Janus Opportunistic Alpha SMA

JANUS

Performance Discussion

The Portfolio outperformed its benchmark during the period. Our stock selection in the health care and financial sectors were the largest contributor to relative performance. Our holdings in the technology and industrial sectors were the largest detractors from relative results.

Endo International was a large contributor. We continue to like the direction Endo's CEO is taking the company. The CEO came from one of the most successful specialty pharmaceutical companies of the last five years. We believe that company had an impressive strategy of driving down its operating expenses and making shrewd acquisitions to help grow the business, and we expect Endo's CEO to continue to improve the company as he executes a similar strategy.

Mallinckrodt Pharmaceuticals was a top contributor. Since its spin-off from Covidien, we believe Mallinckrodt's management team has made a number of operational improvements. We were pleased to hear the announcement that Mallinckrodt would acquire Ikaria, a company developing innovative therapies and delivery systems that cater to critically ill infants in hospitals' neonatal intensive care units.

Knowles Corporation was another detractor. The company was spun out of Dover, and manufactures microphones and microspeakers for mobile phones and other devices. There has been negative sentiment around the stock after some of Knowles' microphones used in the iPhone 6 were defective, causing speculation the microphones would not be used in future Apple products. The company has since reached a new deal with Apple. We think the stock's current valuation doesn't reflect the company's potential even if it were left out of the Apple vendor lineup.

Lands' End was a top detractor. After the company spun off from Sears in 2013, we felt it had more control over its own destiny. However, we are reviewing the stock as we await details on the new CEO's long-term strategy.

Portfolio Manager:
Daniel R. Kozlowski, CFA

Executive Summary

- The Portfolio outperformed its benchmark during the quarter.
- Endo International was a top contributor.
- Knowles Corporation was a top detractor.

Past performance is no guarantee of future results.

Discussion is based on performance gross of fees and expenses.

Sector weightings, portfolio characteristics, market cap weightings and holdings are based on a representative account. Such data may vary for each client in the strategy due to asset size, market conditions, client guidelines and diversity of portfolio holdings. The representative account is the account in the composite that we believe most closely reflects the current portfolio management style for this strategy.

As of 3/31/15 the top ten portfolio holdings of the Representative Account are: United Continental Holdings, Inc. (10.50%), Endo Health Solutions, Inc. (8.79%), Mallinckrodt PLC (6.82%), Air Products & Chemicals, Inc. (4.89%), Motorola Solutions, Inc. (4.85%), St. Joe Co. (4.33%), Knowles Corp. (3.37%), Dollar Tree, Inc. (3.18%), E*TRADE Financial Corp. (3.04%) and Citigroup, Inc. (2.88%). There are no assurances that any Janus portfolio currently holds these securities or other securities mentioned in this commentary.

Portfolio holdings are as of the date indicated, and are subject to change. This material should not be construed as recommendation to buy or sell any security.

Opportunistic Alpha managed accounts, benchmarked to the S&P 500 Index, seek to invest in under-valued companies with improving return on invested capital and an asymmetrical risk/reward profile. The portfolios may have exposure to foreign securities through ADRs. Prior to June 1, 2007 returns for the composite are for the Institutional Opportunistic Alpha Composite, which consists of separately managed institutional accounts as well as sub-advised pooled funds. The composite was created in June 2007.

S&P 500® Index measures broad U.S. equity performance.

The opinions are as of 3/31/15 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.

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Janus Capital Management LLC serves as investment adviser.

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