

FUND COMMENTARY

Balanced Fund

Market Environment

- Large-cap equities generated strong gains, with growth equities, especially high-growth names, outperforming value stocks.
- The relatively strong U.S. economy, benign interest rate environment and late-period progress in U.S.-China trade relations provided a positive backdrop for U.S. equities.
- Continued strength in employment and wage growth supported consumer confidence and spending.
- Companies generally reported healthy earnings growth, although those with exposure to industrial production continued to experience weakness.
- The Federal Reserve (Fed) remained accommodative, cutting its benchmark federal funds rate for the third time this year, but signaled plans for a pause to allow the cuts to work through the economy before taking further action.
- Rising rates held fixed income to nominal gains. The U.S. Treasury yield curve steepened, with the benchmark 10-year bond yield closing December at 1.92%, up from 1.66% in September. But corporate credit performed well, with high yield outperforming investment grade.

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

Compared to the Balanced Index, the Fund remains overweight equities, with roughly 62% allocated to stocks, 38% to fixed income and a small portion in cash. While we maintained a relatively bullish stance, we took advantage of the strong performance in equities to modestly decrease our equity exposure near period end. We determined it prudent to reduce risk exposure on the margin by trimming some higher-beta names that were trading at or near peak valuations. Nevertheless, we believe that the risk/reward trade-off between stocks and bonds currently favors stocks, with the dividend yield on the S&P 500 Index attractive relative to that of longer-term Treasury notes. Although not cheap on an absolute basis, U.S. equities remain reasonably valued and within historical ranges. Going forward, the equity weighting will continue to be dynamic, based on market conditions and the investment opportunities our teams identify across asset classes.

Equity Sleeve

The Fund's equity sleeve underperformed the S&P 500 Index. While our emphasis on relatively less-volatile stocks lagged the broader market, some of our larger positions also faced idiosyncratic challenges. For example, Boeing was the sleeve's top detractor. The Federal Aviation Administration's diligence in reinstating the 737 MAX aircraft resulted in concerns over potential negative cash flow, as it is still awaiting approval. We continue to hold the position, as robust air traffic is supportive of a growing fleet and orders for the 737 MAX remain intact.

McDonald's also detracted. An unexpected CEO change negatively impacted the stock, and while the company reported strong sales and earnings results, operating leverage disappointed. We maintained our position, believing the company's investment into its business, including its digital customer experience, will ultimately be accretive.

While the aforementioned positions detracted, other holdings benefited performance. Apple led absolute contributors. Optimism around the rollout of 5G and the company's 2020 product lineup supported the stock. Apple's higher-margin accessory business, which includes the Apple Watch and AirPods, continues to grow, and its services business has helped create a recurring revenue stream that makes the company less dependent on the phone replacement cycle.

Microsoft was another contributor. The company had solid quarterly results as demand for its Software as a Service (SaaS) products, including the Azure cloud platform and subscription-based Office 365, remains healthy. Further, Microsoft won a sizable government contract for Azure during the period. The company's consistent revenue growth is commendable for a company of its size, and we admire the consistency with which it returns capital to shareholders.

Top Contributors	Equity	
	Ending Weight (%)	Contribution (%)
Apple Inc	4.07	1.04
Microsoft Corp	6.67	0.86
UnitedHealth Group Inc	3.07	0.86
Mastercard Inc	4.89	0.47
Altria Group Inc	2.25	0.47

Top Detractors	Equity	
	Ending Weight (%)	Contribution (%)
Boeing Co	2.80	-0.48
McDonald's Corp	2.84	-0.24
Home Depot Inc	2.65	-0.16
Progressive Corp	1.35	-0.09
Hasbro Inc	1.09	-0.09

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 is the difference between the contribution by ticker to the portfolio's performance versus that ticker's contribution to the benchmark's performance. It reflects how the portfolio's holdings impacted return relative to the benchmark. Cash, tickers not held in the portfolio and certain derivatives, such as Interest Rate Swaps, may be excluded.

Fixed Income Sleeve

The Fund's fixed income sleeve outperformed the Bloomberg Barclays U.S. Aggregate Bond Index. We maintained a constructive view on credit markets, believing they would be supported by the more accommodative Fed, a healthy consumer and favorable financial conditions. Our overweight position in investment-grade corporate credit, particularly in the lowest-ratings tier of the segment, contributed significantly to relative outperformance, as did our out-of-index exposure to high yield.

At the industry level, security selection and a focus on companies that prioritize sound fundamentals and deleveraging their balance sheets boosted returns in technology and health care. Our overweight position in semiconductor manufacturer Broadcom benefited from a shift in the company's long-standing financial policy in which management demonstrated their commitment to maintaining investment-grade ratings and paying down debt. In the health insurance sector, we added exposure to Centene, a leading player in the Managed Medicaid and Affordable Care Act (ACA) exchange markets. While rated investment grade by Standard & Poor's (S&P), we expect the crossover issuer to be upgraded by Moody's in the near to medium term. Positive momentum in the company's new issue boosted performance.

While there were no material detractors from relative results, a position in Newell Brands, the maker of Rubbermaid, modestly detracted after a ratings downgrade by S&P. Though we were pleased with the performance of the bonds for the calendar year, we exited our position on the news. Our modest cash position also held back results. Cash is not a strategy within the Fund but is a residual of our bottom-up investment process.

Top Contributors	Fixed Income	
	Average Weight (%)	Relative Contribution (%)
FN BF0262	12.18	0.08
Broadcom Inc	0.76	0.06
Fannie Mae or Freddie Mac	6.37	0.05
U.S. Treasury N/B	18.31	0.04
Centene Corp	0.78	0.03

Top Detractors	Fixed Income	
	Average Weight (%)	Relative Contribution (%)
Energy Transfer Partners LP	0.36	-0.01
Newell Brands	0.48	-0.01
Ford Motor Credit Co	0.70	-0.01
Oncor Electric Delivery	0.56	-0.01
ExxonMobil Corp	0.44	-0.01

Manager Outlook

U.S. equity markets have remained resilient despite the backdrop of fading global economic growth, seesawing trade tensions and uncertainties surrounding the 2020 U.S. presidential election. Solid corporate results and the return of money to shareholders continue to buoy the market, and the consumer remains on relatively strong footing, with increasing wage growth and a healthy labor market supporting consumer confidence and spending. In our view, the outlook for accommodative interest rates and slower but constructive earnings growth coupled with consumer strength make many equity valuations defensible, with potential for upside. Further, with suppressed Treasury yields and corporate yields over Treasuries near their tightest levels of this credit cycle, we intend to maintain our equity overweight.

Still, the macroeconomic situation points to short-term bumps along the road in 2020, and we fully expect U.S.-China trade tensions and the presidential election to generate volatility, with the market responding positively or negatively depending on the tenor of the latest news. While progress appears to have been made on the trade front, until there is a definitive resolution, the negotiations will overhang markets and threaten to disrupt supply chains, and we remain mindful of our exposure to those companies in the cross fire.

Within the equity sleeve, we prefer to focus on powerful secular themes that we believe will remain in place for an extended period of time, including the shift to cloud services and greater adoption of SaaS solutions, a worldwide increase in the use of e-payments and the growth of global travel and leisure activity. We continue to look for companies that stand to benefit from these trends and those that exhibit quality earnings growth and generate excess free cash flow to reinvest in their businesses and return value to shareholders. We believe these firms can perform well through a variety of market cycles and economic conditions.

Within the fixed income sleeve, we remain positive, but our outlook for returns is subdued in comparison to 2019. Corporate credit, in aggregate, should find support from a stabilizing U.S. economy; however, given the relative tightness in corporate bond spreads, we are biased toward higher-quality, cash-flow-generative business models and issuers that are focused on balance sheet improvement. We expect consumer strength to remain a bright spot and, as we seek to diversify the portfolio's credit risk, we believe asset- and mortgage-backed securities will offer attractive opportunities in 2020. Across fixed income sectors, we remain committed to astute security selection as we strive to deliver strong risk-adjusted returns.

Portfolio Management

Equity Sleeve

- Marc Pinto, CFA
- Jeremiah Buckley, CFA

Fixed Income Sleeve

- Michael Keough
- Mayur Saigal
- Darrell Watters

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.

As of 12/31/19, Darrell Watters is no longer Co-Portfolio Manager. Effective 2/1/20, Mayur Saigal will be removed as Co-Portfolio Manager and Greg Wilensky will be added.

Beta measures the volatility of a security or portfolio relative to an index. Less than one means lower volatility than the index; more than one means greater volatility.

Credit Spread is the difference in yield between securities with similar maturity but different credit quality.

Discussion is based on the performance of Class I Shares.

As of 12/31/19 the top ten portfolio holdings of Janus Henderson Balanced Fund are: Microsoft Corp (4.12%), Mastercard Inc (3.02%), Apple Inc (2.52%), Alphabet Inc (2.38%), UnitedHealth Group Inc (1.90%), McDonald's Corp (1.76%), Boeing Co (1.73%), United States Treasury Note/Bond (1.72%), United States Treasury Note/Bond (1.65%) and Home Depot Inc (1.64%). There are no assurances that any portfolio currently holds these securities or other securities mentioned.

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.

For fixed income portfolios, relative contribution is calculated by rolling up securities by ticker and comparing the daily returns for securities in the portfolio relative to those in the index. Relative contribution is based on returns gross of advisory fees, and may 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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