

# PORTFOLIO COMMENTARY

## VIT Global Research Portfolio

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### Market Environment

- An improving outlook for the global economy and the reversal of several negative trends helped global equity markets finish the fourth quarter with solid gains.
- A partial trade agreement between the U.S. and China, better-than-expected corporate earnings, approval of UK Prime Minister Boris Johnson's Brexit bill and continued accommodative monetary policy by global central banks contributed to investor optimism during the period.
- As the geopolitical backdrop improved, investors' preference for stocks in defensive sectors of the market shifted back toward investments in cyclical sectors.

### Performance Summary

For the quarter ending December 31, 2019, the Portfolio outpaced its benchmark, the MSCI World Index<sup>SM</sup>, and its secondary benchmark, the MSCI All Country World Index<sup>SM</sup>. Positive stock selection in the financials and communications sectors drove outperformance. Conversely, gains were limited by the relatively weak results of our technology and industrials holdings. Notably, our goal is to provide consistent outperformance over the long term by focusing on what we consider our strength: picking stocks and avoiding macroeconomic risks. Stocks are selected by our seven global sector teams, which employ a bottom-up, fundamental approach to identify what we consider the best global opportunities.



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

### Portfolio Discussion

Key drivers of performance included JPMorgan Chase & Co., a financial services holding company that benefited from an improved outlook for the U.S. economy and rising yields on 10-year Treasuries. Better-than-expected third quarter earnings driven by stronger fee income and net interest income also supported share strength. We continue to see evidence that the company is gaining market share from rivals in trading and banking. We also appreciate the bank's strong management team, diversified mix of quality businesses, international exposure and potential for further significant capital returns to shareholders.

Notable contributors also included plumbing supplies company Ferguson. The company's stock advanced after management posted a better-than-expected increase in full-year profit due to cost-cutting measures. In September, Ferguson announced plans to split its U.S. and British business in order to focus on its more profitable U.S. arm, which has a history of gaining market share and improving margins. We believe the company's centralized distribution model provides it with a competitive advantage relative to its rivals, many of which operate with decentralized franchise models.

Despite our solid performance, there were pockets of weakness in the Portfolio, including airplane manufacturer The Boeing Company. The stock fell after the timeline for returning its 737 MAX passenger aircraft to service was pushed out, resulting in a temporary halt in production of the plane. The 737 MAX was grounded after two fatal

crashes. Although we will continue to monitor developments at Boeing, we maintained our position in the stock. Boeing has implemented a software update for the plane, which should improve its safety going forward, and is actively working with customers and regulators to finalize the recertification of the 737 MAX. Over the long term, airline industry trends are supportive of a growing global airline fleet while technological advances are spurring fleet upgrades. We believe Boeing's commercial and defense businesses are well positioned within the industry.

Beer and wine producer Constellation Brands also detracted. While the company's U.S. beer business continues to generate impressive growth, its divestiture of non-focus wine brands has taken longer to complete than expected. Further pressuring the stock was the disappointing performance of its cannabis investment, Canopy Growth. Headwinds for Canopy included a slower-than-expected retail rollout in Canada and steeper initial losses as the company ramps up operations. Our optimism for Constellation's stock is driven by the ongoing prospects for its robust U.S. beer business. Furthermore, we view Constellation's stake in Canopy as free optionality for which the market is giving the company no credit.

Top Contributors	Ending Weight (%)	Contribution (%)
JPMorgan Chase & Co	2.50	0.44
Ferguson PLC	1.43	0.32
British American Tobacco PLC	1.68	0.30
Taiwan Semiconductor Manufacturing Co Ltd	1.28	0.30
ASML Holding NV	1.68	0.30

Top Detractors	Ending Weight (%)	Contribution (%)
Boeing Co	0.89	-0.16
Constellation Brands Inc	1.63	-0.15
Sage Therapeutics Inc	0.13	-0.14
Vistra Energy Corp	0.78	-0.13
McDonald's Corp	0.99	-0.11

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/VIT](http://janushenderson.com/VIT).

## Manager Outlook

As we head into 2020, we believe economic growth will be an important determinant of equity performance. In recent months, we have started to see signs that the global economy may be regaining its footing. In November, for example, headline purchasing managers' indices (a measure of manufacturing activity) expanded in 18 out of 30 regions, the highest ratio in two years. In the U.S., unemployment remains low and monthly wage growth has been running at 3% or more over the past year, suggesting a healthy consumer.

Should the economy be turning a corner, we believe traditionally cyclical stocks (firms closely tied to the business cycle) could be well positioned. These stocks have lagged growth peers and, in our opinion, offer attractive valuations at a time when a reaccelerating economy could drive demand for these firms' goods and services. On a regional basis, we believe beaten-down UK and Chinese equities could be well positioned. The Conservative Party's overwhelming win in the UK's general election in December suggests the end of parliamentary paralysis around Brexit, while progress on trade talks could help reinvigorate China's economy.

At the same time, plenty of uncertainty remains, from ongoing trade negotiations to the U.S. presidential election. If the economy stalls, cyclicals would likely lose their leadership position. As such, we think it's important to keep a close eye on economic indicators in 2020, including measures of corporate capital expenditure. But given geopolitical and macroeconomic uncertainties, we also believe central banks globally will keep monetary policy loose and that select governments could roll out fiscal stimulus in 2020. These efforts should add liquidity to financial markets and, in our opinion, further support equities.

## Portfolio Management

### Team Managed

For more information, please visit [janushenderson.com](http://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/VIT](http://janushenderson.com/VIT). 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/VIT](http://janushenderson.com/VIT) for current month-end performance.

Discussion is based on performance of the Fund's "parent" share class (typically that with the longest history).

As of 12/31/19 the top ten portfolio holdings of Janus Henderson Global Research Portfolio are: Amazon.com Inc (2.67%), JPMorgan Chase & Co (2.49%), Alphabet Inc (2.34%), Mastercard Inc (2.11%), Visa Inc (1.95%), Adobe Inc (1.77%), British American Tobacco PLC (1.68%), ASML Holding NV (1.68%), Unilever NV (1.64%) and Constellation Brands Inc (1.63%). There are no assurances that any portfolio currently holds these securities or other securities mentioned.

The opinions are as of 12/31/19 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.

Security contribution to performance is measured by using an algorithm that multiplies

the daily performance of each security with the previous day's ending weight in the portfolio and is gross of advisory fees. Fixed income securities and certain equity securities, such as private placements and some share classes of equity securities, are excluded.

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

**Foreign securities are subject to additional risks including currency fluctuations, political and economic uncertainty, increased volatility, lower liquidity and differing financial and information reporting standards, all of which are magnified in emerging markets.**

**Growth stocks are subject to increased risk of loss and price volatility and may not realize their perceived growth potential.**

**MSCI World Index<sup>SM</sup>** reflects the equity market performance of global developed markets.

**MSCI All Country World Index<sup>SM</sup>** reflects the equity market performance of global developed and emerging markets.

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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