

# PORTFOLIO COMMENTARY

## Perkins US All Cap Value

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### Market Environment

- Despite a robust economy by most measures and a market peak achieved as recently as February 19, the market's quarterly performance was the worst since fourth-quarter 1987, as measured by the drop in the Dow Jones Industrial Average.
- The COVID-19 coronavirus pandemic and the measures taken to help flatten the case numbers curve have quickly changed the landscape by creating the possibility of simultaneous health, economic and financial crises.
- Massive and swift monetary and fiscal stimulus by governments around the world were put in place with hopes of mitigating the pandemic's negative effects and avoiding worst-case scenarios.
- The market focused primarily on the uncertainty related to the duration and intensity of the slowdown and the longer-term implications for consumers and businesses.
- Sectors and companies that were least exposed to the negative effects of social distancing guidelines and had the financial flexibility to endure a potentially long-lasting economic downturn fared the best.

### Performance Summary

The Portfolio outperformed its benchmark, the Russell 3000® Value Index, for the quarter ended March 31, 2020, driven both by positive stock selection and sector positioning. Stock selection in real estate, information technology and industrials contributed to relative performance, as did our overweight positioning in health care and minimal exposure to the energy and consumer discretionary sectors. Our underweight positioning in communication services and stock selection in financials and utilities detracted from relative returns.



For detailed performance information, please visit [perkinsinvestmentmanagement.com](https://perkinsinvestmentmanagement.com).

### Portfolio Discussion

Over the quarter we sought to take advantage of the market's volatility, expecting the increased turbulence in equity markets to provide meaningful opportunities for active value investors. We added to some of our highest-conviction holdings on weakness and started several new positions across multiple sectors, including health care, technology, industrials, real estate, utilities and financials. The new positions are in companies whose valuations we believe are now much more reasonable, yet whose fundamentals nevertheless are attractive over a longer time horizon.

We continued to invest in companies we believe have the financial flexibility to withstand a prolonged downturn. To the extent we had questions about a company's ability to adapt to the new environment created by the coronavirus pandemic, we pared back or eliminated positions. What remained consistent for us was our focus on downside mitigation and our interest in finding the higher-quality companies within each sector and overweighting those stocks we believe have the ability to weather the current storm. As we stated last quarter, we continue to believe that "our focus on

defense first, by emphasizing what we believe are high-quality stocks, should position the portfolio well to absorb any volatility shocks due to known and unknown risks.”

In general, during the quarter we funded our buys by selling or trimming positions that either held up much better in the

downturn or in other cases seemed less well positioned for this new economic environment. Given we anticipate that recent events could lead to a recession as well as altered habits for consumers and businesses long term, we positioned ourselves accordingly with our Portfolio changes and sector weightings.

Top Contributors	Representative Account	
	Average Weight (%)	Relative Contribution (%)
Gilead Sciences Inc	2.33	0.72
Equity Commonwealth	2.71	0.63
Citrix Systems Inc	1.16	0.62
Cal-Maine Foods Inc	0.76	0.39
PepsiCo Inc	2.70	0.36

Top Detractors	Representative Account	
	Average Weight (%)	Relative Contribution (%)
Citizens Financial Group Inc	2.25	-0.63
Schlumberger Ltd	1.34	-0.56
Discover Financial Services	1.51	-0.50
Lamar Advertising Co	2.70	-0.34
First Horizon Natl C	1.31	-0.34

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 visit [perkinsinvestmentmanagement.com](http://perkinsinvestmentmanagement.com).

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

Our philosophy and process lend themselves well to a highly volatile market environment. Our team remains intensely focused on finding value and is prepared to take advantage of opportunities presented. We continue to seek investments in companies with durable competitive advantages combined with strong balance sheets and financial flexibility that we believe can endure a prolonged downturn.

Furthermore, we are keenly aware of potential changes likely to result from this shock to both consumers and businesses. Some of the major changes we anticipate include a lower-for-longer interest rate environment, supply chain optimization, a more aggressive shift to remote access, and learning and health care preparedness, and we are positioning the Portfolio to adapt to the new environment. Specifically, we intend to remain overweight health care stocks, in part due to our positive view on favorable secular trends and to our belief that the health care sector will become more vital to our economy. As countries look to fight this current pandemic as well as to increase preventative measures against future health care crises, it is our view that pharmaceuticals, labs and biotech companies will take center stage.

We also intend to remain overweight information technology due to its favorable long-term trends coming into the current crisis that now afford many consumers and businesses the ability to transact and work in a safer environment. Furthermore, we expect to add to or maintain our consumer staples exposure, which we believe will be less affected both by the short- and long-term disruptions to the economy.

While we strongly believe that the market impact of the current pandemic soon will pass, we feel the Portfolio is well positioned to remain resilient should the downturn and the coronavirus impacts last longer than currently factored into stock prices and the market in general.

Thank you for your co-investment in the All Cap Value Strategy.

## Portfolio Management



**Alec Perkins**



**Ted Thome, CFA**

For more information, please visit [perkinsinvestmentmanagement.com](http://perkinsinvestmentmanagement.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 3/31/20 the top portfolio holdings of the Representative Account are: Laboratory Corp. (4.78%), Pfizer Inc. (3.44%), Berkshire Hathaway Inc. (3.42%), Johnson & Johnson (3.15%), Equity Commonwealth (3.01%), Gilead Sciences Inc. (2.82%), Chubb Limited (2.81%), Alphabet Inc. (2.81%), PepsiCo Inc. (2.79%) and Lamar Advertising (2.52%). 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 3/31/20 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 risk, including the possible loss of principal and fluctuation of value.**

Perkins US All Cap Value Composite, benchmarked to the Russell 3000<sup>®</sup> Value Index, includes portfolios that are broadly diversified and seek to identify quality US companies trading at discounted prices with favorable risk reward potential. A typical portfolio will contain 60 to 90 securities and will invest no less than 10% of assets in each market cap category (small, mid and large) and no more than 50% in small cap stocks. The composite was created in January 2010.

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