2Q20
U.S. Equity

FUND COMMENTARY

Forty Fund

Market Environment

- The Russell 1000® Growth Index staged an impressive rebound on the heels of a near total shutdown of the economy as the U.S. government and Federal Reserve (Fed) implemented massive stimulus and liquidity measures to backstop markets.
- Growth stocks, driven primarily by large-cap technology firms, significantly outperformed value stocks and the broader market.
- The unemployment rate, which had previously risen to an extremely high level, eventually showed signs of recovery but remained elevated.
- Relatively positive economic data toward the end of the quarter, including an uptick in consumer spending, pointed to a nascent recovery; however, the development of virus hot spots, particularly in the Southern and Western regions of the country, underscored the challenges that remain as the economy reopens amid the ongoing COVID-19 pandemic.

Performance Summary

The Fund underperformed its primary benchmark, the Russell 1000 Growth Index, and outperformed its secondary benchmark, the S&P 500® Index, during the quarter ended June 30, 2020. Stock selection in the Fund and our allocation to cash were the primary drivers of underperformance relative to the primary benchmark during the period.

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

Portfolio Discussion

The top detractor relative to the benchmark for the quarter was defense contractor L3Harris Technologies. Defense stocks in general held up better during the initial market sell-off but have struggled more recently. Huge levels of fiscal stimulus will likely lead to strained government budgets for the foreseeable future. As a result, fears that defense spending will be negatively impacted weighed on the stock during the quarter.

Elanco Animal Health also detracted from relative performance. The stock declined after the company reported lower-than-expected quarterly revenues and withdrew fiscal-year guidance because of COVID-19. Elanco is a top participant in the expanding animal food and health market. The firm's planned acquisition of Bayer Animal Health remains targeted for a midyear close and should help diversify Elanco's portfolio and distribution channels.

Avalara was a top contributor for the period. The Software as a Service company is a provider of tax calculation solutions for medium-size e-commerce businesses. Companies that sell goods online are now required to collect the appropriate sales tax for each state they sell into, even if they do not have a physical presence in that state. This requirement, combined with the complexity of the U.S. tax code, makes Avalara's software an essential service for many online businesses. The stock was up during the

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quarter after reporting strong earnings and a growing customer base through a challenging economic environment.

Another top contributor for the period was semiconductor manufacturer Microchip Technology. We believed the stock was punished disproportionately during the market downturn due to concerns around the impact of the recession on its business and its elevated financial leverage from a prior acquisition. As the business has proven to be more resilient than the market had expected and the company addressed covenant concerns during the quarter, the stock has rerated.

Top Contributors	Average Weight (%)	Relative Contribution (%)
Avalara Inc	1.25	0.55
Snap Inc	0.92	0.30
Match Group Inc	0.98	0.30
ASML Holding NV	2.18	0.28
Microchip Technology	1.08	0.27

Top Detractors	Average Weight (%)	Relative Contribution (%)
L3Harris Technologies Inc	2.89	-1.01
Boston Scientific Co	3.58	-0.71
Elanco Animal Health Inc	1.22	-0.46
Apple Inc	5.76	-0.42
Procter & Gamble Co	1.89	-0.36

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

Massive fiscal and monetary stimulus measures have thus far helped cushion the blow from shelter-in-place orders and provided much-needed liquidity for markets, Main Street businesses and consumers. As a result, the individual savings rate has gone up dramatically, and many companies with impaired balance sheets have likewise been able to raise inexpensive capital and deleverage. Interest rates (and therefore company cost of capital) are likely to remain at or near zero for the foreseeable future. This could eventually lead to price extremes for both equities and fixed income and will present investors with significant challenges in assessing corporate valuations.

The economy has shown signs of a budding recovery as it reopens, but it is clear that COVID-19 infection rates will need to be kept in check, as large spikes could necessitate renewed shutdowns and create risks to the developing recovery. Thus, the path back to normalcy will likely be extended and volatile until there is an effective and widely implemented vaccine. Adding to short-term market volatility is a recent spike in retail trading volume and accounts, spurred by zero-cost commissions across the retail brokerage industry and an increase in hours spent at home for individual investors.

While we can’t predict macroeconomic outlooks, nor the trajectory of COVID-19, we believe many of the themes we have discussed in the past, specifically the widespread digitization of sectors across the economy, will not only persist but also get stronger over the coming months and years. Now more than ever, we think it is important to own companies that can benefit from long-term secular trends and that can continue to invest and grow. These are firms that have durable business models with deeply rooted competitive advantages, including strong balance sheets. Such qualities should allow these companies to allocate capital to growth opportunities despite a recessionary environment.

Portfolio Management

Doug Rao

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For more information, please visit **janushenderson.com.**

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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.

Discussion is based on the performance of Class I Shares.

As of 6/30/20 the top five portfolio holdings of Janus Henderson Forty Fund are: Microsoft Corp (8.69%), Amazon Com Inc (8.67%), Apple Inc (5.83%), Mastercard Inc (5.77%) and Alphabet Inc (3.91%). 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.

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.

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

The fund is classified as "nondiversified", meaning it has the ability to take larger positions in a smaller number of issuers than a "diversified" fund. Nondiversified funds may experience greater price volatility.

Russell 1000® Growth Index reflects the performance of U.S. large-cap equities with higher price-to-book ratios and higher forecasted growth values.

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

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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