3Q20
U.S. Equity

PORTFOLIO COMMENTARY

Growth and Income Managed Account

Market Environment

- Equity markets continued to recover at a brisk pace for much of the quarter, as the U.S. – spurred by tremendous monetary and fiscal stimulus – sustained its moderate recovery. The reopening of economies and resilience in consumer and corporate spending led to better-than-expected corporate earnings growth.
- The Federal Reserve (Fed) formally introduced its average inflation targeting policy, seeking a more holistic approach to its 2% target. The prospect of continued accommodation and lower-for-longer interest rates further bolstered equity markets.
- Despite an uptick in COVID-19 cases tempering optimism near period end, all sectors within the S&P 500® Index, except energy, generated positive returns. Consumer discretionary, materials and industrials names led the index higher.

Performance Summary

The Portfolio outperformed its benchmark, the S&P 500 Index, for the quarter ended September 30, 2020. Our sector allocations, which are largely a result of where we identify companies with the strongest opportunity for revenue, earnings and dividend growth, were a positive contributor to outperformance. Lack of exposure to the poor-performing energy sector and overweight allocations in the strong-performing industrials and consumer discretionary sectors aided relative results.

For more information, please visit janushenderson.com/managedaccounts.

Portfolio Discussion

After actively adjusting the Portfolio earlier in the year to increase exposure to companies we expect to play a larger role in the post-COVID-19 economy, we had a relatively quiet third quarter in terms of positioning changes. We remained underweight energy, which proved beneficial as the sector fell approximately 20% after crude oil prices plateaued around $40 per barrel. Our continued overweight, along with stock selection, in industrials was another strong contributor, as the market saw more balanced performance across sectors outside of technology.

A position in John Deere led relative single-name contributors. The outlook for farming machinery improved with China's resumption of U.S. agricultural imports, and the company's investment in precision agriculture, which has considerable environmental benefits, has been well received. Companies benefiting from e-commerce trends also performed well. Target experienced healthy sales growth as its substantial omnichannel investment has paid off amid the pandemic. Shipping company United Parcel Service (UPS) also saw its stock rise on strong package volume growth in the U.S. and actions taken by its new management team to improve profitability and returns on invested capital.

The health care sector lagged over the quarter amid U.S. election uncertainties and President Trump's executive order allowing the importation of drugs from Canada. Our positions in pharmaceutical companies Eli Lilly and Gilead Sciences were negatively impacted. Shares of Gilead were further pressured given COVID-19 vaccine

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developments and moderating case numbers globally could alter the need for its treatment remdesivir. We trimmed our position, concerned with a recent, expensive acquisition and a diminished outlook for one of the company's drugs. Semiconductor manufacturer Intel also struggled after the company announced producton delays for its next-generation 7nm chip. While Intel is well-positioned as a supplier of physical technology to the cloud industry, we are monitoring whether the delays could materially impact its pricing power or market share.

Top Contributors	Representative Account Average Weight (%)	Representative Account Relative Contribution (%)
Deere & Co	1.83	0.46
United Parcel Service Inc	1.34	0.33
Target Corp	1.55	0.28
McDonald's Corp	2.81	0.23
TE Connectivity Ltd	1.98	0.20

Top Detractors	Representative Account Average Weight (%)	Representative Account Relative Contribution (%)
Eli Lilly and Co	2.41	-0.40
Gilead Sciences Inc	1.28	-0.32
Intel Corp	1.86	-0.31
Travelers Cos Inc	1.30	-0.17
Garmin Ltd	1.57	-0.17

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.

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

While the potential for a spike in market volatility remains omnipresent given the ongoing pandemic and the possibility of heightened social restrictions, a number of constructive factors keep us positive on equities. The Fed has committed to average inflation targeting, indicating a more dovish path forward and lower-for-longer rates. Fiscal policy around the globe has also been accommodative, and we are hopeful for another fiscal stimulus package in the U.S. The summer's bounce in equity prices and strength in home values have created a positive wealth impact for many consumers, which we expect to support spending. Additionally, the increasing likelihood that treatments and vaccines in development for COVID-19 will be brought to fruition globally in the next nine to 18 months offers optimism to some of the sectors most challenged by the pandemic. While equity valuations have increased and are concerning in select parts of the market, in aggregate, we believe valuations remain favorable, particularly amid the modest recovery and low interest rate environment.

We do expect politics-driven volatility to increase as the November election approaches in the U.S. and we will continue to monitor for potential changes to the regulatory and tax landscapes in which our holdings operate; however, we do not believe the outcomes of the election will have overly binary consequences for capital markets in the near term. We are focused on populating the portfolio with business models we think can thrive regardless of political outcomes.

Ultimately, we remain focused on high-quality growth companies with strong balance sheets and significant free cash flow that return value to shareholders. The Portfolio remains positioned with considerable exposure to healthcare innovation as well as companies benefiting from the shift toward a more digital economy and direct-to-consumer relationships that have proved resilient in today's environment.

Portfolio Management

Jeremiah Buckley, CFA

Marc Pinto, CFA

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

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Past performance is no guarantee of future results.

Portfolio Manager Marc Pinto has announced his retirement effective April 2, 2021.

Discussion is based on performance gross of fees and expenses.

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 9/30/20 the top ten portfolio holdings of the Representative Account are: Microsoft Corp (7.97%), Apple Inc (7.29%), Accenture PLC (4.47%), Merck & Co Inc (3.04%), McDonald's Corp (2.94%), UnitedHealth Group Inc (2.36%), JPMorgan Chase & Co (2.35%), Home Depot Inc (2.26%), Texas Instruments Inc (2.25%) and Eli Lilly and Co (2.24%). 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 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.

Investing involves risk, including the possible loss of principal and fluctuation of value.

Growth and Income Managed Account Composite, benchmarked to the S&P 500 Index, includes portfolios that invest primarily in larger, well-established companies selected for their long term growth as well as current income potential. A typical portfolio will contain 60 to 80 mostly dividend-paying equity securities. Prior to October 1, 2018, returns for the composite are for the Growth and Income Composite, which consisted of separately managed institutional accounts, proprietary mutual funds as well as sub-advised pooled funds. The composite was created in October 2018.

S&P 500® Index reflects U.S. large-cap equity performance and represents broad U.S. equity market performance.

Janus Henderson provides investment advisory services in the U.S. through Janus Capital Management LLC, together with its participating affiliates.