4Q18 Portfolio Commentary

Janus Henderson INVESTORS

Triton Fund

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Investment Environment

Equity markets were volatile and ended the period with some major indices in or near correction territory. Fears of slowing global economic growth, rising trade tensions between the U.S. and China, and continued increases in the fed funds rate all played a role in driving stocks lower. The energy and health care sectors were among the worst performers in the index during the quarter.

Performance Discussion

The Fund outperformed both its primary benchmark, the Russell 2500™ Growth Index, and also its secondary benchmark, the Russell 2000® Growth Index, during the quarter.

MarketAxess Holdings was one of our largest contributors to performance during the quarter. The company operates a dominant electronic bond trading platform that is improving liquidity and trading costs for market participants. Market volatility has meant more trading activity on the platform, which boosts the company's revenues. Looking ahead, we continue to be excited about the company's long-term growth potential given the low penetration of electronic bond trading relative to voice brokerage. We believe MarketAxess' platform is approaching a tipping point in adoption by major bond investors, which, in our view, will enhance their value and competitive advantage through the network effects of their liquidity pool.

Xperi Corp. was another top contributor. The stock was up after the company announced it settled patent litigation against Samsung, resulting in a long-term license agreement between the two companies that allows Samsung to utilize Xperi's technology in exchange for a royalty. Looking forward, we continue to like Xperi for the recurring revenue streams associated with its royalty licensing business, and also like its history of generating high levels of free cash flow and return on invested capital. We also believe that the Samsung settlement is indicative of the strength and validity of Xperi's patent portfolio and could potentially result in similar licensing agreements with other companies.

Euronet Worldwide also contributed. The stock was up after the company confirmed that Visa will allow dynamic currency conversions on international ATM transactions beginning in April, a move that will allow ATM operators such as Euronet an opportunity to offer conversion services to all international ATM transactions on Visa-branded cards around the world. The company estimates the change could boost 2019 earnings by as much as 10%. We continue to like the recurring revenue streams associated with Euronet's ATM business, and like that it has a market leading position in Europe.

Highlights

- Equity markets were volatile and ended the period with some major indices in or near correction territory.
- The Fund outperformed its primary benchmark during the quarter.
- Heading into the quarter, we believed small-cap stocks were due for a correction, but also believe the recent selloff was overdone.

While we outperformed the market on a relative basis, in a sharp down market we also held stocks that detracted from absolute performance. Broadridge Financial Solutions was our largest detractor. The company provides investors communications services to a wide network of broker/dealers, financial advisors and mutual funds. Excitement about how the company will use blockchain for investor communications had driven the stock to a high valuation in prior months and the stock may have overcorrected this quarter, but nothing has materially changed for the business. Quarterly earnings beat consensus estimates, and the company maintained its earnings guidance for the next year. We continue to like the stock and believe the wide network Broadridge has set up among different players in the investor ecosystem remains a considerable competitive advantage for the company. Going forward, we believe Broadridge will further monetize this network as it mines data and insights for companies about their underlying investors.

Blackbaud was another detractor within the technology sector. The stock was down after the company lowered earnings guidance for the next year, but we continue to like the company's longer-term growth potential. Blackbaud provides technology solutions designed to improve fundraising efforts for nonprofit companies. Fundraising is the lifeblood of the nonprofit industry, but many nonprofits have been slow to integrate technology into their fundraising process, creating a potentially large addressable market for Blackbaud in the coming years.

Outside the technology sector, Catalent was one of our largest detractors. Stock of the outsourced pharmaceutical manufacturer was down in part because it experienced a shortage of some of the materials required to make its soft-gel tablets. This caused at least one drug company to shift more production to non-gel forms of their drug. While disappointing, we view this as a transitory issue, and continue to hold the stock. We believe Catalent represents a less risky way to invest in the innovation taking place in the biotechnology and pharmaceutical industries. Catalent benefits from overall industry innovation due to increasing volumes and more advanced dosage forms, but due to significant diversification, the company is not overly impacted if a clinical trial for a particular drug fails. We also like that its earnings streams are relatively insulated once a drug gains FDA approval: biotech and pharmaceutical companies don't often change manufacturing partners because it requires bringing the drug back through the FDA approval process.

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

Outlook

For several quarters we have warned that the market was overlooking risks on the horizon, and that small-cap valuations looked excessive against a backdrop of rising interest rates and potentially slowing global growth. Given those views, we expected a correction at some point. However, we believe the sharp reversal in stocks during the quarter was overdone.

As the quarter was coming to a close, stocks were on pace for their worst December since the Great Depression. Quarterly returns also represented some of the steepest fourth quarter losses ever experienced, nearing the loss levels experienced in the years of the Great Depression, the year Pearl Harbor was bombed and the Arab Oil Embargo of 1973. The market and macroeconomic backdrop doesn't look nearly as bad as it during any of those events.

While trade tensions between the U.S. and China are unpredictable, and are indeed a real threat to global growth, many stocks are already pricing in a recession. We believe that outcome is far from certain. The U.S. and China could still resolve trade issues. Further, a bottom-up view from the companies we speak with also suggests a more stable economy than the recent downturn implies. We recently attended a large annual investor conference for small-cap companies, and the outlook from executives was broadly positive.

In earnings calls and follow-up meetings with industrial companies, management teams continue to report strong demand in most end markets. This includes end markets such as plastics, which are generally a good leading indicator for the industrial economy. Similarly, other leading economic indicators such as the architectural billings index have shown resilience in the face of broad-based fears of a slowdown.

We generally focus our efforts on finding undervalued growth stocks, not on macroeconomic predictions, but given what we hear from U.S. companies, we believe mild or slow economic growth is a reasonable expectation going forward. And after the recent sell-off, we're finding an increasing number of attractively valued stocks that could do well in a slow-growth economy.

We believe the market has taken an undiscerning view among small-cap industrial stocks, selling nearly everything in the sector due to economic fears. Within the sector, we find opportunity in companies with strong aftermarket businesses or other recurring revenue business models that make their earnings streams more durable than current stock prices suggest. We are also finding attractively valued industrial companies in which management teams have deployed technology to improve margins or used historically low rates to improve their debt profile.

Outside the industrial sector, we find stock-specific opportunities in which an overly pessimistic market even views positive events through a negative lens. For example, we've seen small-cap biotech stocks retreat after the announcement of a positive clinical outcome or FDA approval of a drug. In those cases the stock has traded down because the market was taking a narrow, near-term focus on the company needing to raise capital to commercialize its drug, rather than a positive long-term view on what an innovative therapy might mean for the company's earnings streams.

We're happy to take a longer-term view with these stocks, and believe near-term fears will provide long-term opportunities.

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

Top Contributors	Ending Weight (%)	Contribution (%)	Top Detractors	Ending Weight (%)	Contribution (%)
MarketAxess Holdings Inc	0.77	0.11	Broadridge Financial Solutions Inc	2.29	-0.67
Xperi Corp	0.49	0.07	Catalent Inc	1.84	-0.63
Euronet Worldwide Inc	1.79	0.03	Blackbaud Inc	1.44	-0.63
Global Blood Therapeutics Inc	0.45	0.02	Belden Inc	0.88	-0.50
Saia Inc	0.61	0.01	SS&C Technologies Holdings Inc	2.13	-0.44

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

MarketAxess Holdings. We believe the electronic trading platform operator will continue to gain market share from traditional methods of trading fixed income securities, and will also benefit from an improved trading environment and higher liquidity.

Xperi Corp.: Xperi and its subsidiaries license innovative technologies and inventions to global electronic device companies who, in turn, integrate the technologies into their own enterprise, consumer electronics and semiconductor products. We like the company's royalty licensing business for semiconductor packaging, which we believe provides a steady, recurring revenue stream for the business. We also like the company for its history of generating high levels of free cash flow and return on invested capital.

Euronet Worldwide: Euronet offers transaction processing and distribution solutions to financial institutions, retailers, service providers and individual consumers. We like the company for its distinct growth platforms in money transfer, prepaid and mobile, along with its recurring revenues and growth opportunities. We believe Euronet also has an attractive ATM outsourcing business with market-leading positions in Europe.

Global Blood Therapeutics: Global Blood Therapeutics is a clinical-stage biopharmaceutical company. We like the potential of its lead drug, Voxelotor, which has the potential to be the first major advance in sickle cell in decades.

SAIA Inc.: SAIA offers less-than-truckload, non-asset truckload and logistic services through its own nationwide fleet of 3,900 tractors, 12,000 trailers and a network of 150 terminals. We like the less-than-truckload industry structure, which is more consolidated and rational than the truckload market. We also like SAIA's growth potential as it expands in the Northeast. Finally, we appreciate that the company has a relatively clean balance sheet despite its investments in network expansion and additional capital expenditures.

Top Detractors

Broadridge Financial Solutions: Broadridge provides investor communications and technology-driven solutions to banks, broker/dealers, mutual funds and corporations globally. We think the company's wide network of broker/dealers and banks is a competitive advantage that makes the company the preferable choice for corporations to use in distributing proxy information.

Catalent: The company provides manufacturing and development services for global pharmaceuticals, biotech and consumer health companies. Its core differentiator is its expertise – and intellectual property – around dosage forms. The company is the worldwide leader in production of soft-gel tablets. We like that the company enjoys significant barriers to entry and is typically named in its customers' regulatory filings. These relationships are approved by regulators and any cessation would require additional regulatory scrutiny, thus creating a level of stickiness to its customer base. We also like that over half of the company's revenue is tied to long-term contracts.

Blackbaud: Blackbaud provides software solutions to the nonprofit industry. We believe the software company has long-duration growth potential as it penetrates the not-for-profit market, which has long been underserved. We also believe the company's Software as a Service business creates attractive recurring revenues.

Belden: The supplier of cables, connectors and networking equipment serves industrial, broadcast and enterprise information technology end markets. We believe management will continue to focus its product portfolio toward its higher-quality connector and networking products, and away from its legacy cable products, which have less pricing power. We also expect management will create value through acquisitions to improve its product portfolio and will drive productivity improvements to boost margins and returns on invested capital. Finally, we appreciate that Belden serves large and growing markets and should benefit longer term from the Internet of Things (IoT), or the increasing connectivity of electronic devices.

SS&C Technologies: The company is a global provider of investment and financial software-enabled services and is focused exclusively on the global financial services industry. We like SS&C because the majority of its revenue comes from recurring sources such as subscription services or software maintenance, where client retention has remained high.

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.

Closed to certain new investors.

As of 12/31/18 the top ten portfolio holdings of Janus Henderson Triton Fund are: Broadridge Financial Solutions Inc (2.29%), HEICO Corp (2.21%), SS&C Technologies Holdings Inc (2.13%), STERIS PLC (1.90%), LPL Financial Holdings Inc (1.90%), ServiceMaster Global Holdings Inc (1.89%), Catalent Inc (1.84%), Euronet Worldwide Inc (1.79%), Cadence Design Systems Inc (1.58%) and Sensient Technologies Corp (1.56%). 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.

Smaller capitalization securities may be less stable and more susceptible to adverse developments, and may be more volatile and less liquid than larger capitalization securities.

Russell 2500™ Growth Index reflects the performance of U.S. small to mid-cap equities with higher price-to-book ratios and higher forecasted growth values.

Russell 2000® Growth Index reflects the performance of U.S. small-cap equities with higher price-to-book ratios and higher forecasted growth values.

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-1218-21907 04-15-19

188-42-16692 01/19