

PERKINS SMALL CAP VALUE FUND

PERKINS
INVESTMENT MANAGEMENT

UNCOMMON VALUE™

PORTFOLIO COMMENTARY | 3Q16

PERFORMANCE REVIEW

The Fund underperformed the Russell 2000 Value Index for the quarter. The index rallied sharply, led by higher beta areas such as information technology and materials, while health care erased losses from the first half of the year, led in large part by biotech. Our more defensive-oriented portfolio lagged the strong rally despite good upside capture. Interest-rate sensitive areas such as utilities and real estate underperformed as the 10-year Treasury yield rose roughly 10 basis points (bps), but sentiment shifted toward higher rates going forward. Our underweights in both sectors were additive to relative returns. Our stocks within the real estate, energy and consumer discretionary sectors outperformed while holdings in financials, consumer staples and health care lagged the index. Fund positioning remains relatively unchanged with overweights in industrials, consumer staples and health care, and underweights in financials and utilities.

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

OUTLOOK AND POSITIONING

U.S. equity markets posted another strong quarter with the Russell 2000 Value Index reaching a new all-time high during the quarter. Valuations remain stretched, in our view. Both logic and the historical record are fairly clear: When you pay above-average valuations, you are likely to receive below-average returns. While it would be wrong to suggest there is no upside potential remaining in stocks, the opportunity set is diminishing.

Investors need to look forward when making their decisions. As the analysts and portfolio managers at Perkins work to identify the best bargain stocks available today, we do so with an eye on downside risk and upside potential. We believe the balance of these two aspects of any investment is what counts most, and helps to shed additional light on the current investment landscape. While the future return potential may be compressing, it does not necessarily follow that stocks which are out of favor today are the better buys. After such a strong bull market, and in an environment which in many ways seems priced very optimistically, the specter of value traps should be a focus for thoughtful investors.

We believe maintaining a well-balanced portfolio will prove crucial. Having a healthy variety of exposures can help put a portfolio in position to handle changes in the investing environment, whenever they may occur and whatever they may be. Put differently, a savvy investor will, more often than not, want to have a collection of stocks which don't all move in the same direction after the next central bank press conference.

Portfolio construction is also a way to address the increasing dichotomy in the market's pricing of stable versus cyclical companies. The investment team at Perkins is looking to take advantage of the optimism around "stable" companies by trimming opportunistically; we are also buying some of the more cyclically-exposed, but are doing so selectively and slowly.

Our primary focus continues to be fulfilling our client commitment by striving to minimize downside losses while participating in the upside market gains in order to compound returns at a higher rate over a complete market cycle. The environment for small-cap



Portfolio Manager:
Justin Tugman, CFA



Portfolio Manager:
Tom Reynolds



Portfolio Manager:
Robert Perkins

EXECUTIVE SUMMARY

- Our more defensively-positioned portfolio appreciated in the quarter but lagged the index's strong rally.
- Fund positioning remains relatively unchanged with overweights in industrials, consumer staples and health care, and underweights in financials and utilities.

stocks has all the ingredients to remain volatile. Weak global demand, the potential for economic shocks from Europe, geopolitical risk and dueling central banks juxtapose against a Russell 2000 Value Index whose forward earnings expectations have consistently been about 30% too optimistic the past several years, in our view. As these fears and realities

work into stock prices we will continue to opportunistically invest in what we view to be quality stocks on sale.

Thank you for your continued co-investment with us in the Perkins Small Cap Value Fund.

TOP CONTRIBUTORS AND DETRACTORS FOR THE QUARTER ENDED 9/30/16

Top Contributors	Ending Weight (%)	Contribution (%)	Top Detractors	Ending Weight (%)	Contribution (%)
Standard Motor Products Inc	2.75	0.57	American Renal Associates Holdings Inc	0.07	-0.29
UniFirst Corp/MA	3.45	0.49	Life Storage Inc	1.49	-0.24
Delek US Holdings Inc	1.70	0.46	Hain Celestial Group Inc	0.00	-0.20
WCI Communities Inc	1.19	0.39	Hanover Insurance Group Inc	1.91	-0.15
Franklin Electric Co Inc	1.08	0.34	HSN Inc	0.73	-0.14

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

Standard Motor Products: Standard Motor Products is a manufacturer of replacement auto parts predominantly for the aftermarket. We believe the company is positioned to have above-average growth driven by all-time-high miles driven, increasing engine complexity and an aging automobile fleet. The stock was a strong contributor in the third quarter as the company posted strong results and margin expansion across both segments: engine management and temperature control. Given its competitive position and defensive characteristics, we continue to hold the position.

UniFirst Corporation: UniFirst rents workplace uniform and protective work wear, plus first aid supplies, and is the number three player in the U.S. with 10% market share. The stock outperformed in the quarter as the firm continues to execute and industry leader Cintas acquired the number four player, G&K Services, for a decent premium, in our view. UniFirst has traditionally received a valuation discount as it is 75% controlled by the founding family, but we expect that the acquisition of one of its peers could lead to further upside for UniFirst's stock. UniFirst continues to be our largest position in the portfolio.

Delek US Holdings: Delek US Holdings Inc. is an independent refiner with refining, retail and logistics assets

TOP DETRACTORS

American Renal Associates: American Renal Associates underperformed following its initial public offering as concerns emerged about third party premium payments for individuals on public insurance exchanges. Although the potential negative impact to American Renal Associates appears to be limited from a payer-mix perspective, there is uncertainty related to any potential legal liabilities. We significantly reduced our position as the issue caused the potential downside risk to increase beyond our original estimate.

Life Storage Inc.: Life Storage, formerly Sovran Self Storage, is a real estate investment trust (REIT) that owns and operates self-storage facilities throughout the U.S. The company closed on its acquisition of Life Storage LP in July of this year and is subsequently engaged in the rebranding of their company. Life Storage's second quarter operating results came in weaker than expected, driven primarily by growth slowing faster than anticipated. As a result, management reduced full year guidance and revised their expectations lower for the Houston market. This, in addition to concerns about increased new supply, led to the underperformance in the quarter. Despite this disappointing quarter and the concerns about new supply, in our view the company continues to deliver solid growth across the

TOP CONTRIBUTORS (continued)

throughout the mid-continent and southern United States. The shares outperformed during the quarter as the company reported better-than-expected earnings results in its retail and logistics businesses and provided further clarification about its potential business simplification. Delek also surprised the market as it announced an agreement to sell its retail business for a higher valuation than most investors expected. We added to our position during the quarter as we believe that the refining environment will gradually improve and that Delek's core business may be worth more to a strategic buyer than the market is currently factoring in.

TOP DETRACTORS (continued)

portfolio, trades at a discount to net asset value, below peer average multiples, and is in an industry that we believe exhibits strong secular growth throughout a full market cycle. For these reasons and an improved reward/risk profile, we added to our position.

Hain Celestial Group: Hain Celestial is a strong player in the "better-4-you" food category with products that are minimally processed and mostly free of artificial ingredients – 40% of products are certified organic, and 99% of products are non-GMO. Distribution is via typical grocery stores like Kroger and WalMart, and natural and specialty retailers like Whole Foods. The stock underperformed in the quarter – after a strong second quarter – when the company announced it would not meet its financial targets and that there were accounting irregularities regarding revenue recognition. We eliminated the position as accounting issues can drag on longer than expected and invalidated our original investment thesis.

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 Perkins Small Cap Value Fund are: UniFirst Corp/MA (3.33%), Standard Motor Products Inc (2.66%), Cedar Fair LP (2.42%), Compass Minerals International Inc (2.40%), Simpson Manufacturing Co Inc (2.24%), Banner Corp (2.18%), Black Hills Corp (2.00%), MGM Growth Properties LLC (2.00%), Columbia Banking System Inc (1.98%) and Sun Communities Inc (1.98%). 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.

Real Estate Investment Trusts (REITs) may be subject to additional risks, including interest rate, management, tax, economic, environmental and concentration risks.

A client commitment is not a guarantee that a stated objective will be met.

Beta is a measure of the volatility of a portfolio in comparison to a benchmark index. Less than one means the portfolio is less volatile than the index, while greater than one indicates more volatility than the index.

Up/Down capture shows what percentage of the market's performance (as evidenced by an appropriate market index) the manager "captured." Up market capture is the extent to which the strategy gained value relative to the index over months when the index achieved gains. Down market capture is the extent to which the strategy lost value over months when the index declined. A measure of 100% means the strategy results went up (or down) exactly the same amount as the broader market index.

Russell 2000[®] Value Index measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

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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