1Q17 PORTFOLIO COMMENTARY

Janus Global Life Sciences Fund

Investment Environment

Global health care stocks delivered strong gains during the period, benefiting from attractive valuations and less political uncertainty. The House's failure to vote on replacing the Affordable Care Act (ACA) leaves the status quo in place, including the expansion of Medicaid in multiple states and continued coverage for millions of patients. As a result, health care stocks were able to rally during the quarter on strong company guidance, new drug and medical device approvals, and other signs of growth. In fact, every subsector delivered positive returns during the period, with the performance of health care technology and facilities companies being particularly strong.

Performance Discussion

The Fund outperformed its primary benchmark, the MSCI World Health Care Index, and its secondary benchmark, the S&P 500 Index, for the quarter. We seek to invest in companies worldwide that are addressing high, unmet medical needs and providing efficient and cost-effective health care solutions. We believe the health care sector, with its rapid growth and high complexity, offers abundant opportunities for differentiated research. We believe understanding both the science and the business behind new therapies is key to driving long-term results.

The Fund's stock selection in biotechnology and health care equipment contributed most to relative performance. Holdings within life sciences tools and services and health care technology weighed on results.

Eli Lilly was the top performer during the period. The U.S. pharmaceutical maker has been executing well on multiple new product launches, primarily in diabetes and autoimmune disease. During the quarter, for example, the company reported that 2016 revenue increased 7%, driven by volume growth in products such as Trulicity, which helps lower blood sugar for diabetes patients; Jardiance, a treatment that lowers the risk of cardiovascular death in diabetics; and Taltz, used by adults with moderate to severe psoriasis, a chronic skin condition. In addition, Eli Lilly has other promising drugs in its pipeline, including baricitinib, an oral drug for rheumatoid arthritis and other autoimmune conditions.

Also adding to return was Dexcom. The medical device company benefited when, in January, the U.S. Centers for Medicare & Medicaid Services (CMS) announced that continuous glucose monitoring (CGM) systems – a small wearable device that tracks glucose levels in diabetes patients – would be recognized as durable medical equipment and be eligible for coverage. The organization also ruled that the CGM produced by Dexcom was the only such device to qualify. Shortly thereafter, major Medicare Administrative Contractors (MACs) clarified that reimbursement for Dexcom's device would be available for certain Medicare beneficiaries with type 1 or type 2 diabetes, creating a large and exclusive market for the company. As a result, we believe sales of Dexcom's CGM will be strong in 2017 and beyond, especially since, in our opinion, CGMs offer a better option than finger prick tests for managing blood sugar levels.

Another leading contributor was Amgen. During the quarter, the biotechnology company reported earnings that beat consensus estimates, as well as announced results from a large clinical trial for its cholesterol-lowering drug, Repatha. The trial met both its primary and secondary endpoints (namely, reducing major cardiac events such as heart attacks and strokes), and no new safety issues were reported. As cardiovascular disease is the leading cause of death worldwide, we see large potential for this therapy, but it remains to be seen

Portfolio Manager:
Andy Acker, CFA

Portfolio Manager:
Ethan Lovell

Executive Summary

- Global health care stocks rebounded during the quarter as investors worried less about political concerns and focused on the sector's strong fundamentals.
- The Fund outperformed its benchmark, driven by biotechnology and health care equipment stocks.
- We are excited about the potential for new product launches in 2017, which should help drive growth in the sector.

how quickly pharmacy benefit managers open access for the drug. In the meantime, Amgen has other blockbuster products for illnesses such as cancer, kidney disease and osteoporosis. We believe the company is capable of further expanding operating margins over the next several years and has sufficient excess free cash flow for share repurchases or acquisitions.

While pleased with these results, other stocks weighed on performance. Bristol-Myers Squibb was the leading detractor. Shares of this pharmaceutical giant stumbled after the company announced in January that it would forgo trying to get quick approval from the Food and Drug Administration (FDA) for its combination immuno-oncology (I-O) lung cancer treatment, suggesting that Bristol-Myers is less optimistic about trial results for this treatment. Given these concerns, we exited our position.

AMAG Pharmaceuticals also weighed on performance. The specialty pharmaceutical company, which focuses primarily on maternal health and anemia management markets, had been performing well commercially. However, early in the quarter the company announced a setback in the development of a second-generation Makena product, which we had been counting on to extend the life cycle of this key product to prevent pre-term births. Given the heightened uncertainty, we trimmed our position.

Edge Therapeutics was another detractor during the period, though there were no specific negative fundamental developments. The biotech company develops hospital-based therapies for acute life-threatening conditions. Its leading product, EG-1962, is in Phase 3 trials and so far has shown promising early data to treat aneurysmal subarachnoid hemorrhage (bleeding around the brain due to a ruptured aneurysm), with the potential for better efficacy and fewer side effects than the current standard of care. We believe this therapy has significant sales potential.

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

Outlook

The political concerns that weighed on health care stocks in 2016 have finally started to lift. The “repeal and replace” of the Affordable Care Act (ACA) is on hold for now, and we believe future reform may be more limited in scope in order to win congressional support. At the same time, although President Trump continues to criticize drug pricing, we expect that any changes to drug reimbursement are unlikely to have a significantly negative effect on the industry.

As a result, health care stocks have started to rebound, with company fundamentals driving returns. Already this year, the Food and Drug Administration (FDA) has approved a dozen new drugs, many of which we think have blockbuster potential. Among the new treatments are Zejula, a therapy for ovarian cancer, Ocrevus, for relapsing and progressive forms of multiple sclerosis, and Dupixent, the first new drug in decades to effectively treat moderate-to-severe forms of atopic dermatitis (eczema). Innovation is also happening in medical devices. In late 2016, for example, the FDA ruled that diabetes patients could use continuous glucose monitoring systems (CGMs) instead of traditional finger prick tests to manage blood sugar.

The number of FDA approvals has trended above average lately and we expect that to continue in the near term. Regulators have become increasingly focused on delivering treatments quickly to patients with high, unmet medical needs. New rules also allow the FDA and drug sponsors to communicate during the drug review process, making it possible for sponsors to address deficiencies long before an FDA ruling is made.

This trend is not lost on major biopharmaceutical companies, many of which need to refill pipelines as products lose patent protection or face competition from so-called biosimilars. As a result, we expect industry consolidation to continue and that small and midsize biotech firms developing novel therapies will be prime acquisition targets. In addition, we believe these companies could fetch significant premiums, given the sector’s attractive valuations. For example, in January, Johnson & Johnson announced it would purchase Actelion (a Fund holding at the time) for roughly $30 billion, more than 20% above Actelion’s market value. If Congress approves a tax holiday for companies that repatriate foreign cash, merger and acquisition (M&A) activity could ramp up even more.

This environment should benefit a strategy such as ours, which uses fundamental research to identify innovative products that could potentially gain blockbuster status. In addition, we continue to favor companies that are focused on delivering value to the system. New rules now make it possible for drug makers to discuss pricing with pharmacy benefit managers well before a drug’s launch. We think that should improve patient access once a treatment receives FDA approval, reducing volatility and potentially improving new drug launches.

Top Contributors and Detractors for the Quarter Ended 3/31/17

Top Contributors	Ending Weight (%)	Contribution (%)	Top Detractors	Ending Weight (%)	Contribution (%)
Eli Lilly & Co	3.66	0.53	Bristol-Myers Squibb Co	0.00	-0.50
Dexcom Inc	1.35	0.52	AMAG Pharmaceuticals Inc	0.10	-0.31
Amgen Inc	3.25	0.47	Edge Therapeutics Inc	0.33	-0.14
Actelion Ltd	0.00	0.45	Horizon Pharma Plc	0.99	-0.11
Boston Scientific Corp	2.25	0.42	Gilead Sciences Inc	1.30	-0.10

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.

Top Contributors

Eli Lilly & Company: The pharmaceutical company is benefiting from a number of recent drug launches, including Trulicity, which helps lower blood sugar for diabetes patients; Jardiance, a treatment that lowers the risk of cardiovascular death in diabetics; and Taltz, used by adults with moderate to severe psoriasis, a chronic skin condition. In addition, Eli Lilly has other promising drugs in its pipeline, including baricitinib, an oral drug for rheumatoid arthritis. We believe these products will help drive sales growth and lead to significant margin expansion.

Dexcom: Dexcom manufactures and distributes continuous glucose monitoring (CGM) systems for diabetes management. We expect more rapid adoption of CGMs now that the Food and Drug Administration (FDA) has approved the use of the device in lieu of traditional finger prick tests. Dexcom, in particular, should benefit: The U.S. Centers for Medicare & Medicaid Services (CMS) ruled this year that CGMs are eligible for coverage and that Dexcom's device is the only one to qualify as of yet.

Amgen: Amgen is a leading biotech with multiple biologic products treating cancer, autoimmune disease, kidney disease and osteoporosis. The company is in the midst of a major new product cycle with multiple launches, including Repatha, which addresses cardiovascular disease (the leading cause of death worldwide). We believe Amgen is capable of significantly expanding operating margins over the next several years. The company also has excess free cash flow that it can use to either repurchase stock or make additional acquisitions.

Actelion Limited: The Switzerland-based biotech is primarily focused on developing therapies for pulmonary

Top Detractors

Bristol-Myers Squibb: The company's immuno-oncology (I-O) franchise, headlined by Opdivo, addresses lung cancer, kidney cancer, skin cancer, head and neck cancer, and Hodgkin's lymphoma. However, we exited our position in the stock after Bristol-Myers announced it would not seek accelerated approval for a combination lung cancer therapy.

AMAG Pharmaceuticals: AMAG Pharmaceuticals is a specialty pharmaceutical company focused on maternal health and anemia management. The company is trying to develop a second-generation product that could replace its flagship drug, Makena, and extend the product's life cycle. A recent setback in those efforts, however, caused us to trim our position in the stock.

Edge Therapeutics: This clinical-stage biotech develops hospital-based therapies that treat acute life-threatening conditions, including brain hemorrhages and other neurological conditions. The company's lead candidate, EG-1962, is an orphan drug currently in Phase 3 of its clinical study. If successful, the drug could launch as early as 2019, and generate significant revenue.

Horizon Pharma: The Dublin, Ireland-based specialty pharmaceutical company markets therapies that treat rare conditions such as chronic granulomatous disease (CGD), a type of hereditary disease, and urea cycle disorders (UCD), a genetic deficiency of an enzyme in the urea cycle. We like the company's growing orphan drug segment, strong free cash flow and attractive valuation.

Gilead Sciences: Although sales of this biotech's leading hepatitis C treatments have declined lately, we believe Gilead has other sources of potential growth, including its therapies for HIV. Indeed, the company recently presented

Top Contributors (continued)

arterial hypertension (PAH), a chronic and debilitating rare lung disease. Two of the company's most recent drug launches, Opsumit and Uptravi, have experienced rapid sales growth and are likely to continue to be a success. This positive outlook was affirmed when, earlier this year, Johnson & Johnson announced plans to purchase Actelion for roughly $30 billion, more than 20% above Actelion's market value at the time.

Boston Scientific: The medical device maker offers a range of products in applications including cardiovascular, pulmonary, digestive, urological and women's health. We are encouraged by management's initiatives to boost its product pipeline, revenues and operating margins. New product launches, especially in the cardiovascular field, have been encouraging. We view the company as a potential target as the market consolidates, or as an acquirer of smaller companies that would be synergistic to existing operations.

Top Detractors (continued)

positive results for a combination HIV drug that we think could become an industry leader with multibillion-dollar potential. In the meantime, Gilead continues to repurchase shares and raise its dividend. It also has abundant cash flow that management could use for acquisitions to buttress growth.

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 Life Sciences Fund are: Eli Lilly & Co (3.59%), Amgen Inc (3.19%), Sanofi (2.95%), Shire PLC (ADR) (2.94%), AstraZeneca PLC (2.88%), Celgene Corp (2.80%), Aetna Inc (2.74%), Regeneron Pharmaceuticals Inc (2.49%), Allergan PLC (2.37%) and Boston Scientific Corp (2.20%). 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.

Security contribution to performance is measured by using an algorithm that multiplies the daily performance of each security with the previous day's ending weight in the portfolio and is gross of advisory fees. Fixed income securities and certain equity securities, such as private placements and some share classes of equity securities, are excluded.

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.

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.

MSCI World Health Care IndexSM reflects the performance of health care stocks from global developed 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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