PORTFOLIO COMMENTARY

VIT Mid Cap Value Portfolio

Market Environment

- Equities staged a rather dramatic comeback over the quarter, driven by high-beta stocks that had underperformed meaningfully earlier in the year. A “risk-on” environment came back with a vengeance.
- While economic data readings no longer are in free fall, we believe caution is still warranted given the uncertainty over the lasting impact of the COVID-19 pandemic on global economies.
- The largesse of fiscal and monetary policies has seemed to know no bounds. As an added boost, the upcoming U.S. presidential election will be sure to provide a continued flow of more-than-ample liquidity. However, the divergence between Main Street and Wall Street has seemed to widen as economies have reopened. Assessing valuations in a market that continues to rally has remained a challenge, as the range of earnings outcomes is expansive, warranting a more defensive approach.

Performance Summary

The Portfolio underperformed its benchmark, the Russell Midcap® Value Index, for the quarter ended June 30, 2020. The Index was up 19.95%, marking its best quarter in over 10 years. This rally was driven by lower-quality stocks as those with the highest betas and no earnings performed the best by a wide margin. Cyclical sectors sharply outperformed, and while the Portfolio’s more defensively oriented holdings participated by posting double-digit returns, it lagged the Index for the period.

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

Portfolio Discussion

In the benchmark, cyclical sectors such as energy, consumer discretionary, materials and industrials outperformed, while more defensive sectors such as utilities, consumer staples and real estate lagged. Our underweight in energy hurt relative returns, as the sector was the benchmark’s top performer over the quarter, up 55%, as oil prices rebounded after a sharp sell-off earlier in the year. Despite the rebound, we maintain a cautious view, as we believe it is difficult for most oil and gas-related companies to be profitable at current oil prices.

In industrials, the Portfolio’s more defensively oriented holdings lagged the benchmark as housing-related and building materials stocks led performance. While we spent time researching holdings in this area during the sharp declines in the first quarter, we were wary of rising underemployment and the potential long-term impact of the pandemic in an already-cyclical industry. Financials, particularly banks, was an area in cyclicals that did not rebound in the quarter due to concerns of declining credit quality. The Portfolio’s overweight in insurance, which had been additive to performance in recent years, hurt relative returns as these more defensively oriented stocks lagged over the period.

Stock selection in health care aided relative performance and was driven by LabCorp and Hologic, both companies that have benefited from a rise in COVID-19 testing in

Janus Henderson INVESTORS

addition to the reopening of medical practices and resumption of elective procedures. Our underweights in utilities and consumer staples, the two worst-performing sectors in the benchmark, also contributed to relative returns.

During the quarter, we reduced materials on strength and added to health care. Due to the Index rebalancing on June 30, we closed the period more overweight information technology and real estate.

Top Contributors	Average Weight (%)	Relative Contribution (%)
Grace W R & Co Del N	1.51	0.43
Cedar Fair L P	0.97	0.34
Hologic Inc	1.01	0.33
Laboratory Corp of America	2.72	0.24
Citizens Financial Group Inc	1.79	0.24

Top Detractors	Average Weight (%)	Relative Contribution (%)
Public Storage Inc	2.14	-0.54
Equity Commonwealth	2.44	-0.45
Globe Life Inc	2.76	-0.44
GATX Corp	1.68	-0.41
Alliant Corp	2.12	-0.40

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

The quarter ended June 30, 2020, was a difficult one for our portfolio. Mid-cap stocks posted one of their best quarterly returns in over a decade, with market participants ignoring damage done to the economy from pandemic-related shutdowns and the importance of owning “survivors,” which resulted in a massive low-quality rally. During the quarter, several companies with more debt than market cap saw triple-digit stock-price appreciation. Unprecedented levels of fiscal and monetary stimulus gave the market a “sugar rush” that we did not anticipate. While it was frustrating to underperform as we did, we feel it is critical that we not chase the market and abandon our philosophy. However, we believe that the fiscal and monetary spigots will remain wide open for the foreseeable future, which means the rally for equities may continue for longer.

Despite the recent price moves in many fundamentally challenged sectors and stocks giving the “all clear” signal, we remain cautious given the sizable competitive headwinds they face. In addition, in a post-pandemic economy, many of these companies will need to alter their business models. At the portfolio level, we continue to be overweight banks given their attractive valuations and ample capital levels, but we understand the credit risk headwinds of varying degrees in the near term. Another overweight sector is technology, which possesses many quality attributes we favor – strong balance sheets, healthy free cash flow and earnings stability in a chaotic economic environment. As is standard at Perkins, we continue to focus on owning high-quality companies with durable competitive advantages and balance sheets to weather economic shocks, with strict attention to reward-to-risk in the individual stock price. Undoubtedly, there will be continued volatility ahead – in both directions – but we welcome those opportunities to find new names with attractive reward-to-risk profiles for inclusion in the Portfolio.

Thank you for your co-investment in the Mid Cap Value Portfolio.

Portfolio Management

Sub-advised by Perkins® Investment Management LLC

Kevin Preloger

Justin Tugman, CFA

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 6/30/20 the top ten portfolio holdings of Janus Henderson Mid Cap Value Portfolio are: Equity Lifestyle Ppt (3.22%), BWX Technologies Inc (3.21%), Laboratory Corp of America (2.86%), Globe Life Inc (2.81%), Evergy Inc (2.73%), Hartford Financial Services Group Inc (2.60%), RenaissanceRe Holdings Ltd (2.44%), Lamar Advertising Company (2.42%), Equity Commonwealth (2.39%) and M & T Bank Corp (2.37%). There are no assurances that any portfolio currently holds these securities or other securities mentioned.

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 market risk and it is possible to lose money by investing. Investment return and value will fluctuate in response to issuer, political, market and economic developments, which can affect a single issuer, issuers within an industry, economic sector or geographic region, or the market as a whole.

Smaller capitalization securities may be less stable and more susceptible to adverse developments, and may be more volatile and less liquid than larger capitalization securities.

Value stocks can continue to be undervalued by the market for long periods of time and may not appreciate to the extent expected.

Russell Midcap® Value Index reflects the performance of U.S. mid-cap equities with lower price-to-book ratios and lower forecasted growth values.

Index performance does not reflect the expenses of managing a portfolio as an index is unmanaged and not available for direct investment.

Perkins Investment Management LLC is a subsidiary of Janus Henderson Group plc and serves as the sub-adviser on certain products.

Janus Henderson Distributors