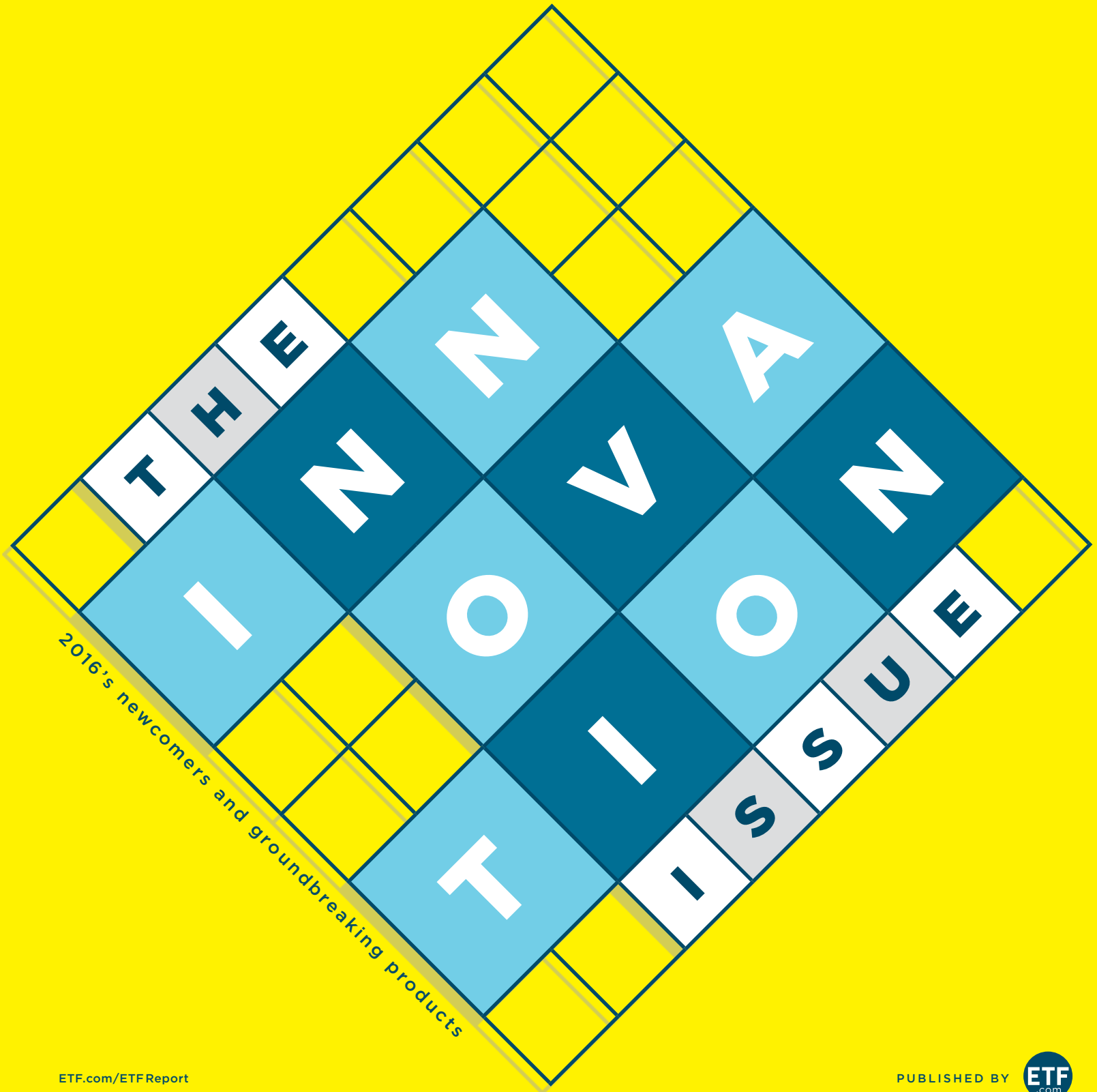


ETF Report

THE MAGAZINE FOR ETF INVESTORS // NOVEMBER 2016



2016's newcomers and groundbreaking products

ETF MARKET GROWTH IS FOSTERING NEW INVESTMENT IDEAS AND EXPOSURES

Some of this year's most innovative exchange-traded funds are ones that look at gender diversity as a way to boost corporate performance, generic drugs and even using crowdsourcing to make bets on which stocks will outperform from month to month.

ETF innovation right now is falling into two camps—one's creating thematic ETFs and the other's using smart beta, says Dave Nadig, director of ETFs at FactSet. Although thematic investing itself isn't anything new, fund construction is different than it has been in the past.

With more data available, these funds have greater focus, so their return patterns can provide a source of diversification.

"That doesn't mean it will go up," he noted.

The smart-beta ETFs have been pretty successful, but Nadig also says it's starting to become less innovative because there are so many out there now. So more and more ETF innovation is being found in thematic investment themes.

There's still room for unique products, such as ones that look at a different product structure. But innovation doesn't equal success, as the creators of the CrowdInvest Wisdom ETF (WIZE) found. The fund revolved around users voting on what stocks to include in the index by casting their bearish or bullish views on the CrowdInvest IOS mobile app, but the fund only lasted five months before closing in late September.

WIZE isn't the first unique ETF to close quickly. Nadig notes that two of the most innovative ETFs he saw in a long time—the AccuShares Spot CBOE VIX Up Shares fund (VXUP), which tracked the CBOE Volatility Index; and the inverse fund, VXDN—also closed in September due to lack of buyers.

"Finding that next great idea is particularly difficult. Even the folks at PureFunds would tell you that HACK (the PureFunds ISE Cyber Security ETF) caught on more than expected," he said. "Part of it's being in the right place at the right time with a solid product design. Certainly there's some science to it, but there's some luck."

Following are new ETFs that launched this year that the editors and writers at ETF Report deemed to be the most innovative.

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BY
DEBBIE CARLSON
& LARA CRIGGER

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Janus Small/Mid Cap Growth Alpha ETF

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Even though growth investing is essentially a bet on the future, many investors sell off their growth stocks as soon as markets become volatile, resulting in missing out on the long-term upside of such companies. After all, you have to give a growth stock time to, well, grow.

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JSMD aims to soothe jittery nerves with what Janus calls "smart growth," or a growth strategy that stays the course in volatile markets, so as to capture potential long-term outperformance.

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JSMD is based on the popular actively managed Janus Triton Fund, with a passive indexing twist.

The fund's index evaluates U.S. small- and midcap stocks based on their fundamentals in three key areas: growth, profitability and capital efficiency. Janus scores companies for each of these three factors using 10 financial indicators, including revenue growth, margins, profits, return on capital and earnings per share. Then the three scores are totaled to give one final ranking. The top 10% stocks are included in the index.

JSMD's index weights holdings by sector, so as to match the sector allocations established in the Triton Fund. (Within each sector, stocks are market-cap-weighted.) There are no sector caps, but no one individual company may comprise more than 3% of the index.

So is JSMD passive, or active? A little of both. However, at 0.50%, JSMD's expenses come in 41 basis points lower than the active fund on which it's based, which should make the ETF more attractive to comparison shoppers.

ISSUER: **JANUS**

INCEPTION DATE: **2/25/16**

AUM: **\$10.36M**

FUND CATEGORY: **EQUITY:
U.S. - EXTENDED MARKET
GROWTH**

EXPENSE RATIO: **0.50%**

OBJECTIVE: JSMD seeks investment results that correspond generally, before fees and expenses, to the performance of its underlying index, the Janus Small/Mid Cap Growth Alpha Index.

JSMD pursues its investment objective by using a passive index-based approach, normally investing at least 80% of its net assets in securities that comprise its underlying index.

The ETF is new and has less than one year of operating history.

There is no assurance that the rules-based proprietary index methodology will select securities that individually, or in the aggregate, outperform the broader small- or mid-capitalization universes.

There are risks involved with investing, including possible loss of principal. Performance depends upon the underlying index in which it invests. Smaller capitalization companies may be less stable and more susceptible to adverse developments, and their securities may be more volatile and less liquid than larger capitalization companies.

Diversification neither assures a profit nor eliminates the risk of experiencing investment losses.

When valuations fall and market and economic conditions change it is possible for both actively and passively managed investments to lose value.

ETF shares are not individually redeemable and owners of the shares may acquire those shares from the Fund and tender those shares for redemption to the Fund in Creation Units only.

Shares of ETFs are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Market returns are based upon the midpoint of the bid/ask spread at 4:00 p.m. Eastern time (when NAV is normally determined for most ETFs), and do not represent the returns you would receive if you traded shares at other times. Ordinary brokerage commissions apply and will reduce returns.

Estimated Expenses JSMD expects to incur during its initial fiscal year: 0.50% Management Fees 0.00% Other Expenses; 0.50% Total Annual Fund Operating Expenses.

Janus Triton Fund Class T Shares annual gross and net expense ratios as of the Fund's fiscal yearend as of 09/30/15 were 0.92% and 0.92% respectively. Discussion is based on performance of the Fund's "parent" share class (typically that with the longest history).

Differences between compared investments may include objectives, sales and management fees, liquidity, volatility, tax features and other features, which may result in differences in performance.

Janus Small/Mid Cap Alpha Index is designed to systematically identify small- and midcapitalization stocks that are poised for sustainable growth (Smart Growth™) by evaluating each company's performance in three critical areas: growth, profitability, and capital efficiency. Janus uses a proprietary methodology to score stocks based on a wide range fundamental measures and selects the top 10% ("top-tier") of such eligible stocks. Stocks are market capweighted within sectors with a 3% maximum position size; sectors are weighted to align with the Janus Triton Fund.

Enhanced Beta or Smart Beta defines a set of investment strategies that emphasize the use of alternative index construction rules to traditional market capitalization based indices.

The NASDAQ US Large Mid Cap Index is designed to track the performance of securities assigned to United States and comprised of the Large Mid Cap segment. The Index is calculated in USD.

Return on Invested Capital is a measure of how effectively a company used the money invested in its operations.

ADI is the distributor to the PureFunds ISE Cyber Security ETF. Janus does not offer any other fund mentioned in this reprint.

Please consider the charges, risks, expenses, and investment objectives carefully before investing. For a prospectus containing this and other information, please call 877.33JANUS (52687) or download the file from janus.com/ETFs. Read it carefully before you invest or send money.

Janus Capital Management LLC is the investment adviser and ALPS Distributors, Inc. is the distributor of the ETF. ALPS is not affiliated with Janus.

Mutual funds distributed by Janus Distributors LLC

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