3Q16 PORTFOLIO COMMENTARY

Janus International Equity 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. Several U.S. indices later 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 passed on a rate hike. 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

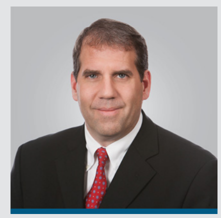
During the quarter, the Fund underperformed its primary benchmark, the MSCI EAFE Index, and its secondary benchmark, the MSCI All Country World ex-U.S. Index. Our strategy focuses on finding companies with strong fundamentals that are trading at attractive valuations relative to what we consider their future growth potential. We believe our approach will provide superior risk-adjusted performance over the long term.

Relative sector detractors were led by the financials and telecommunication services sectors. The leading individual detractor was Novo Nordisk, a global pharmaceutical company. Shares of the diabetes-focused company slid in the wake of a weak earnings report and softer near-term outlook. Quarterly sales missed consensus estimates, although tighter cost controls helped limit the damage to earnings. Management also lowered full-year guidance and expressed caution about its outlook for 2017. Key to their concerns was the expectation of increased pricing pressure in its U.S. business as competition for important product lines increases, and a few products face generic competition. We exited our position during the quarter.

While French drug maker Sanofi weighed on performance, we believe that the market overreacted to developments that, in our view, were already reflected in the stock price. The launch of cholesterol-lowering drug Praluent has been admittedly disappointing, and its long-acting insulin therapy, Lantus, faces competition from the introduction of a follow-on biologic. North American pharmacy benefits managers (PBM) have capitalized on the latter development to extract price concessions on Lantus in their formularies. We believe, however, that management had already been forthcoming in signaling these developments to investors. The company's current valuation, in our view, does not represent the positive developments that have transpired; the management team has streamlined the company's culture and elevated the priority of its four key franchises. Toward the end of the quarter, the Food and Drug Administration (FDA) slated for priority review the company's new – and potentially blockbuster – atopic dermatitis therapy that it is developing with Regeneron.

Reckitt Benckiser Group also underperformed during the quarter. After recent strong performance, management communicated to investors that they should expect more

Portfolio Manager:
Julian McManus



Portfolio Manager:
Guy Scott, CFA

Portfolio Manager:
Carmel Wellso

Executive Summary

- Despite late-period volatility, many benchmarks finished the quarter with gains.
- The Fund underperformed its benchmarks during the period.
- We expect the doubling-down on accommodative monetary policy by the ECB, Fed and BOJ to be an ongoing factor affecting financial markets sentiment.

moderate revenue growth going forward. While we believe management has been effective at conveying its new guidance, other investors reacted negatively, which weighed on the stock. Additionally, a liability issue with one of Reckitt's acquisitions in Korea weighed on the stock during the period; a chemical in a humidifier product that the company had been selling 10 years prior was discovered to have killed some consumers with severe asthma and allergies. In the wake of the news, Korean retailers, which account for roughly 1% of the company's sales, stopped carrying all Reckitt products for a brief period. We believe that the headwind from the news is likely temporary. Moreover, the company has already provisioned the necessary funds to cover the liability and damages. Reckitt remains one of the Fund's largest holdings.

Relative sector contributors were led by our stock selection in the information technology and industrials sectors. A leading individual contributor to absolute performance was semiconductor intellectual property licensing company ARM Holdings. During the period, SoftBank of Japan announced a $32 billion acquisition of ARM. Given our favorable view of the company, we can see why SoftBank pursued the deal. 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. While historically strong in mobile, ARM's advantage is moving into the home, industrial, medical and other markets as well. In the wake of the acquisition announcement, we have exited our position in the company.

The stock price of Swedish-Swiss industrial company ABB rose during the period as the market reacted positively to a consensus-beating earnings report and management's reiteration of full-year guidance on cost savings. Operating margins rose and working capital as a percentage of sales declined, which led to a doubling of free cash flow to $902 million. ABB has undertaken significant restructuring and is presently at the bottom of its business cycle. Management has stated that as the cycle turns, no additional capital or operating expenditures should be necessary. This, they believe, should result in a material increase in margins. Going forward, ABB also stands to benefit from its mining and energy clients being at, or near, the bottom of their cycle. Management views ABB's freed-up capital as a resource for potential acquisitions, but plans to approach any deals in a highly disciplined manner.

Chinese e-commerce company Alibaba saw its shares surge on the back of a strong earnings report. Revenues improved across all segments, with those of its core business accelerating. Commerce revenues attributable to China rose a particularly impressive 49% year over year. Of special note was the take-rate among mobile users having passed that of desktops. The company's Taobao platform has succeeded in enriching social content, which has, in turn, improved user engagement, thus increasing ad inventory and monetization.

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

Outlook

We remain concerned about how the repercussions of the UK's vote to exit the European Union (EU) will play out across Europe. The vote to leave has created a specter of political uncertainty, and there are a number of upcoming votes that we are closely watching, including a referendum in Italy and France's 2017 presidential election. Additionally, although the fears surrounding the impact of Brexit on the UK seemed to have softened in the immediate aftermath of the vote, investors are now trying to reconcile the possibility of a "hard Brexit" in which there are no passporting concessions for the UK. These concerns have already caused currency volatility for the pound. The upcoming U.S. presidential election also carries with it uncertainty and has the potential to create market volatility as certain outcomes may embolden Europe's nonmainstream political parties.

In Japan, the recent actions by the Bank of Japan (BOJ) suggest that it has increasingly entered the realm of monetary experimentation as each new policy move is followed by mitigating measures to offset the unintended consequences of previous moves. Despite its efforts, the yen has remained resilient.

On a sector level, we are encouraged by positive trends that we see in industrials as energy and mining continue to stabilize. We have maintained our underweight in financial stocks. Our underweight is primarily due to the insurance subsector. Given the negative yield curves across most of the world, it is increasingly difficult for spread-based insurance financials to generate revenue.

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

Top Contributors	Ending Weight (%)	Contribution (%)	Top Detractors	Ending Weight (%)	Contribution (%)
ARM Holdings PLC	0.00	0.68	Novo Nordisk A/S	0.00	-0.31
ABB Ltd	3.31	0.47	Sanofi	2.83	-0.27
ING Groep NV	2.36	0.44	Kenedix Retail REIT Corp	1.61	-0.19
Alibaba Group Holding Ltd (ADR)	1.66	0.43	Reckitt Benckiser Group PLC	3.42	-0.18
Rio Tinto Ltd	2.65	0.43	Royal Dutch Shell PLC	1.90	-0.15

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

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 that customers can differentiate on, 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. Given the sale to SoftBank, we no longer own the stock in the company.

ABB Ltd: ABB is a Swedish-Swiss industrial technology company with a suite of products spanning a range of sectors and applications. We like that management has initiated a large-scale cost-cutting program and has committed itself to repurchasing stock over the near term. We believe the company is well-positioned to grow over the next few quarters, especially as industrials exit a weak period, thus providing favorable comparables. The outlook is further reinforced by key energy and mining end markets likely having reached the bottom of their cycles.

ING Groep: This global financial institution's segments include banking and insurance, and it has undergone a significant restructuring in recent years. We believe ING should emerge as an overcapitalized bank with core operations in Europe and approximately 30% of its earnings from rapidly growing emerging markets.

Top Detractors

Novo Nordisk: We exited our position in the Denmark-based pharmaceutical company during the quarter.

Sanofi: We like changes the new management team is making at Sanofi and believe that improving accountability and responsibility in different business lines will help the company compete more effectively on a number of fronts. We also like the potential of some of Sanofi's new treatments including Praluent for cardiovascular disease, Aubagio for multiple sclerosis, and Dupilumab for atopic dermatitis and allergic asthma.

Kenedix Retail REIT: This Japanese REIT is set up well to outperform given a strong acquisition pipeline and an attractive cost of capital. Catalysts could include more acquisitions, a credit upgrade, and/or getting added to the EPRA NAREIT Index. The company's dividend yield remains well above the JREIT average, which we believe is largely due to its small size, lack of track record, and investor skepticism surrounding its neighborhood retail property type. While it might take some time, we're confident that Kenedix will continue to rerate on the back of better growth from acquisitions.

Reckitt Benckiser Group: Reckitt Benckiser is a multinational consumer goods company that produces a number of health, hygiene and home products. We like that the company typically converts a higher percentage of net income into free cash flow than any of its peers. We also like the management team, which has instilled a culture focused on free-cash-flow growth, and has a strategy of reinvesting those higher free cash flows into top line growth.

Royal Dutch Shell: Royal Dutch Shell is an oil and gas super-major based in the UK. We like that the management

Top Contributors (continued)

Alibaba Group Holding Ltd: The Chinese e-commerce company provides consumer-to-consumer, business-to-consumer and business-to-business sales services via Web and mobile platforms. We think increasing spending power for the Chinese consumer and rapid growth in e-commerce in China are long-term tailwinds for the company.

Rio Tinto Limited: The UK-based company has interests in mining for aluminum, borax, coal, copper, gold, iron ore, lead, silver, tin, uranium, zinc, titanium dioxide feedstock, diamonds, talc and zircon. We believe new management will restructure the business through cost cutting and better capital allocation, which should lead to greater cash flow generation and ultimately better returns for shareholders. We also consider its mining assets to be of world-class quality.

Top Detractors (continued)

team has become better at managing capital expenditures by streamlining the asset base and lowering overall capital intensity in order to improve returns on invested capital.

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 International Equity Fund are: Nippon Telegraph & Telephone Corp (3.85%), AIA Group Ltd (3.48%), Reckitt Benckiser Group PLC (3.30%), ABB Ltd (3.20%), Brenntag AG (3.06%), Diageo PLC (2.92%), Sanofi (2.73%), Rio Tinto Ltd (2.57%), TOTAL SA (2.40%) and ING Groep NV (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 EAFE® (Europe, Australasia, Far East) Index is a free float-adjusted market capitalization weighted index designed to measure developed market equity performance. The MSCI EAFE® Index is composed of companies representative of the market structure of developed market countries. The index includes reinvestment of dividends, net of foreign withholding taxes.

MSCI All Country World ex-U.S. Index℠ is an unmanaged, free float-adjusted, market capitalization weighted index composed of stocks of companies located in countries throughout the world, excluding the United States. It is designed to measure equity market performance in global developed and emerging markets outside the United States. 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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