2Q21
U.S. Equity

PORTFOLIO COMMENTARY

US Mid Cap Growth

Market Environment

- Stocks rose as an acceleration in vaccine distribution led to improved economic and earnings growth. Accommodative monetary policy and the prospect of additional fiscal spending also supported the growth outlook. Employment gains were weaker than expected.
- Supply constraints and higher input costs fueled inflation concerns. While the Federal Reserve (Fed) signaled it may begin reducing its monetary support for the economy, bond yields fell during the quarter.
- As investors waited for more clarity on the strength of the economic recovery and the direction of interest rates, they rotated between growth stocks and more cyclically driven value opportunities. Later in the quarter we saw a renewed preference for high-valuation growth stocks as economic forecasts moderated and bond yields retreated.

Performance Summary

The Portfolio delivered a positive return but underperformed its benchmark, the Russell Midcap® Growth Index, for the quarter ended June 30, 2021. Stock selection in information technology detracted from relative performance. Stock selection and an underweight in materials lifted relative performance.

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

Portfolio Discussion

As we have discussed before, the past year has seen unusual behavior in the mid-cap growth market. For much of 2020, market returns were driven by a narrow group of high-valuation growth stocks. We approached these stocks with caution because we felt that in many cases their valuations weren't supported by longer-term fundamentals. In recent quarters, we have been encouraged to see some signs of renewed rationality in the mid-cap market, as investors have periodically paid increased attention to relative valuations and profitability. Yet this focus on fundamentals has been interspersed with periods of more short-term market behavior, with investors rotating between high-valuation growth stocks and deep-discount reopening plays. We found this short-term focus in the market worrisome, and indicative of investors prioritizing return potential well above risk management. For our part, we remain committed to a long-term investment strategy that seeks opportunity while managing risk. Unfortunately, in this environment the long-term, reasonably valued growth stocks we favor were often overlooked by investors, and this hindered our relative performance in the second quarter.

As the market narrowed, a number of holdings that were strong performers early in 2021 gave back ground. ON Semiconductor was one notable detractor. The semiconductor market has experienced strong demand trends in recent quarters, fueled by an improved economic outlook and supply shortages. The rapid pace of ordering led to concerns that supply could overtake demand, leading to higher

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inventories. Semiconductor stocks declined as a result. While we trimmed our overall semiconductor exposure, we held onto our position in ON Semiconductor given its end-market exposure to powerful long-term growth trends such as electric vehicles and the Internet of Things.

LPL Financial was another relative detractor. LPL Financial provides a full-service, technology-enabled platform that helps independent financial professionals serve their clients. The company has reported strong organic growth and new asset flows as it added more advisors to its network. In the first quarter, higher bond yields raised the potential for higher net interest income, which LPL earns on its client cash balances. As bond yields declined later in the second quarter, investor sentiment reversed. Nonetheless, LPL has been a strong performer year-to-date and we continue to see constructive long-term trends for the business as more retirement assets move into independent channels.

Long-term holding Sealed Air was a top positive contributor for the quarter. Sealed Air is an innovative supplier of packaging materials that extend the shelf life of food. It also provides cost-effective packaging solutions for industrial shipping and e-commerce. The company has reported several quarters of strong revenues and expanding profit margins. We believe it is positioned for long-term growth.

Atlassian, another contributor, provides business collaboration software solutions. The company has been successfully migrating customers away from its legacy server-based systems to cloud-based solutions that provide subscription-based recurring revenues. While we trimmed our position following the stock's recent outperformance, we believe in Atlassian's long-term potential. As a reasonably valued company with a track record of innovation, it is the kind of investment we look for in the Software as a Service space.

Top Contributors	Representative Account Average Weight (%)	Representative Account Relative Contribution (%)
Sealed Air Corp	1.14	0.28
Atlassian Corp Plc	1.18	0.13
Waters Corp	1.13	0.10
Gildan Activewear In	0.97	0.09
Illumina Inc	0.67	0.08

Top Detractors	Representative Account Average Weight (%)	Representative Account Relative Contribution (%)
LPL Financial Holdings Inc	2.56	-0.40
ON Semiconductor Corp	1.71	-0.36
WEX Inc	1.70	-0.32
Global Payments Inc	1.71	-0.32
CarMax Inc	1.74	-0.26

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

We have been encouraged by signs of a return to normal in the economy, but we also recognize that the recovery may not be as rapid or as strong as investors had anticipated a few months ago. We also caution that uncertainty over inflation and the potential for tighter Fed policy could contribute to market volatility. Moreover, while we have been encouraged by some signs of renewed investor rationality, we remain concerned about the persistent imbalances in the mid-cap market and the recent dominance of short-term, macro-driven investor behavior. We have no interest in short-term investing strategies but continue to follow the long-term investment approach that has worked to our advantage for over 20 years. We remain committed to identifying disciplined growth companies whose valuations are supported by a potential for meaningful revenue acceleration and margin expansion. While we won't overpay for growth, we also have no interest in buying stocks simply because they are undervalued. Instead, we have tried to find a middle way, focusing on well-managed, fundamentally strong growth companies with durable competitive advantages and strong earnings trajectories that we believe fully support their valuations. This is the best way we know to provide strong risk-adjusted returns to our investors over the long term.

Portfolio Management

Brian Demain, CFA

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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 6/30/21 the top ten portfolio holdings of the Representative Account are: KLA Corp (2.77%), SS&C Technologies Holdings Inc (2.69%), LPL Financial Holdings Inc (2.39%), Broadridge Financial Solutions Inc (2.39%), TE Connectivity Ltd (2.33%), Aon PLC (2.26%), Cooper Cos Inc (2.23%), Boston Scientific Corp (2.21%), Nice Ltd (ADR) (2.19%) and GoDaddy Inc (2.16%). 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 6/30/21, 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.

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.