1Q17 PORTFOLIO COMMENTARY

Janus Venture Fund

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Investment Environment

The Russell 2000 Growth Index experienced gains in the quarter, but the euphoria that sent small-cap stocks soaring after Donald Trump's election win eventually faded. Flows into small-cap exchange-traded funds slowed and company-specific fundamentals began to drive stock performance again. Cyclical stocks that outperformed the broader index at the end of 2016 did not enjoy the same strong outperformance in the first quarter.

Performance Discussion

The Fund outperformed its primary benchmark, the Russell 2000 Growth Index, and its secondary benchmark, the Russell 2000 Index, during the quarter. We take a high-quality approach to investing in small caps, focusing on companies we believe have more predictable, growing revenue streams. The companies we favor typically generate a high return on invested capital or demonstrate a proven ability to expand profit margins. Most times these companies are defined by sustainable competitive advantages such as high barriers to entry in their respective industry or a differentiated product or service that gives them pricing power, helping the company grow in a variety of market and economic environments. We seek to outperform the benchmark over full market cycles, with the bulk of our relative outperformance coming in weak or uncertain market environments, when the stability of the businesses we invest in is more appreciated. As some of the euphoria that drove stocks last quarter faded, companies with durable growth profiles were more appreciated by the market, and that favored our investment style.

Our stock selection in the industrials sector was a large driver of relative outperformance. As with the rest of our portfolio, our industrial exposure tends to be with what we believe are high-quality businesses with a large component of aftermarket or recurring revenue. These companies generally did not participate in the Trump trade to the degree more cyclically exposed original equipment manufacturers and capital goods manufacturers did. As the Trump trade reversed in the first quarter, our industrial holdings outperformed the benchmark. We also held a few recurring revenue technology companies that are classified as industrials. A couple of these companies lagged with the rest of the recurring revenue technology companies in the fourth quarter, but have since rebounded as their valuations became compelling to strategic buyers and they were either acquired or started a strategic review process.

Stock selection in the technology sector was another source of relative outperformance. Within the sector, we tend to invest in companies providing must-have business solutions that improve the processes of companies operating in a specific end market. These services are often subscription-based and provide a recurring revenue stream for the company. As some of the fourth quarter exuberance in small-cap stocks faded during the quarter, the resiliency of these business models returned to favor.

A couple of our top contributors within the sector, SS&C Technologies and Blackbaud, serve as good examples of our approach within the sector. SS&C provides software-enabled services to asset managers. We believe accelerating revenue growth in the second half of 2016 – in what has been a challenging environment for its hedge fund clients – demonstrated the durability of the company's earnings. In recent months there

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Executive Summary

- Small-cap stocks gained ground during the period.
- The Fund outperformed its primary benchmark. Stock selection in the industrials sector was a large driver of relative outperformance.
- We are cautious about the return profile of small-cap stocks, but believe the market environment will favor our investment style.

had been concerns that weak performance by hedge funds could lead to consolidation in the industry, and fewer clients demanding SS&C's services. However, we have long believed that SS&C isn't wholly dependent on new clients and a booming hedge fund industry for growth. In addition to hedge funds, its client base covers a diverse range of investment strategies including traditional asset managers, real estate funds and private equity. The company has also historically driven earnings from cross-selling new services to these clients and accretive mergers and acquisitions. Revenue growth in the last six months has helped confirm our thesis.

Blackbaud was another top contributor. The company provides technology solutions designed to improve fundraising efforts for nonprofit companies. Blackbaud is moving from packaged software solutions to a subscription-based, Software as a Service model that should create a more recurring revenue stream. The market has viewed that change favorably, which has helped lift the stock. We continue to see a long runway of growth for the company. Fundraising is clearly the lifeblood of the nonprofit industry, but many nonprofits have been slow to integrate technology into their fundraising process, creating a potentially large addressable market for Blackbaud.

While generally pleased with our performance, we still held stocks that disappointed. Sally Beauty Holdings, a salon product retailer, was our largest detractor. Sluggish sales trends have generally been a drag on the stock, and reinvestments in the company's stores haven't spurred as big of an increase in same store sales as the market may have anticipated. We continue to like some aspects of the business, however. Sally Beauty has a broader selection and better-quality beauty products than mass market retailers, but also sells its products at attractive price points below the highest-end beauty product retailers. We also like that beauty and hair products are generally lower-cost luxuries that are more economically resilient than other luxury products.

Biglari Holdings was another detractor. The company owns the Steak 'n Shake restaurant chain and also holds a 20% stake in Cracker Barrel Old Country Store, a casual dining restaurant chain. A difficult environment for the restaurant industry has been a headwind on both chains. The company also owns Maxim, a men's magazine and brand, but declining circulation and advertising trends have made a planned turnaround at the company challenging. While these issues affected the stock this quarter, we continue to like Biglari, and believe its stock price meaningfully lags the intrinsic value of its underlying businesses and investments. In particular, we see the franchising strategy at Steak 'n Shake and the potential for a sale of its Cracker Barrel stake (and redeployment of the proceeds in new investments) as possible future catalysts for the stock.

Belden CDT was another detractor. The stock was down because one of Belden's acquisitions has modestly underperformed investor expectations, but it does not diminish our long-term views. We like connector and component suppliers such as Belden. These are attractive end markets that are growing content in a number of industrial products. We also continue to be strong supporters of the firm's management team and its focus on lean manufacturing and operational efficiencies.

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

Outlook

Heading into the second quarter, we're cautious about the return profile of small-cap stocks. In our view, the market seems to have priced in a lot of good news rather quickly. The corporate tax cuts, infrastructure spending and deregulation promised by the Trump administration would indeed benefit corporate earnings, but these changes don't happen overnight. In fact, we think the certainty of any of these events is much less than it was just four months ago. Yet small-cap valuations, which sit roughly within the top quintile of historical levels, seem to reflect all these changes are just around the corner. With valuations somewhat extended, companies are going to need to demonstrate true earnings growth to sustain the positive tenor in the market.

We think our portfolio is well positioned for this environment. As we highlight above, we typically seek companies that have demonstrated a more established track record of earnings growth. Many of these companies have recurring revenue streams or offer products and services that are essential to their underlying customers. These companies should be able to keep demonstrating the earnings growth the market will look for.

We have made a few marginal changes within the portfolio, increasing our exposure to a couple of industrial companies that serve the energy sector. Most of our industrial companies serve less cyclical end markets and as a group, we believe the earnings profile of our industrial holdings is much less dependent on a strong economy to drive earnings growth than the industrial sector of our benchmark. But we believe the Trump administration will focus on domestic energy production, and a more stable oil market could encourage capital spending and benefit the industrial companies we have added. These changes are modest, however. As we look across the broader portfolio, we are confident we are well positioned for a market backdrop that demands earnings growth for further stock price appreciation.

Top Contributors and Detractors for the Quarter Ended 3/31/17

Top Contributors	Ending Weight (%)	Contribution (%)	Top Detractors	Ending Weight (%)	Contribution (%)
Cadence Design Systems Inc	2.24	0.47	Sally Beauty Holdings Inc	1.28	-0.39
SS&C Technologies Holdings Inc	2.19	0.45	National CineMedia Inc	0.50	-0.16
Advisory Board Co	1.45	0.41	Biglari Holdings Inc	1.42	-0.14
Euronet Worldwide Inc	2.22	0.36	ChannelAdvisor Corp	0.44	-0.13
Blackbaud Inc	1.97	0.34	Belden Inc	1.52	-0.13

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

Cadence Design Systems: Cadence sells its electronic design automation software to customers who use it to design semiconductors and electronic systems. We believe the company's semiconductor design software is becoming increasingly important as semiconductors grow more complex. As one of only two companies specializing in this market segment, Cadence should be able to increase pricing and profits. We also appreciate the company's intellectual property licensing business, which we believe is a high-margin, high-growth operation.

SS&C Technologies: The company is a global provider of investment and financial software-enabled services and is focused exclusively on the global financial services industry. We like SS&C because the majority of its revenue comes from recurring sources such as subscription services or software maintenance, where client retention has remained high.

Advisory Board Company: The Advisory Board Company is a global research, technology and consulting firm serving hospital and education executives with information to help those executives address the changing landscapes of health care and education. We like the company's end markets and believe there will be high demand for its services but we are reviewing the position due to questions around the company's execution on some issues.

Top Detractors

Sally Beauty Holdings: The company is a retailer of hair and beauty products. We think the company is uniquely positioned with a broader and higher-quality product lineup than mass retailers, but which sell at attractive price points relative to salons.

National CineMedia: The company provides pre-feature advertising in movie theaters. We trimmed the position during the period to pursue better growth opportunities in the portfolio.

Biglari Holdings: The company owns or has ownership stakes in a number of companies including Steak 'n Shake, Cracker Barrel restaurants, Maxim magazine and FirstGuard Insurance, among others. We see the opportunity for the company to improve earnings as it turns around profitability at Maxim, expands margins at Steak 'n Shake as it sells franchising rights to more of its stores and as the company potentially disposes some of its less profitable businesses.

ChannelAdvisor Corp.: ChannelAdvisor offers online channels for retailers to distribute their products such as online marketplaces, comparison shopping sites and search engines. With retail shifting from store sales to e-commerce, ChannelAdvisor should benefit from increased demand for its services, in our view. We believe the company is particularly well positioned to benefit from what we anticipate will be a proliferation of online marketplaces.

Top Contributors (continued)

Euronet Worldwide: Euronet Worldwide is a global electronic payments provider. The company offers payment and transaction processing and distribution solutions to financial institutions, retailers, service providers and individual consumers. We like the company for its distinct growth platforms in money transfer, prepaid and mobile, along with its recurring revenues and growth opportunities. We believe Euronet also has an attractive ATM outsourcing business with market-leading positions in Europe.

Blackbaud: Blackbaud provides software solutions to the nonprofit industry. We believe the software company has long-duration growth potential as it penetrates the not-for-profit market, which has long been underserved. We also believe the company's Software as a Service business creates attractive recurring revenues.

Top Detractors (continued)

Belden CDT: The supplier of cables, connectors and networking equipment serves industrial, broadcast and enterprise information technology end markets. We believe management will continue to focus its product portfolio toward its higher-quality connector and networking products, and away from its legacy cable products, which have less pricing power. We also expect management will create value through acquisitions to improve its product portfolio and will drive productivity improvements to boost margins and returns on invested capital. Finally, we appreciate that Belden serves large and growing markets and should benefit longer term from the Internet of Things (IoT), or the increasing connectivity of electronic devices.

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 the performance of Class I Shares.

Closed to certain new investors.

As of 3/31/17 the top ten portfolio holdings of Janus Venture Fund are: Broadridge Financial Solutions Inc (2.20%), Cadence Design Systems Inc (2.18%), HEICO Corp (2.17%), Euronet Worldwide Inc (2.15%), SS&C Technologies Holdings Inc (2.13%), ServiceMaster Global Holdings Inc (2.07%), Sensient Technologies Corp (1.95%), Blackbaud Inc (1.92%), Nice Ltd (ADR) (1.88%) and ON Semiconductor Corp (1.81%). There are no assurances that any Janus portfolio currently holds these securities or other securities mentioned in this commentary.

The opinions are as of 3/31/17 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.

Performance may be affected by risks that include those associated with non-diversification, portfolio turnover, short sales, potential conflicts of interest, foreign and emerging markets, initial public offerings (IPOs), high-yield and high-risk securities, undervalued, overlooked and smaller capitalization companies, real estate related securities including Real Estate Investment Trusts (REITs), derivatives, and commodity-linked investments. Each product has different risks. Please see the prospectus for more information about risks, holdings and other details.

Smaller capitalization securities may be less stable and more susceptible to adverse developments, and may be more volatile and less liquid than larger capitalization securities.

Russell 2000® Growth Index measures the performance of those Russell 2000® companies with higher price-to-book ratios and higher forecasted growth values.

Russell 2000® Index is an index that measures the performance of the 2,000 smallest companies in the Russell 3000® Index.

Index performance does not reflect the expenses of managing a portfolio as an index is unmanaged and not available for direct investment.

Funds distributed by Janus Distributors LLC

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