Janus High-Yield Fund

Investment Environment

The high-yield market struggled in the fourth quarter. Concerns about global growth and increased market volatility prompted a rotation out of fixed income risk assets at various points during the period. Moreover, due to the prevalence of energy sector-related issuance in the high-yield market, the market suffered widespread selling when deteriorating demand for crude oil globally sent crude oil prices into a tailspin. The front month price of the light, sweet crude contract on the New York Mercantile Exchange fell 42% in the fourth quarter alone. U.S. high-yield spreads widened much of the quarter while the average yield to worst for the high-yield market rose from 6.13% at the quarter's start to 6.61% at quarter end.

On the plus side, the U.S. economy gathered momentum. Moreover, while Japan entered recession and growth in the eurozone stalled, the promise of more aggressive monetary stimulus measures there created optimism and were deemed beneficial for risk assets. The high-yield market began to stabilize in the second half of December.

Performance Discussion

The Fund underperformed its benchmark, the Barclays U.S. High Yield Bond Index, during the period. Underperformance was driven largely by our security selection within corporate credit.

We remain committed to a bottom up, fundamental approach because it enables us to identify high-yield corporate bonds of companies that are focused on strengthening their capital structures. This approach will offer the best risk-adjusted returns in the high-yield space over the long term, in our view.

However, individual company fundamentals were eclipsed by macroeconomic factors, namely the sharp decline in oil prices, which, in our view, held sway over the high-yield market during the period, and that detracted from relative returns overall.

When crude oil prices tumbled in the fourth quarter, it sparked indiscriminate selling in energy-related corporate credit, primarily within the high-yield market. We had a material overweight in several energy-related sectors.

Our energy exposure included companies that generate solid cash flows and are strengthening their balance sheets, in our view. Many have ratings in the high-yield market's "crossover" section, which is just beneath investment grade. We believe this section of the high-yield market, in general, offers attractive risk-adjusted returns due to the potential ratings upgrades for these companies. We also believe many of our energy holdings can efficiently produce oil at lower prices.

But, wholesale selling of energy credits during the quarter, especially in high yield, meant individual company fundamentals were ignored, in our view. We would add that a significant portion of crude oil's quarterly decline occurred during the holiday season. That is a low volume period in the high-yield market, and we believe the lower trading volume exacerbated price declines.

The independent-energy sector, in particular, detracted from the Fund's relative performance overall. Prospects of independent exploration and production companies are directly affected by changes in the price of crude oil. We have reduced our energy

Portfolio Manager:
Gibson Smith

Portfolio Manager:
Darrell W. Watters

Executive Summary

- The high-yield market struggled in the fourth quarter due to a plunge in oil prices and a rotation out of risk spurred by uncertainty about global growth and increased market volatility.
- Underperformance was driven largely by our security selection, particularly within energy-related sectors.
- We believe the global financial markets could be vulnerable to increased volatility and that crude oil prices could be lower for longer.
- We have raised the ratings composition of the Fund and reduced our energy exposure.

exposure generally in the Fund and are focusing on higher-rated energy names within high yield that have relatively less leverage, solid hedging practices and diversified production assets, in our view.

Another sector detractor was environmental services, primarily due to one name, Nuverra Environmental Solutions. Nuverra provides treatment and disposal services for oil and gas producers. There was investor concern that the decline in energy prices would curb demand for Nuverra's business. We are mindful that the decline in oil prices could curb Nuverra's growth prospects. However, we continue to maintain a position in Nuverra as we believe that Nuverra's capital expenditure needs are low and a meaningful portion of their business is tied to recurring revenues. Both factors are positives for bondholders. As with all our holdings, we will revisit the position's size depending on market conditions.

Our small exposure in bank loans was also a relative detractor.

The gaming sector and the metals and mining sector were relative contributors to returns. Within metals and mining, we were not exposed to credits present in the benchmark that declined sharply, reflecting our belief that what you don't own can be just as important to returns as what you do.

Spread carry, or the excess income generated over similar securities in the benchmark, also helped relative performance due to our exposure to the higher yielding segment of the below investment-grade market.

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

Outlook

The Federal Reserve has signaled that it may be withdrawing accommodative policy at a measured pace, with risk to acceleration, in 2015. We continue to take this into account when positioning the high-yield strategy given the increased market volatility that U.S. monetary policy could create.

Given our focus on risk-adjusted returns, we believe investors will be well served in this environment by a high-yield strategy with higher rated credits, good liquidity and solid fundamental profiles. We have begun to take the ratings composition of the portfolio higher while cutting what we believe to be riskier credit.

Market liquidity in high yield continues to be challenging. Upgrading credit in the strategy could decrease the risk of lower liquidity, in our view. At the same time, considering the relative strength of the U.S. economy versus its trading partners, we also may have a moderately higher cash weighting ahead of a potential rotation from fixed income into higher risk stocks.

Meanwhile, we have reduced our energy sector exposure as we believe oil prices will remain lower for longer. Depending on market conditions, we could reduce our energy sector allocation further.

Most of our energy credits have hedges in place for 2015 that are intended to cushion the downward pressure on earnings due to lower crude oil prices; however, negative sentiment could continue to push energy credit spreads wider. We do not yet believe it is time to start rebuilding a position in high-yield energy credits. However, there could be increasing speculation about consolidation in the sector that will idiosyncratically push prices on bonds higher.

An overall solid U.S. economic foundation is supportive for the high yield market in 2015, with the outlook for consumer spending promising. Our focus on risk-adjusted returns leads us to favor credits in cyclical consumer sectors, like gaming and restaurants, as well as some non-cyclical sectors like health care, as they may better weather market volatility in 2015, in our view.

Top Relative Contributors and Detractors by Issuer for the Quarter Ended 12/31/14

Top Contributors	Average Weight (%)	Relative Contribution (%)	Top Detractors	Average Weight (%)	Relative Contribution (%)
Quiksilver Inc/QS Wholesale	0.89	0.09	Nuverra Environmental Solutions	0.99	-0.47
ADS Tactical Inc	1.84	0.08	Samson Investment Co	0.64	-0.34
Harrahs Operating Co Inc	0.80	0.06	Templar Energy	0.88	-0.23
Commscope Inc	1.81	0.06	SandRidge Energy Inc	0.74	-0.22
Blackboard Inc	1.45	0.06	Sidewinder Drilling Inc	0.44	-0.20

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 12/31/14 the top ten portfolio holdings of Janus High-Yield Fund are: ADS Tactical, Inc. (1.99%), SUPERVALU, Inc. (1.80%), Chesapeake Energy Corp. (1.76%), Blackboard, Inc. (1.56%), Landry's, Inc. (1.53%), Numericable Group SA (1.40%), XPO Logistics, Inc. (1.21%), FAGE Dairy Industry SA / FAGE USA Dairy Industry, Inc. (1.18%), Royal Bank of Scotland Group PLC (1.14%) and Kennedy-Wilson, Inc. (1.14%). There are no assurances that any Janus portfolio currently holds these securities or other securities mentioned in this commentary.

The opinions are as of 12/31/14 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.

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.

Foreign securities are subject to additional risks including currency fluctuations, political and economic uncertainty, increased volatility and differing financial and information reporting standards, all of which are magnified in emerging markets.

Barclays U.S Corporate High Yield Bond Index is composed of fixed-rate, publicly issued, non-investment grade debt.

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.

Funds distributed by Janus Distributors LLC

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