2018 Portfolio Commentary

Forty Fund

Investment Environment

U.S. equities were volatile and lost ground during the year. While corporate earnings growth was solid, global trade tensions and the prospect of rising interest rates weighed on stocks. In the fourth quarter, markets fell sharply as trade tensions between the U.S. and China escalated and data suggested weaker international economic growth. The energy and materials sectors suffered the steepest losses within the index.

Performance Discussion

The Fund outperformed both its primary benchmark, the Russell 1000® Growth Index, and its secondary benchmark, the S&P 500® Index, during the period. As part of our investment strategy, we seek companies that have built clear, sustainable, competitive moats around their businesses, which should help them grow market share within their respective industries over time. Important competitive advantages could include a strong brand, network effects from a product or service that would be hard for a competitor to replicate, a lower cost structure than competitors in the industry, a distribution advantage or patent protection over valuable intellectual property. We think emphasizing these sustainable competitive advantages can be a meaningful driver of outperformance over longer time horizons because the market often underestimates the duration of growth for these companies and the long-term potential return to shareholders. This year we saw a number of companies in our portfolio put up impressive results, further validating our view that they are well positioned to grow in excess of the market.

Salesforce was our top contributor to performance during the year. Strong revenue growth and continued appreciation for its business model have driven the stock higher. We continue to like Salesforce's position as a leader in cloud-based enterprise software, and believe it will benefit as marketing and sales departments move more functions from on-premises software to the cloud, and as the company moves into new adjacencies beyond sales and marketing departments.

Mastercard was another top contributor. The stock is a longtime holding in which we continue to see its thesis play out. Our long-term view is that payments companies such as Mastercard are poised to benefit as consumers and businesses switch from cash and check to plastic and electronic payments. Mastercard is particularly well positioned to benefit from this shift because a majority of its revenues are generated outside the U.S., where many markets have a lower penetration of card and electronic payments and are experiencing significantly faster electronic purchase volume growth. Several quarters of strong revenue and earnings growth only confirm our point of view.

Highlights

- U.S. equities were volatile and lost ground during the year.
- The Fund outperformed its benchmarks.
- We've used recent volatility as a buying opportunity, and selectively added to position sizes of several secular growth companies.

Doug Rao
Portfolio Manager

Nick Schommer, CFA
Portfolio Manager

Amazon also made meaningful contributions to performance. Strong earnings growth has helped reaffirm its powerful, secular growth potential. Amazon is another longtime holding in our portfolio and our views on the company remain the same: The company's scale and distribution advantage have entrenched it as the dominant e-commerce platform, which should allow it to continue gaining consumer wallet share as shopping gravitates to online and mobile purchases. Meanwhile, Amazon Web Services is revolutionizing the way companies utilize IT services, using its scale to offer a disruptive pricing model to businesses seeking IT functions in the cloud.

While pleased with the results of many companies in our portfolio, we still held stocks that detracted from performance. Nvidia was one of our largest detractors. The stock declined after the company reported earnings below consensus expectations. We continue to like Nvidia's long-term outlook, however. The company is a leading supplier of graphics processing units (GPUs), which are at the forefront of accelerated computing, artificial intelligence and autonomous driving. We like the company's growth potential as these secular themes push forward.

Biotechnology stock Celgene also fell during the period. The biotechnology company faced a few headwinds this year including management turnover, and news that the FDA issued a Refusal to File letter for Celgene's multiple sclerosis (MS) drug, ozanimod. Although the news was an unwelcome setback, phase 3 data for the drug were promising, and the company reports that another pivotal trial will not be needed. We still think ozanimod will get FDA approval and that the delay should only moderately impact the drug's sales potential. We also do not feel the market is giving Celgene enough credit for the cash flow generation potential of its blood cancer treatment, Revlimid, or the potential of other products in its pipeline.

Bank of America also declined. Bank stocks fell broadly as concerns about the economy mounted and the prospect for rising interest rates diminished in the fourth quarter. We continue to like the stock, however, and believe the company is utilizing technology in ways that will improve the customer experience and ultimately help it gain market share from other banks.

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

Outlook

While global economic growth is slowing, we believe U.S. consumer strength will continue to support the domestic economy in early 2019. For U.S. workers, wage growth remains strong. Lower-wage earners have particularly benefited from a tight labor market, and are experiencing their best income growth in at least a decade. Meanwhile, the benefits of tax reform won't hit most consumers' pockets until they receive tax refunds in 2019.

While we believe U.S. consumer spending will continue to support the domestic economy, we are not naïve to risks. Rising interest rates are beginning to affect cyclical segments of the economy and heightened trade tensions present another headwind for growth. But after a market sell-off in the fourth quarter, valuations already reflect many of these concerns.

In our view, the recent sell-off has left valuations more attractive than at any point in at least a few years. This is particularly true for stocks tied to many secular growth trends, which sold off more sharply as some investors holding these stocks were forced to sell positions to deleverage portfolios. We've used that volatility as a buying opportunity, and selectively added to position sizes of several secular growth companies.

In prior letters, we've mentioned some of the secular trends represented in our portfolio: the shift from traditional brick and mortar shopping to online spending, the switch of enterprise software from on-premises to the cloud, a proliferation of connected devices in the home and business, the shift in autos from the combustible engine to electronic vehicles and a growing global middle class, to name a few. While many of these themes are well known, they are still nascent in their development, and should continue to push forward regardless of the economic backdrop. We remain focused on our companies' long-term growth potential as these themes progress.

Top Contributors and Detractors for the Year Ended 12/31/18

Top Contributors	Ending Weight (%)	Contribution (%)	Top Detractors	Ending Weight (%)	Contribution (%)
Salesforce.com Inc	4.93	1.57	Apple Inc.	1.43	-1.19
Mastercard Incorporated	5.74	1.53	NVIDIA Corp	1.57	-1.06
Amazon.com, Inc.	5.23	1.36	Celgene Corp	1.36	-1.00
Microsoft Corporation	6.37	1.03	Tencent Holdings Ltd	0.00	-0.79
Boston Scientific Corp	3.12	0.97	Bank of America Corporation	2.62	-0.52

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/info.

Top Contributors

Salesforce: Salesforce is a global cloud computing company best known for its customer relationship management (CRM) solutions. We believe the flexibility and low-cost nature of the company's cloud-based offerings give it a competitive advantage over on-premises legacy solutions.

Mastercard: The global card payment network connects consumers, financial institutions, merchants, governments and businesses, enabling them to use electronic forms of payment instead of cash and checks. We like Mastercard for its high return on invested capital business and growth potential as well as its strong balance sheet and quality management team. A majority of its revenues are generated outside the U.S., where many markets have a lower penetration of cards/electronic payments and are experiencing significantly faster electronic purchase volume growth.

Amazon: The online retailer offers a wide range of products, including books, music, computers, electronics, home and garden, and numerous other items. Amazon offers personalized shopping services, web-based credit card payment and direct shipping to customers. We believe the company's competitive advantages of a low overhead cost structure, allowing an aggressive pricing structure, and faster shipping will cause consumers to shift an increasing amount of their general merchandise spending toward it. Given that a large portion of retail sales are still sold offline, we believe Amazon has significant opportunities ahead, particularly as they expand into new business lines and geographies.

Microsoft: The company develops, manufactures, licenses, sells and supports software products. We like the growth potential of its enterprise cloud platform, and also believe it will benefit as it continues to transition its software programs from a perpetual license model to a subscription-based service.

Boston Scientific: The medical device maker offers a range of products in applications including cardiovascular, pulmonary, digestive, urological and women's health. We are encouraged by management's initiatives to boost its product pipeline, operating margins and revenue growth. New product launches, especially in the cardiovascular field, have been encouraging.

Top Detractors

Apple: We have some exposure to Apple, but are underweight the stock relative to our index because we're less optimistic about its long-term earnings potential after the iPhone 8 and iPhone X product cycle.

Nvidia Corp.: Nvidia is the leader in graphics processing units (GPUs). GPUs have historically been PC and gaming centric, but we like their growth potential as GPUs are increasingly used in emerging applications that require high levels of parallel processing such as data center acceleration and autonomous driving.

Celgene: This global biotechnology company seeks to deliver innovative drugs for the treatment of cancer and other severe immune, inflammatory conditions. We do not feel the stock's current valuation is giving Celgene enough credit for the cash flow generation potential of its blood cancer treatment, Revlimid, or the potential of other products in its pipeline.

Tencent Holdings: Tencent provides Internet, mobile and telecommunication value-added services in China, including instant messaging, gaming and online advertising services. We like its position as the operating system for China's mobile phone market, but we sold the stock after government policy changes in 2018 limited Tencent's ability to get new game licenses approved.

Bank of America: Bank of America is a large U.S. financial institution, serving individual consumers, small- and middle-market businesses and large corporations with a full range of banking, investing, asset management and other financial and risk management products and services. The bank has invested heavily into digitizing its business, which we believe will provide better customer experiences and ultimately help it take market share from other banks. We also appreciate that the bank has lowered its risk profile considerably over the last decade.

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/info. 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/performance for current month-end performance.

Discussion is based on the performance of Class I Shares.

As of 12/31/18 the top five portfolio holdings of Janus Henderson Forty Fund are: Alphabet Inc. (7.21%), Microsoft Corporation (6.37%), Mastercard Incorporated (5.74%), Amazon.com, Inc. (5.23%) and Salesforce.com Inc (4.93%). There are no assurances that any portfolio currently holds these securities or other securities mentioned.

The opinions are as of 12/31/18 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.

Performance may be affected by risks that include those associated with non-diversification, portfolio turnover, short sales, potential conflicts of interest, foreign and emerging markets, initial public offerings (IPOs), high-yield and high-risk securities, undervalued, overlooked and smaller capitalization companies, real estate related securities including Real Estate Investment Trusts (REITs), derivatives, and commodity-linked investments. Each product has different risks. Please see the prospectus for more information about risks, holdings and other details.

Russell 1000® Growth Index reflects the performance of U.S. large-cap equities with higher price-to-book ratios and higher forecasted growth values.

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

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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