

Value Plus Income Fund

Market Environment

- Positive equity returns continued in the third quarter, following the second quarter trend, which produced the biggest quarterly gain since 1987.
- Gains were driven by massive monetary and fiscal stimulus, as well as the Federal Reserve (Fed) policy shift that would allow inflation to go beyond the 2% target and keep rates low through 2023.
- Labor markets continued to improve and companies largely reported better-than-expected earnings, aided by stimulus and cost reductions.
- Optimism emerged in the fight against the COVID-19 pandemic with signs of progress on vaccine and treatment developments and rapid testing capabilities. Near period end, however, the market focused on the uncertainty related to the potential for a second wave of infections as well as the U.S. election, creating some volatility.
- Still, with the exception of utilities and technology, all sectors within the Russell 1000® Value Index generated positive returns. Consumer discretionary, materials and industrials names led the index higher.
- The Bloomberg Barclays U.S. Aggregate Bond Index also rose. While all benchmark sectors were positive, corporate credit led the index higher. Treasury yields were largely unchanged and lagged the broad market along with U.S. agency mortgage-backed securities (MBS).

Performance Summary

The Fund, which seeks to provide monthly income and equity market participation with lower volatility by allocating across U.S. fixed income sectors and defensive high-quality equities, outperformed the Value Income Index. The Value Income Index is a blended benchmark of the Russell 1000 Value Index (40%) and the Bloomberg Barclays U.S. Aggregate Bond Index (60%). The Fund underperformed its primary benchmark, the Russell 1000 Value Index, and outperformed its secondary benchmark, the Bloomberg Barclays U.S. Aggregate Bond Index.



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

Portfolio Discussion

The Fund's asset allocation was fairly consistent over the quarter, remaining overweight equities versus the Value Income Index. We continued identifying favorable reward-to-risk ratios in value equities and emphasizing a balanced approach to both resilient and economically sensitive end markets. Equity exposure closed the period at 49%. Although the equity sleeve underperformed its Russell 1000 Value benchmark, it did generate positive performance, and the Fund's overweight to the stronger-performing asset class supported relative outperformance during the quarter. The fixed income sleeve generated strong relative performance versus the Bloomberg Barclays U.S. Aggregate Bond Index, which also aided relative results.

Equity Sleeve

The equity sleeve underperformed the Russell 1000 Value Index. Following the dramatic comeback for equities during the second quarter, the Index posted a strong third quarter, driven by hopes of a V-shaped economic recovery. Industries that could benefit from a reopening post the COVID-19 shutdowns continued their sharp ascent, with gaming operators, hotels, restaurants and housing leading the consumer discretionary sector.

While many cyclical areas are performing well, the financials sector continues to lag and our security selection was a detractor from relative returns. For some time, we have believed that banks are very inexpensive on a relative and historical basis. Most banks already have recognized the bulk of the loan loss reserves for potential losses in the first and second quarters. As the yield curve has steepened versus a year ago, the absolute level of interest rates is low, putting the sector out of favor with investors. Our utility holdings also lagged, mainly due to our position in Evergy, which decided not to sell itself following rumors of several bidders.

Energy was the worst-performing sector within the index, and our relative underweight helped offset some of the sleeve's underperformance. We remain very selective within the sector. Our real estate holdings, which we believe have strong supply-demand dynamics and can benefit from a lower-for-longer interest rate environment, aided relative results. Self-storage real estate investment trust Public Storage was among the top contributors as it continued to rally off its March lows.

During the quarter we initiated new positions in consumer discretionary, communication services and real estate and exited positions in financials and utilities.

Top Contributors	Equity	
	Average Weight (%)	Relative Contribution (%)
Cognizant Technology Solutions	1.67	0.23
Casey's General Stores Inc	1.58	0.19
Pfizer Inc	2.90	0.18
Public Storage	1.61	0.17
Unilever NV	1.84	0.16

Top Detractors	Equity	
	Average Weight (%)	Relative Contribution (%)
Evergy Inc	2.44	-0.49
W R Grace & Co	1.43	-0.42
Chubb Ltd	2.64	-0.31
NewMarket Corp	1.40	-0.30
Brigham Minerals Inc	0.79	-0.28

Fixed Income Sleeve

The fixed income sleeve outperformed the Bloomberg Barclays U.S. Aggregate Bond Index. As the quarter progressed, we (and the markets) become more confident in a slow, but steady, reopening of the U.S. economy while progress toward a vaccine for COVID-19, and the infrastructure required to distribute it, were also encouraging. Given our more positive outlook, and the fact that investment-grade corporate bonds performed relatively better in the second quarter, we rotated a significant portion of our investment-grade corporate bond exposure to the high-yield market, a decision that proved beneficial amid strong performance in the asset class. We also sought attractive opportunities in MBS, commercial mortgage-backed securities (CMBS) and asset-backed securities (ABS). Performance was partially offset by the underweight in investment-grade corporates given the general "risk-on" mindset, as well as lack of exposure to government-related securities, which are often tied to "riskier" emerging market issuers.

Nevertheless, our performance was improved by our security selection across most of the credit markets, including investment-grade corporate bonds and ABS. Consumer-related securities performed particularly well in both sectors as consumer debt fared better than the market would have expected given the depth of the recession. Gaming holdings, including Hard Rock Sacramento, also aided incremental returns amid improved visitation rates. Scientific Games benefited further when a well-known activist shareholder announced intent to sell his shares in the gambling products and lottery services company. However, our position in broadcaster Diamond Sports led relative corporate detractors, resulting from the timing of our transactions given the original uncertainty about when major sports leagues would return to play.

Top Contributors	Fixed Income	
	Average Weight (%)	Relative Contribution (%)
Scientific Games	0.34	0.08
FIAOT 2018-1a F	0.93	0.07
Enterprise Development Authority	0.53	0.07
Ford Motor Credit Co	1.29	0.07
First Quantum Minerals Ltd	1.18	0.06

Top Detractors	Fixed Income	
	Average Weight (%)	Relative Contribution (%)
PPT2 2019-STL1	0.23	-0.20
SEMT 2018-8 AIO1	0.07	-0.03
Diamond Sports	0.17	-0.03
Altice Financing	1.07	-0.02
Fannie Mae or Freddie Mac	3.31	-0.02

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 market has made progress, but its direction remains somewhat dependent on the status and path of the coronavirus pandemic and the ability of the economy to return to normal. Furthermore, additional fiscal stimulus, the U.S. election outcome and potential policy implications add to the uncertainty.

With the possibility for equity markets to go through another period of increased volatility, we are closely watching select areas of the market from both an opportunity and risk standpoint, including bank credit, travel demand, infrastructure demand and pharmaceutical pricing policy. Although we have trimmed our pharmaceutical holdings, the equity sleeve remains overweight health care stocks, as we believe strong secular trends will persist. The sleeve is also overweight in real estate with holdings that have strong supply/demand dynamics and can benefit from a lower-for-longer interest rate environment. Technology is another sector in which we maintain an overweight given many positive secular trends, stability of cash flows and strong balance sheets. Conversely, we remain underweight sectors that we view as fundamentally challenged, such as consumer discretionary and energy. As some market indices have surpassed pre-pandemic levels with the help of a few concentrated areas, we believe our philosophy and process become even more important to help protect investors from potential downside risk, navigate volatility and uncertainty, and provide exposure to what we view as some of the undervalued parts of the market. We remain committed to investing in high-quality companies with durable competitive advantages, strong balance sheets and stable free cash flow that we believe ultimately will compound returns for shareholders.

Within fixed income, we remain positive on the outlook for the U.S. economy and credit markets. The Fed's interventions in the corporate bond market have largely mitigated risk associated with high debt levels in the corporate sector, and consumers, supported by fiscal stimulus, have surprised markets with their resiliency. Future large-scale economic lockdowns are highly unlikely, in our view, and we anticipate both monetary and fiscal policy will ultimately remain supportive. As the recovery takes hold, we expect corporate bonds, including high yield, to remain in demand given the Fed's support and the attractive yields they offer over very low policy rates. And, after a rapid deterioration in corporate fundamentals, we believe a period of debt paydown is likely to ensue by investment-grade issuers, which would further support that asset class. However, we know that many uncertainties linger, and as we navigate these shifting conditions, we will continue to adhere to our bottom-up, research-driven investment process with a focus on taking the right amount of risk throughout the cycle.

Portfolio Management

Equity Sleeve

Sub-advised by Perkins® Investment Management LLC

- Ted Thome, CFA

Fixed Income Sleeve

- Seth Meyer, CFA
- John Kerschner, CFA
- John Lloyd

For more information, please visit janushenderson.com.

Janus Henderson
INVESTORS

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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 9/30/20 the top ten portfolio holdings of Janus Henderson Value Plus Income Fund are: Fannie Mae or Freddie Mac (6.53%), Fannie Mae or Freddie Mac (2.18%), Fannie Mae or Freddie Mac (2.17%), Quest Diagnostics Inc (1.93%), PepsiCo Inc (1.40%), Johnson & Johnson (1.39%), Oracle Corp (1.32%), Chubb Ltd (1.18%), Colgate-Palmolive Co (1.14%) and Lamar Advertising Co (1.13%). There are no assurances that any portfolio currently holds these securities or other securities mentioned.

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.

For fixed income portfolios, relative contribution compares the excess return of an issuer in the portfolio to the excess return of that issuer in the benchmark and the excess return of that issuer in the benchmark to the benchmark overall, factoring in any difference in weight. Excess return is calculated by comparing the performance of a security to a hypothetical duration-matched security with no credit risk, and rolling up securities by issuer. Relative contribution is based on comparing daily returns, 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.

Diversification neither assures a profit nor eliminates the risk of experiencing investment losses.

Foreign securities are subject to currency fluctuations, political and economic uncertainty, increased volatility and lower liquidity, all of which are magnified in emerging markets. Fixed income securities are subject to interest rate, inflation, credit and default risk. As interest rates rise, bond prices usually fall, and vice versa.

High-yield or "junk" bonds involve a greater risk of default and price volatility and can experience sudden and sharp price swings.

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

Derivatives involve risks in addition to the risks of the underlying securities, including gains or losses which, as a result of leverage, can be substantially greater than the derivatives' original cost. Short sales are speculative transactions with potentially unlimited losses, and the use of leverage can magnify the effect of losses.

Increased portfolio turnover may result in higher expenses and potentially higher net taxable gains or losses.

Russell 1000[®] Value Index reflects the performance of U.S. large-cap equities with lower price-to-book ratios and lower expected growth values.

Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based measure of the investment grade, US dollar-denominated, fixed-rate taxable bond market.

Value Income Index is an internally-calculated, hypothetical combination of total returns from the Russell 1000[®] Value Index (40%) and the Bloomberg Barclays U.S. Aggregate Bond Index (60%).

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

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