

Perkins International Value

Market Environment

- Equity markets snapped back after March lows, implying that many investors are ignoring concerns about the impact of the COVID-19 coronavirus on the global economy.
- Central government intervention has seemed to be supporting financial markets.
- Economic data has rebounded from the lows reached during global lockdowns, yet high lingering unemployment and surging COVID-19 cases in many parts of the world (including the U.S.) imply a wide range of possible outcomes for corporate earnings and the shape of the economic recovery. We believe there remain elevated downside risks in equity markets.

Performance Summary

The Portfolio lagged its primary benchmark, the MSCI EAFE[®] Index, as well as its secondary benchmark, the MSCI EAFE[®] Value Index, in the quarter ended June 30, 2020. Growth stocks continued to dramatically outperform value stocks, which presented a significant headwind for our defensive value strategy.



For detailed performance information, please visit perkinsinvestmentmanagement.com.

Portfolio Discussion

During the period, the Portfolio's holdings in the economically stable health care sector weighed on relative returns. Having performed strongly in the market downdraft in the first quarter, health care became a laggard specifically due to our outsized exposure to large-cap pharmaceutical companies. We continue to find the reward-to-risk ratios in our health care positions compelling based on strong growth fundamentals, resilient demand and reasonable valuation. The industrials sector also detracted, due in particular to two idiosyncratic holdings during the period: BAE Systems and CK Hutchison Holdings. Defense contractor BAE Systems weighed on relative performance on concerns about the impacts of the COVID-19 pandemic and about defense spending in the U.S. and the UK. We nevertheless believe the company's reward-to-risk is favorable given its strong balance sheet and highly visible contracted revenue. Owing to ongoing political tensions in Hong Kong, industrial conglomerate CK Hutchison Holdings also detracted despite having a globally diversified portfolio of high-quality assets. Stock selection in materials, consumer discretionary and financials weighed on relative performance, as did the Portfolio's underweight in technology. Modest cash holdings in the Portfolio also detracted.

Our holdings in real estate, energy and utilities contributed positively to relative performance. The top individual contributor was GEA Group, a German-based provider of processing equipment. GEA's operating results and order book demonstrated the resilience of its end markets, and its new management team continued to make progress on its turnaround plans. The India-based wireless tower operator Bharti Infratel also contributed, having recovered from its first quarter lows. Telco demand has remained resilient during lockdowns, and the central government

has delayed seeking penalties against telecom carriers for past fee practices. We added to the position on prior weakness. Scandinavian Tobacco Group contributed positively to relative performance on overall resilient operating results and add-on acquisitions.

From a geographic perspective, holdings in the UK and Australia detracted on a relative basis, while our holdings in India and Denmark contributed.

We initiated five new positions during the period: an airport operator and a regulated utility, both Spain-based; a Japanese provider of packaging materials; an India-based IT outsourcing company; and a Sweden-based provider of cash management services. We have added to several positions (both stable operations and economically sensitive), funding them in part by reductions in stronger relative performers.

| Top Contributors | Representative Account | |
|-------------------------|------------------------|---------------------------|
| | Average Weight (%) | Relative Contribution (%) |
| GEA Group Ag | 1.80 | 0.61 |
| Bharti Infratel Ltd | 1.86 | 0.44 |
| Scandinavian Tobacco | 1.56 | 0.42 |
| Celestica Inc | 0.28 | 0.35 |
| Bayerische Motoren Werk | 2.60 | 0.33 |

| Top Detractors | Representative Account | |
|------------------------------|------------------------|---------------------------|
| | Average Weight (%) | Relative Contribution (%) |
| BAE Systems | 3.70 | -0.88 |
| Singapore Telecommunications | 2.93 | -0.46 |
| CK Hutchison Holdings | 2.22 | -0.32 |
| Danone | 3.92 | -0.28 |
| Novartis Ag | 4.34 | -0.28 |

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 866.922.0355.

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 two significant observations of market behavior during this period. First, growth continues to outperform value. The poster child for this dynamic remains the technology sector, whose benchmark returns were almost 24% over the period. It strikes us as unusual that growth stocks would deliver outperformance in both up and down market scenarios given stretched valuations and the reality that many technology companies are economically sensitive. Secondly, we observed some evidence of a “cyclical pivot” in the period where some more conventionally “value” sectors such as consumer discretionary, industrials and materials meaningfully outperformed the benchmark. However, we would call attention to the lower-quality nature of the rally in names with greater earnings volatility and higher financial leverage.

Given these dynamics and the fact that we expect the COVID-19 pandemic to have lingering impacts on the world economy, we are skeptical of such bullish signals in financial markets and continue to focus as much as ever on downside risk. Therefore, our positioning remains defensive, with overweight positions in pharmaceuticals and food and beverage. We would anticipate our portfolios to perform strongly should markets correct again. We also carefully monitor the investable universe for ideas with reward-to-risk skewed asymmetrically in our favor. Our research agenda remains intensely focused on both value and downside protection and in areas that have been most out of favor of late, including travel and leisure, transportation, semiconductors, banks and aerospace, among others. We are confident that this work leads us to identify upside potential in the Portfolio, as our companies appear to have the resources to navigate these challenging times and capture value as conditions normalize on the other side of the pandemic.

Thank you for your co-investment and continued confidence in Perkins Investment Management.

Portfolio Management



Greg Kolb, CFA



George Maglares

For more information, please visit 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 6/30/20 the top ten portfolio holdings of the Representative Account are: Sanofi (4.50%), Roche Holdings AG (4.41%), Novartis Ag (4.28%), Unilever Nv (4.05%), Danone (3.91%), BAE Systems (3.42%), Honda Motor Co Ltd (3.10%), Glaxosmithkline (3.07%), Nestle SA (2.86%) and Bayerische Motoren Werk (2.81%). 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 6/30/20 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 International Value Composite, benchmarked to the MSCI EAFE® Index and secondarily to the MSCI EAFE® Value Index, includes portfolios that seek to invest in attractively valued companies of any size located outside the United States, including emerging markets. Portfolios seek companies that are trading at discounted prices with favorable risk-reward potential. A typical portfolio will be invested in 60 to 90 companies across all regions of the world. The composite was created in May 2013.

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