US SMALL CAP GROWTH STRATEGY

At a glance

Performance
The Portfolio returned 7.25% (gross) and the Russell 2000® Growth Index returned 7.58%.

Contributors/detractors
Stock selection in the information technology sector detracted from relative performance. Stock selection in healthcare contributed.

Outlook
We believe our portfolio is positioned for long-term performance, supported by our focus on well-managed, profitable growth companies with strong balance sheets.

Portfolio management


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Investment environment

- Stocks rallied in the first quarter as a healthy job market and resilient consumer spending supported economic growth. Inflation showed signs of moderating, leading to hopes that the Federal Reserve (Fed) may reduce interest rates in the months to come.
- Robust corporate results, particularly for some high-profile large-cap information technology companies, reignited investor interest in artificial intelligence (AI). This led to more speculative risk-taking, including in the small-cap growth market.

Portfolio review

The portfolio's relative underperformance almost entirely reflected a lack of exposure to two high-flying information technology stocks that were disproportionately large contributors to benchmark returns. These included Super Micro Computer, a computer server manufacturer that was viewed as a potential beneficiary of AI-related spending. While we recognize that Super Micro is a beneficiary of the current AI macro tailwinds, we believe that the verdict is still out on the durability of any competitive advantage, as evidenced by its margin structure. Software company MicroStrategy, another top index performer, caught investors' attention due to its large balance sheet holdings of cryptocurrency. Both stocks more than doubled in the quarter — performance that we believe was fueled more by speculative risk-taking than underlying company fundamentals. While this more speculative trend in the market was a headwind for our relative results, we do not feel comfortable chasing performance by investing in companies we see as inherently risky, or where we have real concerns about the quality of the business model, balance sheet, or management team.

Among the stocks we did own, Blackbaud was a relative detractor. Blackbaud provides Software as a Service (SaaS) solutions that help nonprofits monitor and engage with donors. While the company reported solid fourth-quarter results, the stock declined on negative perceptions around Blackbaud's earnings guidance for 2024. In our view, the company did a poor job of explaining this guidance, which partly reflected some one-time charges rather than fundamental issues for the business. We have continued to see long-term potential for Blackbaud and held onto the position.

ATS, another detractor, provides factory automation systems. The stock declined as ATS reported weaker-than-expected bookings due to slower demand from the electric vehicle market. We remain invested in ATS, as we believe it is well positioned to benefit from increased factory automation across a variety of industries.

We were pleased to see other holdings rewarded with strong share price performance. These included NICE Systems, a provider of software-based technology solutions for call centers and data security. The stock rallied on the company's better-than expected earnings growth and guidance. NICE has been an innovator in leveraging AI to improve its customer offerings, which has helped it capture more business as large enterprises have continued to migrate contact center operations to the cloud.

Core & Main, another contributor, distributes products used in storm drainage and other large water-related infrastructure projects. It has benefited from higher infrastructure spending, which helped it report better-than-expected results. Stabilizing input prices have also supported improved operating margins. We continue to like Core & Main for its advantaged competitive positioning and earnings visibility. The company has benefited from excitement around infrastructure investment, supported by trends such as nearshoring, electrification, and investments in AI.

Manager outlook

Recent economic reports have given investors greater confidence in prospects for a soft landing. Job growth has remained strong, and we have heard anecdotal reports that companies are starting to loosen capital spending budgets. Moderating inflation has also raised hopes for Fed rate cuts. However, as inflation remains above Fed targets, we expect rates to remain higher for longer than people had expected at the end of 2023. We see other reasons for caution, including geopolitical uncertainty and slower growth in international markets such as China. We are also monitoring signs of financial distress for some consumers, which could impact spending going forward.

Additionally, we have been concerned about a recent return to more speculative behavior, with investors willing to pay elevated prices for opportunities tied to trends such as AI or cryptocurrency. This speculation has pushed stock valuations higher even in cases where companies have not substantially raised their revenue or earnings outlooks. Instead, these valuation increases have been driven by multiple expansions, a dynamic we find worrisome and unsustainable. The extreme outperformance of the most expensive index stocks reminds us of what we saw in 2020. However, in contrast to 2020, investors and businesses are now facing a much higher cost of capital that makes such valuations even harder to justify. Given the risks in the current environment, we remain committed to our disciplined investment process. We continue to search out opportunities to capitalize on innovation, as well as unique or improving business models, even as we seek to manage downside risk. We remain focused on well-managed, profitable growth companies with strong balance sheets, healthy free cash flows, and high returns on capital. This balanced, selective approach has worked for us long term, and we believe it is the best way to deliver long-term performance to our investors.

US Small Cap Growth Strategy (as of 03/31/24)

Performance - USD (%)

Returns	Cumulative 1Q24	Cumulative YTD	Cumulative 1 Yr	Annualized 3 Yr	Annualized 5 Yr	Annualized 10 Yr	Annualized Since Inception (01/01/93)
Composite (gross)	7.25	7.25	16.17	0.67	8.49	10.20	10.85
Composite (net)	7.03	7.03	15.20	-0.18	7.58	9.28	9.83
Russell 2000® Growth Index	7.58	7.58	20.35	-2.68	7.38	7.89	7.70

Past performance cannot guarantee future results. Investing involves risk, including the possible loss of principal and fluctuation of value. Returns greater than one year are annualized. Returns are expressed in U.S. dollars unless otherwise stated. Composite returns are net of transaction costs and gross of non-reclaimable withholding taxes (if any and unless otherwise noted), and reflect the reinvestment of dividends and other earnings.

Portfolio

Top Contributors (%)	Average Weight	Relative Contribution
Core & Main Inc	1.75	0.52
Nice Sys Ltd	2.09	0.44
Williams Sonoma Inc	0.92	0.41
Catalent Inc	1.53	0.31
Cra Intl Inc	0.66	0.23

Top Detractors (%)	Average Weight	Relative Contribution
Ats Corporation	1.61	-0.49
Xometry Inc	0.59	-0.45
Blackbaud Inc	1.68	-0.36
On Semiconductor Cor	1.46	-0.32
Wns Hldgs Ltd	1.14	-0.31

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 recently available disclosure period contact a Janus Henderson institutional team representative.

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.

Top Holdings (%)	Fund
Nice Ltd (ADR)	2.30
SS&C Technologies Holdings Inc	1.93
Core & Main Inc	1.90
Descartes Systems Group Inc	1.87
Stride Inc	1.83
Rentokil Initial PLC (ADR)	1.74
Broadridge Financial Solutions Inc	1.63
Constellium SE	1.61
Blackbaud Inc	1.55
SPX Technologies Inc	1.52
Total	**17.88**

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Janus Henderson INVESTORS

Definitions

Free cash flow (FCF) yield is a financial ratio that measures how much cash flow a company has in case of its liquidation or other obligations by comparing the free cash flow per share with the market price per share and indicates the level of cash flow the company will earn against its share market value.
Return on invested capital (ROIC) is a measure of how effectively a company used the money invested in its operations.

To receive a complete list and description of composites and/or a presentation that complies with the requirements of the GIPS® standards, please visit janushenderson.com/us-institutional to contact a Janus Henderson institutional team representative.

The gross performance results presented do not reflect the deduction of investment advisory fees. Returns will be reduced by such advisory fees and other expenses as described in the individual contract and, where applicable, Form ADV Part 2A.

Net performance results do not reflect the deduction of investment advisory fees actually charged to the accounts in the composite but do reflect the deduction of model investment advisory fees based on the maximum fee rate in effect for the respective time period, adjusted for performance-based fees where applicable. Actual advisory fees may vary among clients invested in the strategy and may be higher or lower than model fees. Returns for each client will be reduced by such fees and expenses as described in the individual contract and, where applicable, in Form ADV Part 2A.

The opinions are as of 03/31/24, 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.

US Small Cap Growth Composite, benchmarked to the Russell 2000® Growth Index, includes portfolios that invest primarily in equity securities of small-sized companies selected for their growth potential. Small sized companies are generally those who have market capitalizations less than $6 billion. Effective January 1, 2005 the composite definition was changed to include only proprietary mutual funds and exclude sub-advised pooled funds. Effective January 1, 2009 the composite definition was expanded to also include sub-advised pooled funds and separately managed institutional accounts. Prior to June 2020 the composite was known as the US Small Company Growth Composite. The composite was created in January 2003.

Information relating to portfolio holdings is based on the representative account in the composite, which reflects the typical portfolio management style of the investment strategy. Other accounts in the strategy may vary due to asset size, client guidelines and other factors.

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.

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 does not represent actual performance.

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

Discussion is based on performance gross of fees.

Russell 2000® Growth Index reflects the performance of U.S. small-cap equities with higher price-to-book ratios and higher forecasted growth values.

Index returns are provided to represent the investment environment existing during the periods shown. The index is fully invested, including the reinvestment of dividends and capital gains. Index returns do not include any transaction costs, management fees or other costs, and are gross of non-reclaimable withholding taxes, if any and unless otherwise noted.

Janus Henderson Investors claims compliance with the Global Investment Performance Standards (GIPS®). For the purpose of claiming GIPS compliance, Janus Henderson Investors defines its GIPS Firm as the following entities within Janus Henderson Group plc that directly manage assets: Janus Henderson Investors UK Limited, Janus Henderson Investors (Singapore) Limited (excluding private equity assets), Janus Henderson Fund Management UK Limited, Janus Henderson Investors US LLC and Janus Henderson Investors (Australia) Institutional Funds Management Limited. The GIPS firm was formed on January 1, 2018 as a result of the merger of the predecessor GIPS firms Janus Capital Management LLC and Henderson Global Investors, which previously claimed compliance since January 1, 1994 and January 1, 2009, respectively.

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