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INTECH RESEARCH EXPLAINS WHEN AND WHY ACTIVE MANAGEMENT TENDS TO OUTPERFORM PASSIVE

It Also Discusses the Added Benefit of Risk Management Offered by Active Managers

West Palm Beach, Florida – INTECH Investment Management (INTECH) explains the cyclicality of performance by active managers, how their results vary with the direction and magnitude of market performance and the most significant disadvantage of passive management – realizing the full force of the market's downside – in its recently published paper, "Active vs. Passive: The Age-Old Debate." The paper is co-authored by Richard Yasenchak, CFA, a senior vice president and client portfolio manager at INTECH, together with Valerie Azuelos, senior product specialist.

It is becoming more widely believed by many investors that passive investing provides a 'safe harbor' from underperformance and perceived risks of active management. However, according to Mr. Yasenchak, out-of-favor periods for active managers have historically been followed by strong performance reversals. "The late '90s was a challenging period for active managers. Conversely, from 2000 through 2010, more than 50% of active managers in the eVestment U.S. Large Cap Universe outperformed the Russell 1000 Index, on a rolling three-year basis. More recently, from 2011 through 2014, more than half of the active U.S. large-cap managers in the same eVestment universe underperformed the Russell 1000 Index on a rolling three-year basis -- a striking resemblance to the late '90s," Yasenchak explained. He also said that history shows that active managers tend to do better in moderately up or down markets and underperform in strong up markets, such as we have experienced since the global financial crisis.

Given the strong performance of equities the past few years, it would seem that 'going passive' is more beneficial for investors. INTECH concedes that many active managers have disappointed in recent years, which has resulted in passive investing gaining market share at a rapid pace. "However, based on our research and the cyclicality of active and passive investing, this may not be the right time to make an active decision to go passive," said Yasenchak.

When asked why an investor should consider active management, given the track record of passively managed portfolios, especially the past few years, without hesitation Yasenchak responded, "Risk management. The strong performance of equities the past few years has lulled many investors into a false sense of security. But markets don't only go up. Because of the strong performance of the past few years, many investors have forgotten the drawdowns of as much as 50% that their portfolios experienced during the global financial crisis. The magnitude of the sell-off resulted because passively managed portfolios track the market or a specific index, with no risk controls to protect the portfolio from realizing the full force of the market decline. Active management offers the potential to provide much-needed downside protection – particularly important during periods of crisis -- while still participating in the growth potential of stocks," Yasenchak explained.

Because better returns come from better risk management, downside protection is particularly important. When you consider that a portfolio that declines by 50% requires a rebound of 100% just to get back to even, limiting losses during a market downturn, coupled with the effects of compounding, has the potential to increase a portfolio's return over the long term. Passive strategies realize the full downside of the equity markets while active management has the potential to provide much-needed downside protection. "The best managers should add value, particularly in down markets," said Yasenchak.

According to Yasenchak, the goal is to strike the proper balance between capital appreciation and capital preservation. "Dynamically adjusting the level of risk reduction in a portfolio to become more defensive during crisis periods, and more core-like or active during normal market conditions, is the preferred scenario," said Yasenchak. Investing in managed-volatility portfolios that aim to achieve this dynamic volatility reduction based on volatility estimates means not having to rely on forecasting market or stock returns – which he described as a very imperfect science that is fraught with peril.

Yasenchak concluded by saying that given where we are in the active-management cycle and following the very strong performance of equity markets the past few years, it may be shortsighted to make an active decision to exit active management at this time. As long as the confidence in a manager's alpha source, investment process and investment team remains strong, a shift to passive could impede any recovery once the manager's investment process is back in favor. Investors who chose to go passive will feel the full force of market risk, while an active manager has the ability to mitigate some of that risk.

To download INTECH's paper, "Active vs. Passive: The Age-Old Debate," go to INTECH's website www.intechjanus.com and click on the "Insight and Research" tab or send an email to communications@intechjanus.com.

About INTECH

For more than 25 years, INTECH, an active, global equity manager, has focused on delivering long-term returns in excess of the target benchmark, while attempting to reduce relative risk. Using the same disciplined and mathematical investment process, INTECH also offers strategies (low and managed volatility), which, over time, seek market-like or above-market returns with less absolute risk. The company's global headquarters is located in West Palm Beach, Florida, with its research headquarters in Princeton, New Jersey, and international headquarters in London, UK. As of March 31, 2015, INTECH had approximately $51.2 billion under management and 84 employees worldwide. INTECH has been named a "Best Places to Work in Money Management" company by *Pensions & Investments* in 2013 and 2014. INTECH is an independently managed subsidiary of Janus Capital Group Inc. (NYSE: JNS), based in Denver.

About Janus Capital Group Inc.

Janus Capital Group Inc. (JCG) is a global investment firm dedicated to delivering better outcomes for clients through a broad range of actively managed investment solutions, including fixed income, equity, alternative and multi-asset class strategies. It does so through a number of distinct investment platforms, including investment teams within Janus Capital Management LLC (Janus), as well as INTECH Investment Management LLC (INTECH) and Perkins Investment Management LLC (Perkins), in addition to certain exchange-traded products under the VelocityShares brand. Each team brings distinct asset class experience, perspective, style-specific experience and a disciplined approach to risk. Investment strategies are offered through open-end funds domiciled in both the U.S. and offshore, as well as through separately managed accounts, collective investment trusts and exchange-traded products.

At the end of March 2015, JCG managed approximately $189.7 billion in assets for shareholders, clients and institutions around the globe. Based in Denver, JCG also has offices in London, Milan, Singapore, Hong Kong, Tokyo, Melbourne, Paris, The Hague, Zurich, Frankfurt, Dubai and Taipei.

$$\gamma_{\pi}^{*} = \frac{1}{2}\left(\sum_{i}\pi_i\sigma_i^2 - \sum_{ij}\pi_i\pi_j\sigma_{ij}\right)$$

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