

PORTFOLIO COMMENTARY

Opportunistic Alpha Managed Account

Market Environment

- The S&P 500® 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.
- Sectors tied to global trade, such as energy and materials, saw negative impacts on their businesses, while low interest rates stimulated other sectors like utilities and real estate.
- 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 S&P 500 Index, for the quarter ending September 30, 2019. The strong results were driven by bottom-up stock selection.



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. Constellium was the top individual contributor to performance. The downstream aluminum producer, whose products are used in the packaging, aerospace and automotive markets, continues to experience healthy demand for its products. Further, the stock benefited from the rotation in investor preference from growth to value that took place during the period. We have a favorable view of the company as the trend toward sustainability is increasing demand for aluminum packaging. We also expect growing demand for its automotive products, as the “lightweighting” of vehicles using aluminum in place of steel helps fuel efficiency and is also important for electric vehicles.

PagSeguro Digital was another contributor. The digital payment solutions company has gained strong traction in Brazil, which is an underpenetrated market for debit and credit card payments. Its solutions enable small businesses and micro-merchants to accept credit card payments which is playing a vital role in increasing electronic payments within the country. The company also saw a strong launch of its digital banking business, PagBank, which offers financial services via a smartphone app and is opening a new addressable market for the company.

While we were pleased with the results of many companies in the Portfolio, other holdings disappointed. ICU Medical was a top detractor. The company supplies comprehensive IV delivery solutions that include IV pumps, consumable bags and saline solution. Recently, some overcapacity in the IV solution market led ICU to close some of its production, leading to a decline in the stock price. We believe this action will help the IV solution market to stabilize, and we continue to like the high margins

and strong competitive positioning of the company's IV pump and consumables business. We continue to hold the position.

Insmed also detracted. The stock sold off as investors questioned growth rates for new patient additions, the duration of use of its product, and the time and cost of a first line trial for its lead drug Arikayce. However, we continue to like Insmed's

long-term prospects. Year to date, sales of Arikayce, which addresses nontuberculous mycobacteria (NTM), a serious bacterial lung infection, have exceeded expectations and we remain convicted in the stock as Insmed is still early in the product's launch. The company is also in the process of seeking approval in both Europe and Japan, where we see strong growth opportunities.

Top Contributors	Representative Account	
	Ending Weight (%)	Contribution (%)
Constellium SE	2.31	0.60
Pagseguro Digital Ltd	3.04	0.58
Summit Materials Inc	2.46	0.52
Vistra Energy Corp	2.67	0.47
L3Harris Technologies Inc	4.46	0.45

Top Detractors	Representative Account	
	Ending Weight (%)	Contribution (%)
ICU Medical Inc	1.96	-1.16
Insmed Inc	1.55	-0.71
General Electric Co	1.99	-0.42
Apollo Global Management Inc	3.93	-0.34
TD Ameritrade Holding Corp	5.12	-0.28

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. Companies with misunderstood business models continue to comprise the core of our portfolio. Management execution is the key driver of performance for many of these stocks. As these management teams enhance operations, streamline corporate structures and/or focus on deleveraging initiatives, we believe these stocks will drive outperformance as the market comes to appreciate the intrinsic value of the business.

Portfolio Management



Nick Schommer, CFA

For more information, please visit janushenderson.com.

Janus Henderson
—INVESTORS—

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 ten portfolio holdings of the Representative Account are: Crown Holdings Inc (5.75%), TD Ameritrade Holding Corp (5.12%), L3Harris Technologies Inc (4.46%), GCI Liberty Inc (4.08%), Vivendi SA (ADR) (3.98%), Apollo Global Management Inc (3.93%), Liberty Media Corp-Liberty Formula One (3.67%), Wabtec Corp (3.21%), Sempra Energy (3.06%) and Pagseguro Digital Ltd (3.04%). 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.

Opportunistic Alpha Managed Account Composite, benchmarked to the S&P 500 Index, includes portfolios that seek to invest in under-valued companies with improving return on invested capital and an asymmetrical risk/reward profile. The portfolios may have exposure to foreign securities through ADRs. A typical portfolio invests in 35 to 55 equity securities. Prior to June 1, 2007 returns for the composite are for the Institutional Opportunistic Alpha Composite, which consisted of separately managed institutional accounts as well as sub-advised pooled funds. The composite was created in June 2007.

S&P 500® Index reflects U.S. large-cap equity performance and represents broad U.S. equity market performance.

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