PERKINS VALUE PLUS INCOME FUND

PERKINS
INVESTMENT MANAGEMENT

UNCOMMON VALUE℠

PORTFOLIO COMMENTARY | 4Q14

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EXECUTIVE SUMMARY

- The Fund underperformed its primary benchmark, the Russell 1000 Value Index, but outperformed its blended benchmark, the Value Income Index.
- We maintained our overweight in equities during the period.
- While there may be more gains ahead, we believe there is also the potential for greater volatility, and therefore remain cautious in our portfolio positioning.
- Going forward, we have assumed more defensive positioning in fixed income in part by reducing our credit holdings and raising our Treasury weighting.

SUMMARY

The Fund underperformed its primary benchmark, the Russell 1000 Value Index, but outperformed its blended benchmark, the Value Income Index, and its secondary benchmark, the Barclays U.S. Aggregate Bond Index. We maintained our overweight in equities during the period.

Our equity sleeve underperformed the Russell 1000 Value Index. Stock selection in consumer staples and energy detracted from performance, while holdings in the health care and materials sectors contributed. Overall, our sector weightings were additive, led by an underweight in energy, which was the worst performing sector in the index, and overweight positions in both consumer discretionary and consumer staples sectors.

Our fixed income sleeve underperformed the Barclays U.S. Aggregate Bond Index primarily due to our overweight and security selection in corporate credit. From an industry sector standpoint, sector detractors included independent and midstream energy, as well as metals and mining. Sector contributors were led by banks, technology, and chemicals.

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

MARKET COMMENTARY

Stocks rose in the fourth quarter while the U.S. economy continued to gain steam, delivering nearly 5% GDP growth in the third quarter, with the unemployment rate falling to under 6% amid signs of wage growth. Persistently high underemployment, however, remains a troubling counterweight. Corporate balance sheets remain flush with cash but companies continue to add leverage by tapping financing at record low interest rates. Earnings growth also remained strong, coupled with equity valuations that appear buoyed by market optimism. All this occurred with central bank policy accommodation that remains very friendly to risk assets on a global basis although the Federal Reserve (Fed) could become less so in the coming year.

The recent fall in energy prices is likely a blessing, but could possibly be a curse as well. Short term, it should provide a boost in consumer spending, evidenced by early reports of healthy holiday retail activity. Long term, however, a significant portion of U.S. capital expenditures are attributable to the energy complex, and less exploration and production activity could negatively impact the earnings of those firms with exposure. In addition, the U.S. shale revolution has stimulated economic activity in places such as North Dakota and Pennsylvania with high-paying jobs and local economies that have only witnessed rising oil prices. Energy companies have also been active participants in the debt markets, particularly in high-yield issuance, and risks around substantially squeezed profits could spread to financial markets. Clearly, there are winners from lower crude prices, but the collateral damage could appear later. The added variable here is the geopolitical consequences of lower oil prices on volatile countries such as Russia, Venezuela, and much of the Middle East. These risks seem to be reflected to some degree in the price of energy stocks, but the broader markets continued to march to new highs.

Although equities ended the quarter up, sinking oil prices and the subsequent market volatility raised fears that global growth may be slowing. This sparked a safe-haven rotation in the bond market into Treasurys out of fixed income risk assets, like high yield. The prices of long-end Treasurys rallied in particular, and yields on the 10-year and 30-year Treasurys declined materially. The Fed signaled that it remained on track to raise rates in 2015, and that pushed short-end rates higher, flattening the yield curve.

OUTLOOK AND POSITIONING

As we look ahead, the factors that led us to the upcoming six-year anniversary of the bull market continue to be intact, namely the unbelievably loose monetary policy on a global basis. However, the Fed has stated its intention, and has initiated the process, of slowly reducing the amount of liquidity flooded into the system. When looking at economic growth and recent jobs data, one could argue that the data set indicates the U.S. economy is doing just fine and that some accommodation can be curtailed. The counterargument is that the economy is still growing at a tepid pace for this point in a normal economic recovery and given the large amount of debt in the system, central bankers fear debt deflation so interest rates can stay lower for longer. There are certainly bright spots in the market, though we believe they may not warrant the current high level of investor optimism. While there may be more gains ahead, we believe there is also the potential for greater volatility, and therefore remain cautious in our portfolio positioning. Aside from the energy segment, another source of potential volatility could originate from the Fed both from communication to the market as well as its policy intentions. While we believe valuations are fair, if not slightly overvalued, there seems to be little room for error in equity prices. Looking ahead, we believe our portfolios remain well positioned to navigate the current market climate, in terms of both risk exposure and long-term upside potential.

As our sector positioning did not materially change in the quarter, the Fund's equity sleeve is overweight areas that we believe have less absolute downside price risk. In health care, we added to our positions in companies that we believe have great franchises or those that meet our definitions of high quality: strong balance sheets, healthy free cash flow, stable earnings as well as having less absolute downside price risk should the market correct. Several other stocks we added to in the period had traded well off of their highs and we took advantage of price weakness to initiate positions. We believe these opportunities should continue to present themselves if volatility increases, as we have the patience to wait for reward-to-risk ratios to be in our favor.

On the fixed income side, we increased our Treasury weighting as a defensive measure in light of market conditions, though we still remain underweight the benchmark. Furthermore, we have decreased our corporate credit weighting. Although solid U.S. economic growth bodes well for corporate prospects, at this stage in the credit cycle, companies are re-leveraging their balance sheets through share repurchases and expensive acquisitions. Selectivity is key, which plays to our bottom-up, fundamental process of focusing on strong balance sheets and managements.

TOP EQUITY SLEEVE CONTRIBUTORS AND DETRACTORS FOR THE QUARTER ENDED 12/31/14

Top Contributors	Ending Weight (%)	Contribution (%)	Top Detractors	Ending Weight (%)	Contribution (%)
Oracle Corp.	2.38	0.38	Orkla A.S.A.	0.78	-0.27
Phibro Animal Health Corp.	1.11	0.38	Anadarko Petroleum Corp.	1.33	-0.27
Casey's General Stores, Inc.	1.33	0.34	Plains GP Holdings L.P. - Class A	1.25	-0.24
AbbVie, Inc.	1.47	0.24	Ensco PLC - Class A	0.58	-0.20
Patterson Cos., Inc.	1.38	0.24	Schlumberger, Ltd. (U.S. Shares)	1.23	-0.19

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

Oracle Corp.: Oracle was a strong contributor in the quarter as the company posted operating results that beat Street expectations on both the revenue and earnings lines. Oracle did a good job selling its traditional application and database software, as well as selling its newer hosted software solutions, which represent the higher growth markets for the company. Additionally, Oracle controlled costs well, even as the company invested in its newer product offerings. Despite the strong performance of the shares, we continue to hold our position in Oracle as we believe the company still has an attractive reward-to-risk ratio, a strong balance sheet, and generates consistent free cash flow.

Phibro Animal Health Co.: Phibro outperformed this quarter as the company continued to report stronger than expected results. The animal health company is well positioned to benefit from the overall higher demand for animal protein consumption. We trimmed some of the position on strength, but continue to hold as we believe the reward-to-risk ratio remains favorable despite the recent stock outperformance. Furthermore, we believe recent transactions in the animal health industry more than support the current valuation of the stock.

Casey's General Stores: Casey's General Stores operates gas stations and convenience stores throughout small towns in the Midwest, and is slowly expanding into the Southeast. The steep decline in crude, and ultimately gasoline prices, were the main driver behind the stock's rally in the quarter. Gasoline margins at Casey's typically benefit when wholesale gasoline prices decline as retail prices at the pump are stickier on the way down. Casey's has done a solid job in executing its growth strategy – evidenced by strength in same-store sales of grocery items and prepared foods during the quarter. Over the past two years, other publicly traded convenience store chains have been acquired by master limited partnerships (MLPs), adopted MLP structures, or have been acquired by parent companies that own MLPs, any of which could unlock further value at Casey's should management elect to go that route. We trimmed the stock on strength as the reward-to-risk ratio became less favorable.

TOP DETRACTORS

Orkla A.S.A.: Orkla is a Norwegian conglomerate consisting primarily of branded consumer staples, an aluminum business, and an investment portfolio. Over the last few years, management has been selling some assets and buying others in an attempt to become a pure branded goods company and shed its conglomerate discount. With this process now in the later innings, Orkla's board recently hired a new CEO with extensive experience in branded goods to begin a multiyear process of attempting to maximize the value of this core business, by improving organic growth and running a tighter ship operationally. Early progress has been mixed, with earnings during the period coming in slightly below consensus expectations. While the stock only fell 12% in local terms, this was amplified by a significant fall in the Norwegian currency, which has been impacted by falling oil prices. We continue to believe the reward-to-risk ratio is favorable over our investment time horizon.

Anadarko Petroleum Corp.: Anadarko Petroleum Corp is an independent exploration and production company with core assets in some of the most prolific oil and gas basins in the world. The precipitous drop in global crude prices to levels not seen since the 2008-2009 financial crisis weighed heavily on Anadarko's share price as well as the entire exploration and production industry. During the quarter the company reported very solid cash flow generation and increased its fiscal year production guidance for 2014 but declining crude prices and a lower earnings outlook for 2015 offset the strong execution. Anadarko gained operational momentum as it sold noncore assets and finalized a settlement for its Tronox litigation which should be fully behind the company in early 2015. Although the shares traded down 18.4% during the quarter, we are encouraged by its better-than-average balance sheet and diversified oil and gas mix. We continue to think that the company has a world-class asset base, strong management team and the financial flexibility to manage the company in the volatile commodity environment, thus we added on weakness.

Plains GP Holdings LP (PAGP): Plains GP Holdings LP (PAGP) is the general partner of Plains All American Pipeline, LP. PAGP has increasing claims on the cash flows generated by its limited partner which has benefited from increasing crude oil volume growth in the US. The shares modestly underperformed its MLP peers as a very strong third quarter earnings report was not enough to offset conservative 2015 distribution guidance and the rapid decline in crude oil prices. The company also acquired 50%

TOP DETRACTORS (continued)

of the BridgeTex pipeline joint venture from Occidental Petroleum that should complement PAGP's growing asset base in the Permian Basin. We slightly added to our position on weakness.

TOP FIXED INCOME SLEEVE 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 (%)
U.S. Treasury Notes/Bonds	20.12	0.06	California Resources Corp	1.18	-0.21
Royal Bank Of Scotland	2.27	0.06	Chesapeake Energy Corp	1.37	-0.09
Seagate	1.12	0.03	Kodiak Oil & Gas Corp	0.50	-0.06
Albemarle Corp	0.30	0.03	Cimarex Energy Co	1.18	-0.06
General Motors Co	2.61	0.02	Continental Resources Inc	0.67	-0.05

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.

The Fund's fixed income sleeve underperformance was driven by our security selection within corporate credit, specifically energy-related credits, as well as by an overweight to corporate credit in general. Furthermore, 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.

We believe it is important to note that the sharp decline in crude oil prices in the fourth quarter sparked indiscriminate selling in energy-related corporate credit, primarily within the high-yield market. In our view, this led to individual company fundamentals being ignored. 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.

One energy sector in particular, independent energy, significantly detracted from the Fund's relative performance overall. The midstream energy sector was another top relative detractor. Reflecting our focus on capital preservation, we reduced our energy exposure given the potential for the price of crude oil to extend its decline.

The banking and chemicals sectors within corporate credit were additive on a relative basis. Our out-of-index high-yield exposure in corporate credit helped make spread carry, or the excess yield generated by individual securities versus the index, a relative contributor.

Our Treasury allocation was the fixed income sleeve's largest asset class contributor on a relative basis due to yield curve positioning. Specifically, we had boosted 10-year and 30-year Treasury exposure in our Treasury allocation versus the index when bond prices on the long end of the curve rallied during the quarter. This helped relative performance because duration is a bond's price sensitivity to its change in yield.

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 Perkins Value Plus Income Fund are: U.S. Treasury Notes/Bonds (2.14%), United States Treasury Note/Bond (1.60%), Pfizer, Inc. (1.55%), Wells Fargo & Co. (1.54%), Oracle Corp. (1.41%), JPMorgan Chase & Co. (1.29%), U.S. Treasury Notes/Bonds (1.27%), PPL Corp. (1.21%), Canadian Pacific Railway, Ltd. (U.S. Shares) (1.06%) and Teva Pharmaceutical Industries Ltd. (0.97%). 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.

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.

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.

Russell 1000® Value Index measures the performance of those Russell 1000® companies with lower price-to-book ratios and lower forecasted growth values.

Barclays U.S. Aggregate Bond Index is made up of the Barclays U.S. Government/Corporate Bond Index, Mortgage-Backed Securities Index, and Asset-Backed Securities Index, including securities that are of investment grade quality or better, have at least one year to maturity, and have an outstanding par value of at least $100 million.

Value Income Index is an internally-calculated, hypothetical combination of total returns from the Russell 1000® Value Index (50%) and the Barclays U.S. Aggregate Bond Index (50%).

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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