4Q19
U.S. Equity

PORTFOLIO COMMENTARY

Geneva Mid Cap Growth Managed Account

Market Environment

- While fourth quarter market performance was strong and broad-based, it mainly was driven by lower-quality factors.
- This low-quality bias was especially apparent when comparing the stock-level performance based on Standard & Poor's quality ratings. Overall, high-quality companies (those rated B+ or better) returned less than low-quality (those rated B or worse), and C and D rated companies were up strongly versus A+ rated companies.
- At the index level, the data was much the same; within the Russell Midcap® Growth Index, high-beta companies and nonearners generated the best performance.

Performance Summary

For the quarter ending December 31, 2019, the Geneva Mid Cap Growth strategy underperformed its benchmark, the Russell Midcap Growth Index. Given the strength of lower-quality assets during the quarter, our strategies, while generating solid absolute returns, struggled on a relative basis.

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

Portfolio Discussion

At the sector level, holdings in producer durables, technology and health care detracted. At the stock level, RealPage led detractors after delivering a mixed quarter. The property management software company reported revenue and earnings roughly in line with consensus estimates, but a tepid fourth-quarter outlook pressured shares. Remedies to address implementation issues encountered on increasingly large projects have been slow to produce results, and the company acknowledged modest weakness in resident utility management and leasing, with slower-than-expected client uptake of newer products.

Hasbro also detracted. The toy and entertainment company reported a disappointing quarter, with revenue coming in below expectations and currency causing a large headwind. Demand for "Star Wars" and "Frozen 2" was strong, but gaming was flat and franchise brands saw double-digit declines. Sales were negatively impacted by tariffs, although later in the quarter it was announced that List 4 tariffs will not be going into effect, which was a positive development.

Shares of Church & Dwight Co. were weak after the company posted a lackluster quarter. Revenue was in line and earnings beat consensus estimates, but the underlying fundamentals were weaker than expected. Organic revenue growth was driven by increasing prices, rather than greater volume, and the earnings beat was due to a tariff exemption the company applied for and received. Company guidance came in below expectations, and the underlying business appears to be softening.

Contributors at the sector level included our holdings in financial services and materials and processing. At the stock level, Align Technology aided performance

Janus Henderson
INVESTORS

after posting a very strong quarter. The company grew volumes by an impressive amount, with both North American and international growth accelerating. Growth in China put concerns to rest regarding growth in the region, and average selling prices increased despite greater competition.

Shares of Copart were strong, with the company reporting revenue growth ahead of expectations. The provider of online vehicle auction and remarketing services beat gross margin expectations as a result of higher service-yard margins and a mix shift toward higher-margin service revenue. Earnings were also up year over year and beat consensus estimates.

ANSYS reported a strong quarter and management raised 2019 guidance. The engineering simulation software company had three customers sign eight-figure deals and saw improvement in the pipeline for its European business.

Top Contributors	Model Strategy Ending Weight (%)	Model Strategy Contribution (%)
Align Technology Inc	1.50	0.58
Copart Inc	3.43	0.43
ANSYS Inc	2.90	0.43
Tyler Technologies Inc	3.21	0.43
Fiserv Inc	3.28	0.37

Top Detractors	Model Strategy Ending Weight (%)	Model Strategy Contribution (%)
RealPage Inc	1.85	-0.34
Hasbro Inc	1.50	-0.20
Church & Dwight Co Inc	2.28	-0.17
Verisk Analytics Inc	2.49	-0.16
ABIOMED Inc	1.44	-0.13

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.

Manager Outlook

To say we closed out the decade on a high note from a market perspective is an understatement. We began the decade emerging from the worst bear market since the Great Depression and concluded it at all-time highs, even amidst numerous economic and political challenges. Now, the question on many investors' minds is: What will the forthcoming decade bring with respect to investment returns?

History would show that a decade that produces a double-digit annualized return does not necessarily imply that the following decade's performance will be challenged. Quite the contrary. Since the 1930s the S&P 500® Index has experienced two decades of negative absolute returns (1930s and 2000s) and one more once you adjust for inflation (1970s). In each case, the negative-returning decade was followed by two sequential decades of nearly double-digit annualized performance. We say nearly because the 1940s generated 9.54% annualized returns, yet half of the decade was mired in World War II.

This is not a proclamation that the 2020s will be without surprises. From a risk perspective, corporate debt and nonbank debt balances continue to grow, and should a problem manifest in one of these areas, liquidity may become an issue. This risk is heightened by the immense inflows into exchange-traded funds and their substantial aggregate ownership of shares outstanding of nearly every company. Should the market face disruptions and equity investors simultaneously hit the sell button, we fear the door may not be wide enough for all investors to exit, potentially creating a liquidity-driven panic. However, given the backdrop of new trade agreements, lower corporate taxes, U.S. energy independence and strong demographics – both in terms of population growth (relative to the rest of the developed world) and consumption driven by the largest transfer of wealth in history (as children of boomers receive inheritances) – we remain constructive on the U.S. markets looking forward and optimistic that 2020 will see a continuation of this bull market.

Portfolio Management

W. Scott Priebe

William A. Priebe, CFA

Jose Munoz, CFA

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

Janus Henderson INVESTORS

*Stock ratings are provided by Standard & Poor's and Bank of America Merrill Lynch U.S. Quantitative Strategy. Stock rankings are assigned to all U.S. equity securities, which have the required 10 years of earnings and dividend history as required by Standard & Poor's.

Past performance cannot guarantee future results. Investing involves risk, including the possible loss of principal and fluctuation of value. Returns greater than one year are annualized. Returns are expressed in U.S. dollars. Returns reflect the reinvestment of dividends and other earnings.

Discussion is based on performance gross of fees and expenses.

Information relating to portfolio holdings is based on the model strategy for the composite and may vary for accounts in the strategy due to asset size, client guidelines and other factors. The model strategy reflects the portfolio management style.

As of 12/31/19 the top ten portfolio holdings of Geneva US Mid Cap Growth are: CoStar Group Inc (3.50%), Copart Inc (3.43%), Fiserv Inc (3.28%), Tyler Technologies Inc (3.21%), Intuit Inc (2.99%), ANSYS Inc (2.90%), Amphenol Corp (2.86%), Burlington Stores Inc (2.67%), STERIS PLC (2.58%) and IDEXX Laboratories Inc (2.57%). 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.

Sector weights based on Russell Global Sectors classifications.

The opinions are as of 12/31/19 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.

Geneva Mid Cap Wrap Composite, benchmarked to the Russell Midcap® Growth Index, contains fully discretionary equity accounts invested in approximately 50-60 mid capitalization securities whose market capitalization ranges generally fall between $2 billion to $15 billion at the time of purchase. Securities are selected using a “bottom-up” fundamental analysis of the company and supplemented by “top-down” considerations of economic conditions. This composite contains traditional SMA/wrap/bundled fee accounts, or accounts that have negotiated a bundled transaction and bundled fee with the broker, but Geneva's fee is charged separately. The composite was created December 31, 2004.

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

Geneva Capital Management LLC is a subsidiary of Janus Henderson Group plc and serves as the sub-adviser on certain products.