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Global Real Estate: Is There Still Opportunity Ahead?



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Agenda

- Snapshot of the Asset Class
- Investing in Global Real Estate
- Areas of Opportunity
- Conclusion

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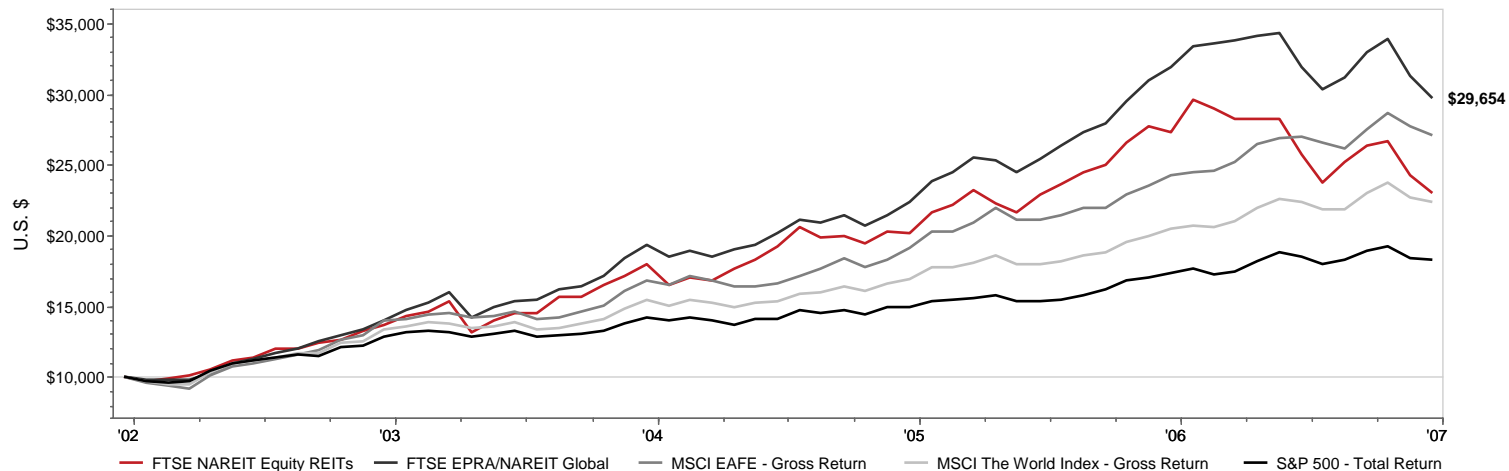
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Snapshot of the Asset Class

- FTSE EPRA/NAREIT Global Real Estate Index has outperformed over the last five years
- Inflows into the asset class have grown recently. In 2006:
 - Total U.S. real estate assets under management rose to \$364.9 billion
 - Total non-U.S. real estate assets under management rose to \$193 billion
- Transactions were driven by a “wall of money,” up 40% from 2004, largely the result of funds flowing from private and public markets

Growth of \$10,000 Across Global Asset Classes



Source: FactSet, December 31, 2007

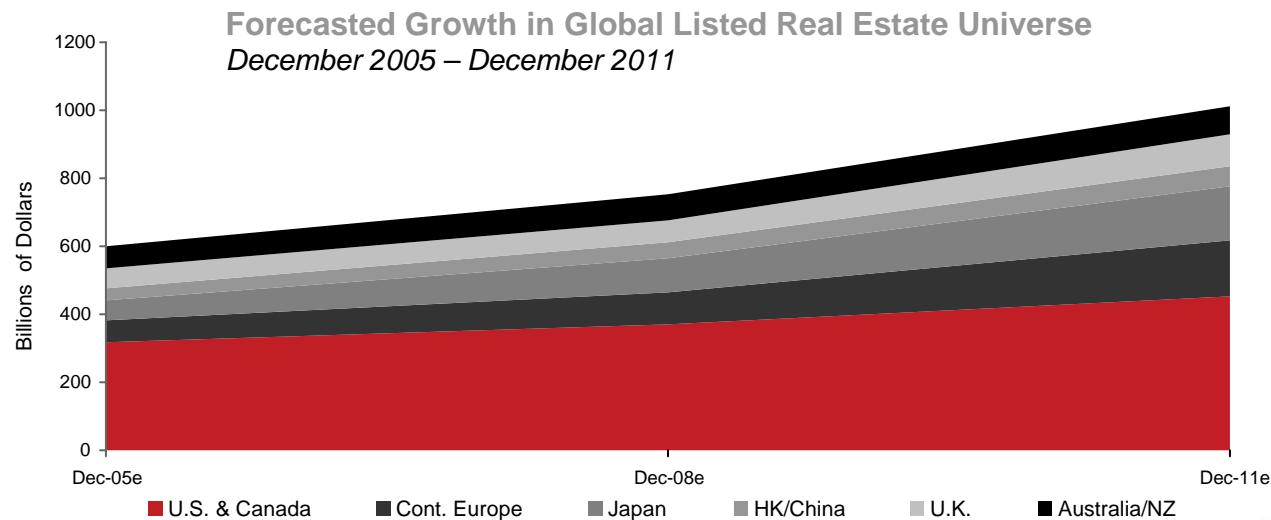
The hypothetical example does not represent the returns of any particular investment. Past performance is no guarantee of future results. Taxes, fees and inflation are not accounted for.

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Snapshot of the Asset Class

- Current global structural drivers suggest there are still attractive opportunities:
 - Globalization
 - Growth in emerging markets
 - Forecasted growth in the publicly listed market is significant (see below)
- However, there are challenges to overcome, including:
 - Sizeable cap rate compression resulting from influx of capital
 - Credit market conditions could push cost of debt higher
 - Increased focus on property fundamentals



Source: UBS Estimates, February 14, 2006

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Investing in Global Real Estate

- **Diversification:** Real estate securities have a low correlation to many other major asset classes
- **Risk/reward profile:** Compelling annualized returns for the amount of risk
- **Cash flow stability:** Attributable to the long duration of many tenant leases

FTSE EPRA/NAREIT Global Real Estate Index correlations	
Major Asset Class	Correlation
Developed Market Equity ¹	0.56
Global Equity ²	0.55
U.S. Equity ³	0.54
U.S. High Yield ⁴	0.44
U.S. Core Bonds ⁵	0.30
Alternative Investments	Correlation
Hedge Funds ⁶	0.51
Commodities ⁷	0.23

Source: Major Asset Classes – FactSet, correlations from October 2002 - September 2007

¹MSCI EAFE Index – Gross Return ²MSCI AC World Index – Gross Return ³Russell 3000® Index – Total Return ⁴Lehman U.S. Corporate High-Yield Index ⁵Lehman U.S. Aggregate Bond Index ⁶Credit Suisse/Tremont Hedge Fund Index ⁷Reuters CRB Commodities Index



Investing in Global Real Estate

- Global real estate investment landscape has been impacted by the transition from direct physical property ownership to indirect investment via REITs
 - Increased access to commercial real estate investments
 - Additional income potential
- In addition to REITs, there are opportunities that present the characteristics of real estate investing

Global Real Estate Subsector Breakdown	
Subsector	Company Example*
Real estate operating companies and developers	Sun Hung Kai, the largest Hong Kong-based property developer
Real estate brokerage/service/management firms	Jones Lang LaSalle, which provides integrated real estate and investor services to clients worldwide
Firms dependent on real estate holdings for revenue and profit	SL Green, a REIT focused on New York City-based commercial office properties
Hotels/fractional ownerships	Starwood, global operator of hotels and fractional ownerships with a good balance of owned vs. managed properties
Alternative real estate such as timberland and ports	Plum Creek, a timber company that is the second - largest U.S. landowner after the federal government
Companies whose core business may not be real estate-related but whose assets may be viewed from a real estate perspective	Tesco, an international grocery chain and diversified retailer that owns large parcels of land in the U.K.

Source: Janus Research

* The above mentioned companies are only examples within the listed subsectors and are not intended to be investment recommendations.

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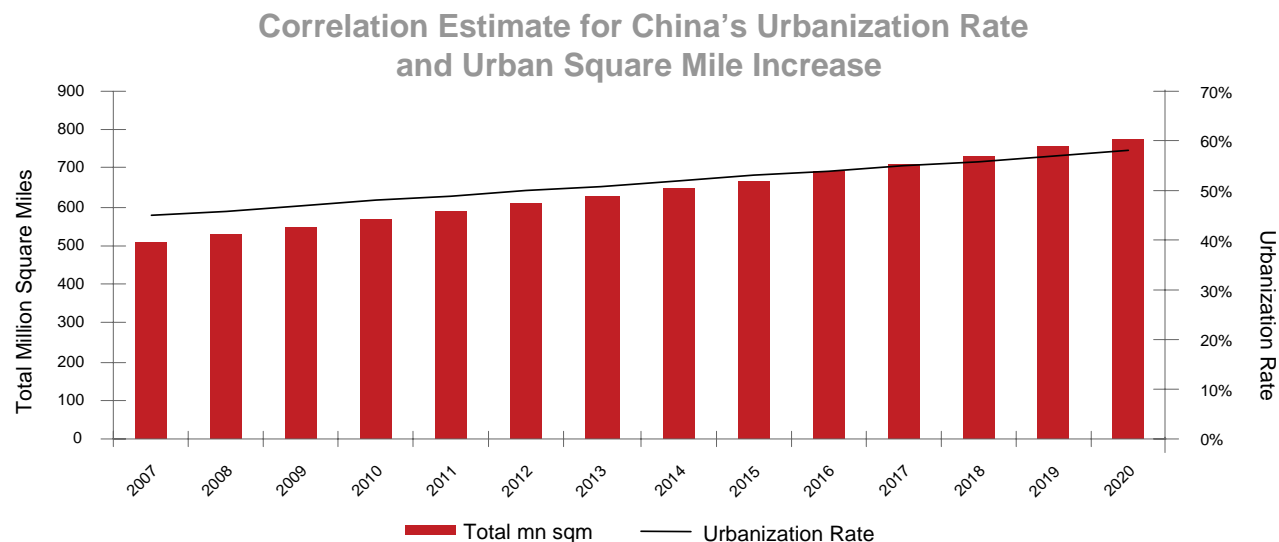
Investing in Global Real Estate

- Three key metrics within a bottom-up, company-by-company valuation approach:
 - **Net Asset Value (NAV):** The current market value of real estate and other assets, less debt and other liabilities
 - **Capitalization Rate:** A measure of investment yield on acquisitions and dispositions calculated by dividing the annual property-level net operating income (NOI) by the market-determined value of the property
 - **Replacement Cost:** The cost of developing the same asset in today's market
- Two other considerations in real estate valuation:
 - Development/redevelopment expertise to penetrate high-growth areas
 - Market barriers to entry, blue chip assets



Area of Opportunity: Asia

- One approach to tapping Asian real estate growth is through established high-barrier markets such as:
 - Hong Kong, which has a government-controlled structure for privatizing real estate
 - Japan, where over a decade of asset price deflation has recently started to reverse
- A second approach is through emerging growth markets such as China
 - Secular tailwind of urbanization
 - Development acumen to capitalize on first-mover advantage in second-tier cities



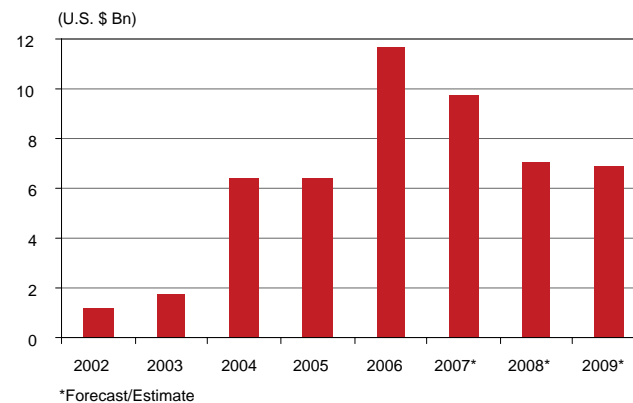
Source: Janus Research, September, 2007



Area of Opportunity: Europe

- Specialist or “sharpshooter” REITs can still offer entrée into this market
 - Cap rate compression in Western Europe has largely run its course
- Within Eastern Europe, structural market drivers remain robust, illustrated by three well-known cities:
 - **Bucharest:** Positive indicators include significant projected income growth and increased foreign direct investment
 - **Prague:** Will likely continue to benefit from the strong current economic backdrop of the Czech Republic as a whole
 - **Warsaw:** With GDP growth of 7.4% in 1Q07 and a 10-year backlog of housing demand, there may be sustained opportunity for value creation

Foreign Direct Investment in Romania



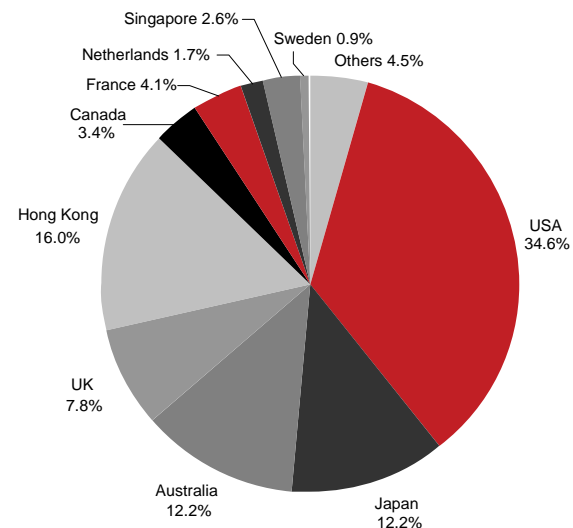
Source: EIU Country Report, Country Forecast June 2007, INS



Area of Opportunity: North and South America

- U.S. remains an important component of the investment landscape
 - U.S. represents a large, mature real estate market with experienced management teams and established operators
 - Substantial demand for new real estate development is expected, supported by population growth of 2.5 million annually over the next 40 years
 - “Sharpshooter” REITs and companies where embedded real estate assets support valuations
- Promising theme in South America
 - A key structural growth driver in Brazil has been high demand for its major commodities
 - Mortgages are being offered for the first time in a generation

FTSE EPRA/NAREIT Global Real Estate Index



Source: FTSE, December 31, 2007



Conclusion

- Continued outperformance of the asset class could face challenges, including:
 - Potential for credit conditions to negatively impact financing costs
 - Greater market emphasis on the underlying quality of property assets
 - Increasing number of pension and insurance investors impacting valuations
 - Continued volatility
- Numerous compelling reasons for an allocation to the sector remain:
 - Structural drivers, including globalization, growth in emerging markets and forecasted growth in the publicly listed market
 - Continued commitment to disciplined, bottom-up research yields opportunities



Q&A

The Case for Global Real Estate

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About the Presenters

Stephanie M. Pierce, Senior Vice President, Client Portfolio Management and Product Management

As a senior member of the Janus investment team, Ms. Pierce is responsible for synthesizing and communicating Janus market insights and investment perspectives to clients. Ms. Pierce is also a standing member of the firm's Risk Management, Product Development and Management Committees. Ms. Pierce joined Janus in 2005 after 12 years with Goldman, Sachs & Co., where she led the Portfolio Advisory team in the Firm's Investment Strategy Group. Prior to that, Ms. Pierce was the Global Head of Research Marketing within Goldman's Investment Research Division. Ms. Pierce graduated from Stanford University with a Bachelor of Arts in International Relations and has 15 years of industry experience.

Mark H. Godfrey, Vice President, Head of Client Portfolio Management

Mr. Godfrey specializes in U.S. large cap growth and core equity strategies at Janus Capital Group. Prior to joining Janus in September 2000, Mr. Godfrey was a senior analyst at INVESCO in Denver. Prior to that, Mr. Godfrey was a vice president, equity analyst at Fleet Investment Advisors in Boston. Mr. Godfrey earned a Bachelor of Science degree in political science from Brown University. Mr. Godfrey has more than 15 years of experience in the financial industry.

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

Mr. Schor specializes in global and international equity strategies at Janus Capital Group. 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. Mr. Schor holds a Bachelor of Science degree from Northwestern University's Medill School of Journalism and a Master of Science in finance from the University of Wisconsin Graduate School of Business. Mr. Schor holds the Chartered Financial Analyst designation and has 18 years of industry experience.

Nicholas B. Thompson, Vice President, Client Portfolio Manager

Mr. Thompson specializes in fixed income strategies and small- and mid-cap equity strategies at Janus Capital Group. Prior to joining Janus in September 2006, Mr. Thompson served as PIMCO Portfolio Specialist for Allianz Global Investors. Mr. Thompson previously served in the high net worth client division at Charles Schwab and Company. He holds a Bachelor of Arts degree in International Relations from Colgate University. Mr. Thompson passed Level I of the Chartered Financial Analyst exam and has 8 years of investment industry experience.

