3Q19
U.S. Equity

PORTFOLIO COMMENTARY

Concentrated Growth Managed Account

Market Environment

- The Russell 1000® Growth Index ended the quarter with a modest gain despite underlying volatility sparked by global economic uncertainties and political tensions.
- While the U.S. economy appeared relatively resilient and consumer fundamentals remained healthy, the Federal Reserve responded to risks of slowing global growth with two interest rate cuts.
- Stocks tied to global trade tended to see negative impacts on their businesses, while low interest rates stimulated other industries such as housing.
- Late in the quarter, investors sought value in previously out-of-favor areas of the market while they sold higher-valuation momentum stocks.

Performance Summary

The Portfolio outperformed its benchmark, the Russell 1000 Growth Index, during the quarter ending September 30, 2019. Stock selection was favorable across a number of sectors, most notably in health care.

For more information, please visit janushenderson.com/managedaccounts.

Portfolio Discussion

We did not make any significant changes to the positioning of the Portfolio during the quarter. Alphabet, the parent company of Google, was our top contributor. The stock had been down earlier in the year after missing revenue targets and facing pressure from regulators, but during the third quarter it announced a reacceleration in revenues which assured investors of its growth trajectory. The company remains the search engine leader and is a key beneficiary from the secular shift toward mobile, video, programmatic and cross-device advertising. Alphabet has also established itself as a top-three player in cloud services, which has become a profitable, growing business segment. We also believe the company has a leading edge in technologies such as artificial intelligence and autonomous driving solutions, which should play a role in future growth.

Paint producer Sherwin-Williams was another top contributor. The company, which operates over 5,000 stores around the world and is a go-to provider for professional painters, has benefited from the strong fundamental backdrop for housing and demand for renovations. Sherwin-Williams also maintains a high degree of pricing power and recently reported increased margins resulting from falling input costs. Lastly, the company continues to benefit from synergies related to its 2017 acquisition of competitor Valspar.

While we were pleased with the results of many companies in the portfolio, other holdings disappointed. Netflix was one of our largest detractors. The company reported lower-than-expected subscriber growth during the period which sent the stock lower. New competitors like Disney and Apple also made headlines by announcing competing over-the-top media streaming services. We remain positive on

Janus Henderson
INVESTORS

Netflix, as it remains the leader in global streaming distribution and should be able to leverage its content across its platform better than competitors.

Uber Technologies was another detractor. Stock of the ridesharing company fell after reporting a larger-than-expected second-quarter loss. It has also faced new state legislation that could eventually require the company, as well as its primary competitor Lyft, to treat workers as employees rather than independent contractors. We have a favorable view on the duopoly industry structure and the large opportunity set, but we believe the company will need to lessen its focus on gaining market share, and instead shift to bolstering its financial posture and achieving profitability.

	Representative Account	
Top Contributors	Ending Weight (%)	Contribution (%)
Alphabet Inc	5.55	0.48
Sherwin-Williams Co	2.50	0.43
Texas Instruments Inc	3.36	0.43
ASML Holding NV	2.10	0.38
Apple Inc	3.79	0.37

	Representative Account	
Top Detractors	Ending Weight (%)	Contribution (%)
Netflix Inc	2.00	-0.77
Uber Technologies Inc	0.39	-0.44
Amazon.com Inc	3.95	-0.41
PayPal Holdings Inc	1.99	-0.23
Facebook Inc	2.20	-0.21

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

We expect geopolitical tensions to remain elevated. While we may reach a trade deal, we believe we are in a technology cold war, and technology supply chains will continue to separate between those that supply China and those that supply the West. We believe the economic uncertainty created by the trade war, combined with the beginning of the 2020 election cycle, will give corporate executives pause in thinking about spending on expansion projects. This in turn is likely to continue to hold global growth back.

Equities seem to be reasonably priced, particularly given the low interest rate backdrop. We will continue to monitor the strength of the U.S. consumer, which we expect to be the primary driver of future economic growth. Going forward, regardless of the macroeconomic picture, we will continue to look for durable franchises with the ability to grow market share and expand their businesses in the potential absence of meaningful economic tailwinds. We remain committed to our unwavering, long-term investment philosophy of investing in companies that have built sustainable competitive advantages around their businesses.

Portfolio Management

Doug Rao

Nick Schommer, CFA

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

Past performance is no guarantee of future results.

Discussion is based on performance gross of fees and expenses.

Information relating to portfolio holdings is based on the representative account in the composite and may vary for other accounts in the strategy due to asset size, client guidelines and other factors. The representative account is believed to most closely reflect the current portfolio management style.

As of 9/30/19 the top five portfolio holdings of the Representative Account are: Microsoft Corp (7.46%), Mastercard Inc (5.83%), Alphabet Inc (5.55%), salesforce.com Inc (4.49%) and Amazon.com Inc (3.95%). There are no assurances that any portfolio currently holds these securities or other securities mentioned.

Portfolio holdings are as of the date indicated, and are subject to change. This material should not be construed as a recommendation to buy or sell any security.

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 risk, including the possible loss of principal and fluctuation of value.

Concentrated Growth Managed Account Composite, benchmarked to the Russell 1000 Growth Index, includes portfolios that take concentrated positions in larger well-established companies along with smaller, more aggressive companies selected for their growth potential. A typical portfolio concentrates its investments in 30 to 40 equity securities. Prior to September 1, 2006 returns for the composite are for the Institutional Concentrated Growth Composite, which consisted of separately managed institutional accounts as well as sub-advised pooled funds. The composite was created in September 2006.

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

Janus Henderson provides investment advisory services in the U.S. through Janus Capital Management LLC, together with its participating affiliates.

Janus Henderson is a trademark of Janus Henderson Group plc or one of its subsidiaries. © Janus Henderson Group plc.