Janus Global Real Estate Fund

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Investment Environment

What stands out to us as most notable about the listed real estate sector in the second quarter is the wide dispersion in performance by geography. While this is certainly expected to a degree – as we've opined often in past commentaries, these divergences are one of the primary reasons we prefer a global strategy – we're struggling to remember any period where we saw such significant counter moves in a single quarter. Just as an example, we saw the U.S. give up over 10% in the quarter, while the UK gained nearly 4%. And in emerging markets, China rocketed almost 15%, while India fell more than 20%. Those are some large spreads, particularly for a 3-month period.

So, what's behind the disparate moves? Well, it seems that the obvious answer -- which means that it will likely ultimately be proved wrong -- is that the world is in fact decoupling. Admittedly, this is probably a dangerous thesis given our increasingly intertwined global economy, but recent data is supportive: the U.S. economy appears to be strengthening, and the possibility of a rate hike this year seems more probable (we'll believe it when we see it); there are clear signs of improvement in Europe as the early rounds of quantitative easing take hold, although Greece remains an overhang; meanwhile, China is slowing, the government's efforts to stimulate appear increasingly ineffective, and there are mounting concerns about leverage; and, going its own unfortunate direction, recent investment darling Brazil looks to be headed into a nasty stagflationary period. Of course, further muddying the investment waters is the fact that a difficult macro backdrop isn't necessarily a negative for listed real estate (defensive sector), just as a surging economy isn't always a positive (rising rates). Interesting times.

Performance Discussion

The Fund outperformed its benchmark, the FTSE EPRA/NAREIT Global Index, during the period.

Our relative outperformance during the quarter was driven by stock selection. Looking at our performance across different geographies, strong stock selection in the U.S. and UK were the largest contributors to relative performance in the quarter. However, stock selection was weak in Taiwan, where a single holding for the Fund negatively impacted performance.

Our geographic allocation detracted from relative performance. An underweight to China and overweight to the U.S. were the largest detractors from relative performance, though again, we benefited from strong stock selection within the U.S. While our geographic allocation was a detractor overall, overweights to the UK and Singapore contributed to relative results.

In terms of returns by sector, the top contributors to the Fund's performance were leisure facilities and homebuilders. Notable detractors included retail Real Estate Investment Trusts (REITs) and office REITs. Relative to the index, the Fund got the most outperformance from its holdings in real estate service companies and homebuilders. Meanwhile, our underweight to real estate development companies and our holdings in hotel and resort REITs detracted the most from relative performance.

Portfolio Manager:
Patrick Brophy

Executive Summary

- Global real estate showed disparate moves during the quarter, with notable gains in the UK and China and down markets in the U.S. and India.
- The fund outperformed its benchmark, largely driven by stock selection.
- We continue to see opportunity for the asset class. Holdings still appear attractive and we are yet to see a let-up in demand for property.

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

Outlook

On the heels of two difficult quarters, it was encouraging to see the Fund outperform during the quarter, particularly given the relative outperformance was spearheaded by several out-of-index holdings (see above). These are investments that we put significant effort into both uncovering and researching/analyzing, as we believe that these often-overlooked real estate companies can potentially boost results. Moreover, as the real estate cycle moves into its later innings – at least in much of the developed world – we anticipate a less target-rich investment environment, meaning we will employ even greater scrutiny on our valuation work and new ideas like these will be increasingly coveted.

Of course, determining just what inning we're actually in is not easy. It never is. Trying to pick cycle tops seems a fool's errand to us, but it doesn't mean we shouldn't at least try to be cognizant of where we stand relative to historical precedent. On that front, there are things that give us pause: pricing levels back above the previous peak; ramping new supply in certain sectors, especially multi-family; and simple duration, as we charge into year seven of an upcycle. On the other hand, there are multiple factors that make us more sanguine, the most important being solid operating fundamentals that appear set to hold, if not strengthen, over the next several years. Put it all together and, absent some sort of global upheaval or black swan event, we think real estate continues to look good – and we're yet to see any let-up in the demand for property. Keep in mind this is our assessment of the prospects for commercial real estate in developed markets, where the bulk of our capital (90%+) is allocated; it's a bit of a different and more varied story in emerging markets, but we will save that for another letter.

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

Top Contributors	Ending Weight (%)	Contribution (%)	Top Detractors	Ending Weight (%)	Contribution (%)
ClubCorp Holdings Inc	1.41	0.28	St Joe Co	1.88	-0.36
Dalian Wanda Commercial Properties Co Ltd	1.03	0.25	Chatham Lodging Trust	3.40	-0.33
Kennedy Wilson Europe Real Estate PLC	2.73	0.25	Simon Property Group Inc	2.81	-0.31
Countrywide PLC	1.35	0.19	Ventas Inc	1.79	-0.25
Savills PLC	0.93	0.19	Kennedy-Wilson Holdings Inc	3.82	-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

ClubCorp Holdings: ClubCorp is one of the largest owners and managers of private golf, business, and sports/alumni clubs in North America. We believe the company has executed well on acquisitions, and think the opportunities for further external growth are abundant, as the ownership of private golf clubs remains very fragmented and there are very few large owners. Nearly half the company's revenues come from recurring membership dues; it serves the "mass affluent" demographic, which tends to be more resilient; and it has a good track record when it comes to improving

Top Detractors

St. Joe Corp: This real estate operating company is primarily engaged in residential, commercial and industrial development and rural land sales in Northwest Florida. We think the market has failed to recognize the value of St. Joe's underlying acreage or its port and airport holdings, and that, over the long term, the company will be able to monetize these assets to generate returns for shareholders. We also think St. Joe could be a beneficiary if we see a continuation of a housing recovery in the region. Finally, changes in the board and senior management give us more

Top Contributors (continued)

profitability at its acquired properties.

Dalian Wanda: Dalian Wanda develops, owns and operates large, mixed-use commercial complexes and luxury hotels in China. With over 100 malls in operation and at least 25 more that should come on line this year, the "Wanda Plaza" brand has earned wide recognition throughout the country. Our estimates have the company's stock trading at a discount to net asset value that we believe is far too deep, especially given the growth in property-level operating income we anticipate over the next several years.

Kennedy Wilson Europe: Listed just last year, KWE has already grown its asset base in excess of $2 billion. Its core strategy is to acquire higher yielding property and/or real estate debt in the UK and Ireland, and, more recently, it has expanded its reach to Spain and Italy. We think the company's ability to participate throughout the real estate capital stack and its disciplined acquisition underwriting will allow it to continue to uncover accretive investment opportunities that should generate solid returns for shareholders.

Countrywide Plc: Countrywide is the largest estate agent (residential real estate broker) in the UK. The company went public in March 2014, and we participated in the offering, attracted by what we considered a compelling valuation for a company uniquely positioned to benefit from any sort of recovery in a very depressed UK housing market. We think there are now clear signs of improvement in the housing market, which should lead to higher transaction volumes, and, in turn, should result in increased revenues for Countrywide. Given how well the business model scales, we anticipate the bulk of these additional revenues flowing through to the bottom line and boosting earnings.

Savills: Savills is a leading global real estate services provider that we think is very well positioned to capitalize on accelerating transaction volumes. The company also has fund management, consultancy, and property/facilities management businesses, all of which should be able grow in the current environment. While the company has a global reach, the bulk of its revenues come from the UK and Asia-Pacific, and we believe it would make an attractive acquisition for one of the larger players in the sector.

Top Detractors (continued)

confidence that the company's new leadership is committed to increasing shareholder value.

Chatham Lodging: Chatham is a U.S. REIT that was launched in 2010 to invest in upscale extended-stay and branded select-service hotels. In its relatively brief existence, the company has assembled what we consider a solid portfolio of hotel properties, and its focus on select service, a sector most of the hotel REITs shy away from, provides an attractive growth opportunity, in our opinion. Coming off of a strong 2014, the stock has been disappointing this year, but we still see good value and solid growth, and we're confident that we're in with a management team that won't be shy about taking chips off the table when they feel the upcycle is nearing its end.

Simon Property Group: This owner of regional malls and outlet centers is the largest of the U.S. REITs and the largest component of the global index. We believe the company has top-of-the-line assets; relatively stable cash flows; a strong balance sheet; a disciplined external growth strategy that extends overseas; and liquidity, which we think makes it the go-to stock for generalist investors when they want to increase their real estate allocations. Moreover, fundamentals for Class A malls remain very strong, while there are ongoing significant concerns about the health of the B and C assets (this actually further benefits Simon given it recently completed the spin-off of its lower-quality properties – mostly Class B malls and strip centers).

Ventas: We feel this health care REIT has one of the best management teams in the REIT industry, given its history of value creation. Since the percentage of the health care property sector owned by publicly traded REITs is still relatively small, we believe the long-term growth potential of the company is substantial, especially given its track record of successful acquisitions. Finally, we appreciate the company's above-average exposure to senior housing, which we think should do well, particularly with an improving housing market (makes it easier for potential residents to sell their homes and fund their move).

Kennedy-Wilson Holdings: This California-based real estate private equity firm has, in our opinion, proved an astute buyer of commercial real estate, which has allowed it to significantly grow its assets under management in recent years. We believe it continues to execute well in its home market of California, where it's active in the multifamily and office sectors. We continue to like the company even after the spin-out of its European business (KWE).

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 6/30/15 the top ten portfolio holdings of Janus Global Real Estate Fund are: Kennedy-Wilson Holdings Inc (3.56%), Chatham Lodging Trust (3.17%), Simon Property Group Inc (2.62%), Kennedy Wilson Europe Real Estate Plc (2.54%), American Tower Corp (2.53%), CapitaLand Ltd (2.05%), Hang Lung Properties Ltd (1.93%), St Joe Co (1.75%), Starwood Property Trust Inc (1.68%) and Ventas Inc (1.67%). 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.

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.

Investments in Real Estate Investment Trusts (REITs) may be subject to a higher degree of market risk because of concentration in a specific industry, sector or geographic region. REITs may be subject to risks including, but not limited to: legal, political, liquidity, interest rate risks, a decline in the value of real estate, risks related to general and economic conditions, changes in the value of the underlying property owned by the trust and defaults by borrowers.

FTSE EPRA/NAREIT Global Index is a global market capitalization weighted index composed of listed real estate securities in the North American, European, Asian and South American real estate markets including both developed and emerging markets.

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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C-0615-92629 10-15-15

188-42-16677 07/15