GROWTH AND INCOME MANAGED ACCOUNT

At a glance

Performance
The Portfolio returned 10.95% (gross) and the S&P 500® Index returned 11.69%.

Contributors/detractors
Stock selection in health care and an overweight allocation to technology contributed to relative performance while stock selection in industrials and information technology detracted.

Outlook
With a moderate earnings growth forecast for 2024, our outlook for U.S. large-cap equities is cautiously optimistic.

Portfolio management

Jeremiah Buckley, CFA

Investment environment

- The S&P 500 Index posted a gain for the quarter. In October, the index declined before rallying strongly in November and December as investor expectations shifted from fears of additional interest hikes to hopes that moderating inflation might persuade the Federal Reserve (Fed) to reduce rates in 2024. As a result, the 10-year Treasury yield fell below 4% by quarter-end after reaching nearly 5% in mid-October.
- Economic data released during the quarter were largely positive, helping to alleviate inflation concerns and underpinning investor hopes that the U.S. could avoid an economic downturn. Unexpectedly, gross domestic product (GDP) grew strongly in the third quarter by an annualized 4.9%, driven by consumer spending and up sharply from the second quarter's expansion of 2.1%. Annual inflation eased to 3.1% in November – a five-month low – down from 3.7% in September, while job growth remained solid, and the unemployment rate remained fairly steady.
- Corporate earnings remained relatively strong, aided by reduced input prices.

Portfolio review

During the quarter, our emphasis on high-quality, dividend-growth stocks hurt performance relative to the benchmark. The portfolio has less risk and cyclical exposure than the S&P 500 Index. Moderating inflation and the Fed's dovish pivot sparked a high-beta rally and market rotation into cyclical areas of the market, and this positioning hurt performance amid the risk-on environment.

Cable company Comcast was a top relative detractor during the quarter. The stock was weighed down by reports from a close competitor about a slowing broadband market. Additionally, the company's broadband business is facing headwinds from tough fixed wireless competition. However, we believe the stock's valuation reflects this more challenging fundamental backdrop. On a positive note, we continue to see fundamental strength in the company's parks and studio businesses. Overall, we believe that Comcast's business is stable and generates substantial free cash flow to allow for earnings and dividend growth.

Chevron, an integrated oil and gas company, was also a top relative detractor during the quarter. The energy sector in aggregate underperformed in the quarter primarily due to lower crude prices. This underperformance can be attributed to demand concerns and higher inventory levels (especially in the U.S.) despite OPEC+ maintaining supply cuts. In addition, the stock fell on concerns of cost overruns and delays in the expansion of a large oil project in Kazakhstan.

Semiconductor-manufacturing equipment company KLA was a top contributor during the quarter. Broadly, there is industry optimism for a recovery in wafer fabrication equipment in 2025. Also, capital expenditure in memory chips is expected to have a sharp recovery. Of note, KLA's stock price has recently underperformed others in the industry, and it is likely that this quarter's strong performance is also attributable to some degree of catch-up.

American Express was also a top contributor in the period, as the stock significantly rebounded following poor performance in the previous quarter. November witnessed robust consumer spending, with a positive outlook for holiday spending. Notably, American Express benefits from its higher exposure to travel and entertainment spending, which has seen positive growth. Airlines have reported increased demand for the holidays, hotel pricing has been positive, and cruise companies have announced strong demand. Contrary to concerns from the previous quarter, the travel segment of American Express's business remains strong, contributing to its stock recovery.

Manager outlook

After modest declines in 2023 and despite lingering macroeconomic uncertainties, we anticipate earnings growth to resume in 2024 but to remain below the long-term historical average. There are positive factors supporting our moderate growth forecast, as well as risks to monitor. From a base case perspective, we expect to see modest real GDP growth, resilient yet decelerating consumer spending, steady labor force conditions, profit margin improvement, and growth from key secular trends.

Consumer spending might face conflicting forces at the start of 2024. Diminished household savings and higher interest rates will likely curb big-ticket purchases. However, consumer discretionary spending should more broadly benefit from recent real wage gains and higher interest income. Also, robust consumer spending has been strongly supported by the labor market, which we believe will remain relatively steady.

From a corporate perspective, third-quarter earnings margins held up well in manufacturing and other economic sectors. Declining raw material and transportation costs are finally flowing through to lower cost of goods sold, while new inventories are replacing pricier items built on 2022’s high input costs – a benefit that emerged late in 2023 and should persist into 2024.

Earnings growth potential is further supported by powerful secular trends. Two we are paying particularly close attention to are artificial intelligence (AI) and weight-loss therapies like incretins. AI is a long-term theme, and we see the scope of investment opportunities broadening beyond the early beneficiaries of technology spending. Adoption is surging, and we are focused on identifying the potential winners and losers as enterprises rapidly implement generative AI. As for incretins and GLP-1 appetite suppression weight-loss drugs, this breakthrough innovation also has the potential to drive growth and disruption. We are bullish on the outlook but monitoring potential secondary impacts in other sectors as users increasingly focus on reduced calorie intake. Ripple effects could also impact healthcare utilization should obesity rates decline.

While our outlook is cautiously optimistic, higher rates may negatively impact long-cycle capital spending as multi-year projects that boosted 2023 growth fade and replacement spending lags. However, short-cycle industries like PCs, semiconductors, and life-sciences equipment – all of which endured recessions in 2023 – could recover to normal levels in 2024. Therefore, we are monitoring the potential transition from long- to short-cycle economic and earnings growth drivers.

We maintain our focus on companies that provide attractive current income and the potential for growth of income over time that also stand to benefit from longer-term macro trends. We believe our emphasis on companies with consistent cash flows and healthy balance sheets, which are well positioned to increase dividends and share buybacks, will be an important factor as we navigate this economic transition and uncertain growth outlook.

Performance - USD (%)

Returns	Cumulative 4Q23	YTD	1 Yr	Annualized 3 Yr	5 Yr	10 Yr	Since Inception (01/01/93)
Composite (pure gross*)	10.95	18.71	18.71	9.89	13.48	11.83	11.06
Composite (net)	10.16	15.29	15.29	6.70	10.20	8.59	7.84
S&P 500® Index	11.69	26.29	26.29	10.01	15.69	12.03	10.15

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. All returns reflect the reinvestment of dividends and other earnings.

*Pure gross performance results do not reflect the deduction of any trading costs, fees or expenses and returns will be reduced by such advisory fee and other contractual expenses as described in the individual contract and Form ADV Part 2A. Pure gross returns are supplemental to net returns.

Net returns are calculated by subtracting the highest applicable Managed Account fee (3.00% annually, or 0.25% monthly) from the pure gross or gross composite return. The Managed Account fee includes all charges for trading costs, portfolio management, custody and other administrative fees. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. The fees are available on request and may be found in Form ADV Part 2A.

Representative Portfolio

Top Contributors (%)	Average Weight	Relative Contribution
Kla Corp	3.79	0.51
American Express Co	2.55	0.32
Microsoft Corp	10.53	0.24
Lam Resh Corp	1.23	0.15
Accenture Plc Ireland	4.44	0.12

Top Detractors (%)	Average Weight	Relative Contribution
Comcast Corp New	2.51	-0.26
Chevron Corp New	1.72	-0.26
Hershey Foods Corp	1.30	-0.24
Automatic Data Proce	1.58	-0.19
Schlumberger Ltd	0.82	-0.16

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.

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 (%)	Rep Acct
Microsoft Corp	10.46
Apple Inc	5.43
Accenture PLC	4.66
KLA Corp	3.99
UnitedHealth Group Inc	2.97
Visa Inc	2.94
American Express Co	2.80
JPMorgan Chase & Co	2.68
Comcast Corp	2.41
McDonald's Corp	2.27
Total	**40.61**

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Janus Henderson INVESTORS

Definitions

10-Year Treasury Yield is the interest rate on U.S. Treasury bonds that will mature 10 years from the date of purchase.
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.
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.
Cost of Goods Sold (COGS) measures the direct cost incurred in the production of any goods or services.

To receive a complete list and description of composites and/or a presentation that complies with the requirements of the GIPS® standards, please contact Janus Henderson at 800.668.0434.

The opinions are as of 12/31/23, 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.

Growth and Income Managed Account Composite, benchmarked to the S&P 500 Index, includes portfolios that invest primarily in larger, well-established companies selected for their long term growth as well as current income potential. A typical portfolio will contain 60 to 80 mostly dividend-paying equity securities. Prior to October 1, 2018, returns for the composite are for the Growth and Income Composite, which consisted of separately managed institutional accounts, proprietary mutual funds as well as sub-advised pooled funds. The composite was created in October 2018.

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.

Holdings are subject to change without notice.

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.

There is no assurance the stated objective(s) will be met.

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

Discussion is based on performance gross of fees and expenses.

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

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

Actively managed portfolios may fail to produce the intended results. No investment strategy can ensure a profit or eliminate the risk of loss.

Actively managed investment portfolios are subject to the risk that the investment strategies and research process employed may fail to produce the intended results. Accordingly, a portfolio may underperform its benchmark index or other investment products with similar investment objectives.

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

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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