Janus Flexible Bond Fund
Janus Aspen Flexible Bond Portfolio

Investment Environment

The Trump administration's pro-growth initiatives fueled investor optimism early on. Throughout the quarter, however, market participants began reassessing the Trump reflation trade and the likelihood of the administration successfully executing its policy agenda. The dollar weakened and investors' inflation expectations tapered. Nominal Treasury yields were largely range-bound, while risk markets – including equities and corporate credit – remained strong due to decent corporate fundamentals and synchronous global growth.

The U.S. economy continued to improve, according to economic data releases. Consumer and business confidence surveys registered multi-year highs, reflecting overall positive sentiment around the economic outlook. The labor market strengthened and key inflation measures ticked higher. This backdrop supported the Federal Reserve's (Fed) decision to raise interest rates by a quarter of a percentage point at its March meeting. Later in the period, Republicans abandoned their replacement plan for the Affordable Care Act, which increased doubts around the government's ability to effectively implement new fiscal policies. A rise in U.S. shale production and a drop in global crude oil prices created additional unease.

Despite climbing in the days leading up to the Fed meeting, nominal Treasury yields hovered in a tight band. The yield on the 10-year note closed the quarter at 2.39%, down from 2.44% in December. While corporate credit spreads fluctuated over an eventful March, they ultimately finished tighter for the quarter. Investment-grade corporate spreads tightened five basis points (bps), ending the period at 118 bps. Gains were more notable in high yield.

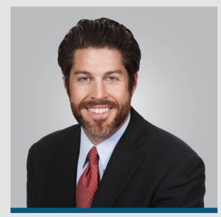
Performance Discussion

The Fund outperformed its benchmark, the Bloomberg Barclays U.S. Aggregate Bond Index, for the three months ending March 31, 2017.

We maintained our opportunistic approach to corporate credit during the quarter. Our analysts continued to identify opportunities in bank loans, the lower rated tiers of investment grade and shorter dated issues within high yield. Our belief that, going forward, inflation is unlikely to increase at the pace of recent months, led us to close our position in Treasury Inflation-Protected Securities (TIPS). Economic expansion may also be muted, given the challenges present in implementing new fiscal policy. While we added back duration year to date, we remain defensive on rates, and our Treasurys exposure is near the low end of our historical range. Fund duration ended March at 95% of the benchmark.

The Fund's outperformance was driven by our corporate credit positioning. Security selection in investment-grade corporates was particularly strong. 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. Our focus on securities that can provide greater spread carry than the index also proved beneficial. Carry is a measure of excess income generated by the Fund's holdings.

Portfolio Manager:
Darrell Watters



Portfolio Manager:
Michael Keough

Portfolio Manager:
Mayur Saigal

Executive Summary

- The Fund outperformed its benchmark during the quarter.
- Our investment-grade and high-yield corporate credit allocations were the leading contributors to outperformance.
- We expect both Treasury yields and corporate-credit spreads to be range-bound in the months ahead.

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. Security selection further contributed to outperformance in the banking sector, largely due to preferred exposure and bank hybrids, which behave akin to high-yield corporate credit.

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. Additionally, spread compression across a number of our overweight positions supported relative results.

Asset manager Neuberger Berman led relative corporate credit contributors. We like the company's conservative management team and its commitment to reducing leverage. Our longer dated exposure in the name benefited from spread tightening, while our shorter dated holdings benefited from the company's refinancing initiatives.

Our emphasis on prudent position sizes and maintaining a well-diversified portfolio resulted in minimal performance impact from other corporate issuers. No credit sector weighed materially on relative performance.

On an asset class basis, outperformance was supported by our underweight allocation to U.S. Treasurys. Security selection and spread carry in our commercial mortgage-backed securities (CMBS) also boosted relative results. Our CMBS exposure is concentrated in securities in which our analysts can form a constructive fundamental view on the underlying assets. We allocate to higher quality, shorter duration positions that we believe can offer cash flow stability.

We have been emphasizing U.S.-centric companies, with limited exposure to the volatility in foreign currency markets. With emerging market debt posting gains over the period, our general lack of exposure to government-related securities was the primary detractor from relative performance. These securities, many of which are issued by emerging market issuers, include government agency debt as well as debt issued by state-owned firms.

Despite generating positive returns, our allocation to bank loans also held back relative results. A number of refinancing initiatives took place during the quarter which created a headwind for performance in the out-of-index asset class. Many benchmark constituents – which benefited from price appreciation as long-term rates declined – performed better. We remain constructive on loans, as the coupons on these floating-rate instruments will benefit from a tightening Fed and subsequently higher LIBOR rates. In the months ahead, we expect loans – which have a senior position in the capital structure – to offer stable and attractive risk-adjusted opportunities with lower volatility than the high-yield market.

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

Outlook

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. We will be monitoring inflationary pressures to see if the Fed's targets are achievable. It is too soon, in our view, for the central bank to begin unwinding its investment portfolio. That said, we are closely following Fed rhetoric and plans for leadership changes as Chair Janet Yellen's term nears its end. We anticipate the Fed will first step away from reinvesting the mortgage-backed securities (MBS) portion of its portfolio. Once that occurs, a steady unwinding of the portfolio is likely to widen mortgage spreads by a modest amount.

Shifting monetary policy may pressure front-end yields higher over the remainder of the year. 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. We will continue to actively manage duration and yield curve positioning, with the expectation of maintaining duration below that of the benchmark.

Both investment-grade and high-yield corporate credit spreads have compressed through their 10-year averages, and demand remains robust as investors reach for yield. With rates set to rise, we are closely watching the ability for spreads to hold near current levels. Successful implementation of tax reforms, deregulation initiatives and infrastructure spending could bolster corporate fundamentals and support further spread tightening. However, we are mindful of the potential for additional reform disappointment by the Trump administration, specifically where taxes are concerned. We expect spreads to trade in a tighter band as investors await the next steps.

Looking to corporate earnings, our analysts will be evaluating the extent to which healthy consumer and business confidence data translates into first quarter results, and ultimately into first quarter gross domestic product growth. We are also watching for any uptick in merger and acquisition activity, which could generate sector volatility and create buying opportunities. 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 (%)
U.S. Treasury Notes/Bonds	15.29	0.05	U.S. Treasury Bills	0.47	-0.03
Neuberger Berman Group	0.51	0.03	Federal National Mortgage Assn	16.07	-0.03
Citigroup Inc	0.90	0.02	Aramark Services Inc	0.48	-0.01
Morgan Stanley	0.95	0.02	Alabama Power	0.72	-0.01
Aetna Inc	0.61	0.02	Kinder Morgan Energy Partners	0.44	-0.01

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.

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 3/31/17 the top ten portfolio holdings of Janus Flexible Bond Fund are: United States Treasury Note/Bond (3.56%), United States Treasury Note/Bond (3.35%), United States Treasury Note/Bond (1.75%), United States Treasury Note/Bond (1.69%), United States Treasury Note/Bond (1.57%), United States Treasury Note/Bond (1.08%), BellSouth LLC (1.06%), United States Treasury Note/Bond (0.81%), United States Treasury Note/Bond (0.77%) and Fannie Mae Pool (0.70%). 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.

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

Index performance does not reflect the expenses of managing a portfolio as an index is unmanaged and not available for direct investment.

Funds distributed by Janus Distributors LLC

C-0317-8317 07-15-17

188-42-29106 04/17