VIT Enterprise Portfolio

Market Environment
- Mid-cap stocks ended the quarter roughly flat despite underlying volatility sparked by economic uncertainty and conflict over trade.
- While the U.S. economy appeared relatively resilient, the Federal Reserve responded to risks of slowing global growth with two interest rate cuts.
- Late in the quarter, investors sought value in previously out-of-favor areas of the market while they sold higher-valuation growth stocks.

Performance Summary
The Portfolio outperformed its benchmark, the Russell Midcap® Growth Index, for the quarter ending September 30, 2019. Stock selection was favorable across a number of sectors, including information technology, where the Portfolio’s avoidance of high-valuation Software as a Service (SaaS) stocks assisted relative performance.

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

Portfolio Discussion
As we’ve written about in the past, the Portfolio has been underexposed to highly valued Internet and SaaS stocks, which have outperformed in recent quarters. This positioning worked to our favor in the third quarter as investors rotated out of many of these higher-valuation names, some of which have yet to report a profit. While we do have some exposure to the SaaS area, we have focused on profitable companies benefiting from resilient subscription-based revenues within well-defended industry verticals. Although these may not be the fastest growers within the SaaS space, they have established track records of execution and fit our valuation discipline.

Within information technology we also continue to favor tech hardware companies that trade at more attractive multiples and are capitalizing on the growth in connected devices. Two semiconductor equipment manufacturers were top contributors to absolute performance during the third quarter. KLA-Tencor is a leading supplier of advanced inspection equipment used in the semiconductor production process. It is committed to innovation and is a leader in its industry. Lam Research, another contributor, makes etching and deposition equipment used to produce memory chips, a growth area of the chip market. Both companies are seeing improved demand trends in their end-user markets.

Health care is another area where we’ve looked for innovation, and we believe aging populations in developed countries and rising incomes in the emerging markets will fuel positive demand trends in the sector. Despite these trends, our portfolio overweight to health care detracted from relative performance in the third quarter, as political rhetoric around Medicare for All and greater oversight of pharmaceuticals pricing pressured broad sector performance. Several individual health care names also detracted from absolute returns. ICU Medical supplies IV delivery solutions, including IV pumps, consumable bags and IV solution. Recent overcapacity in the IV solution market led the company to cut back production, leading to a decline in the stock price.
We believe pricing in the IV solution market will eventually stabilize, and we continue to like the high margins and strong competitive positioning of the company’s IV pump and consumables businesses. For this reason we held onto the position. Cooper, another detractor, makes contact lenses and other products to treat myopia, a condition that is becoming more common as people are increasingly engaged in “near” activities on computers and handheld devices. While Cooper reported some slowing in its lens business, we believe this is a short-term issue. The company has solid market positioning and an experienced management team we believe can reaccelerate the business.

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<tr>
<th>Top Contributors</th>
<th>Ending Weight (%)</th>
<th>Contribution (%)</th>
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<tbody>
<tr>
<td>KLA Corp</td>
<td>1.63</td>
<td>0.43</td>
</tr>
<tr>
<td>Cimpress NV</td>
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<td>Teledyne Technologies Inc</td>
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<td>Lam Research Corp</td>
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<td>Ritchie Bros Auctioneers Inc</td>
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<table>
<thead>
<tr>
<th>Top Detractors</th>
<th>Ending Weight (%)</th>
<th>Contribution (%)</th>
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<tbody>
<tr>
<td>ICU Medical Inc</td>
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<tr>
<td>Cooper Cos Inc</td>
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<td>Sarepta Therapeutics Inc</td>
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<tr>
<td>PerkinElmer Inc</td>
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</tr>
<tr>
<td>SS&amp;C Technologies Holdings Inc</td>
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<td>-0.20</td>
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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/VIT.

Manager Outlook

In our view, the third quarter market reversal did not go far enough to correct excessive valuations in certain high-growth stocks and sectors such as medtech, consumer Internet and SaaS. While we like many of these companies’ business models and management teams, our valuation discipline has led us to remain underweight in these stocks. Within health care, we continue to avoid services stocks that may be most affected by a move toward nationalized health care. Instead, we have focused on companies that provide inputs and research to support the development of new treatments. These companies support a diverse global market less affected by U.S. regulatory changes.

We see other sources of potential market volatility, including slower global economic growth and trade conflict. Additionally, as election season approaches, we anticipate populist rhetoric from both sides of the political spectrum could target certain business groups. We believe by investing in well-managed, innovative companies that treat customers and employees fairly, and by avoiding areas of the market – such as health care services – that may be more sensitive to regulatory changes, we will be better able to navigate this environment. We also plan to use volatility to our advantage, seeking out exceptional growth companies should their valuations become more attractive.

Portfolio Management

Brian Demain, CFA

Cody Wheaton, CFA
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/VIT. 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/VIT for current month-end performance.

Discussion is based on performance of the Fund’s "parent" share class (typically that with the longest history).

Closed to certain new investors.

As of 9/30/19 the top ten portfolio holdings of Janus Henderson Enterprise Portfolio are: Constellation Software Inc/Canada (2.42%); Nice Ltd (ADR) (2.37%); Global Payments Inc (2.15%); Aon PLC (2.12%); Microchip Technology Inc (2.02%); Boston Scientific Corp (1.99%); TE Connectivity Ltd (1.95%); Sensata Technologies Holding PLC (1.95%); Crown Castle International Corp (1.92%) and Teledyne Technologies Inc (1.90%). 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.

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.

Growth stocks are subject to increased risk of loss and price volatility and may not realize their perceived growth potential.

Russell Midcap® Growth Index reflects the performance of U.S. mid-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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