

VIT Global Technology and Innovation Portfolio

Market Environment

- The global technology sector generated modest gains, slightly outpacing broader equities.
- After advancing to a record high, the Portfolio's benchmark sold off on increasing regulatory scrutiny in China and the prospect of higher U.S. interest rates.
- Lingering issues associated with COVID-19 also led to near-term headwinds.

Performance Summary

The Portfolio underperformed its primary benchmark, the S&P 500® Index, and its secondary benchmark, the MSCI All Country World Information Technology IndexSM, for the quarter ended September 30, 2021. The Portfolio seeks to invest in companies in which technology is integral to their business models regardless of sector. Over the longer term, we believe harnessing an investment universe complementary to that of the technology benchmark should lead to superior risk-adjusted returns.



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

Portfolio Discussion

The quarter proved to be a study in the crosscurrents capable of impacting the sector's trajectory. On one hand, the digitization of the global economy continued, exemplified by the growth in cloud computing, the Internet of Things (IoT), artificial intelligence (AI) and 5G connectivity. These technologies, in our view, are the secular forces that will not only drive tech earnings growth in years to come, but also enable technology companies to increase their share of overall corporate earnings.

In contrast, other factors acted as headwinds for tech stocks: Supply chain constraints – especially within semiconductors – limited production capacity in tech and other sectors; the Chinese government increased regulatory scrutiny of consumer-facing tech companies; the COVID Delta variant has resulted in an uneven economic reopening – a development particularly felt by global payment processors; and lastly, the specter of higher interest rates weighed on the valuations of many longer-duration growth stocks.

The confluence of these forces resulted in one of the more complex environments for the sector in recent years. It also reaffirmed our philosophy of focusing on what we consider the “North Star” of tech investing: the potential for compounding earnings growth by companies associated with our favored secular themes.

Much of the Portfolio's underperformance is a result of some companies not meeting high growth expectations. Companies that were able to maintain momentum by building on already impressive earnings results were rewarded. Those that fell short were largely punished despite impressive two-year growth rates. Two individual detractors impacted by this phenomenon were Amazon and Wix. In the case of the latter, seasonality also played a role as web engagement tends to dip during warmer

months. Conversely, cloud computing company Atlassian was a leading contributor due, in part, to its ability to beat consensus earnings estimates.

Also detracting was our exposure to Chinese Internet stocks. We've followed developments in the regulatory landscape for the country's customer-facing tech companies. With the range of potential outcomes having broadened in light of government policy possibly having a greater role in determining industry structure and corporate priorities, we reduced our exposure to Chinese technology, ultimately reaching 0%. While we believe this positioning should lower portfolio volatility in future quarters, our residual exposure in names such as food-delivery company Meituan weighed on performance.

Another detractor was Software as a Service (SaaS) provider Zendesk. This stock is a component of our "resilient" sleeve

given its alignment with our favored theme of cloud computing. We categorize stocks as resilient when we believe they have the potential to steadily grow earnings over an extended period. Zendesk's second quarter earnings, however, fell short of expectations. We believe that the company is experiencing operational turbulence as it expands its suite to include more up-market offerings. While this move has the potential to increase margins, the path may be uneven as Zendesk adapts to new market segments.

Two other contributors were semiconductor equipment manufacturer ASML Holding and Global-e Online, a facilitator of cross-border e-commerce. The former benefited from the need to increase semi-chip capacity and the latter stock gained on expectations of continued economic reopening along with a new operating agreement with Shopify.

Top Contributors	Average Weight (%)	Relative Contribution (%)
Atlassian Corp Plc	1.42	0.59
ASML Holding NV	5.17	0.22
Alphabet Inc	3.95	0.20
Global E Online Ltd	0.78	0.18
Snowflake Inc	0.91	0.17

Top Detractors	Average Weight (%)	Relative Contribution (%)
Wix.com Ltd	1.44	-0.53
Zendesk Inc	1.66	-0.36
Apple Inc	3.50	-0.35
Amazon Com Inc	4.92	-0.29
Meituan	0.20	-0.29

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. 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

Much of the complexity facing the sector centers on which of the sources of volatility prove transient and which are structural. We believe the semiconductor shortage should normalize as global capacity is added. The path likely won't be smooth, and we believe near-term bottlenecks will continue to impact multiple industries. Longer-term, the demand for capacity should be supportive of the technologies that enable chip production, especially as IoT is further deployed.

The shift in China's approach toward the sector requires further observation. While we are comfortable with our zero weight, we believe that the government still recognizes the power of innovative technologies to drive economic growth and achieve certain desired social outcomes.

Much ink has been spilled on whether the recent rise in inflation is sticky or fleeting. This impacts the tech sector insofar as to how it influences interest rates. Higher rates tend to compress valuations of longer-duration assets, including secular growth stocks. Multiple compression, however, may present attractive entry points to secular growers previously deemed overpriced.

Given these crosscurrents, we anticipate additional choppiness in coming months. Longer term, we are positive on the sector. Secular themes remain intact and continued economic reopening should buttress cyclical growth stocks. The market must always contend with exogenous forces, but we firmly believe that long-term tech returns will ultimately be dictated by financial performance.

Portfolio Management



Denny Fish

For more information, please visit janushenderson.com.

Janus Henderson
INVESTORS

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. 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/VITperformance 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 9/30/21 the top ten portfolio holdings of Janus Henderson Global Technology and Innovation P are: Microsoft Corp (9.87%), ASML Holding NV (5.05%), Amazon.com Inc (5.00%), Adobe Inc (4.32%), Mastercard Inc (4.30%), NVIDIA Corp (4.27%), Taiwan Semiconductor Manufacturing Co Ltd (4.18%), Facebook Inc (4.15%), Alphabet Inc (4.05%) and Visa Inc (3.56%). There are no assurances that any portfolio currently holds these securities or other securities mentioned.

The opinions are as of 9/30/21, 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.

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.

Concentrated investments in a single sector, industry or region will be more susceptible to factors affecting that group and may be more volatile than less concentrated investments or the market as a whole.

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

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

MSCI All Country World Information Technology IndexSM reflects the performance of information technology stocks from 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.

Janus Henderson is a trademark of Janus Henderson Group plc or one of its subsidiaries. © Janus Henderson Group plc.

Janus Henderson Distributors.