

Balanced Fund

Market Environment

- The S&P 500[®] Index generated a positive return, although performance varied considerably by sector. Market participants continued the fourth quarter trend of rotating away from high-growth sectors that performed well in recent years, instead preferring more cyclical sectors that stand to benefit from the improving economy.
- Faster-than-expected vaccine delivery heightened expectations around the pace of the economic recovery. This, coupled with the Biden administration's \$1.9 trillion stimulus plan, drove interest rates higher at a dramatic clip.
- Energy and industrials generated double-digit returns, as did financials, which are expected to benefit from higher rates and a steeper yield curve. Consumer staples and information technology stocks lagged but still saw modestly positive returns.
- The Bloomberg Barclays U.S. Aggregate Bond Index generated a negative return in the rising rate environment. The U.S. Treasury curve bear steepened with the yield on the 10-year Treasury note soaring – along with the outlooks for economic growth and inflation – to 1.74% from 0.92% while the short end remained anchored on expectations of stable policy rates. Most credit sectors outperformed Treasuries as spreads tightened, but all index sectors generated negative total returns.
- High-yield corporates, which are typically more sensitive to an improving economic environment than Treasury moves, generated modest gains. Treasury Inflation-Protected Securities (TIPS) outperformed nominal Treasuries as inflation expectations increased, but still generated a negative return.

Performance Summary

The Fund, which seeks to provide more consistent returns over time by allocating across the spectrum of fixed income and equity securities, underperformed 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 the Bloomberg Barclays U.S. Aggregate Bond Index.



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

Portfolio Discussion

The Fund began the quarter with approximately 63% allocated to equities. Our bullish outlook on equities amid the recovering economy, particularly relative to fixed income, led us to increase this weighting early in the period. Given market appreciation, we subsequently trimmed the allocation as necessary to keep it within the mandated 65% limit. We are, however, mindful that risks to the economic recovery remain, and have sought to maintain less risk (lower beta and a modest underweight to the more cyclical subsectors) than the S&P 500 Index within the equity sleeve itself. The Fund closed the quarter with approximately 65% in equities, 34% in fixed income and a small portion in cash.

Equity Sleeve

The Fund's equity sleeve underperformed the S&P 500 Index. Many of our holdings benefiting from long-term secular growth themes were out of favor during the rally in pro-cyclical, often higher-beta stocks. In our view, trading patterns frequently departed from company fundamentals over the quarter, and while we added cyclical exposure where we anticipate macro factors will persist, we also sought to take advantage of market conditions to add or increase exposure to higher-growth names at attractive entry points.

A number of the largest individual detractors for the quarter, including Adobe, Costco and Merck, sold off largely due to their sectors not keeping up with the cyclical rally rather than any company-specific fundamental issues. Merck, however, also faced concern over renewed political discussions calling for increased drug price regulation. The Fund's zero weight in energy, the top index performer, was another detractor. While oil prices are likely to continue recovering along with the economy, disappointing returns on invested capital generally have led us to avoid the industry. We also expect widespread focus on reducing carbon usage to challenge the sector.

Other names benefited from aspects of the global economic recovery. Semiconductor company Lam Research led relative contributors; demand forecasts for wafer fabrication equipment continued to increase with the proliferation of semiconductors across industries. A position in John Deere also performed well. The company's precision agricultural solutions benefited from stronger global demand for corn and soybeans, leading to better-than-expected earnings and profitability. Bank of America was another top contributor. The company reported strong earnings supported by the recovery in capital markets, robust investment banking activity and the prospect for improved net interest margins given the steepening yield curve.

Top Contributors	Equity	
	Average Weight (%)	Relative Contribution (%)
Lam Research Corp	2.52	0.41
Deere & Co	1.68	0.38
Alphabet Inc	4.65	0.31
Home Depot Inc	2.72	0.16
Bank of America Corp	1.61	0.13

Top Detractors	Equity	
	Average Weight (%)	Relative Contribution (%)
Adobe Inc	2.86	-0.26
Mastercard Inc	3.77	-0.19
Costco Wholesale Corp	1.81	-0.18
Merck & Co Inc	1.97	-0.16
NIKE Inc	1.57	-0.13

Fixed Income Sleeve

The fixed income sleeve outperformed the Bloomberg Barclays U.S. Aggregate Bond Index. Our asset allocation decisions, which favored corporate and securitized credit, drove relative outperformance. Out-of-index exposure to high-yield corporates and TIPS contributed, as did the Fund's Treasury underweight. Security selection contributed to returns in asset-backed securities (ABS), but detracted in investment-grade corporate bonds. Yield curve positioning across the sleeve hindered results as the curve steepened, with our long Treasury holdings being most impacted.

We began reducing duration after the Democratic Party gained control of the U.S. Senate in early January, expecting additional fiscal stimulus could lead to rising interest rates. We reduced our exposure further as both COVID 19-related news and the economic outlook improved, while benchmark duration crept higher. Overall, the sleeve's duration fell by approximately 0.4 years relative to the benchmark, a significant reduction in interest rate exposure.

As credit products generally continued to outperform and some sectors reached their tightest spread levels for the year, we reduced our overweight exposure to corporate credit risk and rotated to sectors and securities that we thought offered better relative value amid the improving economic outlook. We significantly reduced our investment-grade corporate bond allocation, trimming or selling names that, in our view, had limited potential for further spread tightening, particularly in the BBB space. We sought select BB rated high-yield securities including many that we expect to be "rising stars" and may experience credit rating upgrades to investment grade in the coming quarters. We also added exposure across the securitized markets, for example, in ABS that we expect to benefit from consumer strength.

Top Contributors	Fixed Income	
	Average Weight (%)	Relative Contribution (%)
U.S. Treasury N/B	19.10	0.18
Broadcom Inc	0.92	0.04
Boeing Co	1.25	0.02
Nordstrom Inc	0.22	0.02
Continental Resources Inc	0.26	0.02

Top Detractors	Fixed Income	
	Average Weight (%)	Relative Contribution (%)
JPMorgan Chase	1.81	-0.02
California-Txbl	1.71	-0.01
Quicken Loans	0.46	-0.01
Union Electric	0.46	-0.01
Morgan Stanley	1.01	-0.01

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

We expect the economic recovery in 2021 will meet or exceed current expectations, potentially resulting in the strongest U.S. growth in nearly 40 years. The fast-paced rollout of COVID-19 vaccinations should enable lifestyle normalization and the release of pent-up demand, further fueling the economic recovery. While unemployment remains elevated compared to pre-pandemic levels, the broad employment picture is improving, providing additional strength to an already healthy consumer. Strong capital markets contributing to wealth accumulation coupled with high consumer savings rates paint a bright picture for consumer spending – an outsized contributor to U.S. GDP – in the months ahead.

The interest rate rise in the first quarter was large by historical standards, reflecting the rapid change in growth and inflation expectations. However, while longer-maturity rates will likely trickle higher, we anticipate the rise will be orderly from here, and without significant disruption to equity markets.

We are certainly mindful of risks that could upset our base case, including shifts in U.S. trade relations and corporate tax reform under the Biden administration, or a rapid rise in inflation. But, as evidenced by maintaining the Fund's equity weighting at its upper bound, we continue to believe the outlook for equities is strong. Corporate balance sheets in most sectors remain healthy, and we expect secular growth trends that have been accelerated by the pandemic, including cloud services, Software as a Service and health care innovation, to further cement themselves in the global economy. Within the equity sleeve, we remain focused on higher-quality, cash flow generative companies that we expect to be long-term winners amid the digital transformation.

Within the fixed income sleeve, we remain positive on the outlook for spread sectors, including corporate and securitized credit. Strong growth tends to be a tailwind for riskier assets, and we continue to favor sub-investment-grade securities. However, we expect to remain diversified in our exposure, looking to a wide variety of sectors and industries to provide yield and reduce overall portfolio volatility. In contrast to the past year, where markets were primarily driven by broad asset class moves, in 2021, we expect the sleeve's returns to be driven by our fundamental research uncovering individual sectors and securities with the potential to outperform.

As always, we will dynamically adjust each sleeve of the Fund, as well as the Fund's overall asset allocation, 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

- 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.

Portfolio Manager information is as of 4/3/21.

Discussion is based on the performance of Class I Shares.

As of 3/31/21 the top ten portfolio holdings of Janus Henderson Balanced Fund are: Microsoft Corp (4.92%), Apple Inc (3.32%), Alphabet Inc (3.11%), Amazon.com Inc (2.86%), Mastercard Inc (2.49%), UnitedHealth Group Inc (2.13%), Home Depot Inc (1.87%), Adobe Inc (1.84%), Lam Research Corp (1.75%) and United States Treasury Note/Bond (1.67%). There are no assurances that any portfolio currently holds these securities or other securities mentioned.

The opinions are as of 3/31/21, are subject to change and may not reflect the views of others in the organization. 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.

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.

Bear steepener is the widening of the yield curve caused by long-term interest rates increasing at a faster rate than short-term rates.

Duration measures a bond price's sensitivity to changes in interest rates. The longer a bond's duration, the higher its sensitivity to changes in interest rates and vice versa.

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.

Janus Henderson is a trademark of Janus Henderson Group plc or one of its subsidiaries. © Janus Henderson Group plc.

Janus Henderson Distributors