

## Dividend and Income Builder Fund

### Market Environment

- Risk appetite was resilient in 2019, which was reflected in the equity market rotation toward more reflationary, growth-positive themes, particularly in undervalued cyclical shares.
- UK equities performed strongly as investors became more optimistic, following the general election, that there will be a clearer path toward Brexit going forward.
- Despite the ongoing Hong Kong riots, sentiment toward Chinese equities has been bolstered by improved trade war rhetoric and accommodative monetary policy.
- The U.S. market continued to be robust in spite of macro and political headwinds. The labor and consumer environments have been particularly strong, offsetting low manufacturing activity.
- Credit spreads tightened meaningfully into year-end, resulting in high-yield and investment-grade credit experiencing a healthy rally in the fourth quarter. This was a period of range-trading for government bond yields, which coincided with a stabilization in the economic data that equally did not show any sustained recovery.

### Performance Summary

The Fund continued to meet its income objectives but underperformed its primary benchmark, the MSCI World Index<sup>SM</sup>, during the quarter ending December 31, 2019, as the Fund's lower volatility and defensive income bias lagged the broader global equity market. While the fixed income allocation contributed positively to absolute performance over the period, it was also a drag relative to the broader equity market. The Fund also underperformed its secondary benchmark, the 75% MSCI World / 25% Bloomberg Barclays Global Aggregate Credit (USD Hedged) Index.



For detailed performance information, please visit [janushenderson.com/performance](https://janushenderson.com/performance).

### Portfolio Discussion

The Fund made positive absolute gains in both Europe and the U.S.; however, performance there lagged the broader global benchmark. While positive to absolute performance, the Fund's positioning in the communication services sector was a drag relative to the benchmark, as we didn't hold certain non- and low-yielding holdings in the index that performed well during the period. We were overweight energy and health care, and stock selection in those sectors detracted from relative performance. Our positioning in consumer staples as well as our cash positioning also detracted.

In the equity allocation, the Fund's stock selection in Asia Pacific (including Japan) was the strongest positive contributor to performance, including holdings within the information technology sector. The Fund's positions in semiconductors and hardware were positive for performance as the market became more optimistic that the cycle is likely to turn positive in 2020. The Fund added to the sector earlier in the year when sentiment was low, on the view that there remains structural growth potential within these industries due to ever-increasing data usage. These companies continued to produce strong cash flows that underpin their attractive dividend yields. Despite recent

outperformance of these companies, the sector underperformed relative to the benchmark, and we continue to see valuations as underappreciating the long-term growth potential.

Performance in the UK was positive; shares bounced back as many investors gained confidence that a resolution to the Brexit issue was becoming more likely following the December general election, which saw a clear majority for the Conservative Party led by Prime Minister Boris Johnson. The

British pound sterling rallied strongly over the period, further supporting shares.

In fixed income, we made a tactical allocation, reducing the bond exposure in favour of equities; given the strong run for bonds over the course of 2019, we felt it prudent to recycle some of our exposure into equities at more attractive yield levels. Specifically, we reduced some of our longer-duration bond holdings with a focus on U.S. Treasuries and investment-grade bonds predominantly.

Top Contributors	Ending Weight (%)	Contribution (%)	Top Detractors	Ending Weight (%)	Contribution (%)
Microsoft Corp	3.64	0.65	CyrusOne Inc	1.50	-0.36
Taiwan Semiconductor Manufacturing Co Ltd (ADR)	2.27	0.56	Occidental Petroleum Corp	0.91	-0.07
ABB Ltd	1.67	0.37	Unilever NV	1.66	-0.07
GlaxoSmithKline PLC	2.87	0.33	DuPont de Nemours Inc	0.44	-0.06
Siemens AG	1.46	0.30	Orange SA	1.07	-0.05

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](http://janushenderson.com/info).

## Manager Outlook

Despite the strong performance of equity markets since the financial crisis, valuations appear reasonable relative to history and bond yields. We have seen polarization of performance in equities both within and among sectors and geographies. This is presenting opportunities in good-quality companies that are trading on low valuations with attractive dividend yields.

A more positive outlook for a trade deal between China and the U.S., early signs of economic indicators bottoming and global easing of monetary policies provide a supportive environment for continued improved performance in undervalued cyclical companies in the absence of a political or economic shock.

We continue to see free cash flow coming through in the form of dividends abroad and, should rates stay this low, we believe the global equity income style will provide a good solution for many seeking higher incomes from their portfolios.

## Portfolio Management

### Equity Sleeve

- Ben Lofthouse, CFA
- Job Curtis
- Alex Crooke

### Fixed Income Sleeve

- Jenna Barnard, CFA
- John Pattullo

For more information, please visit [janushenderson.com](http://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](http://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](http://janushenderson.com/performance) for current month-end performance.

Discussion is based on the performance of Class I Shares.

As of 12/31/19 the top ten portfolio holdings of Janus Henderson Dividend & Income Builder Fund are: Microsoft Corp (3.16%), GlaxoSmithKline PLC (2.49%), Roche Holding AG (2.39%), Pfizer Inc (2.33%), Nestle SA (2.11%), Cisco Systems Inc (2.03%), Taiwan Semiconductor Manufacturing Co Ltd (ADR) (1.98%), Novartis AG (1.90%), RELX PLC (1.71%) and Verizon Communications Inc (1.69%). 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.

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

**Foreign securities are subject to additional risks including currency fluctuations, political and economic uncertainty, increased volatility, lower liquidity and differing financial and information reporting standards, all of which are magnified in emerging markets.**

**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.**

**Initial Public Offerings (IPOs) are highly speculative investments and may be subject to lower liquidity and greater volatility. Special risks associated with IPOs include limited operating history, unseasoned trading, high turnover and non-repeatable performance.**

**MSCI World Index<sup>SM</sup>** reflects the equity market performance of global developed markets.

**75% MSCI World / 25% BBgBarc Global Agg Credit (USD Hedged) Index** is an internally-calculated, hypothetical combination of total returns from the MSCI World Index<sup>SM</sup> (75%) and the Bloomberg Barclays Global Aggregate Credit Index (USD Hedged) (25%).

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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