

PORTFOLIO COMMENTARY

Mid Cap Growth Managed Account

Market Environment

- Stocks rallied in the third quarter, assisted by resilient economic growth, better-than-expected corporate profits and news of progress toward a COVID-19 vaccine.
- The Federal Reserve continued its accommodative monetary policy and indicated it will likely keep interest rates near zero for the foreseeable future.

Performance Summary

The Portfolio rose but underperformed its benchmark, the Russell Midcap® Growth Index, for the quarter ended September 30, 2020. Stock selection in information technology detracted from relative performance. Stock selection in industrials lifted relative performance.

→ For more information, please visit janushenderson.com/managedaccounts.

Portfolio Discussion

In our view, one of the most unusual developments of this unprecedented period has been the extreme outperformance of a narrow group of high-valuation, high-growth stocks in the mid-cap market. Different factors have contributed to this dynamic, including historically low interest rates. Investors also have shown a willingness to pay exorbitant prices for companies they believe would be resilient to COVID-19, even when these businesses aren't profitable. The result has been a narrow market rally fueled less by upgraded earnings outlooks than by multiple expansion.

Our experience has shown us that such periods of market divergence are not sustainable, and we have continued to approach these expensive, more speculative growth stocks with caution. While this approach hurt performance relative to our benchmark year-to-date, this gap narrowed somewhat in the third quarter as the market began to show a renewed attention toward fundamentally strong but sensibly valued stocks. Nonetheless, we continued to see some of the most expensive mid-cap growth stocks test new highs in the quarter.

While it is always disappointing to underperform, we would emphasize that our investment approach has remained consistent even as our benchmark index has changed. The Russell Midcap Growth Index has become increasingly narrow, shrinking from 464 stocks in 2016 to just 341 at quarter-end. With this increased concentration, a few high-valuation stocks have had an outsized effect on returns. The index has also become more expensive, with its forward price-to-earnings ratio reaching 43.7 as of September 30, compared with an average of 20 to 22 over the past seven years.

These changes have created some divergent priorities for us in the current environment. To chase short-term index returns would subject our investors to valuation risk we believe is unsupported by fundamentals. It would also require us to abandon the disciplined investment approach that has worked to our advantage for over 20 years. In our view, neither choice is advisable and would jeopardize our

Mid Cap Growth Managed Account (quarter ended 9/30/20)

primary objective of providing strong risk-adjusted returns to our investors over the long term.

At the same time, we continue to rely on our disciplined investment approach to identify compelling mid-cap growth companies we believe have the potential to emerge as market leaders of tomorrow. In selecting these stocks, we continue to rely on our rigorous analytic approach to understand the

competitive advantages, unit economics and market opportunity underlying each company's earnings potential. We also continue to manage risk by not paying more for these stocks than we believe they are worth. Several of these holding were strong positive contributors in the third quarter and helped the Portfolio outperform the broader mid-cap market as measured by the Russell Midcap Index.

Top Contributors	Representative Account	
	Average Weight (%)	Relative Contribution (%)
Ritchie Bros Auctioneers Inc	2.24	0.67
Varian Medical Systems Inc	1.69	0.42
PerkinElmer Inc	2.33	0.38
NICE Ltd (ADR)	3.61	0.36
Dunkin' Brands Group Inc	1.73	0.25

Top Detractors	Representative Account	
	Average Weight (%)	Relative Contribution (%)
WEX Inc	1.84	-0.51
Amdocs Ltd	2.09	-0.33
LPL Financial Holdings Inc	2.35	-0.28
Crown Castle International Corp	2.59	-0.26
Teleflex Inc	1.89	-0.24

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 remain confident that we will eventually see a return to more rational market behavior. While we are less certain on the timing of this shift, potential catalysts might include the waning effects of Federal Reserve stimulus, the upcoming election, a COVID-19 vaccine, or a significant increase in inflation. As we continue to navigate this environment, we remain committed to our long-term approach that focuses on a three- to five-year time horizon. At the same time, we are also considering what the economy may look like on the other side of this crisis. We recognize that the pandemic may have accelerated some trends we were already following. It could also lead to more sustained changes in the way people live, work, shop and travel. This may create some exciting growth investment opportunities for disciplined, risk-conscious investors such as ourselves that focus on long-term time horizons.

Portfolio Management



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For more information, please visit janushenderson.com.

Janus Henderson
— INVESTORS —

Past performance is no guarantee of future results.

Discussion is based on performance gross of fees and expenses.

Information relating to portfolio holdings is based on the representative account in the composite and may vary for other accounts in the strategy due to asset size, client guidelines and other factors. The representative account is believed to most closely reflect the current portfolio management style.

As of 9/30/20 the top ten portfolio holdings of the Representative Account are: NICE Ltd (ADR) (3.71%), Global Payments Inc (2.99%), SS&C Technologies Holdings Inc (2.96%), Aon PLC (2.75%), Verisk Analytics Inc (2.60%), Microchip Technology Inc (2.59%), STERIS PLC (2.59%), KLA Corp (2.58%), Boston Scientific Corp (2.58%) and Broadridge Financial Solutions Inc (2.53%). There are no assurances that any portfolio currently holds these securities or other securities mentioned.

Portfolio holdings are as of the date indicated, and are subject to change. This material should not be construed as recommendation to buy or sell any security.

The opinions are as of 9/30/20, 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.

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

Mid Cap Growth Managed Account Composite, benchmarked to the Russell Midcap Growth Index, includes portfolios that invest in a diversified portfolio of mid-sized companies selected for their potential for predictable and sustainable growth. Portfolios invest primarily in US companies whose market capitalization, at time of initial purchase, fall within the 12-month average of the capitalization range of the Russell Midcap Growth Index. The portfolios are optimized to the Russell Midcap Growth Index and typically hold 50 to 60 equity securities. The composite was created in January 2006.

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

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