FUND COMMENTARY

Small Cap Value Fund

Market Environment

- Equities staged a rather dramatic comeback over the quarter as consumers and businesses gradually emerged from the COVID-19 pandemic-related quarantines. The massive amount of fiscal and monetary stimulus augmented the comeback as small-cap value stocks posted one of their best quarterly returns in nearly 30 years.
- The smallest, highest beta, lower-quality stocks meaningfully outperformed larger, low beta, high-quality stocks.
- The largesse of fiscal and monetary policies has seemed to know no bounds. As an added boost, the upcoming U.S. presidential election will be sure to provide a continued flow of more-than-ample liquidity. However, the divergence between Main Street and Wall Street has seemed to widen as economies have reopened.

Performance Summary

The Fund underperformed its benchmark, the Russell 2000® Value Index, for the quarter ended June 30, 2020. The Index rallied 18.91% over the quarter, driven by lower-quality stocks as those with the highest betas and no earnings performed the best. Additionally, the smallest small caps as well as cyclical sectors sharply outperformed, and while the Fund's more defensively oriented holdings participated by posting double-digit returns, it lagged the Index for the period.

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

Portfolio Discussion

Within the Index, consumer discretionary was the best performer, up over 60% for the three-month period, driven by housing-related stocks as well as specialty retail. The Fund's underweight and stock selection in the consumer discretionary sector was the biggest detractor to relative performance for the quarter. While we spent time researching housing-related companies during the sharp declines in the first quarter, we were wary of rising unemployment and the potential long-term impact to the housing industry.

Specialty retail was a challenging area for us, as many of those companies have high leverage levels and what we believe to be questionable long-term business models. Our underweight and stock selection in health care also hurt relative returns, given biotech was up over 50% in the Index. We don't believe small-cap biotech companies fit our process well, given many of these companies do not have earnings and could face substantial downside risk if their products are not approved. Finally, our cash positioning also negatively impacted relative performance.

Financials were a bright spot for the Fund over the quarter, driven by strong, broad-based stock selection, while a handful of our bank holdings performed well. Our underweight to utilities, the worst-performing sector for the Index, also was a boost to relative returns.

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During the quarter, we added to health care and select banks. We pared back our exposure to consumer staples and materials. Due to the Index rebalancing on June 30, we closed the period more overweight technology, more underweight consumer discretionary and underweight industrials.

Top Contributors	Average Weight (%)	Relative Contribution (%)
Cedar Fair L P	0.92	0.45
Grace W R & Co Del N	1.15	0.35
Parsley Energy Inc	0.69	0.34
STAG Industrial Inc	3.03	0.32
PGT Inc	0.55	0.29

Top Detractors	Average Weight (%)	Relative Contribution (%)
Black Hills Corp	2.13	-0.54
Equity Commonwealth	2.72	-0.52
Cal Maine Foods Inc	1.77	-0.41
Argo Group International Holdings	1.47	-0.38
Gatx Corp	1.68	-0.32

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

The quarter ended June 30, 2020, was a difficult one for our portfolio relative to the benchmark, as small caps posted their third-best quarter since 1991. Market participants ignored concerns regarding the damage done to the economy from pandemic-related shutdowns and the importance of owning “survivors” – oversights that led to a massive low-quality rally. Higher-beta stocks and higher-levered companies sharply outperformed. Additionally, the smallest market caps, which often have liquidity constraints, were meaningful outperformers. During the quarter, several companies with more debt than market cap saw triple-digit stock-price appreciation. The unprecedented levels of both fiscal and monetary stimulus gave the market a “sugar rush” that we did not anticipate. While it was frustrating to underperform as we did, we feel it is critical not to chase the market and abandon our philosophy. However, we believe that the fiscal and monetary spigots will remain wide open for the foreseeable future, which means the rally for equities may continue for longer.

Despite the recent price moves in many fundamentally challenged sectors and stocks giving the “all clear” signal, we remain cautious given the sizable competitive headwinds they face. In addition, in a post-pandemic economy, many of these companies will need to alter their business models. As is standard at Perkins, we continue to focus on owning high-quality companies with strong balance sheets. We are overweight technology companies, in part due to the weight in the Index falling. Additionally, we like select property and casualty insurance companies because we think valuations are reasonable and believe premiums will remain firm for the foreseeable future. Select industrial companies are attractive, as well, and we believe some will benefit as the reshoring of supply chains gains traction. Undoubtedly, there will be continued volatility ahead – in both directions – but we welcome those opportunities to find new names with attractive reward-to-risk profiles for inclusion in the portfolio.

Thank you for your co-investment in the Small Cap Value Fund.

Portfolio Management

Sub-advised by Perkins® Investment Management LLC

Justin Tugman, CFA

Craig Kempler, CFA

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 ten portfolio holdings of Janus Henderson Small Cap Value Fund are: Stag Indl Inc (3.34%), Hanover Insurance Group Inc (3.07%), UniFirst Corp/MA (2.97%), Prosperity Bancshares Inc (2.47%), Wns Holdings Ltd (2.15%), BWX Technologies Inc (2.13%), United Community Banks Inc/GA (2.03%), RenaissanceRe Holdings Ltd (2.01%), Atlantic Union Bankshares Corp (1.99%) and Equity Comwlth (1.98%). 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.

Smaller capitalization securities may be less stable and more susceptible to adverse developments, and may be more volatile and less liquid than larger capitalization securities.

Value stocks can continue to be undervalued by the market for long periods of time and may not appreciate to the extent expected.

Initial Public Offerings (IPOs) are highly speculative investments and may be subject to lower liquidity and greater volatility. Special risks associated with IPOs include limited operating history, unseasoned trading, high turnover and non-repeatable performance.

Russell 2000® Value Index reflects the performance of U.S. small-cap equities with lower price-to-book ratios and lower forecasted growth values.

Index performance does not reflect the expenses of managing a portfolio as an index is unmanaged and not available for direct investment.

Perkins Investment Management LLC is a subsidiary of Janus Henderson Group plc and serves as the sub-adviser on certain products.

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