also focused on finding companies with strong balance sheets, capable management teams and competitive advantages that make it possible to defend or increase market share. The stocks may not always outperform. But as the outlook for global growth remains uncertain, we'd rather focus on firms that have the potential for consistent growth regardless of the economic backdrop.

Portfolio Management

Team Managed

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

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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 Research Fund are: Microsoft Corp (8.58%), Amazon.com Inc (6.07%), Alphabet Inc (6.00%), Apple Inc (3.59%), Visa Inc (3.12%), Mastercard Inc (2.96%), Adobe Inc (2.75%), Texas Instruments Inc (2.61%), salesforce.com Inc (2.46%) and Facebook Inc (2.39%). 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.

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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