4Q19
U.S. Equity

FUND COMMENTARY

Research Fund

Market Environment

- U.S. equity markets advanced solidly during the quarter as the outlook for the global economy improved.
- The health of the U.S. economy also improved as indicated by a strong jobs report, better-than-expected corporate earnings and robust consumer sentiment. Manufacturing, however, remained a weak spot.
- As widely expected, the Federal Reserve reduced interest rates by 25 basis points in October in an effort to mitigate the potential risks associated with slowing global growth and the U.S.-China trade war.
- Investors became increasingly optimistic near quarter end on reports that a partial trade agreement between the U.S. and China seemed imminent.
- As the geopolitical backdrop improved, investors' preference for stocks in defensive sectors of the market shifted back toward investments in cyclical sectors.

Performance Summary

The Fund posted solid gains for the fourth quarter ending December 31, 2019, but underperformed its primary benchmark, the Russell 1000 Growth Index®. However, the Fund outperformed is secondary benchmark, the S&P 500 Index. Weak stock selection within the industrials and technology sectors limited relative gains while positive stock selection within the communications and health care sectors buoyed results.

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

Portfolio Discussion

On an individual stock basis, key detractors included airplane manufacturer The Boeing Company. The stock fell after the timeline for returning its 737 MAX passenger aircraft to service was pushed out, resulting in a temporary halt in production of the plane. The 737 MAX was grounded after two fatal crashes. Although we will continue to closely monitor developments at Boeing, we maintained a position in the stock. Boeing has implemented a software update for the plane, which should improve its safety going forward, and is actively working with customers and regulators to finalize the recertification of the 737 MAX. Meanwhile, the board of directors has named a new CEO to help stabilize the business. Over the long term, airline industry trends are supportive of a growing global airline fleet while technological advances are spurring fleet upgrades. We believe Boeing's commercial and defense businesses are well positioned within the industry.

ServiceMaster Global Holdings also weighed on the Fund's performance. The parent company of Terminix pest control suffered a downturn in its stock after management reduced full-year 2020 earnings guidance. The company cited increased termite activity and damage claims in Alabama as well as additional investments in

Janus Henderson INVESTORS

infrastructure and marketing as the reasons for the earnings revision. We maintained a position in ServiceMaster, as we believe steps Terminix has taken to adapt its pricing, operating and termite damage claims management model will allow it to manage future claims while maintaining its 30% incremental margin target. In addition, we see evidence of continued improvement in key business metrics and organic growth.

Top contributors included technology holdings Apple and Microsoft. Apple's stock rallied on a better-than-expected launch for its iPhone 11 series and robust growth in wearables, particularly AirPods. The company recently reported strong fiscal 2019 earnings results and record-setting fourth quarter revenue fueled by accelerating growth in its services business. Notably, Apple's services segment has helped create a recurring revenue stream that makes the company less dependent on the phone replacement cycle.

Microsoft's stock advanced on the heels of another solid quarter in its Intelligent Cloud and Productivity/Business Process segments. The company also benefited from positive sentiment associated with winning a U.S. Defense Department multibillion-dollar cloud services deal. We remain impressed with the revenue growth of Microsoft's commercial cloud business, which is a leader in the buildout of enterprise cloud infrastructure globally.

Top Contributors	Ending Weight (%)	Contribution (%)
Apple Inc	4.38	1.14
Microsoft Corp	6.48	0.84
UnitedHealth Group Inc	2.28	0.67
Alphabet Inc	5.85	0.55
Adobe Inc	3.05	0.54

Top Detractors	Ending Weight (%)	Contribution (%)
Boeing Co	1.39	-0.24
ServiceMaster Global Holdings Inc	0.51	-0.22
Sage Therapeutics Inc	0.15	-0.16
Etsy Inc	0.49	-0.14
Constellation Brands Inc	1.61	-0.14

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.

Manager Outlook

As we head into 2020, we believe economic growth will be an important determinant of equity performance. In recent months, we have started to see signs that the global economy may be regaining its footing. In November, for example, headline purchasing managers' indices (a measure of manufacturing activity) expanded in 18 out of 30 regions, the highest ratio in two years. In the U.S., unemployment remains low and monthly wage growth has been running at 3% or more over the past year, suggesting a healthy consumer.

Should the economy be turning a corner, we believe traditionally cyclical stocks (firms closely tied to the business cycle) could be well positioned. These stocks have lagged growth peers and, in our opinion, offer attractive valuations at a time when a reaccelerating economy could drive demand for these firms' goods and services.

At the same time, plenty of uncertainty remains, from ongoing trade negotiations to the U.S. presidential election. If the economy stalls, cyclicals would likely lose their leadership position. As such, we think it's important to keep a close eye on economic indicators in 2020, including measures of corporate capital expenditure. But given geopolitical and macroeconomic uncertainties, we also believe central banks globally will keep monetary policy loose and that select governments could roll out fiscal stimulus in 2020. These efforts should add liquidity to financial markets and, in our opinion, further support equities.

Portfolio Management

Team Managed

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

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 12/31/19 the top ten portfolio holdings of Janus Henderson Research Fund are: Microsoft Corp (6.49%), Amazon.com Inc (6.14%), Alphabet Inc (5.85%), Apple Inc (4.38%), Facebook Inc (3.52%), Visa Inc (3.13%), Adobe Inc (3.05%), Mastercard Inc (2.99%), salesforce.com Inc (2.51%) and Merck & Co Inc (2.33%). 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 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.

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.

Janus Henderson Distributors