
FINANCIAL MARKETS REVIEW: 3Q2009



Agenda

- **Market Review**
- **Macro Review**
- **Sector Review**
- **Key Conclusions**

Data presented reflects past performance, which is no guarantee of future results.

The opinions are those of the authors as of September 30, 2009, except where noted, and are subject to change at any time due to changes in market or economic conditions. The comments should not be construed as a recommendation of individual holdings or market sectors, but as an illustration of broader themes.

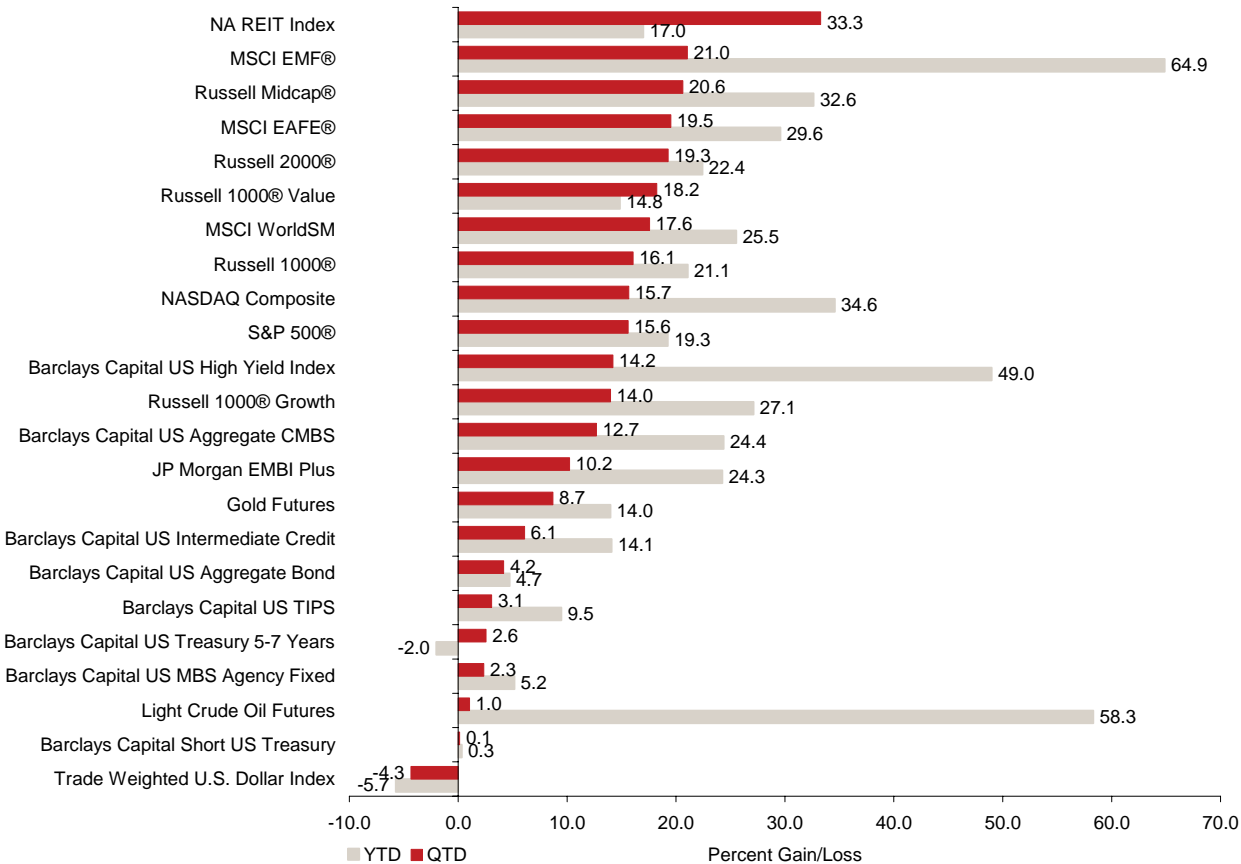
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Performance of Major Asset Classes: 3Q & YTD 2009



As of September 30, 2009

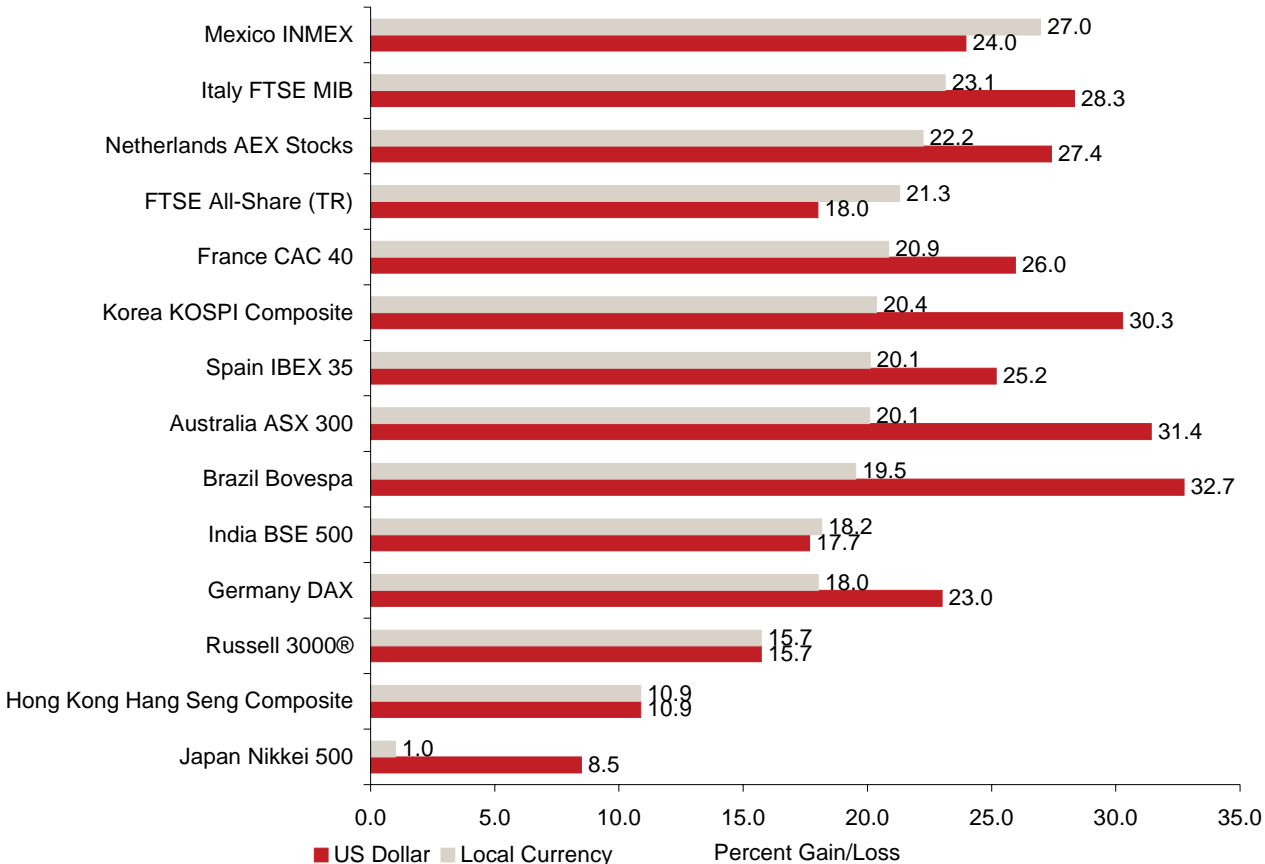
Source: Bloomberg, local currency total return performance shown

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Key Takeaways

- Real estate continued to rebound, outperforming for a second-straight quarter and pushing into positive territory for 2009
- Non-U.S. stocks were top gainers during the quarter; emerging market stocks edged out those of developed markets in 3Q, but remain the top performing asset class in 2009
- Small cap stocks outperformed large caps during the quarter and value stocks outperformed growth during 3Q, but still sharply lag growth stocks in 2009
- High yield remains one of the strongest asset classes in 2009, while long-term Treasuries remain in negative territory for the year
- Crude oil posted a small gain in 3Q, but is up over 58% in 2009
- U.S. dollar extended its weakness during the quarter

Performance of Global Markets: 3Q2009



As of September 30, 2009

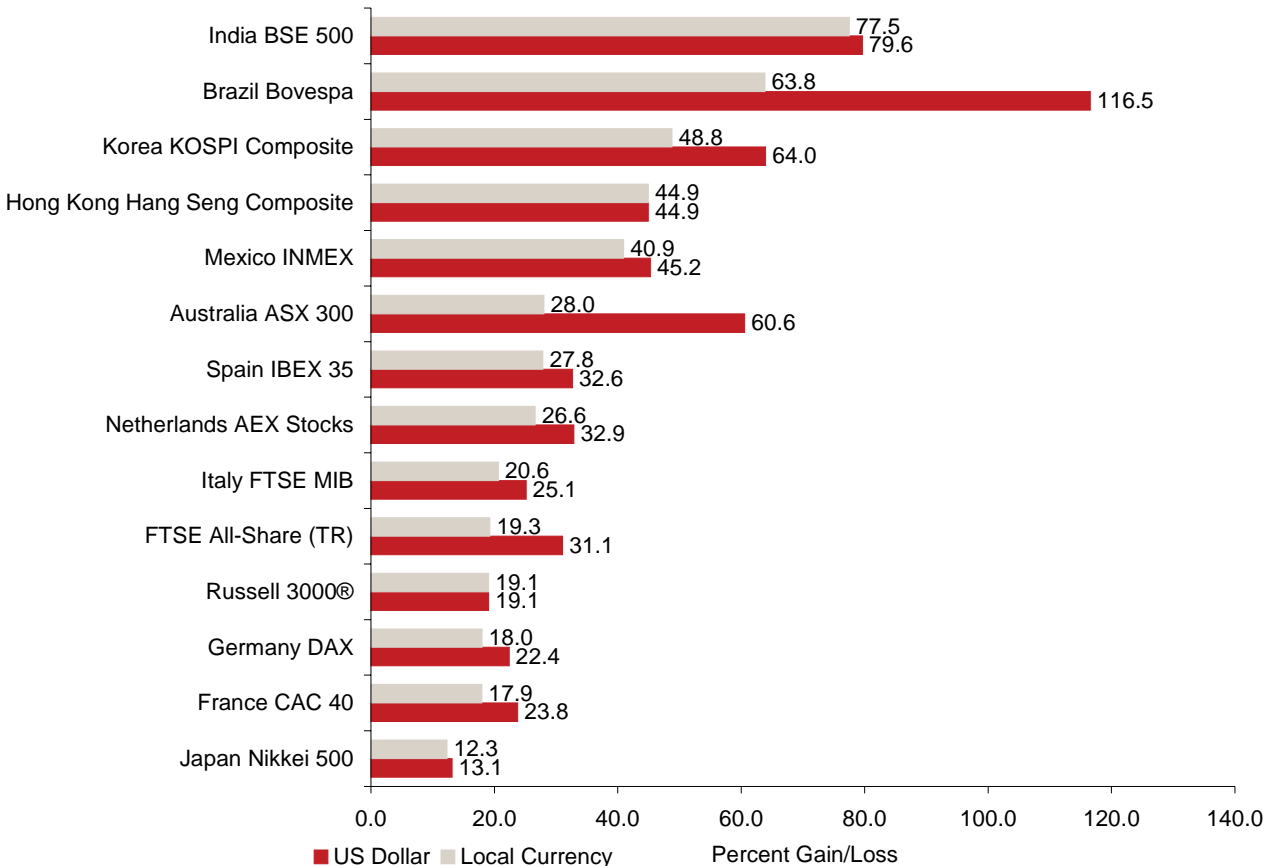
Source: Bloomberg, price performance shown

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Key Takeaways

- Developed European markets were strong performers with Italy and the United Kingdom among the top gainers
- Emerging market returns were led by Mexico, Korea and Brazil
- Japan notably lagged with a small gain during the quarter

Performance of Global Markets: YTD 2009



As of September 30, 2009

Source: Bloomberg, price performance shown

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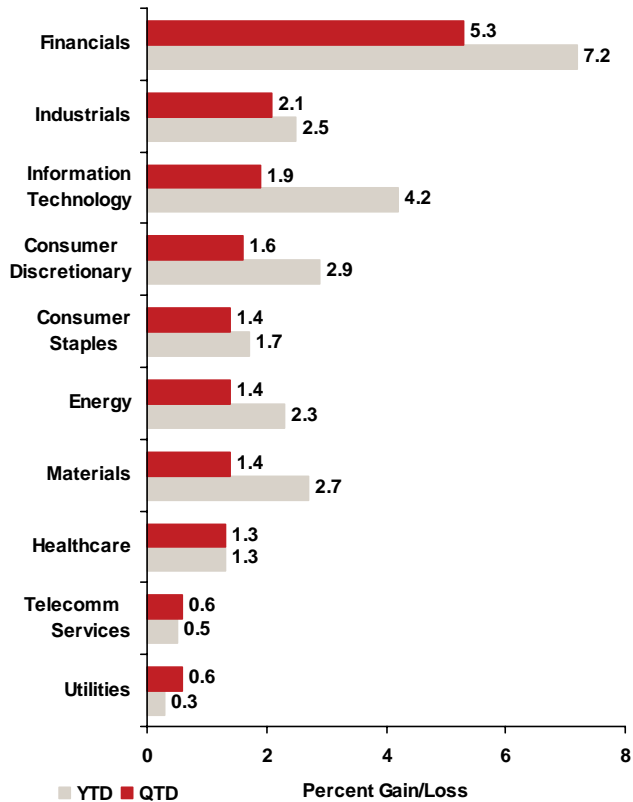
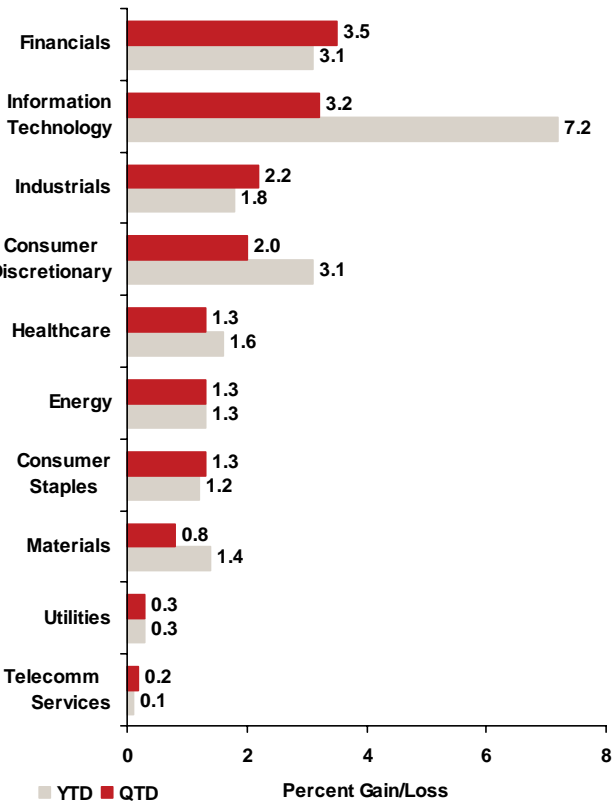
Key Takeaways

- Developing country stocks have outperformed during 2009, led by India and Brazil, while Japan and other large European markets have lagged
- So far in 2009, currencies of commodity-based economies (Brazil and Australia) have seen the largest increases versus the U.S. dollar relative to the currencies of other economies

Performance Contribution of Major Sectors

**Russell 1000® Contribution by Sector
3Q09 & YTD**

**MSCI WorldSM Contribution by Sector
3Q09 & YTD**



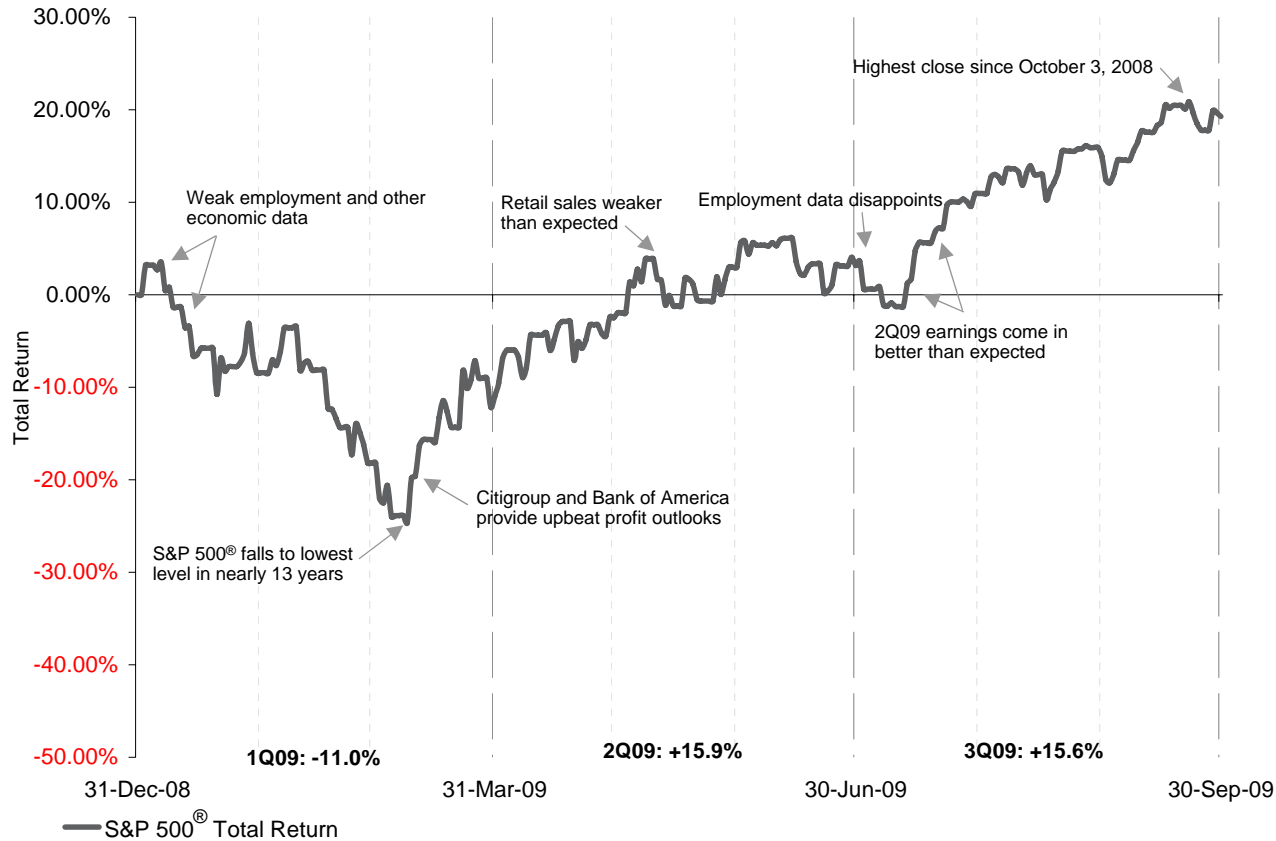
Key Takeaways

- Financials were the top performing sector worldwide with industrials and information technology stocks topping the list of gainers in 3Q
- Technology was the top performing group in the U.S. for 2009
- Telecommunications and utilities lagged for both periods

As of September 30, 2009 (in US dollar).
Source: Wilshire Atlas, total return performance shown

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U.S. Equity Market YTD 2009: Rally continued



S&P 500® Index finished with a 19.3% year-to-date gain

As of September 30, 2009 (in US dollar).
Source: Bloomberg, total return shown

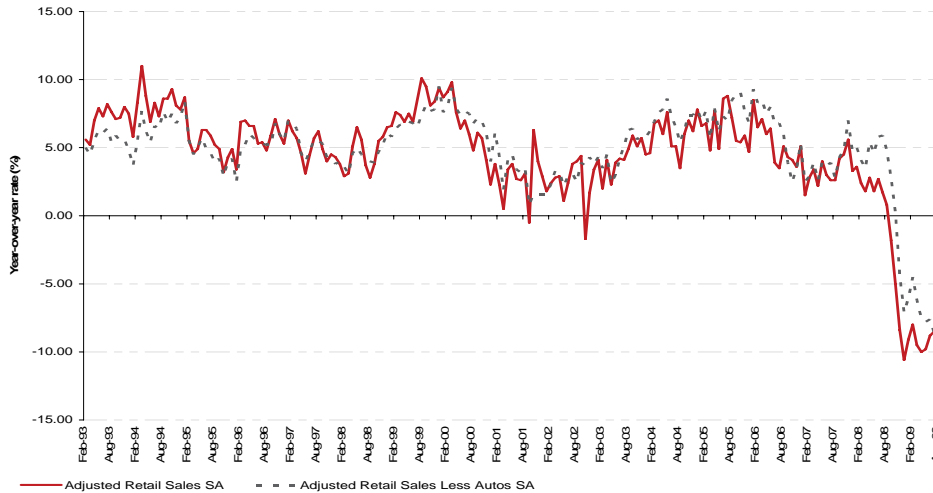
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Key Takeaways

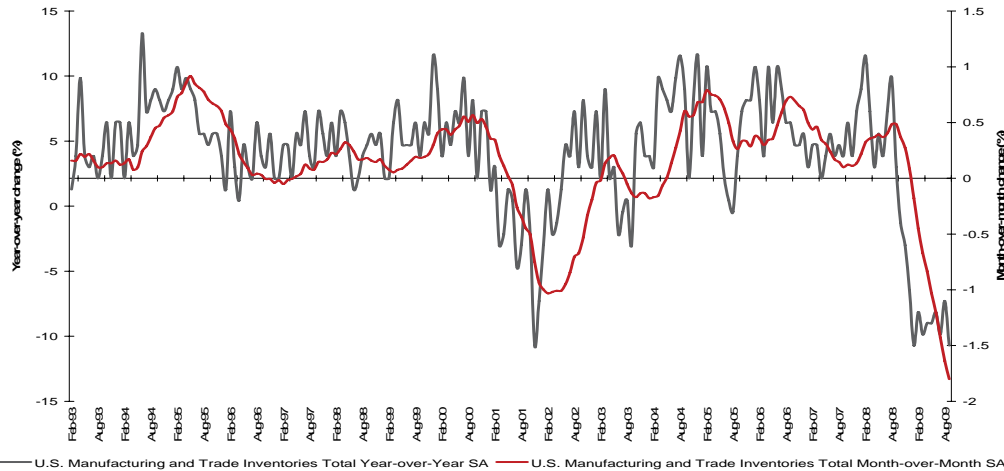
- Strongest back-to-back quarterly performance for the S&P 500® Index since 1975
- The S&P 500® Index finished the quarter more than 58% above its March lows but still 29% below October 2007 high
- Employment remained a concern, but corporate profitability has been surprisingly strong
- Economy continued to stabilize, the U.S. consumer showed signs of life, but concern over the health of the consumer remained

Consumer and Inventories

U.S. Seasonally Adjusted Retail Sales Yearly Change



U.S. Manufacturing and Trade Inventories (seasonally adjusted)



As of September 30, 2009.

Source: U.S. Census Bureau, Bloomberg

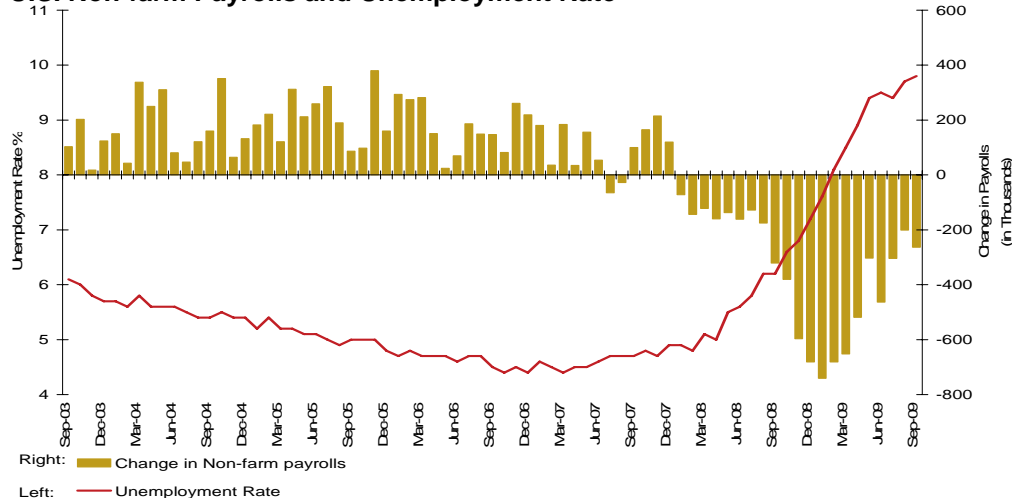
Key Takeaways

- Consumer showing signs of awakening from recent hibernation, even post 'back to school' and 'cash for clunkers'
- Businesses have been reluctant to use cash to build up inventory levels, despite the change in trend for retail sales
- Ultimately, if retail sales continue to improve, inventory levels will likely need to be replenished, which could create employment demand.

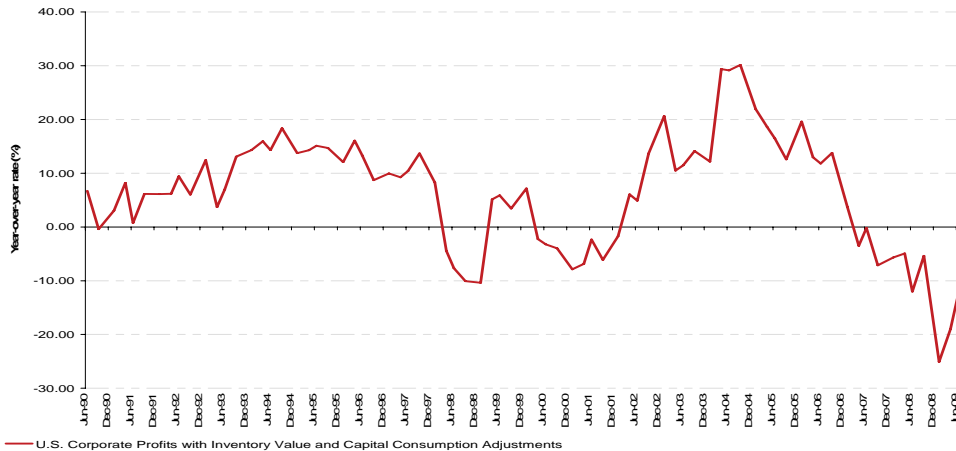
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Employment and Profits

U.S. Non-farm Payrolls and Unemployment Rate



U.S. Corporate Profits



As of September 30, 2009. *Subject to revisions
Source: Bureau of Labor Statistics, Bloomberg

Key Takeaways

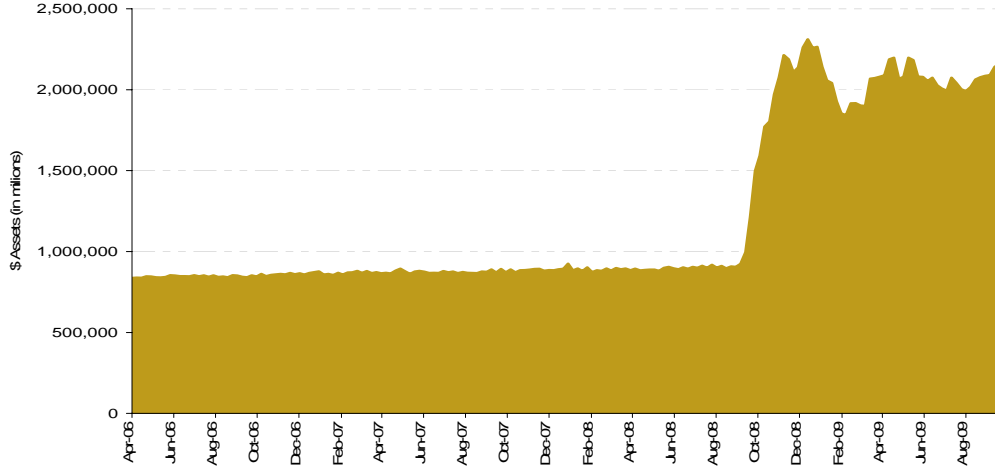
- Weak labor market
 - Nonfarm payrolls continue to fall, but at a slower pace
 - Unemployment rate (Sep): 9.8%*
 - Employment is still negative, but strength of the U.S. consumer and confidence from U.S. businesses could turn the tide on the employment trend

- Improving corporate profitability
 - Businesses were very aggressive in cutting expenses and headcount
 - Evident in second quarter's better-than-expected earnings reports
 - Companies now face a different decision to rehire and increase cost flexibility, or maintain current margin structures and wait for more visibility on the economy

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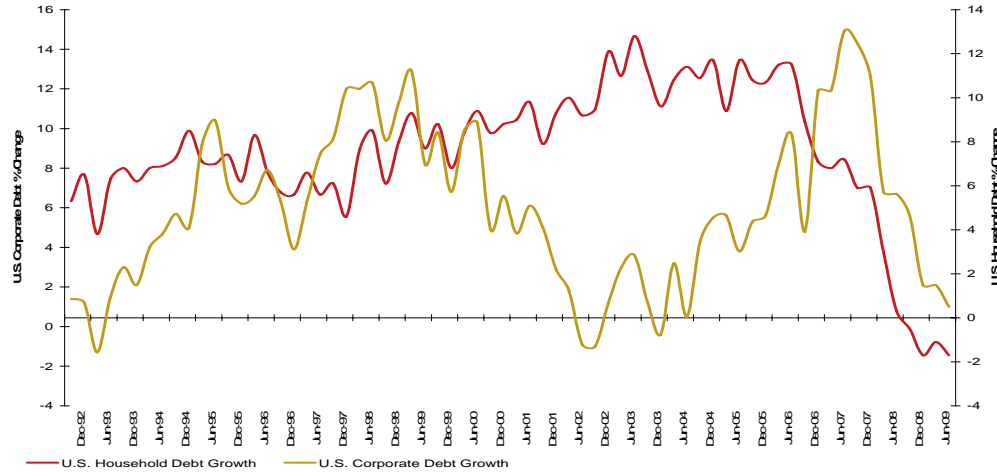
Public and Private Debt

Federal Reserve Balance Sheet



■ All Federal Reserve Banks Total Assets (H.4.1 Release)

Growth of Corporate and Household Debt in U.S.



As of September 30, 2009.

Source: Federal Reserve, Bloomberg

Key Takeaways

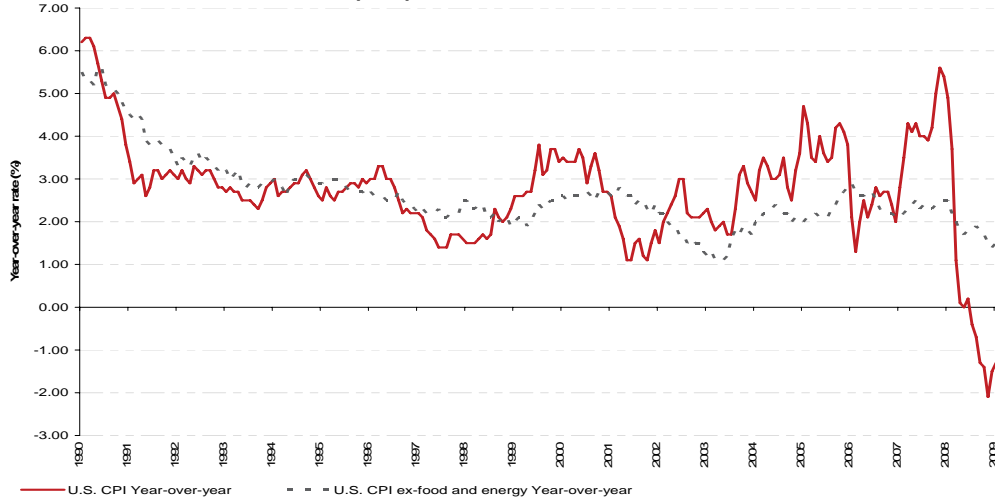
- Fiscal picture is uncertain
 - High U.S. Government debt levels are a concern for future inflation and health of the U.S. economy

- Corporate and household demand for debt remains low

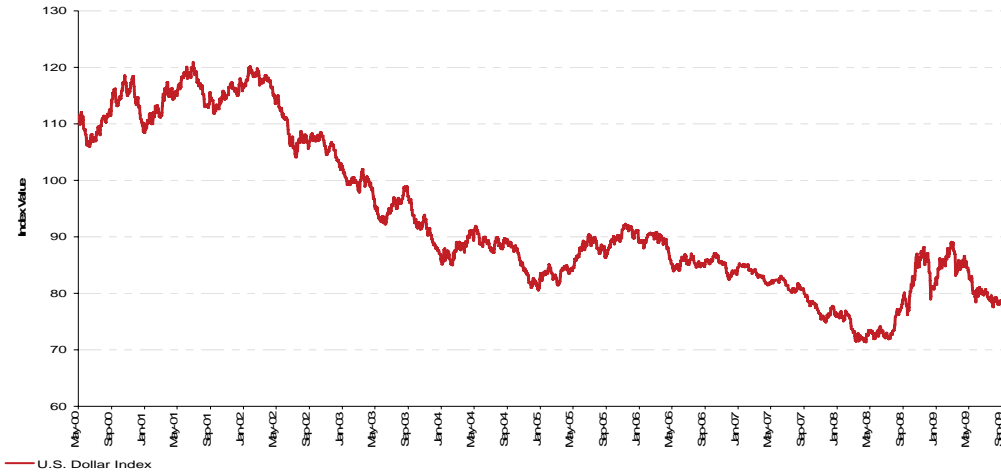
- Credit markets remain key
 - Availability and bank capacity has improved, but
 - Willingness of consumers and businesses to borrow remains low

Inflationary Pressures

U.S. Consumer Price Index (CPI)



U.S. Dollar Index



As of September 30, 2009.

Source: Federal Reserve, European Central Bank, Bank of England, Bloomberg

Key Takeaways

- Consumer inflation still low
 - Annual CPI (Sep): -1.3%
 - Annual Core CPI (Sep): 1.5%

- Monetary stimulus and fiscal stimulus
 - Federal Reserve working to “reflate” the economy

- The combination of increased U.S debt levels and fear around future inflation has put pressure on the dollar

Overall market

- “Why Credit Matters” phenomenon¹ is playing out in our view, resulting in treasury, agency debt and agency mortgage sectors underperforming credit
- Despite a significant rally (spread tightening), we think corporate credits are still attractive relative to longer term spread averages
 - Individual company fundamentals will likely drive next leg of spread tightening
 - Company pay-down of debt continued to provide support for the corporate market via reduced supply
 - Economically sensitive sectors: metals, chemicals, retailers appeared attractive to us from a fundamental perspective
- Mortgage sector spread premium was unattractive to us relative to corporate opportunities

¹For a more detailed explanation please refer to Janus Investment Insights Series - July 2009, “Why Credit Matters: Fixed Income Investing in a Changed Landscape.” To obtain a copy of brief please visit janusinstitutional.com.

Janus Fixed Income Perspective

Technology

- Entering period where information technology spending could lag revenue growth of corporations
- Many companies with leverage (operating, financial and to an economic recovery) moved sharply in last six months. At period end, valuations of these looked stretched to us, generally
- Key Themes:
 - Growth in handheld computer use
 - Trend towards software as a service
 - Increased demand for security and infrastructure software
 - Attractiveness of the connector market
 - (New) Advertising recovery and unappreciated value of content providers and properties

As of September 30, 2009

Source: Wilshire Atlas, total return performance shown

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Janus Equity Perspective

	3Q09	1 Year
Russell 1000[®] Index	16.77%	7.95%
MSCI World IndexSM	15.65%	5.38%

Financials

U.S. Financials

- Adding risk: Emerging markets, balance sheet risk, beta to higher rates and higher markets
- Non-performing Loans (NPL) will likely peak at end of the year and charge offs could peak mid-2010
- Financials returns on equity are likely to come down with less leverage, more regulation; but we think some will benefit from fewer competitors and better pricing power

Non-U.S. Financials:

- NPL generally stabilizing; consumer loans seem to be the weakest spot
- We think European banks need to raise capital while most Asian banks have adequate or excess capital and liquidity through period end
- Loan demand is tepid globally with the brightest spot, in our view, being property loans in Asia
- We think the opportunity for non-interest income activities in developing markets is massive as household income grows

As of September 30, 2009

Source: Wilshire Atlas, total return performance shown

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Janus Equity Perspective

	3Q09	1 Year
Russell 1000 [®] Index	24.51%	-21.47%
MSCI World Index SM	26.40%	-9.66%

Energy and utilities

- We still anticipate higher crude oil prices in medium term
- Demand, at one point surprisingly low, has picked up and we expect declines in inventories
- American and European demand still weak through September, below 2008 and far away from five-year averages; China's and India's demand was off the charts, 15% to 20% above five-year averages through September
- Natural gas traded at discount to oil and to coal at quarter end; it can lead to sharper supply declines; gas rig counts were down sharply
- We remain bullish on natural gas

As of September 30, 2009

Source: Wilshire Atlas, total return performance shown

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Janus Equity Perspective

	3Q09	1 Year
Russell 1000 [®] Index	10.14%	-12.20%
MSCI World Index SM	11.99%	-5.48%

Communications

- Our local advertising research suggests that improvement in rates and demand could continue; first half 2010 could be strong
- Ad pricing was no longer at the trough levels seen earlier this year; media companies were seeing some signs of stabilization
- Overall trends in on-line advertising appears to be stabilizing with some signs of a bounce in display and search ads
- We were focusing on underappreciated properties and companies we think are positioned for recovery
- Free content (i.e. video, entertainment, etc.) on the Internet may be ending

As of September 30, 2009

Source: Wilshire Atlas, total return performance shown

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Janus Equity Perspective

	3Q09	1 Year
Russell 1000 [®] Index	15.54%	2.77%
MSCI World Index SM	16.56%	5.85%

Consumer

- Improvement in most U.S. discretionary categories, but still negative on a year-over-year basis for most retailers and brands
- Consumer staples' revenue trends were stable; volumes were starting to recover as pricing environment improves and consumers slow the shift to private label products
- We think generally U.S. consumer discretionary stocks are pricing in at least a gradual recovery in 2010 without much cost creep, so there may be the potential for lots of operating leverage.
 - We favor the global consumer products companies (staples and apparel/footwear/toys) over the next six or so months as we gain more visibility into the shape of the recovery
 - Luxury retail: attractive investment opportunities to us from shake-out in market and no overall growth

As of September 30, 2009

Source: Wilshire Atlas, total return performance shown

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Janus Equity Perspective

	3Q09	1 Year
Russell 1000 [®] Index	13.24%	-2.07%
MSCI World Index SM	15.09%	1.99%

Industrials and materials

- Focus shifted from early cyclical stocks in January to higher quality stocks that underperformed
- Looking more to companies with emerging market opportunities
- Monitoring many economic data points: some signs of “green shoots” but many second derivative indicators (those measuring the rate of change in the economy) were not improving; raised fears of a double dip
- We think company selection is important: we are looking at how well they cut costs to prepare for upturn
- China: we think it is highly important as an end market for most companies in this sector
- Seek companies undergoing structural change with operating leverage, e.g. airlines

As of September 30, 2009

Source: Wilshire Atlas, total return performance shown

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Janus Equity Perspective

	3Q09	1 Year
Russell 1000 [®] Index	22.39%	-9.44%
MSCI World Index SM	19.16%	-0.26%

Healthcare

- Reform picture dominates the outlook in our view; we think it will be better than the market anticipates
- Valuations remain attractive to us; pharmaceuticals trading at meaningful discount to market while issues long plaguing industry are less worrisome to us
- Big pharma is as attractive to us as it has been in several years
- Public option hurts managed care but we think it's unlikely to be part of the final version of any bill
- Reform news overwhelms what we think are strong long-term factors that favor healthcare stocks

As of September 30, 2009

Source: Wilshire Atlas, total return performance shown

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Janus Equity Perspective

	3Q09	1 Year
Russell 1000 [®] Index	10.32%	-1.83%
MSCI World Index SM	12.65%	-0.32%

Non-U.S.

- Emerging markets have tremendous growth potential, especially China in our opinion; some portfolio managers were cautious on valuations at quarter end
- Seeing spillover benefits of strong China in region, e.g. Australia
- Europe seeing slower growth but likely pulling out of recession; Norway, France and Germany may be exiting the recession but, as in U.S., no V-shaped recoveries likely in our view
- We believe Japan faces significant structural issues and we remain underweight across most portfolios and funds

As of September 30, 2009

Source: Bloomberg, total return performance shown

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Janus Equity Perspective

	3Q09*	1 Yr*
MSCI All Country World SM ex-U.S.	14.90%	2.45%
MSCI EAFE [®]	16.94%	18.50%
MSCI EMF [®] (Emerging Markets)	20.25%	2.70%
MSCI Japan	-1.11%	-16.03%
MSCI China	7.86%	32.24%

*Local Currency

Small and Mid-Cap

- Continuing the rally that began at the end of Q1, the smallest names (Russell Microcap[®] Index) were the best quarterly performers; midcaps (Russell Midcap[®] Index) were a close second
- Since the lows on March 9th, the Russell Microcap[®] Index is up over 85% while the Russell Midcap and Russell 2000[®] indexes are up over 75%; larger stocks (Russell 1000[®]) have also posted a strong rally but lagged small- and mid-cap companies by more than 1500 basis points during the same period
- The foundation for the rally in smaller cap companies has been better-than-expected earnings reports largely based on expense reductions, which may be temporary
- We are focusing on the assumptions priced into stocks based on our expectation of muted revenue growth
- We believe the highest quality smaller cap companies can grow through the cycle and win market share

As of September 30, 2009

Source: Bloomberg, total return performance shown

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Janus Equity Perspective

	3Q09	1 Yr
Russell 3000 [®] Index	16.31%	-6.42%
Russell Top 200 [®] Index	14.41%	-7.05%
Russell 1000 [®] Index	16.07%	-6.14%
Russell Midcap [®] Index	20.62%	-3.55%
Russell 2000 [®] Index	19.28%	-9.55%
Russell Microcap [®] Index	20.87%	-7.93%

Growth versus Value

- In the quarter, value¹ indexes outperformed growth² indexes driven by strong performance in financial stocks
- The widest differential in quarterly style returns was among small caps (Russell 2000®) as value outperformed growth by nearly 700 basis points
- The financials sector weighting was over 33% of the Russell 2000® Value versus nearly 6% of the Russell 2000® Growth*
- Within in the Russell 1000® Value Index, the financials sector weighting increased to over 25% of the index during 3Q from under 23% during 2Q*
- In the Russell 1000® Growth Index, technology continued to lead the way and was one of only two positive sectors for the 1-year period; the weighting of technology ended the quarter near 32% of the Index*
- Value indexes were in positive territory for 2009 but still lagged growth across the market capitalization spectrum

As of September 30, 2009

¹Growth and value indices represented by Russell 1000® Growth, Russell 2000® Growth, Russell 1000® Value and Russell 2000® Value, respectively

*Source: Wilshire Atlas; Bloomberg, Russell

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Janus Equity Perspective

	3Q09	1 Yr
Russell 1000® Growth Index	13.97%	-1.85%
Russell 1000® Value Index	18.24%	-10.62%
Russell 2000® Growth Index	15.95%	-6.32%
Russell 2000® Value Index	22.70%	-12.61%

Market Review

- S&P 500® had best back-to-back quarterly performance since 1975
- Corporate profitability surprisingly strong, is it sustainable?

Macro Review

- Consumer spending may be improving, but headwinds remain
- Deleveraging continues as demand for credit remains low
- Inflation picture is uncertain

Sector Review

- We think there is strong opportunity in fixed income and equity markets for fundamental analysis to add alpha
- Some – but not all – stock prices reflect economic recovery
- We believe it is important to be sensitive to valuations; beta (or higher risk) trade may be over

About the Presenters

Colleen Denzler, CFA, Vice President, Client Portfolio Manager

Colleen Denzler is Vice President and Client Portfolio Manager on the investment team at Janus Capital Group. Working closely with the portfolio managers and analysts, Ms. Denzler represents the firm's Janus-managed Fixed-Income, Asset Allocation and Growth and Income strategies to clients and prospective clients. Prior to joining Janus in May 2008, Ms. Denzler worked with American Century Investments where she served most recently as Vice President and Director Fixed Income Liaison, Head of Fixed Income Marketing Team. She also held positions as an investment team leader and as vice president and senior portfolio manager. Ms. Denzler began her investment career with Calvert Asset Management serving as a portfolio manager of money market funds and then as a portfolio manager of fixed-income portfolios. She received her bachelor of science degree in finance from Radford University. Ms. Denzler holds the Chartered Financial Analyst designation and has 22 years of investment industry experience.

Adam D. Schor, CFA, Vice President, Client Portfolio Manager

Adam Schor is Vice President and Client Portfolio Manager on the investment team at Janus Capital Group. Working closely with the portfolio managers and analysts, Mr. Schor represents the firm's Janus-managed Equity strategies to clients and prospective clients. Prior to joining Janus in May 2007, Mr. Schor served as Chief Investment Officer and Portfolio Manager on international small cap equity portfolios with Bee & Associates. Mr. Schor has also worked as a Portfolio Manager and Co-Portfolio Manager at Harris Associates where his responsibilities included serving as Co-Portfolio Manager on the Oakmark International Small Cap Fund and analyst for the Oakmark International Fund. Mr. Schor received his bachelor of science degree from Northwestern University's Medill School of Journalism and his MS in finance from the University of Wisconsin, Graduate School of Business. Mr. Schor holds the Chartered Financial Analyst designation and has 20 years of financial industry experience.

Nicholas B. Thompson, Vice President, Client Portfolio Manager

Nick Thompson is Vice President and Client Portfolio Manager on the investment team at Janus Capital Group. Working closely with the portfolio managers and analysts, Mr. Thompson represents the firm's Janus-managed Equity strategies to clients and prospective clients. Prior to joining Janus in September 2006, Mr. Thompson served as Portfolio Specialist for the PIMCO Funds distributed by Allianz Global Investors. In this role he developed distribution strategies for fixed income portfolios and functioned as the link between the distributor and the investment team. Mr. Thompson received his bachelor of arts degree in international relations from Colgate University. He has 9 years of financial industry experience.