1Q17 PORTFOLIO COMMENTARY

Janus Global Bond Fund

Investment Environment

The prospect of global economic growth advancing as a result of the Trump administration's pro-business initiatives fueled investor optimism early on. However, market participants soon began reassessing the Trump reflation trade. Doubts around the government's ability to effectively implement fiscal reforms were justified when Republicans abandoned their replacement plan for the Affordable Care Act in March. The U.S. dollar fell against most developed and emerging market currencies over the quarter, and U.S. inflation expectations tapered. Risk markets – including equities and corporate credit – generally remained strong due to decent corporate fundamentals and synchronous global growth. Emerging markets also benefited from a healthier global economic outlook, in combination with little-to-no focus on U.S. protectionist efforts. Corporate credit spreads ultimately finished tighter, with gains more notable in high yield.

U.S. economic data showed continued improvement in the economy. This backdrop supported the Federal Reserve's (Fed) decision to raise interest rates by a quarter of a percentage point at its March meeting. For the period, front-end Treasury yields rose, while intermediate and longer dated Treasurys were largely range-bound.

The European Central Bank (ECB) made no changes to its monetary stimulus program despite encouraging euro area economic data. Populist candidates continued to generate political concern throughout the region, although this met with a modest reprieve as the Dutch center-right candidate prevailed in March. Yields on German sovereign bonds fluctuated on the uncertainty, but ultimately rose across all tenors.

Performance Discussion

The Fund underperformed its primary benchmark, the Bloomberg Barclays Global Aggregate Bond Index, and outperformed its secondary benchmark, the Bloomberg Barclays Global Aggregate Corporate Bond Index.

The unwinding of the Trump Trade had significant impact on the Fund's performance. In regard to currency exposure, we have been positioned to capitalize on U.S. dollar strength, expected as a result of diverging global monetary policies. President Trump's bias toward a weaker U.S. dollar and diminished confidence in his administration's ability to successfully execute its policy agenda contributed to a decline in the greenback over the period – particularly versus the euro and the yen. Therefore, our underweight exposure to both currencies weighed on relative performance. In March, a pause in European political concerns and hawkish undertones from ECB President Mario Draghi also propelled the euro higher.

Partially offsetting these detractors were our out-of-index exposures to the Indian rupee and the Colombian peso, as well as our overweight allocation in the Polish zloty. Emerging market sentiment improved when concerns that inflation would escalate rapidly under the Trump administration faded. The outlook for the asset class further benefited from stronger global growth prospects.

At the asset class level, waning inflation expectations caused our out-of-index position in Treasury Inflation-Protected Securities (TIPS) and European inflation-linked bonds to detract from performance. The asset class was also negatively impacted as crude oil fell below $50 per barrel intra-quarter. Rising U.S. shale production, coupled with news that

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Executive Summary

- The Fund underperformed its primary benchmark and outperformed its secondary benchmark.
- Our currency positioning weighed on relative results, while strong security selection contributed.
- We are cautiously optimistic for the increased pace of global growth and maintain our opportunistic approach to investing in corporate credit.

countries are not complying with OPEC's agreement to reduce supply, led investors to question whether energy prices could strengthen sufficiently to stoke inflation higher. Minimal exposure to government-related securities – including zero weights to the U.S.-dollar denominated debt of certain emerging market issuers – also held back relative results. Government-related debt includes government agency debt as well as debt issued by state-owned firms.

Our nominal sovereign debt exposure was the leading asset class contributor, on a relative basis. Outperformance was largely due to yield curve positioning. At this juncture, we favor taking interest rate risk in emerging markets with accommodative monetary policy, rather than in the developed world. In countries such as Brazil and Colombia, for example, inflationary pressures have slowed, and the respective central banks are working to stimulate their challenged economies by lowering interest rates. Our exposure to the government debt of both countries proved beneficial, as the yields on their sovereign bonds declined. The combination of our yield-curve positioning and our underweight allocation to the government debt of France also supported performance. Political uncertainty due to the upcoming French presidential election created volatility in sovereign yields over the quarter. We utilized the sell-off to establish a modest position.

While the previously-noted positions aided relative results, exposure to the government debt of the United Kingdom detracted from performance. We are positioned for a steeper curve and, due to Brexit concerns, remain underweight the benchmark. The quarter was wrought with Brexit headlines, and near period end, the UK formally triggered the two-year separation process from the European Union (EU). Apprehension over the potential outcomes led investors to safety. This flight to safety caused longer-dated UK government yields to rally, which weighed on the Fund's returns. Exposure to Italian sovereigns also hindered relative performance, largely due to yield curve positioning. The country, along with many others in Europe, is grappling with a populist political movement.

In corporate credit, our emphasis on owning securities in the lowest tier of investment-grade ratings aided relative results as "riskier" assets performed well during the period. For similar reasons, an out-of-index allocation to high yield contributed positively to performance. At the credit sector level, banking and brokerage, asset managers and exchanges were among the leading contributors. Financials generally benefited from the prospect of a more relaxed regulatory environment under the Trump administration and rising interest rates, which help pad net interest income. The technology sector was also accretive. Improving global growth and the anticipation of greater capital investment lifted the sector as a whole during the quarter. No sector materially detracted from relative results.

For detailed performance information or to download a Fact Sheet, please visit www.janus.com/funds

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Outlook

We are cautiously optimistic for accelerating global growth. U.S. fiscal policy reforms, if successfully implemented, should buoy global economic strength and prop up the U.S. dollar relative to other developed currencies. Commodity prices should also benefit from more robust developed-world demand, which will in turn support the emerging markets complex. Yet we are mindful of the risks, including further reform disappointment by the Trump administration. We also expect challenges for the UK. As it negotiates its exit from the EU, we anticipate fading business and consumer confidence to weigh on the economy. In Europe, we are concerned that a win in the upcoming French presidential election by Marine Le Pen – a proponent of France leaving the EU – could spoil the rosier economic picture for the region.

Continued improvement in the U.S. economy will afford the Fed the ability to tighten further in 2017. While we expect the central bank to hike – when it can – to normalize interest rates, we believe increases will be measured in order to avoid derailing economic growth. If the growth trajectory continues on its upward path, market participants may be too complacent in the number of rate hikes they expect over the long run. Near term, we expect shifting monetary policy to pressure front-end Treasury yields higher. However, attractive returns relative to other safe-haven debt should entice foreign buyers and keep Treasurys range-bound, particularly on the long end of the curve.

Diverging central bank policy between the U.S. and Europe should remain a theme in the months ahead. The ECB is not in a position to raise interest rates, in our view, but we are closely monitoring the central bank's desire to reverse its quantitative easing measures. While we continue to seek idiosyncratic opportunities in Europe and the UK, generally speaking, absolute yields remain low and corporate valuations appear stretched as a result of asset purchases by the regions' central banks, and we do not believe returns are sufficiently compensating investors for the current political risks.

The U.S. economy continues to be the most robust of its global counterparts, and our analysts are identifying stronger top-line growth and margin expansion in U.S. corporate issuers. Demand remains robust as investors reach for yield, which lends to our opportunistic view of the asset class. Valuations are challenged here too, however, with both investment-grade and high-yield corporate credit spreads tighter than their 10-year averages. With rates set to rise, we are closely watching whether spreads can hold near current levels.

As we seek strong risk-adjusted issues in corporate credit, our focus remains on higher quality business models, free-cash-flow generation potential and management teams committed to a sound balance sheet. In our view, responsible position sizing and security avoidance will be valuable tools in navigating the months ahead. Our objective is to participate in spread tightening while keeping capital preservation at the forefront.

Top Relative Contributing and Detracting Issuers Held for the Quarter Ended 3/31/17

Top Contributors	Average Weight (%)	Relative Contribution (%)	Top Detractors	Average Weight (%)	Relative Contribution (%)
France (Republic of)	0.10	0.08	Japan (Govt of) I/L	5.18	-0.09
Brazil Notas Do Tesouro Nacional	1.13	0.06	Spain (Kingdom of) I/L	1.24	-0.04
Japan (Govt of)	3.44	0.06	United Kingdom	3.09	-0.03
Colombian TES	1.36	0.05	Italy (Republic of)	1.73	-0.02
Kennedy Wilson Europe Real	1.12	0.04	Denmark (Kingdom of)	0.78	-0.02

The holdings identified in this table, in compliance with Janus 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 877.33JANUS (52687) or visit janus.com/advisor/mutual-funds.

Relative contribution is the difference between the issuer's contribution to the portfolio's performance versus that issuer's contribution to the benchmark's performance. It reflects how the portfolio's holdings impacted return relative to the benchmark. Cash and issuers not held in the portfolio are excluded.

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 at 877.33JANUS (52687) or download the file from janus.com/info. Read it carefully before you invest or send money.

Past performance is no guarantee of future results. Call 877.33JANUS (52687) or visit janus.com/advisor/mutual-funds for current month-end performance.

Discussion is based on the performance of Class I Shares.

As of 3/31/17 the top ten portfolio holdings of Janus Global Bond Fund are: Japanese Government CPI Linked Bond (6.14%), New Zealand Government Bond (3.87%), Canadian Government Bond (3.05%), Australia Government Bond (2.55%), Spain Government Bond (2.11%), Portugal Obrigacoes do Tesouro OT (2.07%), Republic of South Africa Government Bond (1.94%), Indonesia Treasury Bond (1.55%), Norway Government Bond (1.51%) and Norway Government Bond (1.51%). There are no assurances that any Janus portfolio currently holds these securities or other securities mentioned in this commentary.

The opinions are as of 3/31/17 and are subject to change at any time due to changes in market or economic conditions. Janus 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 fixed income portfolios, relative contribution is calculated by rolling up securities by issuer and comparing the daily returns for securities in the portfolio relative to those in the index. Relative contribution is based on returns gross of advisory fees, and may differ from actual performance.

Performance may be affected by risks that include those associated with non-diversification, portfolio turnover, short sales, potential conflicts of interest, foreign and emerging markets, initial public offerings (IPOs), high-yield and high-risk securities, undervalued, overlooked and smaller capitalization companies, real estate related securities including Real Estate Investment Trusts (REITs), derivatives, and commodity-linked investments. Each product has different risks. Please see the prospectus for more information about risks, holdings and other details.

Fixed income securities are subject to interest rate, inflation, credit and default risk. The bond market is volatile. As interest rates rise, bond prices usually fall, and vice versa. The return of principal is not guaranteed, and prices may decline if an issuer fails to make timely payments or its credit strength weakens.

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.

Sovereign debt securities are subject to the additional risk that, under some political, diplomatic, social or economic circumstances, some developing countries that issue lower quality debt securities may be unable or unwilling to make principal or interest payments as they come due.

Because of their inflation adjustment feature, inflation-linked bonds typically have lower yields than conventional fixed-rate bonds and normally decline in price when real interest rates rise.

Bloomberg Barclays Global Aggregate Bond Index is a broad-based measure of the global investment grade fixed-rate debt markets.

Bloomberg Barclays Global Aggregate Corporate Bond Index measures global investment grade, fixed-rate corporate bonds.

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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