4Q20
U.S. Equity

PORTFOLIO COMMENTARY

US Mid Cap Growth

Market Environment

- Mid-cap stocks delivered strong positive performance in the fourth quarter, as the approval of several COVID-19 vaccines raised hopes for a return to normal economic activity in 2021.
- Economic and earnings growth remained relatively resilient despite rising virus rates and new lockdown orders in some parts of the country.
- The Federal Reserve indicated it will likely keep interest rates near zero for the foreseeable future. Congress also passed additional stimulus measures that may help support economic growth in the new year.

Performance Summary

The Portfolio rose and outperformed its benchmark, the Russell Midcap® Growth Index, for the quarter ended December 31, 2020. Stock selection in consumer discretionary lifted relative performance. An underweight in communication services detracted.

For detailed performance information, please contact a Janus Henderson Institutional team representative.

Portfolio Discussion

As we have written before, the past year has been characterized by unusual behavior in the mid-cap universe, as a small group of very expensive stocks, many with ties to the virtual economy, have far outperformed the broader market. While these stocks continued to outperform in the fourth quarter, we saw periods of broader market leadership that benefited our relative performance. In particular, investors rewarded companies they expected to benefit from the availability of vaccines and a prospective return to normalcy. For example, payments technology company WEX was a top relative contributor. WEX issues credit cards that help companies manage employee fuel costs. It also provides a cloud-based payments platform to support travel and hotel bookings. The stock faced headwinds in 2020, as travel and miles driven plunged during the pandemic. The stock rebounded in the fourth quarter, however, as investors looked ahead to a potential resurgence in business travel and tourism.

Long-term holding Lam Research was another notable contributor, aided by its strong market positioning in the recovering semiconductor market. The company is a leading producer of etching and deposition equipment used to produce memory chips, one of the fastest-growing areas of the semiconductor market. We believe it is well positioned to benefit from increased investment in semiconductor manufacturing in 2021, as well as from powerful growth trends in end markets such as cloud-computing.

Several of our reasonably priced software holdings have been healthy performers year-to-date, aided by their steady recurring revenue growth. These stocks lagged in the fourth quarter, however, as they were less appealing to investors seeking upside potential tied to the reopening of the economy. Fidelity National Information Services, one relative detractor, provides software solutions for the financial services industry. Delays in closing new business led to weaker-than-expected revenue growth for its

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bank software business. Nonetheless, it continued to benefit from a large backlog of orders, and we see growth potential for the company as it migrates more customers to its next-generation cloud-computing banking platform.

Medical device manufacturer Boston Scientific was another relative detractor. The company lost a key growth driver after it was forced to pull its Lotus Edge TAVR aortic valve system from the market because of performance issues. Despite this setback, the company has other avenues for revenue growth that we believe will support its earnings potential.

Top Contributors	Representative Account Average Weight (%)	Representative Account Relative Contribution (%)
Flextronics International Ltd	1.31	0.46
Lam Research Corp	1.95	0.42
ON Semiconductor Corp	1.35	0.37
WEX Inc	1.49	0.37
SVB Financial Group	0.80	0.28

Top Detractors	Representative Account Average Weight (%)	Representative Account Relative Contribution (%)
Boston Scientific Corp	1.73	-0.50
Fidelity National Information Services Inc	1.75	-0.45
Aon PLC	2.25	-0.41
CarMax Inc	1.42	-0.24
Cooper Cos Inc	2.06	-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 recently available disclosure period contact a Janus Henderson institutional team representative.
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

As we look ahead to 2021, we believe the rollout of vaccines and the normalization of the economy could lead to renewed appreciation for the moderately priced, sustainable growth companies we own. At the same time, we recognize that recent market imbalances may persist in the short term, especially as it may take time for people to return to pre-pandemic behavior even after a vaccine is widely available. We also remain concerned about pockets of the market where we believe recent valuation gains have been driven more by speculation than by fundamentals. While a few of these stocks may warrant such prices, we believe it is incredibly optimistic to expect most to deliver the sustained rapid earnings growth needed to justify such valuations, especially considering historic growth rates. For this reason, we have remained disciplined in our approach to valuation, even as we have continued to focus on companies we believe can deliver sustained growth over a three- to five-year period. These include companies with durable competitive advantages and large addressable markets with higher barriers to entry, which will enable companies to raise prices if higher inflation accompanies an economic rebound. We also believe the recent period has led to new innovations, especially in the digital economy. We remain on the lookout for opportunities to capitalize on these changes by investing in reasonably valued companies we believe are positioned for strong relative growth over longer time horizons.

Portfolio Management

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For more information, please visit janushenderson.com.

Past performance is no guarantee of future results.

Discussion is based on performance gross of fees.

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 12/31/20 the top ten portfolio holdings of the Representative Account are: Nice Ltd (ADR) (2.90%), SS&C Technologies Holdings Inc (2.75%), Microchip Technology Inc (2.65%), Broadridge Financial Solutions Inc (2.30%), KLA Corp (2.24%), Aon PLC (2.21%), TE Connectivity Ltd (2.11%), Cooper Cos Inc (2.07%), GoDaddy Inc (2.01%) and Global Payments Inc (1.97%). 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 12/31/20, 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.

US Mid Cap Growth 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. Effective January 1, 2005 the composite definition was changed to include sub-advised pooled funds as well as separately managed institutional accounts. Effective January 1, 2009 the composite definition was expanded to also include proprietary mutual funds. A minimum asset size requirement of $5 million for composite participation was used prior to January 1, 2006. The composite was created in January 1995.

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

Janus Henderson provides investment advisory services in the U.S. through Janus Capital Management LLC, together with its participating affiliates.