Quarterly commentary | Q4 2023

Janus Henderson INVESTORS

VIT GLOBAL TECHNOLOGY AND INNOVATION PORTFOLIO

Institutional Shares: 471021568/JGLTX   Service Shares: 471021550

At a glance

Performance

The Portfolio returned 16.30%, and the MSCI All Country World Information Technology Index[SM] returned 17.56%.

Contributors/detractors

Several semiconductor (semi) capital equipment makers were leading relative contributors, while CCC Intelligent Solutions, Alphabet, and On Semiconductor detracted.

Outlook

While artificial intelligence (AI) was a broad tailwind in 2023, going forward, companies with exposure to this secular theme – and others – will have to prove their use cases and potential for profitability.

Portfolio management

Denny Fish

Jonathan Cofsky, CFA

Investment environment

- The technology sector led global stocks higher in the quarter, continuing the trend of a handful of mega-cap names accounting for a sizeable portion of broader equities' gains.
- Whereas the early stages of the tech rally were due to enthusiasm surrounding AI, the sector – along with the broader market – benefited late in the year from expectations monetary policy would soon turn dovish.
- While semi and software names were among the quarter's top performers, the rally's broad nature meant that lower-quality, legacy tech names also participated.

Portfolio review

Unlike 2022, when macro factors, such as the rise in interest rates, seemed to dictate tech's fortunes, for much of 2023, the sector's trajectory was left to its own devices. For the most part, it thrived, benefiting from not only the enthusiasm surrounding the wider public's introduction to AI, but also resilient earnings. The macro returned late in the year as dovish signals by the Federal Reserve ignited a broad-based rally.

Chasing the macro is something we don't do, as it's less difficult to anticipate a company's earnings prospects over the midterm than it is to divine what will occur in a system as complex as the global economy. Consequently, throughout this period of elevated rate volatility, we kept the discount rates underpinning our cash flow models steady, believing that this approach was the most prudent tactic for investors with a long-term view. Similarly, we took a circumspect approach toward AI, believing the axiom that the market often overestimates a theme's potential over a one-year horizon, but underestimates its impact over a decade.

Idiosyncratic developments were largely behind the period's leading individual contributors and detractors. CCC Intelligence Solutions, for example, continued to perform well. However, the provider of cloud services to the auto insurance ecosystem was weighed down by news that its largest investor, a private equity firm, may sell a portion of its stake in the company.

Another relative detractor was On Semiconductor. While one would expect that an improving economic outlook would benefit more cyclically exposed companies, On Semiconductor came under pressure due to dynamics in its silicon carbide business. This segment's prospects are tied to a concentrated group of electric vehicle (EV) manufacturers, and investors took notice of a slowdown in EV demand. These vehicles are still expanding their share of the broader passenger car market, but recent tapering of demand for EVs served as a reminder that semis with automotive exposure can still be influenced by cyclical forces.

Also detracting was our out-of-benchmark position in Alphabet. While the Google parent's exposure to digital ads may leave it vulnerable to a slowing economy, the company has been aggressive in its AI deployment with the aim of becoming a major beneficiary of this secular trend.

The semiconductor capital equipment complex was a beneficiary of AI tailwinds as increasingly sophisticate chips will be required for AI to reach its full potential. ASML and KLA are integral to the fabrication of leading-edge chips. ASML has a virtual monopoly on the extreme ultraviolet (EUV) lithography technology needed to produce the most advanced chips, while KLA also enjoys a strong competitive position in its core offerings.

Another relative contributor was our underweight to Apple as the iPhone maker underperformed the tech index. Holding back the stock were concerns from some quarters about saturation in the smartphone market and the rise in bans on iPhones by Chinese government agencies and some state-owned enterprises.

Manager outlook

The recognition of AI's potential serves as a reminder of the essential role that a few secular tech themes play in the ongoing digitization of the global economy. A core tenet of our investment approach is that the tech sector will garner an increasing share of aggregate global earnings as commercial users adopt these platforms and applications to enhance productivity and consumers look for convenience.

Already hyperscalers – companies able to deploy massive capital expenditure – are investing in their AI capabilities as they seek to train their models. While enthusiasm at this stage of deployment is understandable, the next phase of the AI rollout will require companies to present viable use cases, including the potential for monetization and a realistic build up of financials. At that point, we would expect to see a bifurcation between true AI beneficiaries and companies that are either along for the ride – often due to their inclusion in passive strategies – or ones whose technology and/or business cases fall short.

Given that AI has long been one of our mega-themes, we've already spent years seeking to understand companies' particular technology, use cases, and unit economics. This approach holds true with other mega-themes such as the cloud and the Internet of Things. These themes are proving increasingly complementary. The cloud's ability to store and analyze large sets of data, for example, will be essential for training AI.

Vital to all these developments are semis. In our view, this has become the most important industry in the global economy. As evidenced during pandemic-related shortages, all other sectors are reliant upon chips. Further benefiting semi's investment thesis are growth rates substantially higher than that of the global economy and industry rationalization that has led to what we believe are some of the best margins available. The upshot is that we not only believe semi earnings could exceed estimates, but the industry could also see a multiple rerating as investors more fully appreciate its resilience across the cycle.

Global Technology and Innovation Portfolio (as of 12/31/23)

Performance - USD (%)

Returns	Cumulative 4Q23	Cumulative YTD	Cumulative 1 Yr	Annualized 3 Yr	Annualized 5 Yr	Annualized 10 Yr	Annualized Since Inception (01/18/00)
Institutional Shares	16.30	54.55	54.55	4.77	20.35	17.14	6.25
Service Shares	16.29	54.27	54.27	4.53	20.05	16.86	5.99
MSCI All Country World Information Technology Index[SM]	17.56	51.02	51.02	9.86	23.18	17.58	5.67
S&P 500® Index	11.69	26.29	26.29	10.01	15.69	12.03	7.09

Returns quoted are past performance and do not guarantee future results; current performance may be lower or higher. Investment returns and principal value will vary; there may be a gain or loss when shares are sold. For the most recent month-end performance call 800.668.0434 or visit janushenderson.com/VITperformance.

High absolute short-term performance is not typical and may not be achieved in the future. Such results should not be the sole basis for evaluating material facts in making an investment decision.

Expense Ratios (% as of most recent prospectus)

Institutional Shares: Gross 0.72, Net 0.72   Service Shares: Gross 0.97, Net 0.97

Net expense ratios reflect the expense waiver, if any, contractually agreed to for at least a one-year period commencing on April 28, 2023. This contractual waiver may be terminated or modified only at the discretion of the Portfolio's Board of Trustees.

Portfolio

Top Contributors (%)	Average Weight	Relative Contribution
Apple Inc	5.95	0.73
Workday Inc	4.06	0.40
Kla Corp	3.12	0.27
Lam Resh Corp	3.12	0.19
Asml Holding Nv	3.79	0.17

Top Detractors (%)	Average Weight	Relative Contribution
CCC Intelligent Solutions	1.65	-0.58
Alphabet Inc	3.77	-0.43
Broadcom Inc	0.65	-0.37
Mastercard Inc	2.91	-0.30
On Semiconductor Cor	0.92	-0.24

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.

Top Holdings (%)	Fund
Microsoft Corp	11.06
NVIDIA Corp	7.46
Apple Inc	5.59
Taiwan Semiconductor Manufacturing Co Ltd	4.81
Meta Platforms Inc	4.75
ASML Holding NV	4.38
Adobe Inc	3.86
Alphabet Inc	3.53
Workday Inc	3.46
Constellation Software Inc/Canada	3.23
Total	**52.13**

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Definitions

Monetary Policy refers to the policies of a central bank, aimed at influencing the level of inflation and growth in an economy. It includes controlling interest rates and the supply of money.
Volatility measures risk using the dispersion of returns for a given investment.

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.

Returns include reinvestment of dividends and capital gains.

Discussion is based on performance of the Fund's "parent" share class (typically that with the longest history).

Returns do not reflect the deduction of fees, charges or expenses of any insurance product or qualified plan. If applied, returns would have been lower.

The discussion and data quoted are based upon the results, holdings and characteristics of the similarly managed Janus Henderson mutual fund. Such data may vary for the Janus Henderson VIT portfolio due to asset size, investment guidelines and other factors. We believe the mutual fund most closely reflects the portfolio management style for this strategy.

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.

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.

Foreign securities are subject to additional risks including currency fluctuations, political and economic uncertainty, increased volatility, lower liquidity and differing financial and information reporting standards, all of which are magnified in emerging markets.

Concentrated investments in a single sector, industry or region will be more susceptible to factors affecting that group and may be more volatile than less concentrated investments 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.

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

Initial Public Offerings (IPOs) are highly speculative investments and may be subject to lower liquidity and greater volatility. Special risks associated with IPOs include limited operating history, unseasoned trading, high turnover and non-repeatable performance.

Technology industries can be significantly affected by obsolescence of existing technology, short product cycles, falling prices and profits, competition from new market entrants, and general economic conditions. A concentrated investment in a single industry could be more volatile than the performance of less concentrated investments and the market as a whole.

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.

MSCI All Country World Information Technology Index℠ reflects the performance of information technology stocks from developed and emerging markets.

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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