

Balanced Fund

Market Environment

- U.S. equities rebounded strongly from the severe sell-off in the first quarter, although volatility remained high. Monetary and fiscal stimulus of staggering proportions provided a backstop that bolstered investor confidence, as did optimism on reopening the U.S. economy.
- Cyclical sectors generally led the S&P 500® Index higher. Consumer discretionary, energy and tech stocks generated the strongest returns. Relatively more-defensive sectors that held up better in the first quarter, including utilities, consumer staples and health care, lagged in the rally.
- The Bloomberg Barclays U.S. Aggregate Bond Index also generated positive returns, driven by strong performance in credit markets. The Federal Reserve's (Fed) aggressive stimulus contributed to a rapid improvement in debt market liquidity and a successful primary market for companies looking to issue debt.
- U.S. Treasury yields were relatively stable, due in part to Fed purchases. The 10-year Treasury yield closed June at 0.66%, down from 0.70% in March.

Performance Summary

The Fund, which seeks to provide more consistent returns over time by allocating across the spectrum of fixed income and equity securities, outperformed the Balanced Index, a blended benchmark of the S&P 500 Index (55%) and the Bloomberg Barclays U.S. Aggregate Bond Index (45%). The Fund underperformed its primary benchmark, the S&P 500 Index, and outperformed its secondary benchmark, the Bloomberg Barclays U.S. Aggregate Bond Index.



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

Portfolio Discussion

Containment measures for the COVID-19 health care crisis were taking heavy tolls on global economies at the start of the quarter, and the Fund was positioned accordingly, with over half of the portfolio allocated to fixed income. As the period progressed, visibility into economic recoveries in some of the earliest-afflicted countries led us to conclude that a faster-than-expected domestic recovery was not out of the question. Robust monetary and fiscal stimulus and progress in treating the virus – and the market's positive response – gave us additional confidence to begin shifting the portfolio toward a more aggressive stance. We added materially to equities and actively adjusted the sleeve to increase exposure to companies we expect to play a larger role in the post-COVID-19 economy. In the fixed income sleeve, we sought to take advantage of the most attractive corporate valuations we've seen in some time, adding at first to more defensive-business models, but as the period progressed, increasing focus on more challenged or cyclical names that in our view could still navigate a period of extreme economic uncertainty. The Fund ended the quarter with approximately 58% in stocks, 41% in fixed income and a small portion in cash.

Equity Sleeve

The Fund's equity sleeve performed in line with the S&P 500 Index. At the company level, some of our exposure to more-defensive business models that held up well versus the market in the first quarter failed to keep pace this period. Membership wholesale club Costco is one example, but we believe it is well positioned versus its peers and should continue to benefit from consumers buying staples in bulk amid the health care crisis. Pharmaceutical company Merck also fell into this category. Markets also expressed some concern around competition against its popular cancer-fighting immunotherapy Keytruda, but we believe Keytruda still has significant growth potential, especially in combination with other cancer treatments.

CME Group, the world's largest derivative exchange, also detracted as trading volumes cooled after the dramatic portfolio repositioning seen in the first quarter. We acknowledge a period of lower interest rate volatility could challenge the company's earnings but continue to appreciate CME's stable business model and growth opportunities outside of the U.S.

Elsewhere in the portfolio, our positioning in the strong-performing tech sector aided performance. The COVID-19 pandemic has radically accelerated the digital transformation, and companies offering services and products relevant to this shift in technology and capital spending continue to be rewarded by the market. Positions in Adobe, Microsoft and Accenture were among the sleeve's top performers. These names are also relatively less affected by the recession than other areas of the economy.

Home Depot was another contributor, benefiting from its "essential service designation" and increased home improvement activity amid stay-at-home orders. Home Depot's ongoing investment in its online presence also proved beneficial as the trend toward e-commerce accelerated over the quarter.

Top Contributors	Equity	
	Average Weight (%)	Relative Contribution (%)
Adobe Inc	3.16	0.38
Home Depot Inc	3.28	0.30
Lam Research Corp	1.75	0.25
Microsoft Corp	8.36	0.22
Accenture Plc	2.36	0.21

Top Detractors	Equity	
	Average Weight (%)	Relative Contribution (%)
Merck & Co	2.87	-0.43
CME Group	1.53	-0.35
Altria Group Inc	1.76	-0.34
Boeing Co	0.37	-0.34
Costco Wholesale Corp	2.25	-0.25

Fixed Income Sleeve

The Fund's fixed income sleeve outperformed the Bloomberg Barclays U.S. Aggregate Bond Index during the quarter. We added over 15% to our corporate allocation, primarily in the investment-grade space but also, and more selectively, in the high-yield market. To accommodate that increase, we moved further underweight in agency mortgage-backed securities (MBS) and U.S. Treasuries. These allocation decisions proved beneficial to relative outperformance, as Treasuries and agency MBS underperformed all other sectors in the benchmark.

On an issuer basis, food services company Sysco was among our top contributors, performing well after an attractive new issue was launched in March. We added to our position early in the quarter believing that markets were pricing in more risk than warranted given that, in our view, Sysco remains a market leader in the sector, with a variable cost and high-free-cash-flow business model that could navigate a difficult demand backdrop.

Lack of exposure to government-related securities, which include emerging market issuers, held back results given the "risk-on" sentiment of the quarter. A modest cash balance also held back results. Cash is not used as a strategy within the Fund but is a residual of our bottom-up, fundamental investment process. No single corporate issuer materially weighed on performance.

Top Contributors	Fixed Income	
	Average Weight (%)	Relative Contribution (%)
U.S. Treasury N/B	15.37	0.57
Sysco Corp	1.17	0.20
Boeing Co	1.24	0.18
WPX Energy	0.24	0.10
Priceline Group	0.94	0.10

Top Detractors	Fixed Income	
	Average Weight (%)	Relative Contribution (%)
Federal National Mortgage Assn	9.33	-0.20
Fannie Mae or Freddie Mac	4.64	-0.09
Gov National Mortgage Assn	2.69	-0.07
GN BB4357	0.79	-0.02
G2SF 4.5 10/20	0.77	-0.02

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. Relative contribution reflects how the portfolio's holdings impacted return relative to the benchmark. Cash and securities not held in the portfolio are not shown.

Manager Outlook

Monetary and fiscal stimulus measures have had substantial positive impact on capital markets, and we expect that to continue in the near term – though we are mindful of the potential longer-term repercussions. With this support and the pent-up demand that was created from shelter-in-place orders, we are optimistic that U.S. economic growth will accelerate off its lows in the quarters ahead.

Such a prominent backstop does not yet exist in regard to the health care crisis, creating a delicate balancing act. Uncertainty will remain high as social distancing restrictions are reduced; rebounds in cases and the advent of the fall/winter flu season will surely contribute to the pace at which the economy can reopen. However, an effective vaccine that can be produced at scale could materially speed up the recovery in the economy and positively impact markets.

We also have an eye on the upcoming U.S. elections. We expect political-related volatility to pick up as November approaches and will be monitoring proposed policies that could affect the regulatory and tax landscape of the companies in which we invest.

Despite the risks, we believe the Fund's tilt toward equities is validated by the fact that equity dividends and cash flow yields generally look attractive relative to bond yields. Within the equity sleeve, our approach remains focused on high-quality growth companies with strong balance sheets and significant free cash flow that should enable them to evolve with a rapidly changing economy and return value to shareholders. In fixed income, we expect bonds across most credit sectors to remain in demand, driven by Fed support and the additional yield available over very low policy rates. While we think investment-grade companies have the strength to better weather a slow growth environment, we remain focused on valuations and diligent in identifying attractive risk-adjusted returns across the ratings spectrum. We are also maintaining our exposure in securitized credit with a focus on higher-quality structures that can withstand the elevated economic uncertainty, believing the Fed's aggressive actions should help support liquidity and the underlying fundamentals of these securities. As always, we will dynamically adjust the portfolio based on market conditions and the investment opportunities our equity and fixed income teams identify through their bottom-up, fundamental research.

Portfolio Management

Equity Sleeve

- Marc Pinto, CFA
- Jeremiah Buckley, CFA

Fixed Income Sleeve

- Michael Keough
- Greg Wilensky, CFA

For more information, please visit janushenderson.com.

Janus Henderson
INVESTORS

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.

Diversification neither assures a profit nor eliminates the risk of experiencing investment losses.

Discussion is based on the performance of Class I Shares.

10-Year Treasury Yield is the interest rate on U.S. Treasury bonds that will mature 10 years from the date of purchase.

As of 6/30/20 the top ten portfolio holdings of Janus Henderson Balanced Fund are: Microsoft Corp (4.98%), Apple Inc (2.90%), Mastercard Inc (2.35%), Alphabet Inc Cl-C (2.22%), Amazon Com Inc (2.20%), Adobe Inc (1.97%), UnitedHealth Group Inc (1.97%), Home Depot Inc (1.90%), Merck & Co (1.49%) and Accenture Plc (1.43%). There are no assurances that any portfolio currently holds these securities or other securities mentioned.

The opinions are as of 6/30/20 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.

For equity portfolios, relative contribution compares the performance of a security in the portfolio to the benchmark's total return, factoring in the difference in weight of that security in the benchmark. Returns are calculated using daily returns and previous day ending weights rolled up by ticker, gross of advisory fees, may exclude certain derivatives and will differ from actual performance.

For fixed income portfolios, relative contribution compares the excess return of an issuer in the portfolio to the excess return of that issuer in the benchmark and the excess return of that issuer in the benchmark to the benchmark overall, factoring in any difference in weight. Excess return is calculated by comparing the performance of a security to a hypothetical duration-matched security with no credit risk, and rolling up securities by issuer. Relative contribution is based on comparing daily returns, gross of advisory fees, may exclude certain derivatives and will differ from actual performance.

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

Fixed income securities are subject to interest rate, inflation, credit and default risk. The bond market is volatile. As interest rates rise, bond prices usually fall, and vice versa. The return of principal is not guaranteed, and prices may decline if an issuer fails to make timely payments or its credit strength weakens.

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

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

Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based measure of the investment grade, US dollar-denominated, fixed-rate taxable bond market.

Balanced Index is an internally-calculated, hypothetical combination of total returns from the S&P 500® Index (55%) and the Bloomberg Barclays U.S. Aggregate Bond Index (45%).

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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