Janus Forty Fund

Investment Environment

For much of the quarter, stocks resumed the rally that started after the November election, as investors considered the potential impact of the Trump administration's proposed corporate tax cuts and pro-growth policies. Economic data points also suggested global economic growth was returning. The Federal Reserve's interest rate hike was also interpreted as confirmation of the economy's health. While stocks ended the quarter with strong gains, they were volatile toward the end of the period as investors questioned how quickly Congress might implement some of the new administration's proposed policies.

Performance Discussion

The Fund outperformed both its primary benchmark, the Russell 1000 Growth Index, and also its secondary benchmark, the S&P 500 Index, during the quarter. As part of our investment strategy, we seek companies that have built clear, sustainable competitive moats around their businesses, which should help them grow market share within their respective industries over time. Important competitive advantages could include a strong brand, network effects from a product or service that would be hard for a competitor to replicate, a lower cost structure than competitors in the industry, a distribution advantage or patent protection over valuable intellectual property. We think emphasizing these sustainable competitive advantages can be a meaningful driver of outperformance over longer time horizons because the market often underestimates the duration of growth for these companies and the long-term potential return to shareholders. This quarter we saw a number of companies in our portfolio put up impressive results, further validating our view that they are well positioned to grow in excess of the market.

Activision Blizzard was our top contributor to performance. A strong earnings report lifted the stock this quarter and offered more evidence supporting our long-term thesis on the company: that digital gaming is increasing the company's earnings potential and making its revenue less cyclical. As more gaming moves away from physical game cartridges toward digital platforms, it reduces costs for Activision Blizzard and makes the company less reliant on the release of a new gaming console to drive game sales. We believe the popularization of game franchises, which enjoy multiple new releases, will also help make revenue less cyclical. Going forward, we believe there are other revenue growth drivers for Activision. We believe the company has more opportunities to sell items to gamers in real time in a digital setting, and that the company can also improve the monetization of games it acquired from King Digital by inserting advertisements into those games for the first time.

CSX Corp. was another large contributor to performance. The stock was up after an announcement that a new CEO with a history of improving operations at railroad companies was taking the helm at the company. We had long believed that CSX's operating underperformance relative to other railroad companies left room for improvement, and believe better results will follow the new leadership. We believe a large rail network such as CSX's is a valuable asset that would be hard, if not impossible, for other transportation and logistics companies to replicate. Railways also have a significant cost advantage over the trucking industry. As CSX focuses on improving its service and reliability to customers, we believe it will continue to drive more shippers to

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Executive Summary

- U.S. stocks moved higher due to signs of an improving global economy and hopes of pro-growth initiatives from Congress and a new administration.
- The Fund outperformed its benchmark.
- We believe stocks are reasonably valued but that companies will need to demonstrate earnings growth to drive stock prices higher. We remain confident about the path to earnings growth for the companies we hold.

use the railway instead of trucking services.

Salesforce.com was another top contributor. The stock fell last quarter in large part because of rumors it would try to acquire Twitter. In our view, the social media company was not a natural fit for the business. When Salesforce confirmed it would not pursue the acquisition and reported better-than expected earnings this quarter, the stock rebounded. We continue to like Salesforce's position as a leader in cloud-based enterprise software, and believe it will benefit as marketing and sales departments move more functions from on-premises software to the cloud.

While pleased with the performance of most stocks in our portfolio, we still held a few stocks that detracted from performance. Bristol-Myers Squibb was our largest detractor. Disappointing clinical results for a trial pairing its cancer drug, Opdivo, with another treatment negatively affected the stock this quarter. We sold the stock due to concerns the company's cancer treatments would lose market share within the immuno-oncology space.

General Electric (GE) was another detractor. The company's earnings results were light, and organic growth for 2016 has been admittedly disappointing, particularly in GE's oil and gas end markets. We continue to like the company, however. We see opportunity for GE to improve margins, and like the recurring nature of much of its revenues as GE sells aftermarket parts and services for its equipment. Finally, we think GE still possesses a valuable competitive moat around its business that it is only beginning to monetize: data. The company has a leading market position in every industrialized market it serves. The large customer base in these end markets is giving GE valuable data on industrial companies and their industries, and we believe GE is still in the early stages of translating that data into valuable new and improved products and services for its clients.

Construction aggregate company Vulcan Materials was also a detractor. The stock had enjoyed a strong post-election climb, due to anticipation of what increased infrastructure spending could mean for material companies such as Vulcan. The stock has recently fallen as the market has come to realize that any uptick in infrastructure spending will take time. A soft earnings report this quarter didn't help the stock, either. However, we remain positive on the company's long-term outlook. The outlook for U.S. residential and commercial construction spending remains healthy, which should underpin revenue growth for the company. We also believe Vulcan's geographic footprint represents a strong barrier to entry for would-be competitors; a difficult permitting process makes it hard for would-be competitors to open new mines and match Vulcan's close proximity to its customers.

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

Outlook

Our outlook is similar to the views we expressed last quarter. We continue to believe that some of the pro-growth policies proposed by the new president and Congress – namely corporate tax reform and increased infrastructure spending – would be positive for the economy and for U.S. stocks.

Heading into the second quarter, markets reflect much of this optimism. After a post-election rally, we believe valuations are reasonable given the potential for a stronger economy and better earnings growth. But stocks are not cheap either. Against that market backdrop, companies will need to demonstrate earnings growth to experience further stock price appreciation.

As we look across the portfolio, we feel confident about the path to earnings growth for the companies we invest in. These companies should still benefit from a stronger economy if some of Congress' policies indeed come to fruition, but in our view they are by no means dependent on it to thrive. A large portion of the holdings in our portfolio is dedicated to a few secular growth themes that are well known, but still nascent in their development: the shift from offline to online spending, the shift of enterprise software from on-premises data centers to the cloud, a proliferation of connected devices in the home and business, and a growing global middle class, to name just a few. We've sought to identify companies that aren't just exposed to these powerful themes, but have competitive moats around their businesses that uniquely position them as the key beneficiaries or pivotal players driving these themes forward. We remain confident about their earnings potential in the months ahead.

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

Top Contributors	Ending Weight (%)	Contribution (%)	Top Detractors	Ending Weight (%)	Contribution (%)
Activision Blizzard Inc	4.55	1.12	Bristol-Myers Squibb Co	0.00	-0.25
Adobe Systems Inc	3.57	0.83	General Electric Co	3.07	-0.20
CSX Corp	3.09	0.77	Goldman Sachs Group Inc	2.78	-0.14
Salesforce.com Inc	4.30	0.75	Sealed Air Corp	1.94	-0.08
Amazon.com Inc	3.73	0.71	Vulcan Materials Co	1.40	-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.

Top Contributors

Activision Blizzard: We like the company for its core business, which has developed several popular gaming franchises, and believe the company will improve profitability of those franchises as gaming moves more heavily into a digital environment. We also believe the gaming company has the potential to significantly improve monetization of recently acquired mobile gaming operator King. King has been one of the few major mobile gaming properties that does not advertise. Given Activision's history of managing key franchises well, we expect the company to be able to grow the business and have it contribute to revenues on the back of increased advertising. Furthermore, we like Activision's aim of maximizing free-cash-flow generation.

Adobe: We believe the company is poised to grow profitability as its digital media business moves from a perpetual license-based business model to a subscription-based business model. We also believe Adobe's digital marketing business, which helps advertisers create digital content, is well positioned for the transition in advertising spending toward digital advertising platforms.

CSX Corp.: The company provides traditional rail services and the transport of intermodal containers across the eastern U.S. We believe internal management changes will drive significant operational improvement at CSX relative to its peer group. Carload volumes are expected to stabilize in 2017 and beyond as headwinds including coal and other commodity groups stabilize while intermodal growth accelerates. We believe the operational leverage continues to be underappreciated by the market as cost efficiencies will allow CSX to realize industry-leading incremental margins.

Top Detractors

Bristol-Myers Squibb: We sold our position in the stock due to concerns its cancer treatments could lose market share.

General Electric: We like General Electric for its leading market position in a number of industrial markets, and also like that much of its revenue comes from aftermarket and maintenance services, which provide a steady, recurring revenue stream for the company. We also like the company's growth potential as it develops new services around Predix, its software platform that collects data from industrial machines.

Goldman Sachs Group: Goldman Sachs is a multinational financial services company engaged in global investment banking, investment management, securities and other financial services, primarily with institutional clients. We think there are powerful network effects around Goldman's business. The company's relationships with corporations, mutual funds, hedge funds, sovereign wealth funds and other institutional clients gives it valuable information about markets it can leverage to build new relationships. We also like that the company has demonstrated an ability to profitably navigate both cyclical and secular challenges to its business, and has continued to invest in the business and maintain a global footprint, positioning its various banking businesses to rebound when regional economies strengthen or trading demand increases.

Sealed Air Corp.: Sealed Air is a packaging materials manufacturer operating in the food packaging and protective packaging segments. We believe a CEO who joined the firm a few years ago is helping the company realize more of the value from its businesses. Going forward, we believe new

Top Contributors (continued)

Salesforce: Salesforce.com is a global cloud computing company best known for its customer relationship management (CRM) solutions. We believe the flexibility and low-cost nature of the company's cloud-based offerings give it a competitive advantage over on-premises legacy solutions.

Amazon: The online retailer offers a wide range of products, including books, music, computers, electronics, home and garden, and numerous other products. Amazon offers personalized shopping services, web-based credit card payment and direct shipping to customers. We believe the company's competitive advantages of a low overhead cost structure, allowing an aggressive pricing structure, and faster shipping will cause consumers to shift an increasing amount of their general merchandise spending toward it. Given that roughly 90% of retail sales are still sold offline, we believe Amazon has significant opportunities ahead, particularly as they expand into new business lines and geographies.

Top Detractors (continued)

products can improve the company's organic growth rate, and also believe the company can continue to improve margins.

Vulcan Materials: Vulcan is primarily engaged in the production, distribution and sale of construction aggregate materials. We like that there are very high barriers to entry around their business as the high weight and low value of the company's product has necessitated operating in local markets. A difficult permitting process makes it hard for competitors to open new mines.

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 five portfolio holdings of Janus Forty Fund are: Microsoft Corp (5.47%), Alphabet Inc (5.44%), Activision Blizzard Inc (4.41%), Mastercard Inc (4.34%) and salesforce.com Inc (4.16%). 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.

Russell 1000® Growth Index measures the performance of those Russell 1000® companies with higher price-to-book ratios and higher forecasted growth values.

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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C-0317-9196 07-15-17 188-42-16700 04/17