3Q16 PORTFOLIO COMMENTARY

Janus Global Select Fund

Investment Environment

Global stocks rose over the early part of the quarter as markets regained their footing after sliding in the wake of June's Brexit results. Soon, several U.S. indices achieved record highs, due, in part, to an array of well-received domestic economic data. Global markets then remained largely range-bound for much of the rest of the period as investors turned their attention toward monetary policy. The calm was broken as Federal Reserve (Fed) officials put forth the case that the economy was nearing the point where interest rates should be raised. This caused a drop in investor confidence, sending stocks lower. Ultimately, the Fed chose not to raise rates. Investors were also less-than enthused by the actions of central bankers in Europe and Japan. Despite the late-period volatility, many benchmarks finished the quarter with gains, led mostly by cyclical sectors. A large share of country-level benchmarks rose during the period, with key emerging markets outpacing developed countries. Among the former, indices in Brazil, Hong Kong and Russia performed particularly well.

Performance Discussion

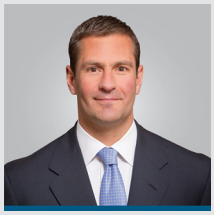
We employ a high-conviction investment approach seeking strong risk-adjusted performance over the long term. Over time, we believe we can drive excess returns in a risk-efficient manner by identifying companies with free-cash-flow growth that is underestimated by the market.

We are pleased to have outperformed our benchmark, the MSCI All Country World Index, during the period. Early in the quarter, equity markets rebounded as it became evident the initial shock of the Brexit vote was unlikely to lead to financial crisis. Concerns about Brexit's impact on the global economy caused leading central banks to maintain accommodative policies and governments to provide support through spending.

Though the Fed held interest rates steady in September, investors anticipate higher rates before year-end. With this in mind, investors who sought defensive stocks in search of lower volatility and higher yields shifted capital into more cyclical, growth-oriented areas of the market during the quarter. We expected this change and were well positioned for it. For some time now, we have observed investors paying tremendous premiums for stocks that have not grown. The quarter's shift toward growth caused many of our holdings to outperform, especially in the technology and financial sectors.

Consumer electronics company Nintendo was the Fund's largest contributor to performance. Nintendo's share price appreciated on news of the worldwide success of Pokémon Go, which is part of a new genre of augmented reality games that combine real-world settings with digital elements. In addition, Nintendo announced at Apple's launch meeting in September that it will offer its most important intellectual property, Mario Brothers, on the iPhone before year-end 2016, which is earlier than expected. This launch marks the first time a Nintendo character will be available on non-Nintendo hardware. The move will expand Nintendo's market by an order of magnitude from 100 million installed-base hardware units to potentially 3 billion or more smartphones worldwide. Our anticipation of this strategic change was part of our original investment thesis for the stock.

ARM Holdings, one of the world's leading semiconductor intellectual property companies, was our second-strongest contributor. The firm designs core



Portfolio Manager:
George Maris, CFA

Executive Summary

- Equity markets rebounded quickly following last quarter's Brexit vote, pointing to resilience in the global economy and helping improve investor confidence.
- Expecting an eventual shift to rising interest rates, investors moved away from safety-trade defensive sectors into higher-growth areas of the market.
- The Fund outperformed its benchmark, with significant gains among our technology and financial holdings.

microprocessors for nearly all of the world's mobile phones and tablet computers and also licenses processor designs used in a broad range of electronics including televisions, automobiles and printers. The company's share price appreciated on news it would be acquired by Japanese telecommunications firm SoftBank Group. We exited our position when the sale closed in September.

Mortgage insurance company MGIC also contributed significantly to our performance. The company's shares rebounded as fears abated that price competition among its competitors would erode earnings. MGIC announced solid earnings growth during the quarter, fueled by improving credit quality. As we projected last quarter, the stock was boosted by stable employment in the U.S., which supported a strong housing market and fueled profitability for MGIC. We remain optimistic about the company's prospects.

Detracting from the Fund's returns, our investment in NRG Energy was hurt by expectations for declining natural gas prices. NRG is a well-managed utility with a diversified mix of businesses and a history of solid earnings growth. Though only a third of NRG's business is directly impacted by natural gas prices, and despite the fact that the company has hedged a significant portion of its natural gas risk, NRG's shares declined along with those of its peers during the quarter.

We remain confident in NRG's prospects given the company's ability to generate high levels of free cash flows at a time when the environment for the energy sector as a whole was challenging. Looking ahead, we expect NRG's new CEO to continue to add value to the company through sound decision-making, which includes paying down debt and buying back stock. We see opportunity as NRG's strong underlying fundamentals do not appear to be accurately reflected in its share price.

Media conglomerate Liberty Interactive was another detractor. The company, which owns the QVC shopping network, has experienced stable growth for the past several years. However a sudden, unexpected decline in shopping volumes in July led the company to lower earnings estimates, sending the stock's price falling. The decline in sales may have been exacerbated by the company's decision to no longer pay shipping for returns and to cut back on a credit facility for its customers.

We believe Liberty Interactive's present challenges are temporary and expect a return to a stable growth. QVC's customers typically do not shop online and also rely on the network for entertainment value – two factors that add to the company's resilience. By the quarter's end, sales volumes were trending back toward normal. For these reasons, we held our shares.

Third on our list of detractors was Dollar General. The company's stock price fell after it announced weaker than expected year-over-year same-store sales, due in part to increased competition from Walmart and other lower-budget stores. In addition, the overall market's trend away from defensive sectors like consumer staples weighed on Dollar General's shares.

We continue to be optimistic about Dollar General, which has been a long-term market share gainer. The company stands to benefit from its adoption of zero-based-budgeting, which should generate improved earnings through a focus on extreme cost containment. Dollar General is well-positioned within its niche and is likely to benefit from increases in minimum wage.

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

Outlook

As we move closer to the likelihood of rising interest rates, we have become more vigilant regarding the ramifications of market volatility. In times of increased volatility, markets typically focus more closely on company fundamentals – a shift that would play to our strength as stock pickers paying attention to fundamentals.

At present, we see some pressure on financial systems in Europe and China, but believe the global financial sector is stronger today than in the past due to improved liquidity and capital strength. Though global growth is likely to remain slow, we do not believe a financial crisis is imminent.

Looking ahead, we will continue to focus on companies in sectors of the market that we expect to perform well even if the overall economy weakens. For example, we expect our holdings in growth-oriented sectors such as technology, consumer discretionary, financials, and industrials to be multi-year winners for our investors. In addition, we continue to see opportunity among several of our holdings in China, which recently benefited from improving investor sentiment regarding the country.

Top Contributors and Detractors for the Quarter Ended 9/30/16

Top Contributors	Ending Weight (%)	Contribution (%)	Top Detractors	Ending Weight (%)	Contribution (%)
Nintendo Co Ltd	0.51	0.81	NRG Energy Inc	1.87	-0.63
ON Semiconductor Corp	2.17	0.68	Liberty Interactive Corp QVC Group	1.45	-0.41
MGIC Investment Corp	2.12	0.63	Dollar General Corp	1.13	-0.41
ARM Holdings PLC	0.00	0.63	Bristol-Myers Squibb Co	0.73	-0.24
Morgan Stanley	2.97	0.62	Kroger Co	0.00	-0.23

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

Nintendo: We continue to believe in the long-term value of the Japan-based gaming device and software maker's game franchises, such as Mario and Zelda. Near-term catalysts could be the successful introduction of new products or opening its games to other companies' platforms. Nintendo also has a very high percentage of cash relative to its market valuation. The company recently announced plans to transition some of its intellectual property to mobile platforms such as iOS and Android which should positively impact revenue and earnings over the coming years.

ON Semiconductor: ON Semiconductor is a broad-based semiconductor supplier. Its portfolio of power and signal management, logic, discrete and custom devices helps customers solve their design challenges in automotive, communications, computing, consumer, industrial, light emitting diode (LED) lighting, medical, military/aerospace, smart grid and power applications. The company has one of the broadest portfolio of offerings as well as one of the lowest cost models in the business. Because of a multi-decade relationship with many of its customers, the company is able to spend less on marketing and research while developing unique products for customers. We think the company can generate attractive levels of profit and free cash flows in its competitive markets.

MGIC Investment Corp.: As a mortgage insurer, MGIC is writing high-quality new business that should result in strong returns in what we expect to be a sustained recovery in the U.S. housing market. We recognize this holding is subject to sentiment about the macroeconomic environment, but expect it to recover and generate substantial returns as the U.S. residential real estate market normalizes.

Top Detractors

NRG Energy: NRG Energy owns and operates a diverse portfolio of power-generating facilities, primarily in the U.S. The company's operations include energy production and cogeneration facilities, thermal energy production, and energy resource recovery facilities. We think the wholesale energy provider will benefit from a long-term process of retiring coal plants and a rebound in natural gas prices.

Liberty Interactive: Liberty Interactive is a media conglomerate that owns companies in the video and digital commerce industries, including QVC, which provides beauty, fashion, jewelry, and home products through an international distribution network of broadcast, Internet and mobile sales platforms. The company's rapid recovery after the last recession demonstrates its competitive advantage over traditional bricks-and-mortar department stores. The company continues to demonstrate better and more stable growth than most retailers as a function of mixing shopping with entertainment, which also makes it is less susceptible to Internet-based competition.

Dollar General: We like Dollar General for its high level of execution and attractive fundamentals. We believe the company has the ability to steadily grow operating earnings and generate and increasing amount of free cash flow that can be returned to shareholders. Dollar General's high return business model, in our view, is somewhat countercyclical and thus well-positioned to weather periods of economic weakness. We see e-commerce as a minimal threat to discount stores.

Bristol-Myers Squibb: We like the potential of the company's immuno-oncology franchise, and also believe the company's focus on selling "super-premium" products to the

Top Contributors (continued)

ARM Holdings: ARM continues to experience increasing royalty revenues from the growth in smartphones and revenue licensing from semiconductor manufacturers. ARM cores are quickly becoming the de facto building block on which logic semiconductor companies build their processors. As a result, ARM takes a small toll on the average selling price of a significant portion of the world's logic semiconductors. Because ARM enables a common platform upon which customers can differentiate, it has developed a uniquely unassailable competitive advantage, in our view. While historically strong in mobile, ARM's advantage is moving into the home, industrial, medical and other markets as well. We exited the position after the announcement of its acquisition by SoftBank.

Morgan Stanley: Morgan Stanley is a global financial services firm that is a market leader in securities, asset management and credit services. The company has made great strides in improving its balance sheet with capital and liquidity levels at record highs. We view positively the transition toward management's growth of its wealth management businesses to be less capital- and liquidity-intensive, and to lower earnings volatility.

Top Detractors (continued)

developed world positions it better than many other pharmaceutical companies.

Kroger: Kroger operates supermarkets and convenience stores in the U.S. and manufactures and processes some of the foods that its supermarkets sell. We believe the company is a strong grocery store operator, but are reviewing the stock as we assess the effect of deflationary food prices on grocery stores.

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 9/30/16 the top ten portfolio holdings of Janus Global Select Fund are: Citigroup Inc (3.23%), Morgan Stanley (2.85%), Coca-Cola Co (2.84%), Nippon Telegraph & Telephone Corp (2.81%), AIA Group Ltd (2.79%), Air Products & Chemicals Inc (2.66%), TOTAL SA (2.56%), Alibaba Group Holding Ltd (ADR) (2.32%), GVC Holdings PLC (2.29%) and PPG Industries Inc (2.29%). There are no assurances that any Janus portfolio currently holds these securities or other securities mentioned in this commentary.

The opinions are as of 9/30/16 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.

MSCI All Country World Index℠ is an unmanaged, free float-adjusted market capitalization weighted index composed of stocks of companies located in countries throughout the world. It is designed to measure equity market performance in global developed and emerging markets. The index includes reinvestment of dividends, net of foreign withholding taxes.

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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