1Q17 PORTFOLIO COMMENTARY

Janus Balanced Fund
Janus Aspen Balanced Portfolio

JANUS®

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Executive Summary

- The Fund outperformed the Balanced Index during the first quarter of 2017.
- Stock selection in industrials aided the outperformance of our equity sleeve. Outperformance in the fixed income sleeve was driven by our investment-grade corporate credit holdings.
- Despite rich valuations, we believe equities will continue to present more attractive risk-adjusted opportunities relative to fixed income.

Investment Environment

U.S. stocks continued their strong run well into the first quarter. Optimism was premised on the belief that the Trump administration would champion a series of pro-growth reforms. Even prior to any legislation being passed, economic data indicated continued improvement in the U.S. economy. Gains in nonfarm payrolls accelerated and average hourly wages registered the highest year-over-year increase since 2009. A key U.S. manufacturing survey also achieved a recent high. This backdrop allowed the Federal Reserve (Fed) to raise interest rates by a quarter of a percentage point at its March meeting.

After peaking in early March, many key U.S. indices slid over the remainder of the period. Republicans abandoned their replacement plan for the Affordable Care Act (ACA), which raised concerns that other anticipated reforms would not be successful. On a sector basis, information technology registered solid returns. Energy slipped, in part, on a decrease in global crude oil prices and a ramp-up in U.S. production.

Bonds were largely range-bound during the quarter as market participants began reassessing the Trump reflation trade and the government's ability to effectively implement its policy agenda. The dollar weakened and inflation expectations tapered. Despite climbing in the days leading up to the Fed meeting, nominal Treasury yields hovered in a tight band over the period. The yield on the 10-year note closed March at 2.39%, down from 2.44% in December. While corporate credit spreads widened late in March, they ultimately finished tighter for the quarter, due in part to decent company fundamentals and synchronous global growth. Gains were more notable in high yield.

Performance Discussion

The Fund, which seeks to provide more consistent returns over time by allocating across the spectrum of fixed income and equity securities, outperformed the Balanced Index, a blended benchmark of the S&P 500 Index (55%) and the Bloomberg Barclays U.S. Aggregate Bond Index (45%). The Fund underperformed its primary benchmark, the S&P 500 Index, and outperformed its secondary benchmark, the Bloomberg Barclays U.S. Aggregate Bond Index.

Compared to the Balanced Index, the Fund remains overweight equities, with a 64% allocation to stocks, approximately 36% in fixed income and a small portion in cash. Our quarter-end allocation reflects our view that on a risk-adjusted basis, equities present more attractive opportunities relative to fixed income. The equity weighting may vary based on market conditions.

The Fund's equity sleeve outperformed its benchmark, the S&P 500 Index. At the sector level, stock selection in industrials was a leading contributor to relative results. Our significant underweight allocation in energy also proved beneficial as the sector grappled with a drop in crude oil prices. Performance further benefited from our holdings in the strong-performing consumer discretionary sector. Stock selection in information technology, financials and consumer staples detracted on a relative basis.

Adobe Systems was the top individual contributor this quarter. Our investment thesis was validated as the company's shift from a licensed-software model to a recurring revenue, subscription-based model continued to accelerate. We appreciate the higher

predictability of earnings and cash flow associated with the new approach. Additionally, Omniture, the company's online marketing tool, had better-than-expected growth during the quarter.

Boeing was another large contributor. The airplane manufacturer rose after reporting stronger-than-expected fourth quarter earnings. Additionally, global air traffic continues to grow, which means more wear and tear on jets and, as a result, the faster replacement of planes – providing a favorable backdrop for the company's commercial airline business. We like Boeing's ability to generate free cash flow, which management often returns to shareholders, and appreciate the recent dividend increase.

Apple also contributed to results as iPhone sales stabilized during the quarter. This has lent to considerable optimism for the launch of Apple's 10-year anniversary product later this year. The continued growth of their high-margin services business further aided the stock's performance. This business line is growing into a material portion of company profits and is more stable than product-based revenues that depend on innovation cycles. Investors also identified Apple as a beneficiary of potential tax reform that would enable multinationals to repatriate cash to the U.S. under less punitive rates. This could allow them to invest further in the business through merger and acquisition (M&A) activity, or return additional cash to shareholders. We appreciate that the company continues to return cash to its shareholders in the form of dividend increases and share buybacks.

Detracting most from results was TD Ameritrade. Shares of the discount broker fell after competitors cut trading fees. As a result, TD Ameritrade reduced its commissions by 30%. Although we believe lower fees will weigh on near-term revenues, we continue to like the stock. TD Ameritrade's commissions are still roughly $2 higher than peers', which we think reflects the value of the company's product. We also believe the fee war in the industry has reached a bottom. Further, TD Ameritrade's recent acquisition of Scottrade gives the company more scale and, in our opinion, will help improve margins as cost synergies are realized.

Bristol-Myers Squibb was another leading detractor. Shares of this pharmaceutical giant stumbled after the company announced in January that it would forgo attempting to get quick approval from the Food and Drug Administration (FDA) for its combination immuno-oncology (IO) lung cancer treatment, suggesting that Bristol-Myers is less optimistic about trial results for this treatment. While we remain positive on IO and Bristol-Meyers' influence in the space, as well as on the company's broader portfolio, the aforementioned concerns led us to trim our position.

Kroger, a national grocery-store chain, also weighed on returns during the quarter. Given the company's fixed cost base, the stock suffered from the continued decline in food prices. Although Kroger continues to gain market share from its competitors, the gains have slowed amid increased competition. We think the capital investments that Kroger is making in both new and existing stores will eventually lead to higher free cash flow per share. However, we are concerned about the challenging environment and are closely monitoring the stock.

The Fund's fixed income sleeve outperformed its benchmark, the Bloomberg Barclays U.S. Aggregate Bond Index. We maintained our opportunistic approach to corporate credit during the quarter. Our analysts continued to identify opportunities in bank loans, the lower rated tiers of investment grade and shorter dated issues within high yield. Our belief that, going forward, inflation is unlikely to increase at the pace of recent months, led us to close our position in Treasury Inflation-Protected Securities (TIPS). Economic expansion may also be muted, given the challenges present in implementing new fiscal policy. While we added back duration year to date, we remain defensive on rates. Fund duration ended March at 96% of the benchmark.

Outperformance was driven by our corporate credit positioning. Security selection in investment-grade corporates was particularly strong. Our emphasis on owning securities in the lowest tier of investment-grade ratings aided relative results, as "riskier" assets performed well during the period. For similar reasons, an out-of-index allocation to high yield contributed positively to performance. Our focus on securities that can provide greater spread carry than the index also proved beneficial. Carry is a measure of excess income generated by the Fund's holdings.

At the credit sector level, banking and brokerage, asset managers and exchanges were among the leading contributors. Financials generally benefited from the prospect of a more relaxed regulatory environment under the Trump administration and rising interest rates, which help pad net interest income. Security selection further contributed to outperformance in the banking sector, largely due to preferred exposure and bank hybrids, which behave akin to high-yield corporate credit.

The technology sector was also accretive. Improving global growth and the anticipation of greater capital investment lifted the sector as a whole during the quarter. Additionally, spread compression across a number of our overweight positions supported relative results.

Asset manager Neuberger Berman led relative corporate credit contributors. We like the company's conservative management team and its commitment to reducing leverage. Our longer dated exposure in the name benefited from spread tightening.

Our emphasis on prudent position sizes and maintaining a well-diversified portfolio resulted in minimal performance impact from other corporate issuers. No credit sector weighed materially on relative performance.

On an asset class basis, outperformance was supported by our underweight allocation to U.S. Treasurys. Security selection and spread carry in our commercial mortgage-backed securities (CMBS) also boosted relative results. Our CMBS exposure is concentrated in securities in which our analysts can form a constructive fundamental view on the underlying assets. We allocate to higher quality, shorter duration positions that we believe can offer cash flow stability.

We have been emphasizing U.S.-centric companies, with limited exposure to the volatility in foreign currency markets. With emerging market debt posting gains over the period, our general lack of exposure to government-related securities was the primary detractor from relative performance. These securities, many of which are issued by emerging markets issuers, include government agency debt as well as debt issued by state-owned firms.

An out-of-index allocation to bank loans also held back relative performance. A number of refinancing initiatives took place during the quarter which created a headwind for performance in the out-of-index asset class. Many benchmark constituents – which benefited from price appreciation as long term rates declined – performed better. We remain constructive on loans, as the coupons on these floating-rate instruments will benefit from a tightening Fed and subsequently higher LIBOR rates. In the months ahead, we expect loans – which have a senior position in the capital structure – to offer stable and attractive risk-adjusted opportunities with lower volatility than the high-yield market.

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

Outlook

In our view, U.S. equities remain well positioned. Despite historically high valuations, stocks continue to present stronger risk-adjusted opportunities relative to fixed income. As such, we intend to maintain our overweight allocation to equities as we move into the second quarter. Additionally, equities are set to benefit from both the strengthening U.S. economy and business-friendly fiscal initiatives. Although the recent failure of the ACA replacement plan has raised concerns about the Trump administration's ability to execute on other areas of its policy agenda, we remain optimistic that some pro-business changes can be made. Given the possibility of future volatility, however, we remain focused on finding companies that can continue to grow earnings and free cash flow over the long term.

Continued improvement in the U.S. economy will afford the Fed the ability to tighten further in 2017. As the Fed seeks to normalize interest rates, we believe increases will be measured in order to avoid derailing economic growth. Shifting monetary policy may pressure front-end yields higher; however, attractive returns relative to other safe-haven debt should entice foreign buyers and keep Treasurys range-bound, particularly on the long end of the curve.

Both investment-grade and high-yield corporate credit spreads have compressed through their 10-year averages, and demand remains robust. With rates set to rise, we are closely watching the ability for spreads to hold near current levels. Successful implementation of tax reforms, deregulation initiatives and infrastructure spending could bolster corporate fundamentals and support further spread tightening. However, we expect spreads to trade in a tighter band as investors await the next steps. Within the fixed income sleeve, our focus remains on higher quality business models, free-cash-flow generation potential and management teams committed to a sound balance sheet. In our view, responsible position sizing and security avoidance will be valuable tools in navigating the months ahead. Our objective is to participate in spread tightening while keeping capital preservation at the forefront.

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

Top Contributors	Ending Weight (%)	Contribution (%)	Top Detractors	Ending Weight (%)	Contribution (%)
Adobe Systems Inc	2.90	0.65	TD Ameritrade Holding Corp	1.81	-0.23
Boeing Co	4.37	0.60	Bristol-Myers Squibb Co	1.69	-0.18
Apple Inc	2.73	0.58	Kroger Co	0.90	-0.16
CSX Corp	2.25	0.56	Synchrony Financial	2.38	-0.14
Priceline Group Inc	2.56	0.48	Colony NorthStar Inc	0.91	-0.10

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

Adobe: We believe the company is poised to increase profits as its digital media business moves from a perpetual license-based business model to a subscription-based business model. We also believe Adobe's digital marketing business, which helps advertisers create digital content, is well positioned for the transition in advertising spending away from traditional media toward digital advertising platforms.

Boeing: The Boeing Company is the largest manufacturer of commercial jet aircraft in the world. The company also builds military aircraft and provides support services to both commercial airlines and the U.S. military. We believe Boeing could have the opportunity to grow its domestic and foreign defense businesses, particularly if the new U.S. administration is willing to increase defense spending. Growth in commercial air travel globally should lead to strong demand for its commercial airplanes, as will the increasingly efficient and reliable planes being produced through Boeing's innovation pipeline. Boeing also continues to make progress on lowering the production costs of the 787 aircraft. The cost reductions have led to higher free cash flow, which enabled the company to increase its dividend and repurchase shares.

Apple: One of the world's largest mobile device and computer makers, Apple has been the beneficiary of incremental sales opportunities and increased penetration in new geographies, mobile service providers and product categories.

CSX Corp.: The company provides traditional rail services and the transport of intermodal containers across the eastern U.S. With accelerating intermodal growth and the

Top Detractors

TD Ameritrade: We believe the online broker is a best-in-class asset gatherer. We also like that TD Ameritrade has outsourced banking operations, which, in our opinion, allows the broker to run a capital-light business model that helps generate free cash flow in excess of net income and deliver attractive returns. Going forward, we believe TD Ameritrade will benefit from the dual tailwinds of retiring baby boomers moving assets from defined contribution plans to rollover IRAs and younger investors preferring to do financial planning online.

Bristol-Myers Squibb: We like the potential for the company's immuno-oncology franchise, headlined by Opdivo, which is proving effective in treating an expanding number of cancers and is already approved for the treatment of lung cancer, kidney cancer, skin cancer, head and neck cancer and Hodgkin's lymphoma. Opdivo also has the potential to be combined with other immuno-oncology agents, but those combinations are still under development.

Kroger: The company operates supermarkets and convenience stores in the U.S., and manufactures and processes some of the foods that its supermarkets sell. As a best-in-class retailer, they continue to gain market share with private label brand expansions, their loyalty program and sophisticated data analytics. We also believe that capital investments Kroger is making in new and existing stores will lead to higher free cash flow per share over the next couple of years.

Synchrony Financial: We continue to favor the company for its private label credit card business, where it has an estimated 40% market share. This business line, in our view, is quite stable given the preponderance of long-term

Top Contributors (continued)

stabilization of coal and other commodity groups, carload volumes are expected to stabilize in 2017 and beyond. Additionally, we believe internal management changes will drive significant operational improvement at CSX relative to its peer group. In our view, the operational leverage continues to be underappreciated by the market, as cost efficiencies should allow CSX to realize industry-leading incremental margins.

Priceline Group Inc.: We like the online travel company for its market-leading position in online hotel bookings, the most fragmented and profitable segment of the travel industry, in our view. Despite impressive growth since 2004, Priceline still has only a modest market share of global hotel bookings, but it is gaining market share as more consumers shift their behavior to booking online. We also like its long-term growth prospects in Europe and Asia.

Top Detractors (continued)

contracts with clients. We believe Synchrony offers a significant value proposition for retailers, because Synchrony can collect data on customers' purchases and help retailers create advertising campaigns and promotions that will drive more store traffic and purchase volume. We also like the changes the company has made since its initial public offering, namely investing heavily in its capabilities.

Colony NorthStar: Colony NorthStar is the result of a recent merger between global real estate and investment management firm Colony Capital and sister firms NorthStar Asset Management Group and NorthStar Realty Finance. We believe the merger complements Colony's existing real estate business and will be very accretive to profits. In our view, the company benefits from exposure to less traditional areas of real estate, including single-family homes and hospitality assets. In addition, we like the stock's attractive valuation and ample dividend yield.

Top Fixed Income Sleeve Relative Contributing and Detracting Issuers Held for the Quarter Ended 3/31/17

Top Contributors	Average Weight (%)	Relative Contribution (%)	Top Detractors	Average Weight (%)	Relative Contribution (%)
Neuberger Berman Group	0.56	0.03	Federal National Mortgage Assn	14.87	-0.03
U.S. Treasury Notes/Bonds	12.52	0.03	U.S. Treasury Bills	1.34	-0.01
Citigroup Inc	0.97	0.02	Aramark Services Inc	0.51	-0.01
Aetna Inc	0.63	0.02	Alabama Power	0.66	-0.01
Universal Health Services	0.42	0.01	Kinder Morgan Energy Partners	0.48	-0.01

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Relative contribution is the difference between the issuer's contribution to the portfolio's performance versus that issuer's contribution to the benchmark's performance. It reflects how the portfolio's holdings impacted return relative to the benchmark. Cash and issuers not held in the portfolio are excluded.

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.

The discussion and data quoted are based upon the results, holdings and characteristics of the Janus Investment Fund ("JIF") mutual fund. Such data may vary for the Janus Aspen Series ("JAS") portfolio due to asset size, investment guidelines, diversity of portfolio holdings and other factors. We believe the JIF mutual fund most closely reflects the portfolio management style for this strategy.

As of 3/31/17 the top ten portfolio holdings of Janus Balanced Fund are: Microsoft Corp (3.20%), Boeing Co (2.79%), Mastercard Inc (2.66%), Altria Group Inc (2.39%), Amgen Inc (2.34%), Alphabet Inc (2.08%), LyondellBasell Industries NV (2.07%), Costco Wholesale Corp (1.88%), Adobe Systems Inc (1.85%) and CME Group Inc (1.83%). 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.

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.

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.

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.

S&P 500® Index reflects U.S. large-cap equity performance and represents broad U.S. equity market performance.

Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based measure of the investment grade, US dollar-denominated, fixed-rate taxable bond market.

Balanced Index is an internally-calculated, hypothetical combination of total returns from the S&P 500® Index (55%) and the Bloomberg Barclays U.S. Aggregate Bond Index (45%).

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

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