1Q17 PORTFOLIO COMMENTARY

Janus Global Research Fund
Janus Aspen Global Research Portfolio

JANUS®

Portfolio Manager:
Team Managed

Executive Summary

- Global stocks rose during the quarter as investor confidence was buoyed by improving economic data in major economies and the promise of reform in the U.S.
- The Fund outperformed its benchmark, with its selection of technology stocks being a key contributor.
- Economic reforms in the U.S. may provide a tailwind for its trading partners, thus providing support for our view that global stock valuations remain attractive.

Investment Environment

Global stocks continued their strong run well into the first quarter. Optimism was premised on the belief that the Trump administration would champion a series of pro-growth reforms, which would propel the U.S. and, ultimately, other economies. Even prior to any legislation being passed, data lent support to the notion of a strengthening U.S. economy. This favorable environment was a key factor in allowing the Federal Reserve (Fed) to raise interest rates by a quarter of a percentage point at its March meeting. Despite the move, the U.S. dollar mostly slid against both advanced- and emerging-market currencies.

Economic data also hinted at a resilient Europe, which counterbalanced – to a degree – concerns about a surge in populist rhetoric throughout the region. These concerns abated somewhat with the poor showing of a populist party in Dutch parliamentary elections. Emerging markets rebounded after their post-election sell-off, with Hong Kong-based Chinese shares and India both performing strongly. After peaking in March, however, many global indices slid over the remainder of the period. Albeit slight, Japan was among the few developed markets whose benchmarks registered losses. On a sector basis, defensive sectors largely outperformed those more reliant upon broad economic growth. One exception was information technology, which registered solid returns. Energy slipped, in part, on a decrease in global crude oil prices and a ramp-up in U.S. production.

Performance Discussion

The Fund outperformed its benchmark, the MSCI World Index, and its secondary benchmark, the MSCI All Country World Index. While we aim to outperform over shorter periods, our goal is to provide consistent outperformance long term by focusing on what we consider our strength: picking stocks and avoiding macroeconomic risks. Stocks are selected by our six global sector teams, which employ a bottom-up, fundamental approach to identify what we consider the best global opportunities.

Contributing most to relative performance on a sector level was our selection of technology and financials stocks. Our lone sector-level relative detractor was industrials.

British American Tobacco contributed to quarterly performance as the company finalized the terms upon which it would acquire the portion of Reynolds American that it did not already own. Management stated that the deal would be accretive on an earnings-per-share and dividend-per-share basis in the first year of the combined entity. The company also stated that it expects at least $400 million in synergies to be realized within three years. We like the fact that the U.S. market will comprise roughly 45% of British American's geographic mix after the transaction closes. We believe that this market is primed for growth due, in part, to the growing adoption of innovative products, including e-cigarettes and non-burning, tobacco-heating devices.

Video-game producer Activision Blizzard contributed to returns. During the period, the company released an earnings report that beat both top- and bottom-line estimates. Just as important, strong performance was dispersed across a range of products rather than being concentrated in its flagship Call of Duty franchise. The company also made inroads in its transition to a subscription-based model built around cultivating in-game micro-transactions. This move, in our view, should lead to steadier revenue streams and greater profitability.

Samsung performed well during the period as investors looked past corruption allegations against senior executives and instead focused on the company's strong execution. Each of Samsung's main business lines – memory, handsets and display – strengthened their positions during the quarter. The company is the world leader in both DRAM and NAND memory. Pricing is strong in the former category and the latter is positioned for increased domination due to its innovative 3D-NAND technology. This point is driven home by the expectation that Apple will heavily rely upon the technology for its newest iPhone. Apple also plans to utilize Samsung's OLED display in the iPhone 8, demonstrating the Korean company's superiority in the display business. Samsung's own handset business is set to rebound from last year's Galaxy Note hiccups as the Galaxy 8 – announced during the quarter – received favorable reviews.

Falling oil prices weighed on energy stocks during the quarter, including Anadarko Petroleum, one of the Fund's top detractors. Similar to the pattern exhibited by other exploration and production companies (E&Ps), Anadarko disappointed when it announced lower-than-expected estimates for oil production in 2017, as well as higher-than-expected capital expenditures during the year. The bulk of the near-term increase in spending is related to accelerated infrastructure buildout, which will help support the growth of Anadarko's onshore assets. Overall, we think Anadarko's stock presents a good value and that the firm's growth prospects are attractive in the long term. Anadarko has key assets in the Delaware and Denver-Julesburg (DJ) basins, and last year added to its deepwater property in the Gulf of Mexico, where the company expects to generate $5 billion in free cash flow over the next five years if oil averages a reasonable $55 per barrel. Historically, management has under-promised and over-delivered. We believe that pattern could continue.

Kroger was another detractor. The stock fell when the grocery-store operator reported that same-store sales declined 0.7% during the company's fourth quarter, which ended in January. Food deflation was the main culprit, according to management, as well as increased competition. Although disappointed by these results, we believe Kroger will likely benefit from a number of tailwinds this year, including higher food prices, easier comparisons for same-store sales, fewer costly store remodels and the continued integration of Roundy's, a Midwest grocer that Kroger acquired in 2015. The stock also trades below the market multiple, and so has room to rebound, in our opinion.

TD Ameritrade also weighed on performance. Shares of the discount broker fell after competitors cut trading fees. As a result, TD Ameritrade reduced its commissions by 30%. Although we believe lower fees will weigh on earnings, we continue to like the stock. TD Ameritrade's commissions are still roughly $2 higher than peers', which we think reflects the value of the company's product. We also believe the fee war in the industry has reached a bottom. Further, TD Ameritrade's recent acquisition of Scottrade gives the company more scale and, in our opinion, will help improve margins as cost synergies are realized.

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

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Outlook

The Trump Show is just beginning, but so far the markets are giving it two thumbs up. We think the surge in indices reflects not only the benefits that the new president likely will bring to the U.S. economy but also the economy's underlying strength. In March, the Fed reported that the labor market was strong and economic activity was expanding. Outside the U.S., conditions are better, too.

For all its special effects, Donald Trump's presidency marks the beginning of a few important transitions. For the first time in many years, we have a decidedly pro-business administration that's promising lower corporate tax rates and less regulation. Companies, as a result, are starting to feel more positive about capital investment and expansion. That could mean corporate activity will return to being the driver of economic growth, not central bank policy and financial engineering. In that scenario, we believe the era of macro- and defensive-driven investing will finally give way to a period where active investing and stock picking thrive.

If the U.S economy improves, Europe also stands to benefit. Demand for the continent's exports could grow, for one, especially if the euro remains weak (making European exports more affordable for consumers overseas). Firms also have cut costs, suggesting many European companies will be levered to an economic recovery. But this transition won't come easy: This year, several nations will hold key national elections, while the UK will begin to negotiate the terms of its exit, or Brexit, from the European Union (EU). Like a horror movie villain, the Greek debt issue won't go away. The European Central Bank (ECB) also has to find a way to unwind its bond holdings without stalling an economic recovery, a difficult task (and one that the Fed must also undertake in the U.S.).

True, equity indices have hit record levels, but we'd argue that valuations do not seem extreme. Today's average forward price-to-earnings (P/E) ratio of 18 or so for large-cap U.S. stocks may look a bit toppy, but it is not out of line in a low-rate environment. Plus, our fixed income team expects a flattening yield curve, suggesting that even if the Fed continues to raise short-term rates, the long-term rates that matter more for stock valuations won't spike. Correlations also are down sharply, giving stocks that have not participated in the rally an opportunity to break from the pack and revalue. In addition, we may see earnings growth estimates be adjusted upward in the coming months after several years of Wall Street having to revise its forecasts lower. When we study consensus estimates, we find that analysts are just as likely to be too pessimistic as they are optimistic. We may see that pessimism be corrected as the year progresses.

Optimism vs. pessimism brings us back to Trump. The risk is that markets expect too much of him or that he tweets us into a policy or trade war that saps economic confidence. We think, however, that his pro-business instincts ultimately will win out and that his actions will outweigh his words. We also think that corporate confidence, once ignited, will take more than 140 characters to extinguish. Thus, while the plot may wander and the characters may confound us at times, we think the story goes on.

Stay tuned.

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

Top Contributors	Ending Weight (%)	Contribution (%)	Top Detractors	Ending Weight (%)	Contribution (%)
British American Tobacco PLC	1.92	0.36	TD Ameritrade Holding Corp	0.98	-0.12
NRG Energy Inc	0.82	0.35	Kroger Co	0.00	-0.12
Activision Blizzard Inc	0.86	0.26	Anadarko Petroleum Corp	0.87	-0.12
Samsung Electronics Co Ltd	1.18	0.25	Halliburton Co	0.79	-0.08
SS&C Technologies Holdings Inc	0.89	0.21	Wells Fargo & Co	1.36	-0.07

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

British American Tobacco: The company produces a range of cigarettes and other tobacco products that it markets globally. Key brands include Dunhill, Kent, Pall Mall and Lucky Strike. British American continues to earn high returns on invested capital (ROIC), and we believe it is poised to generate steady profit growth as well as an attractive dividend yield. The company is a leader in innovation and growth, with a powerful brand portfolio and high consumer loyalty. We like the company's geographic mix and competitive moat in nations like Brazil, Russia, Egypt and India. We believe the company will benefit from its acquisition of Lorillard, as roughly 20% of its profits will emanate from the U.S., which is presently an attractive tobacco market.

NRG Energy: The integrated power company provides electricity to residential and commercial customers throughout the U.S., along with other power generation

Top Detractors

TD Ameritrade: We believe the online broker is a best-in-class asset gatherer. We also like that TD Ameritrade has outsourced banking operations, which, in our opinion, allows the broker to run a capital-light business model that helps generate free cash flow in excess of net income and deliver attractive returns. Going forward, we believe TD Ameritrade will benefit from the dual tailwinds of retiring baby boomers moving assets from defined contribution plans to rollover IRAs and younger investors preferring to do financial planning online.

Kroger: We appreciate Kroger's focus on productivity gains, which have enabled the grocery store operator to compete with general merchandising companies moving into the supermarket business. Although Kroger faces increasing competition and has closed underperforming stores, the company continues to gain market share. Helping with that is the grocer's analytics operation, 84.51°, which allows

Top Contributors (continued)

products and services. We like that NRG has a diverse portfolio of both renewable and fossil-fuel energy assets paired with one of the nation's best retail franchises, giving it protection from swings in power prices and helping drive ample free cash flow for the company. We also think that NRG's recent partnership with activist investors could help unlock additional shareholder value by improving operating efficiencies, disposing of nonperforming assets, reducing debt and growing NRG's renewable energy business.

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 company has the potential to significantly improve monetization of mobile gaming operator King. King has been one of the few (if not the only) 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.

Samsung: We like that Samsung has a strong position in the high-end Android phone market, where margins tend to be higher. We also like the company's semiconductor business and organic light-emitting diode (OLED) display business. We believe Samsung has consistently been among the most formidable competitors in any market in which they participate.

SS&C Technologies: The company is a global provider of investment and financial software-enabled services and is focused exclusively on the global financial services industry. We like SS&C because the majority of its revenue comes from recurring sources such as subscription services or software maintenance, where client retention has remained high.

Top Detractors (continued)

Kroger to study shopping patterns and improve customer experience. This data gathering, in our opinion, will accelerate future same-store sales growth for the company.

Anadarko Petroleum Corp.: We believe this exploration and production company (E&P) has several key assets, including acreage in the Delaware Basin in Texas, where Anadarko expects to increase oil production by more than 40% over the next five years. Other key assets include the Denver-Julesburg Basin in Colorado and the deepwater Gulf of Mexico. We also think Anadarko's midstream operations are underappreciated and that the firm could benefit from ongoing exploration activities, including in Colombia, where Anadarko is one of the first companies to test the country's deepwater potential.

Halliburton: We view Halliburton as a best-in-class oil services company that is well positioned to benefit from secular trends in upstream activity. Service intensity, for one, is increasing across the sector, particularly for onshore unconventionals (which extract oil from deposits such as oil sands or shale). Exploration and production companies (E&Ps) are drilling longer laterals, utilizing more sand, and increasing the amount of drilling products and technologies in their operations. With a full suite of leading products and services, Halliburton is well positioned to support these needs, particularly when it comes to logistics, an area where we think Halliburton stands out. Halliburton is known for reliably meeting customer needs, and we think that should help the company to grow market share or increase margins.

Wells Fargo & Company: Well Fargo has strong franchises across retail banking, small- and medium-size businesses, mortgage, wholesale banking, and wealth management and is experiencing growth in trading, investment banking and credit cards. The bank also regularly delivers a high return on tangible common equity (a measure of profitability) and has invested significantly in technology. We believe the fraudulent activity and ensuring penalties the bank incurred in 2016 is likely to cause only a moderate earnings headwind and that negative headlines have helped make the stock attractively priced relative to peers.

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 Global Research Fund are: Alphabet Inc (2.51%), British American Tobacco PLC (1.91%), AIA Group Ltd (1.80%), JPMorgan Chase & Co (1.58%), TOTAL SA (1.54%), Unilever NV (1.44%), Safran SA (1.41%), Enterprise Products Partners LP (1.39%), ABB Ltd (1.38%) and Canadian Pacific Railway Ltd (1.35%). 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.

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.

MSCI World Index℠ reflects the equity market performance of global developed markets.

MSCI All Country World Index℠ reflects the equity market performance of global developed and emerging markets.

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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