Janus High-Yield Fund

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Investment Environment

Concerns over slowing economic growth and the possibility of recession weighed heavily on global markets for the first six weeks of the year, as did slower-than-expected growth in China, the implications of negative interest rates, weakness in commodities-related sectors and an increase in corporate defaults. The diverging views between the market and the Federal Reserve (Fed) on the frequency of potential U.S. interest rate hikes also negatively influenced investor sentiment. In a sharp reversal, corporate credit and equities rallied – as did rates – during the remainder of the quarter. Crude oil prices, which had recently dipped to levels not seen in over a decade, hit $42 per barrel in intraday trading as marked by the U.S. benchmark, West Texas Intermediate. The European Central Bank's (ECB) March announcement to take rates deeper into negative territory and expand its asset-purchases provided additional support for risk-assets. The Fed lowered its forecasts mid-March to more closely align with market expectations, weakening the U.S. dollar and further supporting a risk-on mindset.

Yields fell across the majority of the U.S. Treasury curve as slowing global growth and negative interest rate policies abroad triggered a rotation into the asset class. The ECB announcement further encouraged investors to look to the U.S. for more favorable relative value opportunities. The yield on the 10-year fell to 1.77% at period end, down from 2.27% at the end of 2015. The 2-year note fell to 0.72% from 1.05%.

Despite significant volatility, fixed income spreads ended the quarter roughly where they began. High-yield corporate credits experienced a significant sell-off in the first six weeks of the quarter that started with commodity- and energy-related names and subsequently spread throughout the credit markets. After widening to 839 basis points (one basis point is equal to one hundredth of 1%), spreads on high-yield corporates tightened back to 656 basis points by the end of the period.

Performance Discussion

The Fund underperformed its benchmark, the Barclays U.S. Corporate High-Yield Bond Index, for the quarter ended March 31, 2016. We came into the quarter in a conservative stance, with concerns over increasing illiquidity in high-yield top of mind. This posture played out well in the early part of the quarter, as low liquidity added to already volatile markets and dealer inventory hit an all-time low on February 11. Large-scale investor outflows in high-yield reversed to positive inflows over the remainder of the period, which aided the recovery in corporate credit. Throughout the quarter we deployed a portion of our cash and increased the quality of our holdings but still maintained our more defensive positioning. Consequently, we gave up some ground as the rally in lower quality credits dominated the latter portion of the quarter. We believe the recovery was predominately spurred by market technicals including inflows, central bank driven liquidity and short-covering as speculative investors attempted to exit bearish views on commodities. Credit fundamentals did not materially improve during the quarter, and a number of the risk factors in play earlier in the year remain cause for concern. In such an environment, we believe our focus on capital preservation and risk-adjusted return remains crucial in effectively navigating these volatile markets for our clients.

During the quarter, our security selection focused on higher quality issuers whose management teams have shown a commitment to capital discipline and generating cash

Portfolio Manager:
Darrell Watters

Portfolio Manager:
Seth Meyer, CFA

Executive Summary

- In a quarter that witnessed two very different market environments for high-yield credit, the Fund underperformed its index.
- The more defensive nature of our holdings did not keep pace as credit markets rebounded in the latter half of the quarter.
- As we appear to be in the later stages of the economic and credit cycles, we expect volatility to remain elevated. We maintain our defensive posture in the face of global market uncertainties and weak corporate credit fundamentals.

flow across a range of market cycles. We also took advantage of the significant amount of issuance on negative watch to purchase what we believe to be quality investment grade credit that was subsequently downgraded. Our positioning in higher quality high-yield corporate credit did not keep pace with the market rally and weighed on relative performance as a result.

Our underweight and security selection in metals and mining caused the sector to be the largest relative detractor. Security selection in technology and midstream energy also detracted from relative results. While our almost zero weight in metals and mining at the start of the year benefited the Fund during the decline in commodity prices, the limited exposure ultimately weighed on Fund performance as commodities prices rallied. Underperformance in the technology sector was primarily driven by Blackboard Inc., a world market leader in education software. The company released weak performance numbers coming out of 2015 which negatively impacted investor sentiment toward the issuer. We continue to believe in the asset value of the business and management's ability to generate free cash flow. Midstream energy companies generally suffered from deteriorating earnings outlooks and credit ratings downgrades. Issuers in the sector largely opted to maintain distribution growth, despite lower oil prices, as opposed to protecting the balance sheet.

Security selection in independent energy and cable satellite communications contributed positively to relative performance, as did our holdings in pharmaceuticals. Independent energy rallied late in the quarter off the rebound in crude oil prices. A number of companies in the sector chose to protect their balance sheets by cutting dividends and reducing capital expenditures, which resulted in tighter spreads on their outstanding issuance. Outperformance in cable satellite communications was largely a result of our zero weight to a communications satellite services provider that Moody's downgraded in February. Our holdings in the sector tend to be higher quality, more cable focused names.

Our security selection in pharmaceuticals contributed to performance, as did our underweight to the hard-hit sector. Concerns around questionable accounting and drug pricing tactics at one of the largest and most well-known specialty pharmaceutical companies, which we no longer own, has cast a shadow over the pharmaceuticals sector as a whole.

Multinational steel manufacturing corporation ArcelorMittal was the largest individual detractor from relative results. Our positioning in the issuer is shorter dated than are its bonds within the index; the longer dated bonds rallied with the upswing in commodities prices. We continue to like the name as it is poised to benefit from the world wide rationalization of steel production.

P.F. Chang's China Bistro, Inc. was a relative individual contributor to performance. The company, which owns and operates restaurants serving Chinese fare, remains one of our key holdings. Two positive quarters of same-store sales generated investor confidence in the issuer.

Our out-of-index allocation to bank loans detracted from relative results while our out-of-index allocation to convertible securities contributed.

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

Outlook

We remain defensively positioned, with a focus on capital preservation, as we believe the volatility seen in credit markets through the first quarter of 2016 will remain a central theme. Uncertainty surrounding the trajectory of U.S. interest rate hikes continues to be one of our primary concerns. Recent monetary policy has strongly influenced the markets, and the state of the markets and slowing global growth has undoubtedly influenced the actions of the Fed. While the Fed has recently lowered its expected trajectory of rate hikes to better align with market expectations, we foresee additional bouts of volatility as likely over the course of the year. Should the discussion of an accelerated increase in interest rate hikes come back to the table, we believe there could be another sell off in risk assets. For now, however, the lower rate trajectory is likely to cause a weaker U.S. dollar.

Commodity companies, in our view, are aided by a weakening U.S. dollar, while the imbalance in supply and demand persists and commodities fundamentals remain weak. We believe the price of crude oil will remain at lower levels for the foreseeable future, and as a result, we seek only higher quality companies with strong fundamentals that can survive at lower-for-longer prices.

Opportunities in the gaming sector continue to be attractive, in our view. Despite the consumer's unwillingness to spend a significant amount of discretionary income, we have seen spending on "experiences" such as gaming and travel. This trend is potentially beneficial for Vegas and other gambling cities. As such, we maintain our favorable outlook on the sector.

We are mindful that we appear to be in the later stages of the credit cycle, as evidenced by elevated levels of merger and acquisition activity, share buybacks and debt issuance. Subdued

earnings growth in combination with deteriorating balance sheets and weakening credit metrics lend to a cautious outlook on corporate credit. We are focused on companies with stable free cash flows and dedication to balance sheet strength. In high-yield corporate credit, we seek companies committed to strengthening their capital structures that may be candidates for a potential ratings upgrade. We believe these higher quality issuers can offer participation on the upside as well as downside protection. This is consistent with our more moderate approach to high-yield investing in which we seek to deliver a less volatile client experience within the asset class over full market cycles.

We continue to believe that security avoidance will be a central driver of performance as the perils associated with holding risk assets far outweigh the potential upside. We believe company fundamentals remain under pressure and consider it too early to adopt a more aggressive, opportunistic stance. We maintain our defensive posture, focusing on our commitment to deliver capital preservation and strong risk-adjusted returns for our clients.

Top Relative Contributors and Detractors by Issuer for the Quarter Ended 3/31/16

Top Contributors	Average Weight (%)	Relative Contribution (%)	Top Detractors	Average Weight (%)	Relative Contribution (%)
P.F. Chang's China Bistro	0.92	0.11	ArcelorMittal	0.55	-0.10
Valeant Pharmaceuticals Int	0.59	0.10	Resolute Forest Products	0.12	-0.10
Florida East Coast Holdings	1.62	0.08	Blackboard Inc	1.02	-0.08
J.C. Penney	1.05	0.07	Simmons Foods Inc	0.99	-0.08
Hess Corp	0.13	0.05	SuperValu Inc	0.91	-0.08

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.

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 3/31/16 the top ten portfolio holdings of Janus High-Yield Fund are: ADS Tactical Inc (2.10%), Landry's Inc (2.05%), First Data Corp (1.50%), CommScope Holding Co Inc (1.49%), T-Mobile USA Inc (1.40%), AVAGO TECHNOLGIES CAYMA (1.37%), FAGE Dairy Industry SA / FAGE USA Dairy Industry Inc (1.36%), Kennedy-Wilson Inc (1.34%), CCO Holdings LLC / CCO Holdings Capital Corp (1.27%) and Mohegan Tribal Gaming Authority (1.26%). There are no assurances that any Janus portfolio currently holds these securities or other securities mentioned in this commentary.

The opinions are as of 3/31/16 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.

Portfolio Manager information is as of 4/1/16.

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.

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.

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.

High-yield/high-risk bonds, also known as "junk" bonds, involve a greater risk of default and price volatility than U.S. Government and other high quality bonds. High-yield/high-risk bonds can experience sudden and sharp price swings which will affect net asset value.

Holding a meaningful portion of assets in cash or cash equivalents may negatively affect performance.

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.

Barclays U.S. Corporate High Yield Bond Index measures the US dollar-denominated, high yield, fixed-rate corporate bond market.

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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