

Janus Short-Term Bond Fund



JANUS

Investment Environment

The yield on the two-year Treasury fell in the first quarter as the possibility grew that the Federal Reserve (Fed) may not hike its benchmark rates as soon as the market had anticipated. While the labor market showed signs of strength and wage growth began to percolate, other economic reports indicated the U.S. economy may have hit a soft patch during the quarter. In keeping with concerns about U.S. growth, inflation continued to be tepid. Fed officials repeated their mantra that a rate hike would be data dependent, and the yield on the two-year Treasury ended the quarter at 0.56% after starting at 0.66%.

Performance Discussion

We continue to believe that a bottom-up, fundamental, research-driven security selection process focused on credit-oriented investments represents the most effective way to generate consistent risk-adjusted outperformance over time.

For the first quarter, the Fund outperformed its benchmark, the Barclays U.S. Government/Credit 1-3 Year Bond Index.

Spread carry, a measure of excess income generated by the Fund's securities, was a large driver of outperformance. Our out-of-index high-yield exposure in corporate credit helped make spread carry a relative contributor.

The Fund's corporate credit allocation remains below its more recent norm; however, we have still kept the allocation's weighting higher than that of the benchmark's. Our credit overweight was additive on a relative basis during the period.

On a credit sector basis, brokerage, asset managers and exchanges was a leading relative contributor primarily due to the Fund's holdings in E*Trade Financial. The company's balance sheet improvements and solid management execution reflect the fundamentals we look for in credit.

Whiting Petroleum was also an individual security contributor. The credit benefited from speculation that it was in talks to be acquired. We believe lower oil prices could spark increased merger and acquisition activity in the energy sector. While we believe the company has solid assets, we are now unclear about the management's intentions regarding its independence. We have begun to reduce our holdings in the firm.

The Fund's Treasury allocation was a relative detractor as a result of our yield curve positioning. The investment strategy uses Treasuries to manage the Fund's duration. We were short duration (a measure of interest-rate sensitivity) versus the benchmark given our concerns when entering 2015 that the Fed was preparing to hike rates. However, short-term rates fell during the period. Our yield curve positioning in corporate credit was also a detractor. We tend to favor short-term credit partly because of its higher liquidity.

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



Portfolio Manager:
Gibson Smith



Portfolio Manager:
Darrell W. Watters

Executive Summary

- Outperformance was driven largely by the extra income generated by the Fund's corporate credit securities.
- During the quarter, short-term rates fell as the possibility grew that an anticipated rate hike by the Federal Reserve may not occur as soon as had been expected.
- While our corporate credit allocation is beneath the Fund's more recent norm, we have kept our corporate credit overweight amid historically low rates.
- Uncertainty around the timing of the Federal Reserve's anticipated rate hike will continue to fuel volatility in the fixed income market, and we continue to position the Fund more defensively.

Outlook

Uncertainty about the Fed's timing of its anticipated rate hike may continue to fuel volatility in short-dated Treasuries, in our view. The Fed has made it clear that they are data dependent, so our forecast on a rate hike must be as well.

While wage growth has begun to show signs of life, we expect inflation to remain tepid, and we believe this could keep short-end rates locked in a range. Amid our expectations of rates remaining lower, we have increased our duration contribution from Treasuries. As one-year bonds mature, we may reposition further out on the short end of the curve. Moreover, with volatility elevated (driven also by oil prices) risk assets could be vulnerable. We believe this could spur intermittent rotations into Treasuries.

Overall, the Fund continues to be defensively positioned, and we are comfortable with our corporate credit weighting after significantly reducing it at the end of 2014. Nevertheless, with short-term rates at historic lows, we are mindful that spread

income remains an integral part of the overall Fund's risk-adjusted returns. Thus, we have maintained our credit overweight, though we have adjusted positioning in light of a more volatile market environment.

We have decreased concentration risk in individual securities and have sold exposures to companies, which we believe will have to make acquisitions to boost revenue growth. Instead, we favor companies that we believe should continue to have consistent cash-flow generation.

In this regard, we are overweight consumer non-cyclical sectors, like food and beverages. We believe that U.S. hiring trends remain strong overall. That should keep the U.S. consumer in relatively good shape, in our view. We are also maintaining our overweight in the banking sector. Regulations requiring increased capital continue to strengthen bank balance sheets, and we believe the financial results of banks are becoming more consistent as they shed lines of business that are driven by the financial market.

Top Relative Contributors and Detractors by Issuer for the Quarter Ended 3/31/15

Top Contributors	Average Weight (%)	Relative Contribution (%)	Top Detractors	Average Weight (%)	Relative Contribution (%)
Whiting Petroleum Corp	0.81	0.05	DCP Midstream Operating LP	2.02	-0.07
E*TRADE Financial Corp	0.86	0.03	California Resources Corp	0.03	-0.02
Nabors Industries Inc	1.05	0.03	U.S. Treasury Notes/Bonds	33.01	-0.02
Actavis plc	0.68	0.02	Chesapeake Energy Corp	2.23	-0.02
ICICI Bank Ltd	0.87	0.02	Martin Marietta Materials	0.51	-0.01

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 3/31/15 the top ten portfolio holdings of Janus Short-Term Bond Fund are: U.S. Treasury Notes/Bonds (4.46%), United States Treasury Note/Bond (2.65%), U.S. Treasury Notes/Bonds (2.45%), U.S. Treasury Notes/Bonds (2.45%), JPMorgan Chase & Co. (1.98%), Kinder Morgan Finance Co. LLC (1.73%), United States Treasury Note/Bond (1.64%), United States Treasury Note/Bond (1.60%), U.S. Treasury Notes/Bonds (1.50%) and NRAM PLC (1.44%). There are no assurances that any Janus portfolio currently holds these securities or other securities mentioned in this commentary.

The opinions are as of 3/31/15 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.

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.

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.

Barclays 1-3 Year U.S. Government/Credit Index measures Treasuries, government-related issues and corporates with maturity between 1-3 years.

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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