JANUS CAPITAL Group

MARKET PERSPECTIVES SERIES

2Q: Are We There Yet?

Despite a long climb, equities have yet to peak.

2Q 2015

Global Sector Views
from the Janus Equity Team

For four decades, fundamental, bottom-up research has been at the core of the Janus investment process. Our deep team of analysts covers approximately 1,500 stocks around the globe. Each takes a do-it-yourself, unconstrained approach to research. We believe this differentiates us from our peers and drives results for our clients and the investors they serve.

Every quarter, our seven global sector teams share their bottom-up perspective on key themes in the equity markets and how those themes impact their sectors and areas of coverage.

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2Q: Are we there yet?

Spring Break road trippers will likely hear this refrain from the backseat, but investors are asking too. Are we at the point where the Federal Reserve (Fed) will raise rates, where the dollar peaks, where Japan's and Europe's stimulus plans show results? Most important to equity investors, are we at the top of the market? The bears and the backseat choir might not like our answer: No, not there yet – at least not for equities. We have a ways to go.

Most equity markets were positive in the first quarter, with Europe up sharply. We're not surprised about Europe. We had expected that a lower euro could drive export growth and highlight operating leverage in many companies that had improved cost structures. European companies in general are demonstrating a much greater focus on restructuring and disposing of poor businesses than we can recall seeing, a trend that sets them up well for long-term growth. We think profit growth could surprise at many companies in Europe. Our analysts have returned from European company visits speaking of exuberant industrial firms, for example. These developments leave us positive about European equities. A European Central Bank (ECB) stimulus program will also help Europe's economy, and stocks, once it gains traction.

Certainly there's less exuberance in Athens – or at least about Athens and the Greek political gamesmanship. The newly elected leaders are negotiating with Europe to ease sanctions and the Greek debt burden. We don't see Greece with a strong hand, however. It will likely be noisy and although we don't expect to see a return of the drachma, a "Grexit" would be far less devastating to Europe than many feared in 2012, reflecting better footing for the eurozone economy. An exit could certainly hurt Greece, however. We hope and expect that Greece and the European politicians lower the stakes and do what they do so well: Find an interim solution to kick the problem down the road.

Japan is feeling restless too after a long ride with Prime Minister Shinzo Abe. The market has been strong while the yen falls, but the country still needs several structural reforms to improve its economy. A weaker yen helps its competitiveness, but without reform to labor rules, to corporate taxation, to the pension and health care system, and to other core issues, the country risks a short-term boost without a long-term solution. In a world where many major currencies are racing to the bottom, more is needed for Japan. There are some bright spots for Japanese equities, however. For one, there are a lot of buyers as companies, government pension plans and central banks are buying shares. A corporate stewardship code may prompt better corporate governance and, as in Europe, there appears to be more focus on returns and corporate efficiency. Still, until Abe's regulatory reforms get more teeth, the rising sun is a little less bright than it could be.

In the U.S., the Fed left some uncertainty about when it would lift rates, leading to concern about the economic recovery. The corporate outlook has become less sanguine in some sectors. Energy clearly is under pressure. Industrial firms face the double barrel pressure of a slowdown in their sales to oil companies and a loss of global competitiveness with a stronger dollar. China is not the growth engine it once was either for U.S. firms. As you'll read in the following pages where we detail our sector views, it will be important to navigate those sectors carefully.

We cannot argue valuations are cheap, save for a few areas such as financials and deeply cyclical, commodity-exposed companies. But valuations are not extreme either, especially compared to the alternative asset classes. Our belief in alpha, not beta, holds. We are seeing stock correlations fall and overall risk appetites increase – a combination we think favors stock pickers and predictable growth companies.

Biotech continued its rally in the quarter and deserves special mention. At a recent Janus investor conference, a common concern was a comparison to the tech bubble that peaked almost exactly 15 years ago. Of course, there are overvalued companies in the biotech sector. Yet the connection to a tech bubble is faulty. As we highlight within, innovation in the health care sector is leading to tremendous cures and profitable, high-margin drug introductions. The Internet bubble boosted valuations of companies with revenue potential, uncertain paths to profitability and questionable business models. Curing cancer, by contrast, is a solid business model. It is not a sketchy, sock puppet-supported, profits-be-damned business plan of 1999.

Biotech M&A is continuing, but we will see deals elsewhere and that activity will drive valuations. The Kraft-Heinz deal that closed the quarter valued a slowly growing but quality brand-name business at more than 20 times earnings. Multiples remain close together: Find the companies that have a path to growth, or that can help another company grow, and you can make money in equities.

The journey continues. Down the road we could get more answers. European companies are talking about the benefit of an ECB stimulus program and it should show up in the numbers in coming quarters. The net positive global benefit of low oil is helpful, especially in Europe, Japan and China. China's slowdown will be better understood and less feared and its own stimulus could drive growth in what will be a restructured industrial sector and a healthier consumer. A few quarters out, the interest rate picture, the currency paths and the growth opportunities could be clearer. Of course, there will be more questions then too, quite possibly around the intensifying tension in the Middle East. Until then, we are not restless, however. There's plenty that holds our interest where we are now.

Carmel Wellso
Director of Research

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Janus Global Equity Research Sector Summary

This sector-by-sector review provides a snapshot of how Janus analysts are applying their research insight — including favored industries, themes, potential sector risks and challenges — to their stock selections. While the views and recommendations of Janus analysts drive our research strategies, they may not be reflected in all Janus equity strategies due to varying portfolio objectives and stock-selection criteria.

COMMUNICATIONS

- An industry shift is underway to develop new models to measure and monetize content viewed online or in a delayed setting.
- The growth in content viewed online or in a delayed setting is also increasing bandwidth demand.
- We are investing in companies that are providing the infrastructure to meet those growing bandwidth demands.

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CONSUMER

- Early indications of wage increases are the latest sign pointing to a healthy U.S. consumer.
- The migration of sales from physical stores to online and mobile channels is shaking out winners and losers in the consumer sector.
- We are investing more heavily in companies that derive a greater portion of revenues from the U.S., where consumer spending is strongest.

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ENERGY + UTILITIES

- Oversupply issues could cause oil prices to fall further.
- Natural gas prices also remain low, due to prolific production in the Marcellus and Utica shale areas.
- We see opportunity in midstream companies whose earnings streams are less tethered to the price of oil.

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INDUSTRIALS + MATERIALS

- A strong dollar is a challenge for U.S. based multinational companies. Slow growth in Europe is another near-term headwind.
- While headwinds persist, many industrial companies are becoming more shareholder friendly.
- One of the most attractive growth opportunities within the industrials sector is the demand for products that make automobiles more safe, fuel-efficient and "connected."

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FINANCIALS

- Prospects for European banks look better as the economy improves and banks reach settlements on several large litigation issues.
- Rising wealth in the U.S. and Asia are creating opportunities in the financial sector.
- We are investing in companies taking share in the wealth management industry, and insurance companies that help Asian consumers preserve newfound wealth.

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TECHNOLOGY

- For newer, high-growth tech companies and the sector's legacy firms, identifying fair valuations and risks to earnings remain paramount.
- Whereas the Internet connected people, the Internet of Things will link devices, spurring a vast array of potential productivity-enhancing applications.
- We are investing in legacy companies with the highest likelihood of adapting to an evolving marketplace, as well as in the trailblazers in the newest technologies.

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HEALTH CARE

- Rapid innovation is leading to a wave of new therapies for treating some of the world's highest, unmet medical needs.
- The regulatory environment for drug approvals is also more favorable.
- We are evaluating the science behind therapies under development to better assess their likelihood of succeeding clinically or commercially.

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COMMUNICATIONS

Sea changes

The television industry is in the midst of a transition period as consumers change the way in which they view content. Increasingly, more content is being viewed online or in a delayed (on-demand) setting.

The industry is still in the process of developing new methods to measure the channels where viewing is shifting. New advertising models are also under development to improve monetization of the content viewed across those platforms. As part of the transition, we are also starting to see variations of packaging content services on Internet platforms. Proposed offerings from Apple TV and Sony are examples. An important byproduct of the change in viewing habits is the increasing bandwidth demand from both mobile devices and within the home.

Another significant transition within the sector is the evolution in how consumers use the Internet. A growing portion of total Internet use is dedicated toward watching video, not only in the form of hit programs, but also short-form video on digital platforms. Internet search activity is also rapidly changing from simple keyword searches to convenient voice-activated searches that utilize more personal information about the consumers and the world around them to point toward a desired product or service more seamlessly.

More content is being viewed online or in an on-demand setting.

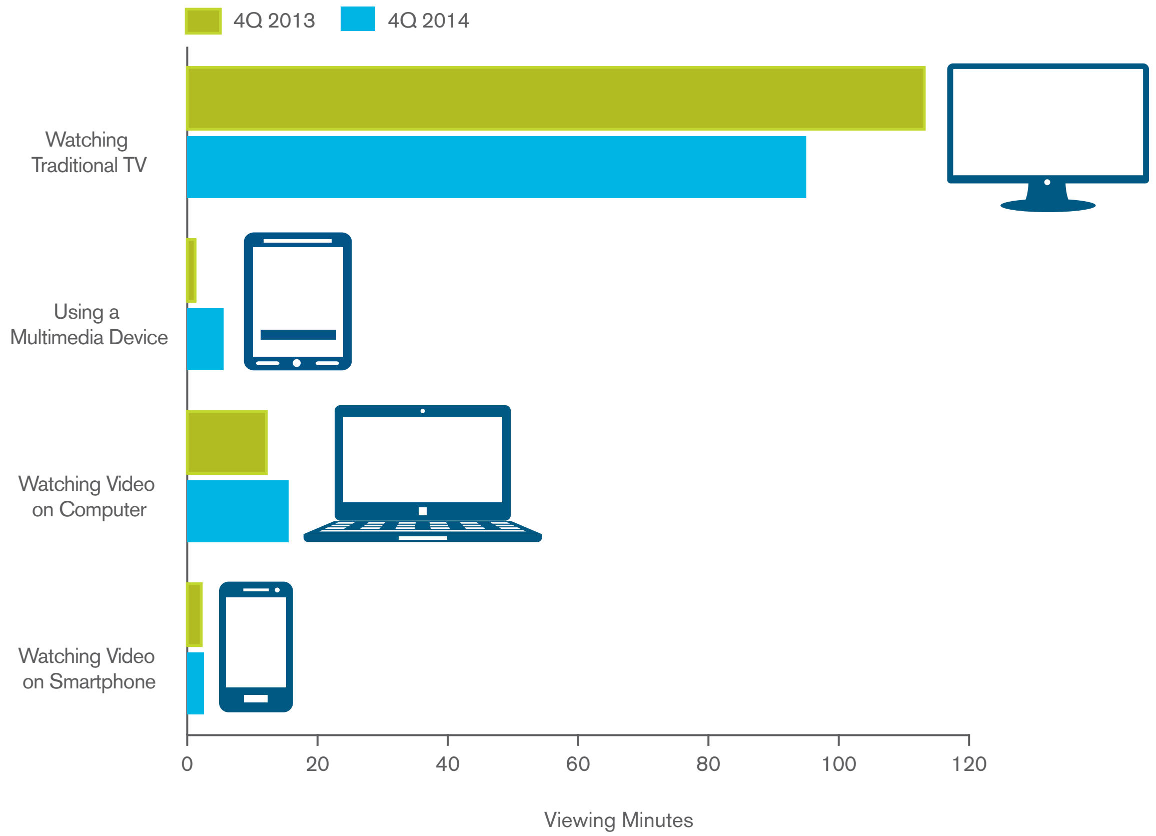
Investment Implications

We are investing in cable operators and mobile tower companies, which provide the infrastructure to meet increasing demand for bandwidth in the home and across mobile devices. We also see opportunity in digital platforms that are well positioned as companies place a greater portion of their advertising spending on reaching consumers online or through mobile devices. Finally, we are selectively investing in content companies that have demonstrated a continued ability to launch hit programs. The content these companies produce is seeing strong demand online and in delayed viewing windows, and the companies should see more monetization from those channels as new business models develop around those platforms.

CHANGING HABITS

Time Spent Viewing Content Each Month on Media by 18- to 24-year-olds

Less content is being viewed on traditional television. Instead, consumers are watching hit content online or on mobile devices. The trend is particularly pronounced for younger audiences.



Source: Nielsen. As of 12/31/2014.

THEMES-IN-ACTION ▶ COMMUNICATIONS

- MONETIZATION OF HIT CONTENT
- THE GLOBAL MOBILE INTERNET
- CABLE DISTRIBUTION NETWORKS

Ctrip, the largest online consolidator of accommodations and transportation tickets in China, announced that its **mobile app downloads reached 350 million** in late 2014, **growing 75%** from the previous quarter.

CONSUMER

Gaining strength

The health of the U.S. consumer is strengthening. Higher employment levels and low oil prices have been a general boost to consumers for several months. Now we are hearing from a growing number of company management teams that they are either raising wages, or feeling pressure to raise wages.

Wage growth has not been achieved for some time, and would be another boost to consumer spending. One of the areas within the consumer sector where we see the strongest growth is the hotel and lodging industry, where capacity in the U.S. remains limited and a stronger consumer is traveling more often. We also continue to see strong growth potential for organic food products, and also organic grocers, as a growing number of consumers demand ingredient transparency and prefer more natural foods.

The migration of more sales from physical stores to online and mobile channels continues to be a predominant theme affecting the retail and apparel industries. Companies are racing to improve the multichannel shopping experience across stores, web sites, social media and mobile applications. In the long run, a better multichannel experience could be positive for retailers and apparel brands because it provides more touch points with their customers. But in the near-term, improving the multichannel experience requires heavy investments in technology and inventory management systems.

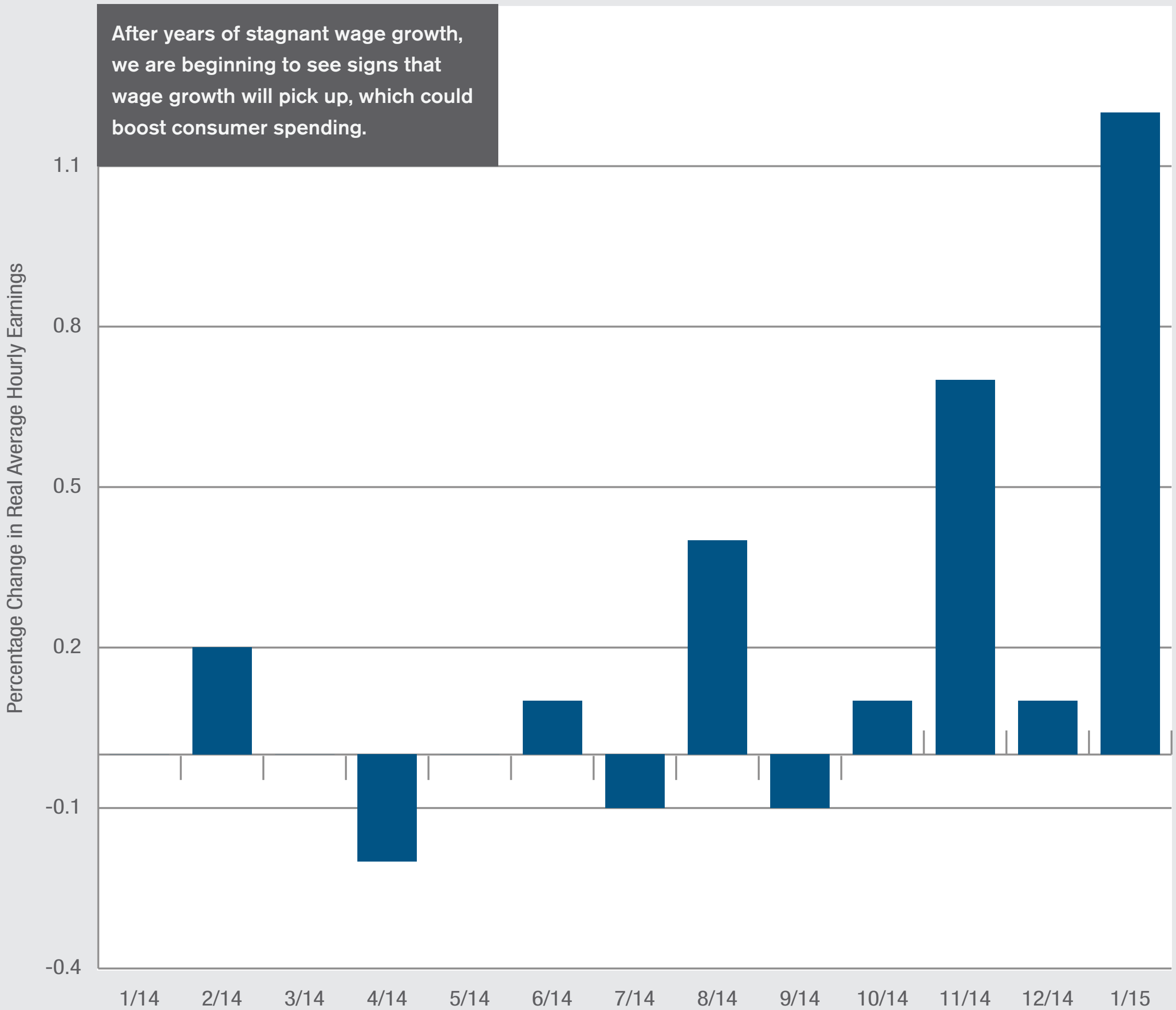
> Higher employment levels and low oil prices have been a boost to consumers.

Investment Implications

Within the consumer staples sector, we have invested more heavily in companies that derive a greater portion of their revenues in the U.S., where consumer spending is stronger. Such companies are also less challenged by a strengthening dollar. We favor several companies that benefit from the desire for natural and organic foods, and have avoided many of the larger name-brand packaged food companies that are facing increased competition for shelf space from organic products. We are avoiding many of the specialty retailers that have seen sales decline as foot traffic in malls decreases. We see more opportunity among strong apparel and accessory brands. With strong brand recognition, these companies are less dependent on brick and mortar stores to sell products, and online sales are proving accretive to earnings.

EARLY SIGNS OF WAGE GROWTH

Seasonally Adjusted Real Average Hourly Earnings, by Month



Source: Bureau of Labor Statistics. As of 2/26/2015.

THEMES-IN-ACTION ▶ CONSUMER

- STRONG GLOBAL BRANDS
- TECHNOLOGICAL EDGE

Colgate announced **organic sales growth of 9.5%** in emerging markets for the fourth quarter of 2014, despite economic challenges in certain countries.

ENERGY + UTILITIES

Not out of the woods yet

Even though oil prices have already fallen dramatically, we believe there is risk they could fall further. U.S. shale producers have dropped their rig count much faster than when oil prices fell in 2008 and 2009, but that may not lead to a significant reduction in supply in the next few months.

Previously drilled wells still need to be completed. And while the rig count may have dropped, shale producers have focused their existing rigs on their most productive wells. We believe the current drop in rigs will only lead to flat production growth in 2015. Meanwhile, there is additional risk of more oversupply from OPEC producers, particularly if Iran reaches a deal with the U.S. or Libya comes back to the market. The fact that U.S. oil storage levels are at historical highs puts further downward pressure on prices.

U.S. natural gas prices should also remain low. Prolific natural gas production in the Marcellus and Utica shale areas has made it easy to keep gas storage at high levels, despite a reduction in the growth of associated gas, a byproduct of shale oil production, and an abnormally cold winter that increased heating demand. Some of the pure natural gas producers drilling in the Marcellus and Utica shale areas can drill profitably well below the current price, which should continue to act as a stabilizing mechanism for prices.

Investment Implications

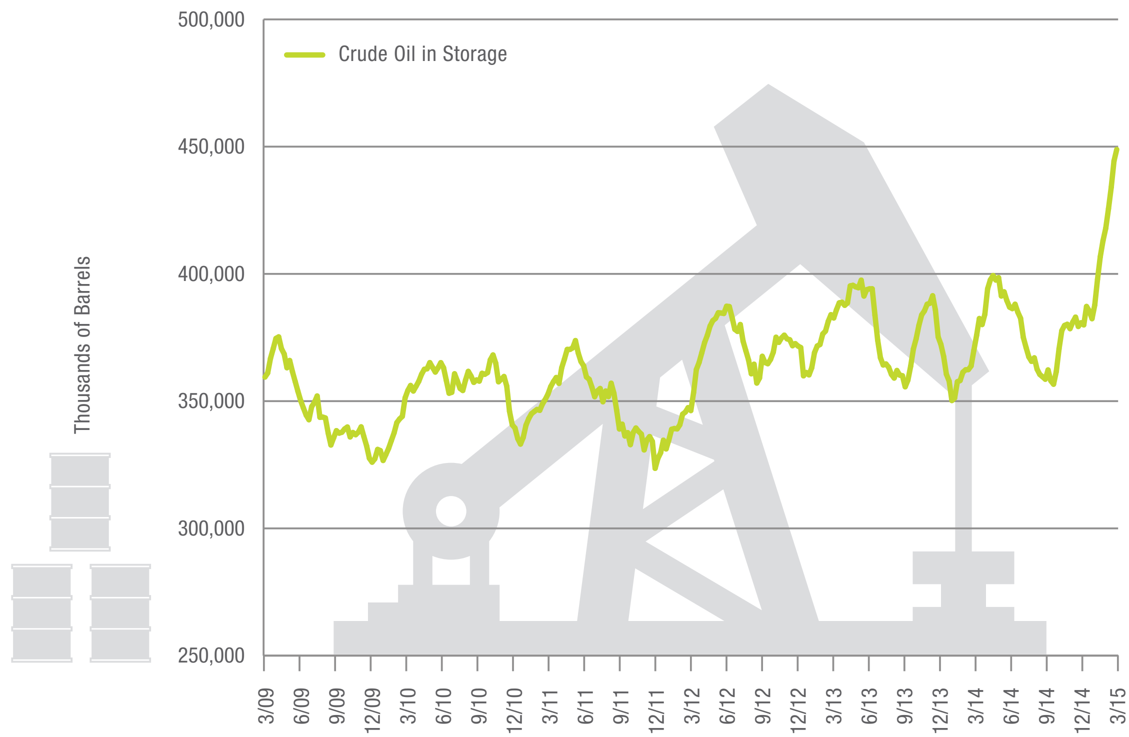
We don't think it is time to step in and buy exploration and production companies on a broad basis, as more volatility in oil prices could cause those stocks to fall further. We are also avoiding many U.S. energy services companies, which will face more pricing pressure in the coming months. We see opportunity in areas of the sector where earnings potential is less tied to oil prices. The contracts for many midstream companies, for example, are not tethered to the price of the underlying commodity. Their earnings streams should remain stable as long as oil flows through their pipelines and sits in their storage units. U.S. refiners also benefit from the dramatic increase in storage demand, and also from cheaper domestic natural gas, which is used to heat oil and turn it into refined products.

> There is additional risk of more oversupply in the oil market from OPEC producers.

OVERSUPPLIED

Total Crude Oil in Storage (Excluding Strategic Petroleum Reserve)

Record storage levels of oil could put further downward pressure on prices.

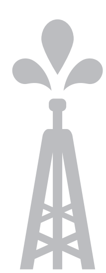


Source: U.S. Energy Information Administration. As of 3/6/2015.

THEMES-IN-ACTION ▶ ENERGY + UTILITIES

- SMART CAPITAL ALLOCATORS
- PIPELINE COMPANIES

Despite challenging conditions in the energy sector, **MarkWest Energy Partners increased their quarterly cash distribution** in early 2015.



FINANCIALS

Brink of improvement

Prospects are improving for European banks. The region's largest banks are in the latter innings of settling a host of litigation issues that have clouded near-term outlooks. As the European Central Bank embarks on its quantitative easing program, we expect the economy to slowly recover and loan demand to pick up in the back half of the year.

In the U.S., the prospects of higher interest rates are beneficial to banks, but those benefits have been partially priced in to most stocks. The Federal Reserve's recent stress tests offered proof that bank balance sheets remain strong, but regulatory headwinds are broadly limiting banks' growth and return potential.

An important theme creating opportunities in the financial sector is the rise in household wealth, both in the U.S. and abroad. In the U.S., household wealth has reached an all-time high, but in the wake of the last financial crisis individuals are more concerned about financial risk and are seeking more advice from financial firms about their wealth. This has created opportunities for financial firms. In Asia, meanwhile, many countries are taking action to incentivize the preservation of newfound household wealth. Several national governments have created new rules or tax incentives to encourage individuals to seek insurance, which has made Asian insurance volume growth much faster than the rest of the world.

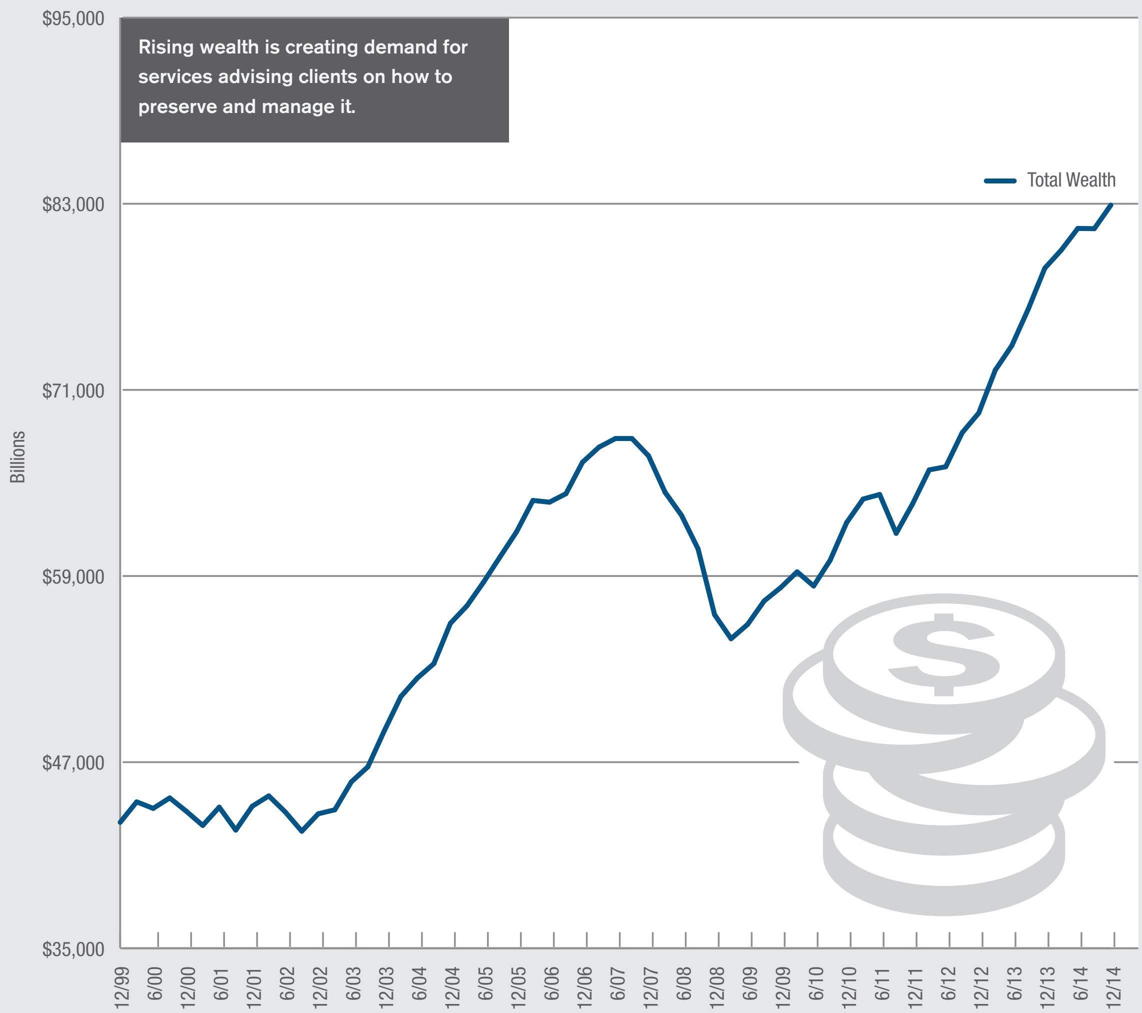
> Many Asian countries are taking action to incentivize the preservation of newfound household wealth.

Investment Implications

We have increased our exposure to a number of European banks. Valuations for these companies are well below historical norms, reflecting the near-term impact of low interest rates in Europe. However, we believe these banks could see considerable multiple expansion if loan volumes increase and the economy improves. We are also investing in companies that can take market share in the growing wealth management industry by offering innovative products and services addressing client needs. We continue to see potential for large global insurance companies with a large presence in Asia. The brand recognition of these larger companies should help them take market share from small, local competitors at a time when total demand for insurance products is growing. Finally, we have maintained holdings in several large payments companies.

RISING WEALTH

Total Net Worth of U.S. Households and Nonprofit Organizations



Source: Federal Reserve, Bloomberg. As of 12/31/2014.

THEMES-IN-ACTION ▶ FINANCIALS

- PAN-ASIAN INSURANCE
- ELECTRONIC PAYMENTS GROWTH

With more than 80 years of being an established franchise in the region, **Prudential PLC** has **grown to serve 14 Asian markets**, with **400,000 agents and employees** in the region.

HEALTH CARE

Innovation prevails

We see significant growth opportunities ahead for the biotech and pharmaceutical industries. Improvements in genetic analysis have led to a wave of innovative therapies addressing many of the world's highest, unmet medical needs.

This year we will likely see the launch of breakthrough therapies for several cancers, psoriasis, and cystic fibrosis. We are also expecting new treatments for heart disease, an area that hasn't seen dramatic improvement in more than 20 years. New drugs advancing in development for Crohn's disease and Alzheimer's also look promising. The substantial improvement new therapies represent over existing options has also led to a more favorable regulatory environment. In fact, we believe the Food and Drug Administration is approving innovative therapies at a faster rate than at any point in its history.

While we have a positive outlook for the sector, there are risks we continue to monitor. The emergence of biosimilars in the U.S. could create some "generic" competition for biologics manufacturers. However, we believe the number of companies creating biosimilars will be limited, and that the price differential between biotech drugs and biosimilars will not be as wide as for traditional drugs and generic substitutes. In Europe, where biosimilars have been available for multiple years, the impact on branded biologic drugs has been modest. We are also monitoring a looming U.S. Supreme Court ruling on whether residents in many states are eligible for federal tax subsidies to purchase health insurance. If the original law remains intact, we should continue to see a substantial increase in the insured population, which would benefit hospital operators and many insurance companies.

Improvements in genetic analysis have led to a wave of innovative therapies.

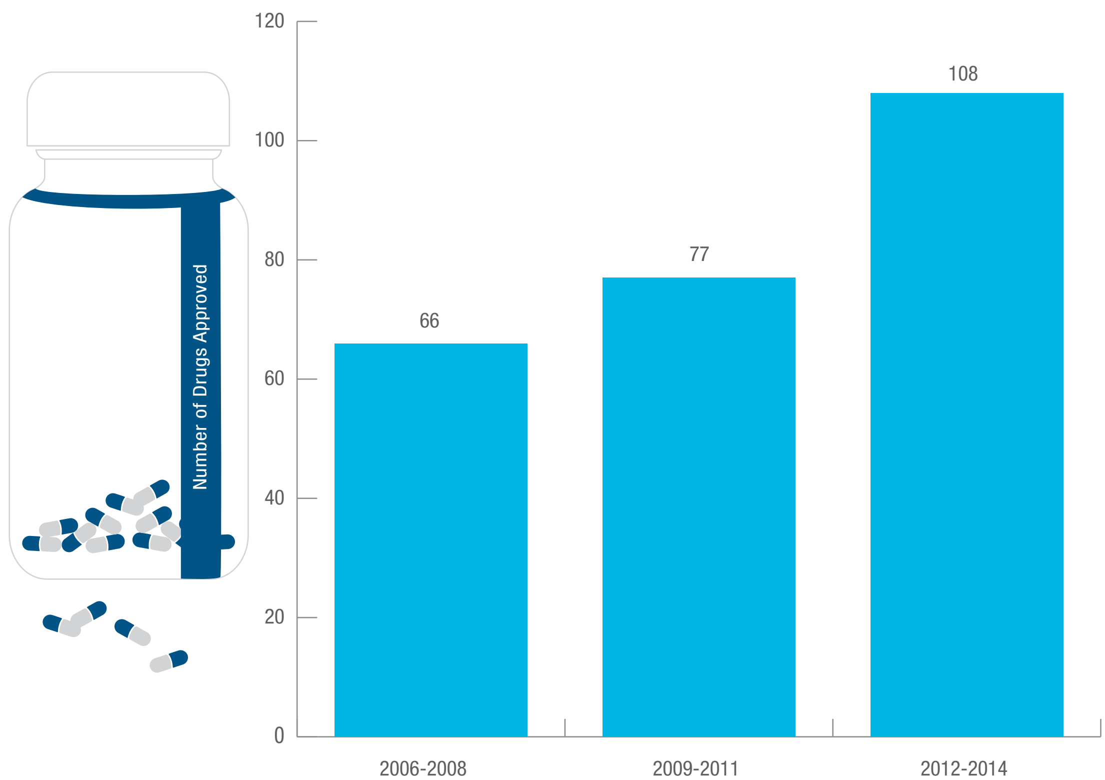
Investment Implications

We continue to hold a number of biotech and pharmaceutical companies we believe have promising product pipelines. However, given high valuations for many early stage biotech companies, we are closely evaluating the science behind each therapy under development and are conducting our own analysis to determine the likelihood of new drugs passing clinical trials. We have reduced our exposure to hospital operators and managed care companies. Stocks for many of these companies experienced gains in 2014 as the rate of the uninsured population declined, but these companies could face risks if parts of the Affordable Care Act are overturned.

PASSING MUSTER

Number of Drugs Receiving FDA Approval

The substantial improvement new innovative drugs represent over existing options has led to a more favorable regulatory approval environment.



Source: Washington Analysis, FDA 2014.

THEMES-IN-ACTION ▶ HEALTH CARE

- COST-SAVING BUSINESS MODELS
- INNOVATIVE NEW DRUGS

Biogen recently announced positive results from an early study of their Alzheimer's disease treatment, **Aducanumab**. Alzheimer's is the sixth-leading cause of death in the U.S.

INDUSTRIALS + MATERIALS

Near-term challenges

Opportunity in the industrials sector is limited to a few attractive end markets and select company-specific opportunities. U.S.-based multinationals are facing headwinds from a stronger dollar. The drop in oil prices has also weakened demand for a number of industrial companies serving the energy sector.

Meanwhile, in Europe, the economy is finally showing signs of a modest recovery but we are yet to see that translate into greater demand from most end markets within the industrial sector. One of the limited growth opportunities lies within the auto industry, where the move to a "connected car" that is safer and fuel efficient is a multiyear tailwind for select auto suppliers. Nonresidential construction is also poised to pick up now that U.S. commercial real estate markets have worked through excess supply issues.

While the sector faces some broad headwinds, we see favorable developments at the corporate board level. Shareholder activism has forced change for many industrial companies, and made other companies unaffected by an activist movement more shareholder friendly. We're seeing a growing number of industrial companies buy back shares, increase dividends or make acquisitions to consolidate their industries. We are also seeing the competitive dynamics of many industries improve, particularly in Europe. Management teams in the region are cutting costs to their businesses to become more competitive. Another encouraging sign is that most European management teams are acting rational in the face of a weakening currency. Instead of using the euro's weakness to slash prices and gain market share, multinational European companies with large domestic costs are using the weaker euro as an opportunity to improve margins.

Investment Implications

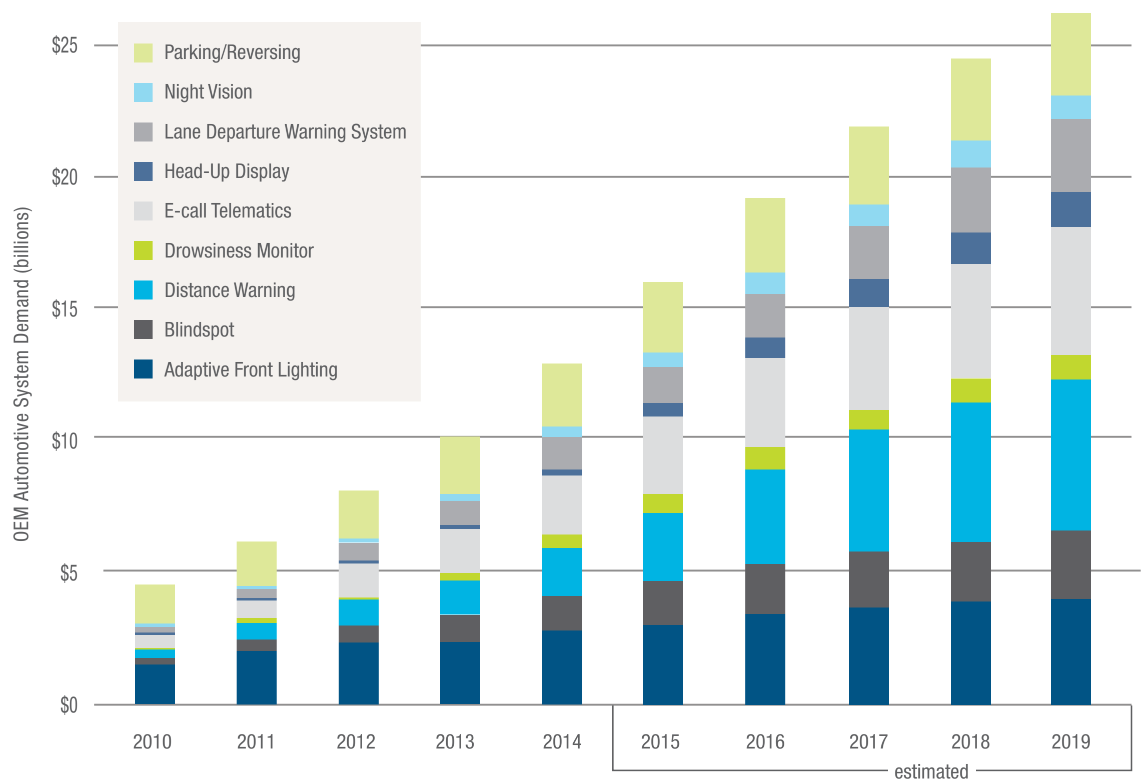
At a broad level, we are generally finding more opportunities in Europe than in the U.S. European companies undergoing significant restructuring or cost-cutting efforts could see considerable earnings growth with even a slight economic recovery in the region. While valuations for many U.S. industrial companies fairly reflect their near-term growth prospects, we are selectively finding opportunities with companies we believe have smart management teams that have a track record as good stewards of capital and a history of integrating new businesses well. We also have exposure to several auto suppliers creating sensors and other technology that assists drivers or improves fuel efficiency.

The European economy is finally showing signs of a modest recovery.

CONNECTED CARS DRIVE GROWTH

The Growing Demand for Advanced Driver Assistance Systems (ADAS)

One of the best growth opportunities we see in the industrials sector lies with auto suppliers producing components that make cars safer and more fuel efficient. The growth in demand for Advanced Driver Assistance Systems is an example.



Source: Strategy Analytics. As of 1/2013.

THEMES-IN-ACTION ▶ INDUSTRIALS + MATERIALS

- BALANCE SHEET STRENGTH
- INTERNAL GROWTH DRIVERS

Danaher ended 2014 with solid core margin expansion and record free cash flow generation, along with the **acquisition of Nobel Biocare**, a leader in the field of implant-based dental restorations.

TECHNOLOGY

Broadening connectivity

We are witnessing an apparent bifurcation of technology stocks between highly valued, fast-growing companies and legacy firms attempting to adapt to a rapidly changing landscape. Among the fast growers, we remain positive on the long-term prospects of companies offering cloud-based solutions, especially now that the value proposition of off-premises services has been largely accepted.

It has long been clear that the earnings growth of many large-cap giants has slowed as markets mature and user demand transitions to new, often cloud-based or mobile platforms. In addition to attempting to reinvent their businesses, managers of legacy companies have also resorted to increasing value by implementing shareholder-friendly capital allocation strategies, either by returning cash to shareholders or through value-building acquisitions.

We continue to monitor advances in the Internet of Things (IoT), which we expect could be as transformational as the introduction of the Internet itself. Driving developments are inexpensive sensors, ubiquitous connectivity and breakthroughs in analytics. Governments are leading the charge, in part due to them being accustomed to investing in systems whose near-term benefits are difficult to quantify. It may be fortuitous that public institutions are early adapters of IoT, as this could lead to the creation of massive data sets, which will catalyze novel applications in the private sector.

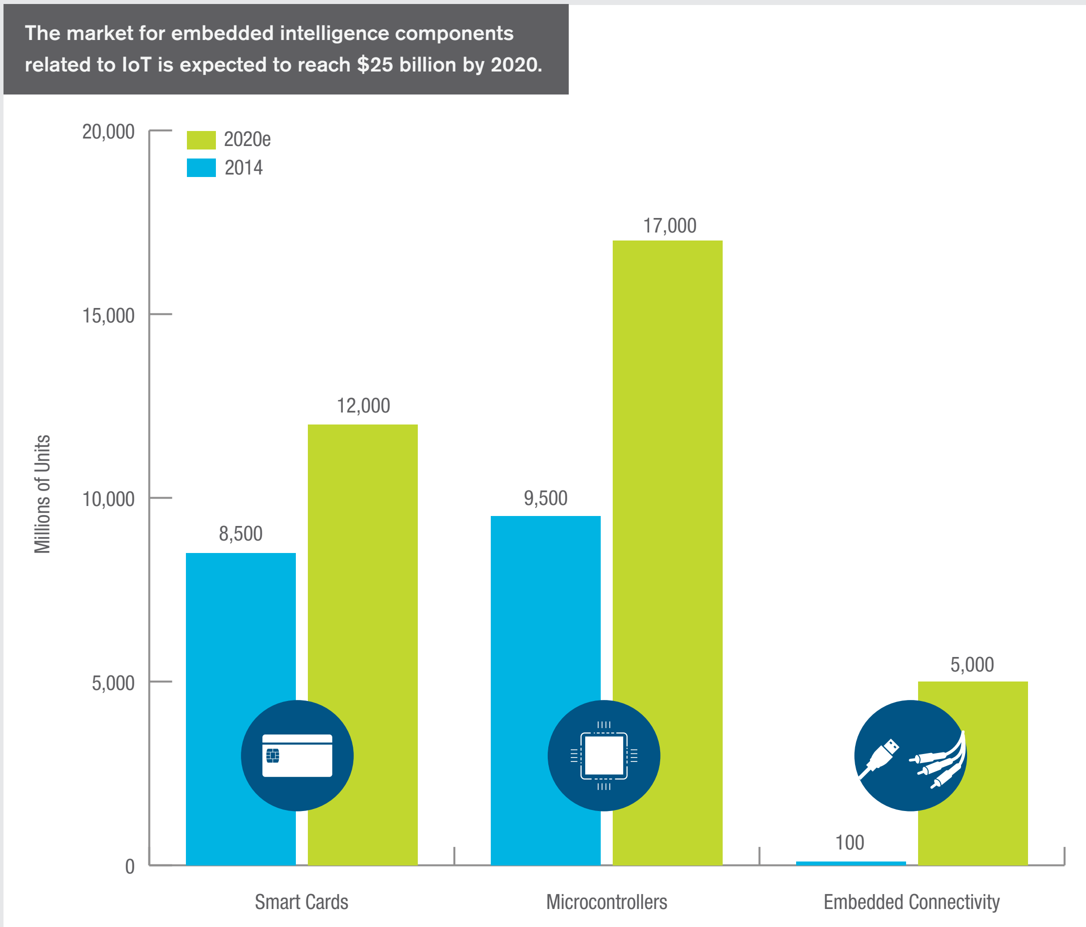
> The Internet of Things could be as transformational as the introduction of the Internet itself.

Investment Implications

While we recognize the promise of innovative companies, we believe that many trade at multiples difficult to justify. When compared to the rich valuations of late-stage privately held companies, however, many small-cap firms may be attractive acquisition candidates. We constantly canvass the sector for such potential targets. Valuations of legacy firms face questions as well since we consider the downside risk to earnings growth potentially underpriced. Still, we are identifying opportunities for investing in large-cap companies that have the best chance of adapting to the demands of a shifting marketplace. We continue to seek management teams willing to return cash to shareholders, but recognize that much excess cash has already been culled via buybacks and special dividends. With regard to IoT, we invest in companies well positioned to shape industry standards for underlying technology.

RAMPING UP FOR THE INTERNET OF THINGS (IoT)

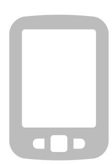
Total Available Market for the Embedded-Intelligence Microchips Enabling IoT Applications



Source: ARM Holding, plc.
Source: Gartner, December 2013.

THEMES-IN-ACTION ▶ TECHNOLOGY

- CLOUD COMPUTING EXPANSION
- INTERNET OF THINGS



ARM Holdings' microprocessing technology is said to reach around 75% of people in the world, with chips based on their technology driving billions of products every day. To date, **more than 50 billion ARM-based chips have been shipped**, and their partners are shipping **more than 2.5 billion every quarter.**

Equity Research Survey Takeaways

An important component of Janus' intensive bottom-up research approach is the development of independent and differentiated views supported by in-depth primary research. We conduct over 200 ongoing proprietary surveys — many of which have been conducted for multiple years — providing a valuable time series of grass-roots-level information. Following is a sampling of our latest survey findings.

BUSINESS INSIGHTS	
+	Our survey of logistics managers and private trucking fleets indicates **the pricing environment for the trucking industry should remain favorable throughout the rest of the year.** Trucking capacity remains tight, due in part to a shortage of drivers, and regulations around safety that limit how long drivers can operate a vehicle.
+	Surveys and data points from companies that service debt for construction projects indicate that **capital spending is poised to pick up for institutional markets such as hospitals and schools.**
−	**Demand for agricultural equipment remains weak.** Inventories for used high horsepower tractors and combines remain elevated in the U.S. This negatively impacts trade-in values and causes many farmers to delay purchasing new equipment.
+ −	**Demand for shipping by air has increased dramatically.** Air cargo volumes were up 11.7% year over year in February. The increase in air cargo volumes was due in part to the labor dispute taking place at West Coast ports.
+	According to our survey of new and used equipment dealers, infrastructure equipment sales are rebounding. **The rebound points to a healthy construction market.**

CONSUMER INSIGHTS	
+	**We continue to see signs of a stronger U.S. consumer.** Our proprietary "Consumer Dashboard" tracks 24 different data points to gauge the health of the U.S. consumer. In the most recent monthly dashboard, 10 data points were improving, while another six remained stable.
−	**A crackdown on corruption in China has weakened demand for some luxury products.** Our survey of liquor distributors in China showed year-over-year sales of cognac had dropped roughly 30%.
+ −	**A migration in food preferences toward more natural and organic foods is still in place.** Nearly two-thirds of respondents in our survey of organic food suppliers expect their business to grow by 10% or more this year.
+	**Trends at auto dealerships point to a healthier consumer spending environment,** as our survey of GM dealers shows consumers are spending more on optional upgrades that potentially come with an automobile purchase. Incentives as a percentage of transaction prices are also down, suggesting companies are having to do less to encourage consumers to buy.
+	**Increased travel points to a strengthening consumer.** Total passenger traffic for airlines was up 6.2% in February.

Janus proprietary research surveys ("surveys") are not conducted for each security Janus analyzes. Surveys are not scientific and are a single element of the Janus research process that may or may not be implemented. The insight(s) gained as a result of research efforts presented were a single factor in analyzing each particular company and were not the only factor used in Janus' analysis.

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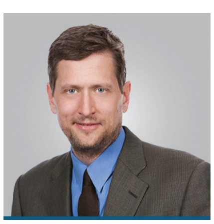

TECHNOLOGY
Garth Yettick, CFA

Guiding Principles of Janus Research

- Invest with our clients' interests first.
- Develop a deep understanding of the companies we research.
- Employ a strong valuation discipline focused on quality growth.
- Develop independent and differentiated views on our companies, supported by in-depth primary research.
- Spend as much time thinking about what could go wrong as about what could go right.
- Take a long-term view.
- Seek to anticipate change, don't just analyze it.
- Attract the best and brightest analysts in the business, and foster an environment in which they can succeed on behalf of our investors.

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Past performance is no guarantee of future results.

Investing involves market risk. Investment return and value will fluctuate, and it is possible to lose money by investing.

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There is no assurance that the investment process will consistently lead to successful investing.

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Janus Capital Group Inc. is a global asset manager offering individual investors and institutional clients complementary asset management disciplines. Janus Capital Management LLC serves as investment adviser.

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