Janus Balanced Fund
Janus Aspen Balanced Portfolio

Investment Environment

Major U.S. stock indices finished the second quarter mixed, with the final week erasing many of the gains that had been attained. First quarter earnings season largely exceeded expectations, but enthusiasm was tempered as valuations were considered stretched compared to long-term averages. Stocks were also aided by favorable economic data that indicated the factors contributing to the winter slowdown were indeed transitory. Employment data including nonfarm payrolls and wages exhibited renewed strength. Partly as a consequence, key retail sales data hinted that consumers were once again finding their footing as a source of broad economic growth. Crude oil prices reset within a higher trading band and the dollar stabilized after its recent strong period of appreciation. Both developments were highlighted by the Federal Reserve's (Fed) June statement, in which it said a potential increase of the Fed Funds rate during the latter part of the year would be "appropriate." Chairwoman Janet Yellen also reiterated that any move would be data-dependent, thoughtful and measured. Negative sentiment emanating from Europe – centering on Greece's ability to meet its debt obligations – impacted U.S. shares late in the quarter.

Fixed income markets largely retreated over the quarter, influenced by a combination of improving U.S. data and lingering uncertainty about the path of global monetary policy. The volatility that characterized fixed income markets during the winter initially subsided in early spring only to flare up again as the period closed. The U.S. Treasury curve steadily steepened, with longer-dated yields reaching levels not visited since last autumn. Globally, Germany's 10-year Bund sold off aggressively. U.S. investment-grade spreads were flat for much of the period before widening at the end of June. High-yield spreads initially narrowed, reaching year-to-date lows, prior to ending the quarter essentially unchanged. Similar to corporate credits, mortgage-backed securities (MBS) spreads initially narrowed before closing the quarter wider.

Performance Discussion

The Fund, which seeks to provide more consistent returns over time by allocating across the spectrum of fixed income and equity securities, underperformed the Balanced Index, a blended benchmark of the S&P 500 Index (55%) and the Barclays U.S. Aggregate Bond Index (45%). The overall Fund underperformed its primary benchmark, the S&P 500 Index, but it outperformed its secondary benchmark, the Barclays U.S. Aggregate Bond Index.

The equity-to-fixed-income allocation ended the period with an equity weighting of roughly 57% and fixed income of about 43%. The equity allocation may vary depending on market conditions. The current level reflects our view that on a risk-adjusted basis, equities represent greater opportunity for returns at this juncture.

The Fund's equity sleeve underperformed its benchmark, the S&P 500 Index. Holdings within the industrials and consumer discretionary sectors detracted most from relative performance. Airline carrier United Continental Holdings weighed on performance. Shares declined due to concerns about industry pricing. Our outlook for the stock remains favorable at current valuations. The company is beginning to realize meaningful synergies from its Continental merger and is remaining disciplined on capacity. It also has taken constructive measures with stock buybacks and reducing debt.

Portfolio Manager:
Gibson Smith

Portfolio Manager:
Marc Pinto, CFA

Executive Summary

- The Fund's equity sleeve underperformed its benchmark, the S&P 500 Index, due in part to our industrials and consumer discretionary holdings.
- Our fixed income sleeve outperformed its benchmark, the U.S. Aggregate Bond Index.
- We see the economy as conducive for incremental gains in equities, while we are mindful of numerous risk factors that could weigh on bonds.
- Our asset allocation mix remains largely unchanged; we favor stocks whose valuations have not become stretched and have moved into higher quality fixed income securities.

Similar to other railroad companies, Union Pacific has suffered year-to-date volume declines from the slowdown in the oil market and related lower transportation needs. Coal and agriculture industry demands have also been softer. We remain positive on the stock. The company continues to benefit from its large, profitable intermodal freight business. Fundamentals remain attractive, and the company continues to demonstrate a firm commitment to returning capital to shareholders with a healthy dividend yield and stock buybacks.

DuPont was another detractor. The diversified materials company successfully defeated activist investor Nelson Peltz's proxy fight to win seats on its board. Shares sold off on concerns that there is now less pressure for aggressive cost reductions or to break up the company to unlock unrealized potential value. The company has introduced new board members that we expect will maintain sharp focus on capturing current untapped gains from its businesses. The company also has been affected by softness in the agriculture cycle, a sector where we see a number of interesting developments, such as ongoing consolidation, which could highly value DuPont's Pioneer business, a leading developer and supplier of plant genetics to farmers. Its dividend yield also remains attractive.

Contributing to relative performance during the quarter was our selection of health care stocks, along with our holdings in consumer staples. LyondellBasell Industries was the largest individual contributor. Prices for many of the petrochemicals the company produces are tied to oil prices, which had weighed on the stock at the end of 2014. However, prices for the feedstocks Lyondell uses to create ethylene and some of its other chemicals have also declined, leading to better profit margins than the market initially expected. The bounce back in oil prices this quarter also allowed chemical producers to raise ethylene prices, which was further supportive for margins. In addition, concerns around the recent CEO transition began to dissipate, with current management continuing to demonstrate its commitment to returning shareholder capital through an increased dividend and stock buybacks.

Pharmaceutical firm AbbVie was another contributor to Fund performance. The stock gained in part because the company has further explained how it will use patents to defend its intellectual property behind Humira, the company's largest drug. Recent developments in litigation concerning biosimilar competition for Humira have also pushed out the timeline for when it appears AbbVie will face biosimilar competition. The stock has also gained as the market has received confirmation the company is diversifying its product pipeline so that future revenues are less dependent on Humira. We like the potential for Imbruvica, a blood cancer drug AbbVie acquired from Pharmacyclics and the company's treatment for hepatitis C. Along with these existing drug franchises, we also like the potential for several drugs that are under development by the company.

Microsoft was another contributor. The software giant's stock enjoyed an upward revaluation as market focus shifted from weak personal computer sales toward attractive parts of its business that continue to expand at a profitable rate, such as its public and private cloud offerings. We also remain encouraged by management's additional inroads regarding cost reduction.

The Fund's fixed income sleeve outperformed its benchmark, the Barclays U.S. Aggregate Bond Index. Our corporate credit allocation was the main driver of outperformance. Yield curve positioning within investment-grade contributed as our defensive move into higher quality names proved timely. The positive contribution attributed to our high-yield security selection is, in our view, the result of our rigorous, fundamental investment process that analyzes not only companies, but also specific securities, identifying the instruments that we believe have the best risk adjusted return potential for fixed income investors. While we remain overweight corporate credit relative to the benchmark, our allocation to the segment is close to the lowest it has been since the financial crisis.

On a sector basis, our positioning in electric utilities and midstream energy companies were relative contributors. Within energy, DCP Midstream (DPM) performed well. The company is one of the largest independent natural gas and natural gas liquids (NGL) processors in the U.S. We like the fact that a majority of DPM's contracts are subject to minimum volume requirements, ensuring a certain level of cash flow generation. Although the company's leverage may rise in the face of weakening NGL prices, we recognize that the two owners of its parent company stand at the ready to support what they consider an important asset.

Two financial companies that contributed to relative performance were CIT Group and Ally Financial. Specialized commercial lender CIT Group emerged from the financial crisis with a clean balance sheet and greatly improved asset quality, in our view. Management has made a priority of paying down its highest-cost debt and eventually achieving an investment-grade credit rating. We also like how CIT is growing its middle-market banking operations and deposit base.

Ally Financial has many attributes that we find attractive. The company has streamlined itself into an entity focused on auto financing, a sector that, we believe, should enjoy tailwinds as U.S. employment and consumption improve. The company has an asset-light business model, reliant upon its online banking channel to grow its substantial deposit base. We find that Ally has been able to retain these deposits at a greater rate than many expected possible with online accounts. Similar to CIT, Ally's management is moving to pay down its highest-cost debt.

Our MBS allocation – where we were underweight relative to the benchmark – detracted from relative performance, with its yield curve positioning weighing down the Fund as these securities outperformed Treasurys. We maintain our defensive positioning within MBS to account for the volatility that we anticipate in the near term.

Certain credits also weighed on relative results, though to a lesser extent than MBS. While technology hardware company Seagate detracted from performance, we like management's commitment to a conservative balance sheet. Furthermore, industry consolidation has resulted in improving margins and free cash flow generation for the remaining players. Similarly, Chesapeake Energy, a leading producer of natural gas, has a leadership team that manages its balance sheet like an investment grade company. With its ample liquidity and a large asset base, Chesapeake, in our view, is well-positioned to achieve its goal of attaining a ratings upgrade.

Early in the quarter we slightly increased our Treasury weighting to better reflect our defensive stance. This move was engineered through a reduction of our duration contribution from Treasurys, with our holdings being markedly shorter than that of the benchmark. As a result, Treasury yield curve positioning contributed to relative performance given the quarter's steepening curve.

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

Outlook

Many of the reasons that we remain cautious in our approach to fixed income are the same that cause us to favor equities. The Fed has reiterated its commitment to growth. As a consequence, the initiation of rate hikes would infer an expanding economy conducive for stocks. High-yield spreads, which are still tight by historical standards, limit the upside of those securities, which further supports the rationale for favoring those companies' stocks at present.

We believe stock valuations remain relatively attractive in the context of the current market environment. Global economic growth continues to strengthen, with steady, if slow, gains in the U.S. and positive signals finally emerging from Europe, issues in Greece notwithstanding. China also seems to be navigating its economic slowdown reasonably well, without any recent material deterioration.

The U.S. labor market continues to gain on the employment front with indications that companies are beginning to increase wages as well. The housing market is improving, and consumer spending continues to increase with strong demand for automobiles and other big-ticket items – all further evidence that the economy is on more stable footing. Against this backdrop, it seems likely the Fed will begin raising interest rates later this year. This would be a positive signal that the economy is once again normalizing and should be supportive for stocks, though any dramatic, unexpected rate jump would probably prove to be disruptive short term.

Multiple factors presently have the potential to impact the fixed income environment; chief among them remains the timing and pace of the Fed's rate hikes. Data suggest that the central bank is achieving its dual mandate. Strong gains in payrolls have resumed and wage growth has shown signs of accelerating. Rates have yet to rise as the Fed has made clear its objective of achieving sustainable growth. With economic expansion typically come jobs, and after that, wage-driven inflation. A strong jobs market, according to the Fed, should help push inflation back toward its target of 2%.

The dollar remains one of our wild cards. Deterioration in the Greece dispute or a deceleration in non-U.S. economies could send investors fleeing back toward dollar-denominated assets, forcing a resumption in the currency's march upward and keeping a lid on inflation. In a nod to this scenario, the Fed has acknowledged that international developments are being considered as it charts its path forward.

We are mindful that we are quite possibly nearing the end of a credit cycle. Merger and acquisition activity, share buybacks, and debt issuance are up. Due to this, while still overweight versus the benchmark, our credit allocation is near the lowest it has been since the financial crisis. Utilizing our fundamental security-level approach, we are concentrating our holdings in higher quality companies whose management have maintained balance sheet discipline.

We are also concerned with the potential for sustained periods of elevated market volatility, which we consider suppressed by continued fixed income inflows. Alarmingly low levels of liquidity are a serious risk factor, in our view. Should an illiquidity event occur, we want to be a provider of liquidity. Accordingly, we have lowered the overall duration of the portfolio, especially as a percentage of the benchmark. Treasurys are the tool we utilize to toggle duration. Shorter-dated government securities act as a cash cushion, which should allow us to better weather storms and opportunistically make attractive investments caused by market dislocations.

We remain underweight MBS relative to the benchmark as these securities would not perform well in the volatile markets such as the ones we anticipate. When the direction of rates is in

question, investors cannot adequately gauge prepayment risks, which stand to increase as rates decline. While our base-case scenario is for increasing rates, a global crisis or unforeseen slowdown in growth could again put downward pressure on the safe-haven Treasurys upon which mortgages are priced.

Over the past quarter we have sought to reduce risk in the fixed income sleeve of our portfolio and expect to maintain this defensive posture as the aforementioned risk factors play out. We have not seen such a confluence of potentially adverse forces for several years. Our binding principle of capital preservation is of utmost importance as we navigate the choppy waters ahead.

Top Equity Sleeve Contributors and Detractors for the Quarter Ended 6/30/15

Top Contributors	Ending Weight (%)	Contribution (%)	Top Detractors	Ending Weight (%)	Contribution (%)
LyondellBasell Industries NV	2.96	0.49	United Continental Holdings Inc	1.63	-0.44
AbbVie Inc	3.45	0.46	Union Pacific Corp	2.57	-0.34
MasterCard Inc	4.61	0.36	EI du Pont de Nemours & Co	2.99	-0.33
Aetna Inc	1.90	0.32	Endo International PLC	2.16	-0.28
Microsoft Corp	3.23	0.28	Boeing Co	2.84	-0.22

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

LyondellBasell Industries: The large chemical producer, which converts liquid and gaseous hydrocarbon feedstock into plastic resins and other chemicals, has had a cost advantage since the primary input to its production process is natural gas, a commodity that has experienced considerable price pressure due to excess supply. We also like the global supply/demand dynamics for ethylene, one of the company's primary products. Finally, we think management is committed to improving shareholder value by paying out dividends, buying back stock and selectively investing in high return on invested capital projects.

AbbVie: The research-based pharmaceutical company produces drugs for specialty therapeutic areas such as immunology, chronic kidney disease, hepatitis C, women's health, oncology and neuroscience. We like AbbVie for its all-oral regimen to treat hepatitis C, and are also excited about the potential for Imbruvica, a cancer treatment for various types of leukemia that AbbVie acquired from Pharmacyclics. Additionally, we like the potential for several other drugs in late-stage development from AbbVie.

Mastercard: The global card payment network connects consumers, financial institutions, merchants, governments and businesses, enabling them to use electronic forms of

Top Detractors

United Continental: United Continental is one of the world's largest airline carriers. The company has upside potential, in our view. Returns on invested capital are rising and likely to improve due to scale advantages after United's merger with Continental. Moreover, the airline has pricing power for the first time in years due to capacity reductions in the industry.

Union Pacific: We like the railroad operator for its strong competitive moat and significant barriers to entry that may lead to sustainable and consistent pricing power. Steady volume growth and ongoing operating improvements are also additive. Collectively, we think these factors should enable the company to produce visible, significant earnings growth over the coming years.

DuPont: DuPont is a diversified materials company. We like its significant presence in emerging markets, as well as its reasonable valuation and high dividend yield. In our opinion, DuPont has a good track record of investing prudently in research and development to drive value through innovation. We also like the company's intense focus on cost and capital control.

Top Contributors (continued)

payment instead of cash and checks. We like MasterCard for its high return on invested capital business and growth potential as well as its strong balance sheet and quality management team. We believe the company has strong potential for impressive growth outside the U.S., where many markets have a lower penetration of cards/electronic payments and are experiencing significantly faster electronic purchase volume growth.

Top Fixed Income Sleeve Relative Contributors and Detractors by Issuer for the Quarter Ended 6/30/15

Top Contributors	Average Weight (%)	Relative Contribution (%)	Top Detractors	Average Weight (%)	Relative Contribution (%)
U.S. Treasury Notes/Bonds	36.47	0.05	Federal Natl Mtg Assn	10.08	-0.08
DCP Midstream Operating LP	0.54	0.03	Federal Home Loan Mortgage Corp	1.56	-0.07
CIT Group Inc	0.83	0.02	Government National Mortgage Assn	3.71	-0.04
Ally Financial Inc	0.70	0.02	Seagate	1.19	-0.02
Cimarex Energy Co	0.78	0.02	Chesapeake Energy Corp	0.62	-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.

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).

The discussion and data quoted are based upon the results, holdings and characteristics of the Janus Investment Fund ("JIF") mutual fund. Such data may vary for the Janus Aspen Series ("JAS") portfolio due to asset size, investment guidelines, diversity of portfolio holdings and other factors. We believe the JIF mutual fund most closely reflects the portfolio management style for this strategy.

As of 6/30/15 the top ten portfolio holdings of Janus Balanced Fund are: Apple Inc (3.13%), MasterCard Inc (2.59%), United States Treasury Note/Bond (2.19%), Blackstone Group LP (2.15%), AbbVie Inc (1.94%), NIKE Inc (1.87%), Microsoft Corp (1.82%), Bristol-Myers Squibb Co (1.78%), United States Treasury Note/Bond (1.77%) and EI du Pont de Nemours & Co (1.68%). There are no assurances that any Janus portfolio currently holds these securities or other securities mentioned in this commentary.

The opinions are as of 6/30/15 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.

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.

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.

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.

S&P 500® Index measures broad U.S. equity performance.

Barclays U.S. Aggregate Bond Index is a broad-based measure of the investment grade, US dollar-denominated, fixed-rate taxable bond market.

Balanced Index is an internally-calculated, hypothetical combination of total returns from the S&P 500® Index (55%) and the Barclays U.S. Aggregate Bond Index (45%).

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.

Janus is a registered trademark of Janus International Holding LLC. © Janus International Holding LLC.

Funds distributed by Janus Distributors LLC

C-0615-92936 10-15-15 188-42-29102 07/15