2020
U.S. Equity

PORTFOLIO COMMENTARY

Perkins US Small Cap Value

Market Environment

- Stocks declined sharply in the first quarter after COVID-19 halted travel and disrupted supply chains. The Federal Reserve responded aggressively, cutting policy rates to zero, and Congress passed a $2 trillion stimulus package.
- In the second quarter, equities staged a rally that continued through year-end as lower-quality factors such as high-beta stocks and non-earners drove the index.
- While growth outperformed value across all market-cap segments, the magnitude of growth's outperformance narrowed during the fourth quarter as cyclicals such as materials, energy and technology led the market higher.
- Driven by positive vaccine news, small-cap value stocks returned 33% during the fourth quarter, their best quarterly return in the last 10 years.

Performance Summary

For the 12-month period ended December 31, 2020, the Portfolio underperformed its benchmark, the Russell 2000® Value Index. Stock selection in consumer discretionary, technology and materials detracted from relative returns. Stock selection in real estate and underweight positions in energy and communication services contributed, as did our cash positioning.

For detailed performance information, please visit perkinsinvestmentmanagement.com.

Portfolio Discussion

Within the index, staples, health care and consumer discretionary were the best performers, each posting a return over 30% for the year. The Portfolio's stock selection and underweight in the consumer discretionary sector was the biggest detractor to relative performance. Our underweight in health care also was detrimental, given biotech was up over 40% in the index. We don't believe small-cap biotech companies fit our process well, given many of these companies do not have earnings and could face substantial downside risk if their products are not approved.

Energy was the worst-performing sector in the index, and while our underweight contributed, our stock selection detracted. ChampionX Corporation, an oil field technology company formerly known as Apergy, which completed a merger in June with ChampionX Holding Inc., was the largest individual detractor, followed by downstream energy company Delek US. In financials, the Portfolio's stock selection hurt relative performance along with our overweight in insurance. Argo Group, a specialty insurance underwriter, was a top individual detractor. We continue to like the valuation and outlook for insurance companies and believe returns might improve in 2021. Stock selection in materials – our low exposure to miners in particular – hampered relative returns.

Due to stock selection, real estate was the Portfolio's best-performing sector over the period, led by office real estate investment trusts (REITs). In consumer staples, our overweight aided performance, particularly in food, beverage and tobacco, with

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—JANUS HENDERSON—

European frozen foods company Nomad and American fresh egg producer Cal-Maine among the largest individual contributors. Another top contributor was Generac, a manufacturer of backup power generation products for residential markets whose stock skyrocketed after the COVID-19 outbreak reached pandemic status in mid-March.

The extreme volatility early in the period presented us with many new buying opportunities on our "wish list" that became more attractive from a valuation and reward-to-risk perspective. Many of these ideas became portfolio holdings and from a broad array of industries, including health care, consumer discretionary and semiconductors.

Top Contributors	Representative Account	
	Average Weight (%)	Relative Contribution (%)
Nomad Foods Ltd	1.84	0.60
Generac Holdings Inc	0.44	0.53
Cal-Maine Foods Inc	1.46	0.45
MKS Instruments Inc	0.56	0.37
Evercore Inc	0.71	0.35

Top Detractors	Representative Account	
	Average Weight (%)	Relative Contribution (%)
ChampionX Corp	0.23	-1.00
Delek US Holdings Inc	0.95	-0.80
Argo Group International Holdings	1.54	-0.68
Washington Federal Inc	1.75	-0.57
Thermon Group Holdings Inc	0.83	-0.53

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 visit perkinsinvestmentmanagement.com.

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

It is difficult to imagine a repeat of 2020, but equity markets at all-time highs belie the fact that damage has been done to the economy and the healing process will take time. We see reasons to be optimistic but also are cautious given the recovery over the past nine months. In addition, we are hopeful that value will show improvement and believe higher-quality stocks provide an opportunity for investors given their meaningful lag versus lower-quality stocks.

2020 saw unprecedented stimulus by governments and central banks globally, and while the amount could slow meaningfully, it is our belief that stimulus will not go away. In the U.S., stimulus programs that showered the markets with liquidity allowed even consumers who were temporarily unemployed to have greater discretionary income than if they had been working. Undoubtedly, these coordinated efforts helped to boost the prices of risk assets around the world. Even though the U.S. ran a $3.3 trillion budget deficit in 2020, we believe the will to spend more at the fiscal level likely will continue, thus providing a further tailwind for markets.

We believe earnings growth in 2021 is likely to be strong, coming off one of the biggest declines in history. This growth could be most pronounced in areas such as cyclicals and banks – sectors that sustained some of the biggest pandemic earnings hits and where we believe the Portfolio should benefit given our material exposure there. At least for the coming year, we believe the value segment is well positioned. We remain convinced that over the long term, investing in companies with strong balance sheets, durable franchises and other quality attributes will again become important contributors to outperformance.

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

Portfolio Management

Justin Tugman, CFA

Craig Kempler, CFA

For more information, please visit **perkinsinvestmentmanagement.com.**

Past performance is no guarantee of future results.

Discussion is based on performance gross of fees.

Information relating to portfolio holdings is based on the representative account in the composite and may vary for other accounts in the strategy due to asset size, client guidelines and other factors. The representative account is believed to most closely reflect the current portfolio management style.

As of 12/31/20 the top ten portfolio holdings of the Representative Account are: Hanover Insurance Group Inc (2.90%), UniFirst Corp/MA (2.65%), STAG Industrial Inc (2.62%), United Community Banks Inc/GA (2.43%), Atlantic Union Bankshares Corp (2.33%), United Bankshares Inc/WV (2.12%), Lincoln Electric Holdings Inc (1.99%), Sunstone Hotel Investors Inc (1.91%), WNS Holdings Ltd (ADR) (1.89%) and Innospec Inc (1.86%). There are no assurances that any portfolio currently holds these securities or other securities mentioned.

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.

The opinions are as of 12/31/20, 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.

Perkins US Small Cap Value Composite, benchmarked to the Russell 2000® Value Index, includes portfolios that seek to identify quality small-sized companies trading at discounted prices with favorable risk/reward potential. Portfolios invest primarily in US companies whose market capitalization, at time of initial purchase, is less than the 12-month average of the maximum market capitalization for companies included in the Russell 2000 Value Index. Prior to 2003, the composite was known as the Berger Small Cap Value Equity Composite. Prior to 2003, the composite included both institutional accounts and mutual funds. In 2003 and 2004 the composite included only separately managed institutional accounts. Effective January 1, 2005 the composite definition was changed to include sub-advised pooled funds as well as separately managed institutional accounts. Effective January 1, 2009 the composite definition was expanded to also include proprietary mutual funds. A minimum asset size requirement of $1 million for composite participation was used prior to January 1, 2006. The composite was created in June 1998.

Beta measures the volatility of a security or portfolio relative to an index. Less than one means lower volatility than the index; more than one means greater volatility.

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