4Q16 PORTFOLIO COMMENTARY

Janus International Equity Fund

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Investment Environment

Global stocks began the quarter cautiously, with many benchmarks flat during October as investors awaited the outcome of U.S. elections and moves by major central banks. Lingering reluctance seemed to dissipate after the election of Donald Trump to the U.S. presidency. Risk assets rallied over the remainder of the period on the expectation that the new administration would champion pro-growth initiatives. Financials was among the strongest sectors, aided by the prospects of faster economic growth and the expectation that the Federal Reserve (Fed) would raise interest rates in December, which it ultimately did. Energy stocks got a boost from OPEC's announcement that it intended to cut crude oil production. Later in the period, neither Italy's rejection of a referendum on political reform nor the European Central Bank's (ECB) extension of its bond-buying program – but at lower monthly levels – were enough to sour investor optimism.

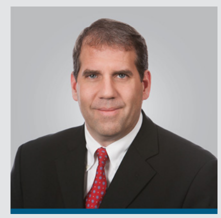
Performance Discussion

During the quarter, the Fund underperformed its primary benchmark, the MSCI EAFE Index, and its secondary benchmark, the MSCI All Country World ex-U.S. Index. Our strategy focuses on finding companies with strong fundamentals that are trading at attractive valuations relative to what we consider their future growth potential. We believe our approach will provide superior risk-adjusted performance over the long term.

Although the financials sector was the leading detractor from relative returns, financial firms globally tended to benefit from subtle monetary policy shifts in their respective regions. Indeed, our underperformance was largely due to our underweight allocation to the sector, and a number of our financials stocks were leading contributors to absolute returns. The Bank of Japan (BOJ), in recognizing the challenges posed by negative yields across much of the country's sovereign yield curve, committed to pegging the yield on the 10-year benchmark note at roughly 0%. While still low, the reprieve boosted sentiment toward Mitsubishi UFJ Financial, the leading contributor during the quarter. The bank's stock had been pressured for much of the year and the change in policy enabled the stock to claw back some lost ground. In Europe, the ECB's decision to lower its bond purchases by 20 billion euros starting in April signaled that their monetary largesse was not endless. This allowed the region's hard-hit banking sector to rally. Among the beneficiaries were ING Groep, a central European bank, and France's BNP Paribas, which were also leading contributors to quarterly performance.

However, some of the Fund's financials holdings underperformed. Insurer AIA Group weighed on performance despite having released a solid earnings report early in the period. The company's strong balance sheet and steady earnings make many view its stock as a safe harbor during volatile markets. As investors' risk appetite increased during the final two months of 2016, many sold AIA stock in order to raise cash with the aim of accessing riskier segments of the market. The company's strong footing was illustrated by its consensus-beating third quarter earnings report, despite foreign currency headwinds. AIA's value of new business – a key industry metric – rose by over 25% and margins on new business were stable. A figure analogous to annualizes sales climbed by 17%, with important contributions from both China and Hong Kong. Perhaps most impressive, management continues to reinvest capital into the business at an internal rate of return (IRR) of greater than 20%.

Portfolio Manager:
Julian McManus



Portfolio Manager:
Guy Scott, CFA

Portfolio Manager:
Carmel Wellso

Executive Summary

- After beginning the quarter cautiously, global stocks rallied after the election of Donald Trump to the U.S. presidency on the expectation that the new administration would champion pro-growth initiatives.
- The Fund underperformed its benchmarks during the period.
- While we remain mindful of potential risks, we are encouraged by several positive trends that we observed during the fourth quarter.

Reckitt Benckiser Group was also a leading detractor during the quarter. After strong performance during the first half of the year, management communicated to investors that they should expect more moderate revenue growth going forward. While we believe management effectively conveyed its new guidance, other investors reacted negatively, which weighed on the stock. Additionally, a liability issue with one of Reckitt's acquisitions in Korea continued to weigh on the stock during the period; a chemical in a humidifier product that the company had been selling 10 years prior was discovered to have killed some consumers with severe asthma and allergies. In the wake of the news, Korean retailers, which only account for roughly 1% of the company's sales, stopped carrying all Reckitt products. However, we believe that the headwind from the news is likely temporary. Moreover, the company has already provisioned the necessary funds to cover the liability and damages. Although we trimmed our position modestly, Reckitt remains among the Fund's largest holdings.

Diageo was another leading detractor. The spirits company was caught up in the general weakness of the consumer staples sector. However, the company had strong monthly sales during the quarter and we continue to like the stock. We maintained a position during the quarter.

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

Outlook

While we remain mindful of potential risks, especially political risks given upcoming elections in Europe, we are encouraged by several positive trends that we observed during the fourth quarter. For instance, China's Producers Price Index (on a year-over-year basis) moved back into positive territory for the first time since early 2012. We expect that this will be positive for the industrials sector as it should allow companies to push through price increases, thereby aiding margin recovery. Given these tailwinds, we remain overweight the sector. In the energy sector, we believe that the supply/demand balance will shift in favor of demand in the first half of the year as the proposed production cuts announced by OPEC come into play.

Although financials sharply rebounded during the quarter, we still believe there are opportunities in the sector. A possible acceleration in economic growth and rising interest rates in the U.S. would be positive developments for these companies. We recognize, however, that valuations are not equally attractive across the globe and are thus being strategic in our investments.

We are also still positive on the technology sector, where we prefer software and cloud companies over hardware companies. Although the sector underperformed during the quarter, there is still positive earnings momentum, and we believe that there is a longer-than-normal tail to the semiconductor cycle. Therefore, we have maintained our overweight allocation to the sector.

In Europe, although there are still risks around the potential for a "hard Brexit" and the subsequent consequences, we believe that there are fewer near-term risks. The sentiment in Japan is also markedly improved. The weakening of the currency relative to the dollar is helping to boost exporters. The move by the BOJ to peg the 10-year yield around 0.00% has also aided sentiment. There is also a favorable equity supply/demand backdrop given that the BOJ, companies and GPIF – the country's largest public pension fund – are all buying Japanese equities. Japanese stocks also should remain well supported as long as currency doesn't strengthen back toward the 100 level against the U.S. dollar.

Top Contributors and Detractors for the Quarter Ended 12/31/16

Top Contributors	Ending Weight (%)	Contribution (%)	Top Detractors	Ending Weight (%)	Contribution (%)
Mitsubishi UFJ Financial Group Inc	2.26	0.42	AIA Group Ltd	3.26	-0.55
ING Groep NV	2.88	0.33	Reckitt Benckiser Group PLC	3.25	-0.34
BNP Paribas SA	1.69	0.33	Alibaba Group Holding Ltd (ADR)	1.94	-0.31
Royal Dutch Shell PLC	3.03	0.30	Diageo PLC	2.16	-0.31
Rio Tinto Ltd	3.06	0.26	Nippon Telegraph & Telephone Corp	3.87	-0.30

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

Mitsubishi UFJ Financial: Mitsubishi UFJ Financial (MUFG) is Japan's largest banking group. We see MUFG as a possible vehicle in which to access structural change in Japan's capital markets, namely improvements in corporate governance and capital allocation. Furthermore, the company is well positioned to benefit from shifts in the country's banking environment. Household saving rates are turning negative and lower expected corporate savings rates, in our view, should lead to an increase in loan demand.

ING Groep: This global financial institution's segments include banking and insurance, and it has undergone a significant restructuring in recent years. We believe ING should emerge as an overcapitalized bank with core operations in Europe and approximately 30% of its earnings from rapidly growing emerging markets.

BNP Paribas: The bank group's core businesses include retail banking, corporate/investment banking and investment solutions. We like that BNP Paribas is increasing its emphasis on controlling costs and optimizing its balance sheet. We also believe the bank will benefit from a recovery in European credit demand, and a rise in interest rates, which have been at historical lows for years.

Royal Dutch Shell: Royal Dutch Shell is an oil and gas super-major based in the UK. We like that the management team has become better at managing capital expenditures by streamlining the asset base and lowering overall capital intensity in order to improve returns on invested capital.

Rio Tinto Limited: The UK-based company has interests in mining for aluminum, borax, coal, copper, gold, iron ore, lead, silver, tin, uranium, zinc, titanium dioxide feedstock, diamonds, talc and zircon. We believe new management will

Top Detractors

AIA Group: The company offers insurance and investment products to individuals and businesses in the Asia-Pacific region. As emerging market consumers grow their wealth, we think AIA is poised to benefit as more of these consumers seek insurance products to preserve that wealth. We also like the potential of management to grow the business in underpenetrated regions.

Reckitt Benckiser Group: Reckitt Benckiser is a multinational consumer goods company that produces a number of health, hygiene and home products. We like that the company typically converts a higher percentage of net income into free cash flow than any of its peers. We also like the management team, which has instilled a culture focused on free-cash-flow growth, and has a strategy of reinvesting those higher free cash flows into top line growth.

Alibaba Group Holding Ltd: The Chinese e-commerce company provides consumer-to-consumer, business-to-consumer and business-to-business sales services via Web and mobile platforms. We think increasing spending power for the Chinese consumer and rapid growth in e-commerce in China are long-term tailwinds for the company.

Diageo: The U.K.-based company offers a wide range of branded alcoholic beverages, including vodkas, whiskeys, tequilas, gins and beer. We appreciate its strong portfolio of global brands and like it for its dominant route to market in several key geographies.

Nippon Telegraph and Telephone: Nippon Telegraph and Telephone (NTT) is a Japanese telecommunications company. We appreciate management's strategy of cutting costs and returning all free cash flow to shareholders (via a combination dividends and buybacks) and then cancelling

Top Contributors (continued)

restructure the business through cost cutting and better capital allocation, which should lead to greater cash flow generation and ultimately better returns for shareholders. We also consider its mining assets to be of world-class quality.

Top Detractors (continued)

the shares it repurchases.

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

As of 12/31/16 the top ten portfolio holdings of Janus International Equity Fund are: Nippon Telegraph & Telephone Corp (3.87%), Brenntag AG (3.38%), ABB Ltd (3.26%), AIA Group Ltd (3.24%), Reckitt Benckiser Group PLC (3.23%), Sanofi (3.17%), Rio Tinto Ltd (3.04%), Royal Dutch Shell PLC (3.00%), ING Groep NV (2.88%) and TOTAL SA (2.85%). There are no assurances that any Janus portfolio currently holds these securities or other securities mentioned in this commentary.

The opinions are as of 12/31/16 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.

A Fund's performance may be affected by risks that include those associated with nondiversification, non-investment grade debt securities, high-yield/high-risk securities, undervalued or overlooked companies, investments in specific industries or countries and potential conflicts of interest. Additional risks to a Fund may also include, but are not limited to, those associated with investing in foreign securities, emerging markets, initial public offerings, real estate investment trusts (REITs), derivatives, short sales, commodity-linked investments and companies with relatively small market capitalizations. Each Fund has different risks. Please see a Janus prospectus for more information about risks, Fund 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 EAFE® (Europe, Australasia, Far East) Index is a free float-adjusted market capitalization weighted index designed to measure developed market equity performance. The MSCI EAFE® Index is composed of companies representative of the market structure of developed market countries. The index includes reinvestment of dividends, net of foreign withholding taxes.

MSCI All Country World ex-U.S. Index℠ is an unmanaged, free float-adjusted, market capitalization weighted index composed of stocks of companies located in countries throughout the world, excluding the United States. It is designed to measure equity market performance in global developed and emerging markets outside the United States. The index includes reinvestment of dividends, net of foreign withholding taxes.

A Fund's portfolio may differ significantly from the securities held in an index. An index is unmanaged and not available for direct investment; therefore its performance does not reflect the expenses associated with the active management of an actual portfolio.

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