

INTECH U.S. Managed Volatility Fund

3Q16 Performance Commentary



Summary

- The INTECH U.S. Managed Volatility Fund (I Shares) underperformed the Russell 1000® Index for the quarter. U.S. equity markets posted strong returns in the first half of the quarter as investors regained confidence following the post Brexit recovery. As a result, riskier segments of the market strongly outperformed after lagging in the second quarter. The information technology and financials sectors were the strongest performers while more defensive sectors like utilities, telecommunication services, and consumer staples strongly underperformed during the period.
- The Fund's average overweight to lower beta and lower volatility stocks detracted during the quarter as these stocks strongly underperformed their higher beta and higher volatility counterparts on average. From a sector perspective, an average overweight to the defensive consumer staples and utilities sectors, as well as an average underweight allocation to the information technology sector, detracted from the Fund's relative return during the quarter.
- The Fund's active size positioning had a positive impact on relative performance for the quarter as smaller cap stocks outperformed the larger cap stocks in the index on average.
- INTECH's U.S. Managed Volatility strategy's optimization approach, which targets an excess return while minimizing the absolute- risk, involves a dynamic adjustment to the market environment whereby the strategy adjusts the volatility reduction to market conditions. In periods of volatile markets, the portfolio will focus on volatility reduction offering a smoother ride and an increased downside protection and in periods of lower volatility, the portfolio will focus on alpha generation.

As of September 30, 2016

Fund Performance (%)	3Q16	1 year	3 year	5 year	10 year	Since Inception (12/30/05)
Class A Shares @ NAV	-1.93	10.99	10.04	16.23	6.18	6.66
Class A Shares @ MOP	-7.55	4.65	7.88	14.85	5.56	6.08
Class I Shares	-1.83	11.22	10.37	16.58	6.46	6.94
Class T Shares	-1.95	11.02	10.15	16.31	6.13	6.59
Russell 1000® Index	4.03	14.93	10.78	16.41	7.40	7.63

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 877.33JANUS (52687) or visit janus.com/advisor/mutual-funds.

Maximum Offering Price (MOP) returns include the maximum sales charge of 5.75%. Net Asset Value (NAV) returns exclude this charge, which would have reduced returns.

Expense Ratio: Class A Shares: Gross 1.03% and Net 1.03% | Class I Shares: Gross 0.71% and Net 0.71% | Class T Shares: Gross 0.95% and Net 0.95%.

Net expense ratios reflect the expense waiver, if any, Janus Capital has contractually agreed to through 11/1/16.

Returns include reinvestment of dividends and capital gains.

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 contact your investment professional or download the file from janus.com/info. Read it carefully before you invest or send money.

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Quarterly Performance Attribution by Standard Deviation (%)

Std. Dev. Range	INTECH U.S. Managed Volatility Fund			Russell 1000® Index			Avg. Weight Difference	Attribution		
	Avg. Std. Dev.	Avg. Weight	Total Return	Avg. Std. Dev.	Avg. Weight	Total Return		Allocation Effect	Residual (Selection Effect)	Total Effect
Quintile 1 (high)	28.74	4.80	6.63	22.93	6.83	9.90	-2.04	-0.12	-0.30	-0.42
Quintile 2	15.02	8.38	5.32	16.37	14.48	11.52	-6.10	-0.42	-0.49	-0.92
Quintile 3	11.94	10.70	3.55	13.91	20.19	5.50	-9.50	-0.15	-0.22	-0.36
Quintile 4	10.42	19.69	-1.18	12.18	26.99	4.60	-7.29	-0.04	-1.14	-1.18
Quintile 5 (low)	9.55	56.37	-4.36	9.47	31.50	-1.75	24.87	-1.37	-1.46	-2.84
Total	9.87	100.00	-1.71	12.27	100.00	4.03	---	-2.12	-3.62	-5.74

- As of September 30, 2016, the Fund exhibited a 19.6% estimated volatility reduction versus the Russell 1000® Index per the Standard Deviation statistics in the table above.
- An average overweight allocation to lower volatility stocks (quintile 5) detracted from the fund's relative performance during the period. Selection effect also detracted from the Fund's relative performance during the quarter.

Quarterly Performance Attribution by Beta

Beta Range	INTECH U.S. Managed Volatility Fund			Russell 1000® Index			Avg. Weight Difference (%)	Attribution		
	Avg. Beta	Avg. Weight (%)	Total Return (%)	Avg. Beta	Avg. Weight (%)	Total Return (%)		Allocation Effect (%)	Residual (Selection Effect) (%)	Total Effect (%)
Quintile 1 (high)	1.90	1.95	17.34	1.53	12.54	11.45	-10.59	-0.74	0.02	-0.72
Quintile 2	1.17	6.48	9.98	1.18	24.11	9.94	-17.63	-0.97	-0.03	-1.00
Quintile 3	1.02	8.93	4.19	1.02	23.79	3.96	-14.85	0.00	-0.01	-0.01
Quintile 4	0.83	18.10	-0.66	0.86	19.52	0.18	-1.42	0.04	-0.17	-0.13
Quintile 5 (low)	0.56	64.47	-4.33	0.60	20.04	-3.14	44.43	-3.09	-0.77	-3.86
Total	0.70	100.00	-1.71	1.00	100.00	4.03	---	-4.78	-0.96	-5.74

- The Fund's average overweight to lower beta stocks (beta quintile 5) and average underweight to higher beta stocks (beta quintiles 1 and 2) had a negative impact on relative performance this quarter, as higher beta stocks outperformed lower beta stocks on average during the period.
- The estimated beta of the Fund of 0.70 reflects the current defensive positioning of the Fund.

Quarterly Performance Attribution by Market Capitalization (%)

Market Capitalization Range	INTECH U.S. Managed Volatility Fund		Russell 1000® Index		Avg. Weight Difference	Attribution		
	Average Weight	Total Return	Average Weight	Total Return		Allocation Effect	Residual (Selection Effect)	Total Effect
Over \$100B	8.39	-1.13	40.37	3.49	-31.98	0.15	-0.39	-0.24
\$25B to \$100B	24.31	-3.90	30.72	3.80	-6.41	0.00	-1.85	-1.85
\$15B to \$25B	22.25	-2.17	9.53	4.05	12.72	-0.01	-1.36	-1.37
\$2B to \$15B	45.01	-0.41	19.29	5.46	25.72	0.33	-2.55	-2.22
Under \$2B	---	---	0.08	15.74	-0.08	-0.02	---	-0.02
Total	100.00	-1.71	100.00	4.03	---	0.43	-6.17	-5.74

- Due to their volatility and correlation characteristics, the Fund tends to overweight the smaller stocks within the investment universe as they provide more relative volatility capture potential. The Fund's active size positioning had a positive impact on relative performance for the quarter as smaller cap stocks outperformed the larger cap stocks within the index on average.
- However, an overall negative selection effect detracted from relative performance during the period.

Source: FactSet. Average Standard Deviation and Average Beta is calculated based on trailing 12 month annualized daily data. See last page for important disclosures.

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Quarterly Performance Attribution by Sector (%)

GICS Sector	INTECH U.S. Managed Volatility Fund		Russell 1000® Index		Avg. Weight Difference	Allocation Effect	Attribution	
	Average Weight	Total Return	Average Weight	Total Return			Residual (Selection Effect)	Total Effect
Consumer Discretionary	10.24	-2.26	12.72	3.40	-2.48	0.03	-0.56	-0.53
Consumer Staples	18.87	-6.68	9.48	-2.57	9.39	-0.61	-0.80	-1.41
Energy	2.22	6.99	6.82	2.68	-4.60	0.14	0.03	0.16
Financials	10.51	1.60	12.88	6.67	-2.36	-0.05	-0.53	-0.59
Health Care	8.58	3.75	14.40	1.57	-5.82	0.12	0.17	0.29
Industrials	9.05	1.85	9.92	4.10	-0.87	0.00	-0.20	-0.20
Information Technology	5.50	8.86	19.98	12.65	-14.48	-1.13	-0.20	-1.33
Materials	3.88	2.64	3.24	4.02	0.65	-0.02	-0.08	-0.10
Real Estate	13.21	-4.46	4.08	-1.55	9.13	-0.51	-0.39	-0.90
Telecommunication Services	1.20	-4.32	2.65	-4.67	-1.45	0.12	0.00	0.12
Utilities	16.60	-6.14	3.38	-5.72	13.22	-1.17	-0.07	-1.24
Total	100.00	-1.71	100.00	4.03	---	-3.10	-2.64	-5.74

- An average overweight allocation to the defensive utilities and consumer staples sectors, as well as an average underweight to the information technology sector, detracted from the Fund's relative performance during the quarter.
- Selection effect, which is a residual of the investment process, also detracted from relative performance during the period, especially among consumer staples stocks.

The weighting of securities within the Fund's portfolio may differ significantly from the weightings within the index. The 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.

Based on the Fund's "parent" share class (typically that with the longest history). Performance varies by share class.

Investing involves risk, including the possible loss of principal and fluctuation of value.

INTECH's focus on managed volatility may keep the Fund from achieving excess returns over its index. The strategy may underperform during certain periods of up markets, and may not achieve the desired level of protection in down markets.

Performance for Class A Shares, Class I Shares and Class T Shares prior to 7/6/09 reflects the performance of one or more similar share classes of the Fund or a predecessor fund, adjusted, where applicable and permitted, for differing fees and expenses. See the Fund's prospectus for further details concerning historical performance.

Russell 1000® Index measures the performance of the 1,000 largest companies in the Russell 3000® Index. **Alpha** compares the risk-adjusted performance of a portfolio to a benchmark index. A positive alpha means the portfolio has outperformed the index on a risk-adjusted basis. **Beta** is a measure of the volatility of a portfolio in comparison to a benchmark index. Less than one means the portfolio is less volatile than the index, while greater than one indicates more volatility than the index. **Standard deviation** measures historical volatility. Higher standard deviation implies greater volatility.

Attribution is used as a tool to explain the sources of a portfolio excess return versus a specific benchmark and during a specific period. The most widely used attribution methodology is a Return Decomposition Model based on weights and returns of a portfolio and index's underlying holdings. This attribution framework can be defined over a specific period, benchmark, grouping (sector, market cap, country, beta quintiles, standard deviation quintiles) and currency. **Allocation Effect** measures whether the overweight or underweight of a segment relative to the index contributed positively or negatively to the overall portfolio's relative return over a specific period. For example, if the portfolio is overweight a segment of the market that underperformed, the allocation effect will be positive. If the portfolio is overweight a segment of the market that outperformed or underweight a segment of the market that outperformed, the allocation effect will be negative. **Residual (Selection Effect)**, measures if the securities that a portfolio hold within a given segment have contributed to or detracted from the overall portfolio's relative performance. A positive selection effect means that the portfolio return within a specific segment was greater than the benchmark within the same segment. The "selection" of the stocks in the portfolio for that segment outperformed similar securities in the benchmark. INTECH refers to "selection effect" as "residual" given our process selects stocks based on relative volatility and correlation characteristics as opposed to a traditional manager where "selection effect" measures the manager skill to select stocks that outperform. **Total Effect** is the sum of the allocation and selection effects.

Performance attribution is equity only and does not include cash. Total returns are gross of advisory fees and may differ from actual returns as they are based on end-of-day holdings in the fund. Portfolio returns will be reduced by advisory fees and other expenses. Companies in the fund and index are divided into quintiles based upon their standard deviation and beta during the period. Source for standard deviation and beta ranges, sectors, allocations and their returns: FactSet. Sectors defined by Global Industry Classification Standards (GICS). Returns include the reinvestment of dividends and other earnings.

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