JANUS CAPITAL
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Vice President
and Assistant General Counsel

May 20, 2004

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VIA FEDERAL EXPRESS

Mr. Jonathan G. Katz
Secretary
U.S. Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549-0609

Re: Disclosure Regarding Portfolio Managers of Registered Management Investment Companies (File No. S7-12-04)

Dear Mr. Katz:

Janus Capital Management LLC ("Janus")[1] appreciates the opportunity to express its views on the Securities and Exchange Commission's (the "Commission") proposal to require registered management investment companies ("funds") to provide enhanced disclosure of information regarding their portfolio managers. [2]

Janus participated in the Investment Company Institute's ("ICI") working group that assisted in drafting the ICI's comment letter on these proposals, and we fully support the ICI comment letter. We are writing separately, however, to reinforce our views regarding the Commission's proposal to remove the exclusion of index funds from portfolio manager disclosure.

Janus supports the Commission's efforts to provide increased transparency of information regarding fund portfolio managers. We also want the Commission to recognize, however, that certain portfolios do not utilize the services and skills of portfolio managers and rely instead on objective, structured formulas to govern investment decisions. As

1 Janus currently serves as investment adviser to approximately 61 separate series of proprietary, registered, open-end mutual funds (including 6 money market funds), and serves as sub-adviser to approximately 33 series of non-proprietary, registered, open-end mutual funds. As of April 30, 2004, Janus managed a total of more than $140.3 billion in assets. Janus manages money for more than 4.3 million direct retail investors.

2 See SEC Release Nos. 33-8396; 34-49398; IC-26383 (March 11, 2004); 69 Fed. Reg. 12752 (March 17, 2004 (the "Proposing Release").

such, we express our concern that additional disclosure as to these types of products would not provide the meaningful disclosure which we seek to provide to investors. We believe, moreover, that such disclosure may ultimately result in investor confusion.

I. Summary of Rule Proposal and the Issue Raised

The Commission proposes to require registered management investment companies to provide enhanced disclosure of information relating to their portfolio managers.[3] The proposals would require a fund to disclose information relating to: (1) the members of a portfolio management team; (2) other accounts managed by the portfolio manager; (3) the portfolio manager's ownership of securities in the fund and in such other accounts; and (4) the portfolio manager's compensation structure.

Of particular interest to Janus is the Commission's proposal to extend its proposed disclosure requirements to portfolio managers of index funds, which currently are excluded from portfolio manager disclosure. We urge the Commission to maintain its long-standing exclusion for portfolio managers of index funds. In the alternative, the exclusion should continue to extend to portfolios wherein management decisions are based on objective mathematical formulas rather than subjective, traditional portfolio management decision-making. Specifically, we believe that the proposed disclosure would not meaningful to investors in the portfolios managed by Enhanced Investment Technologies, LLC ("INTECH"), a subsidiary of Janus[4].

II. Application of the Issue Raised to INTECH

INTECH is an investment management firm which uses stochastic portfolio theory to determine investment decisions for its portfolios. Stochastic portfolio theory suggests that by combining securities with high relative volatility, but low covariance, a portfolio can be constructed to outperform a benchmark index over time. The theory is executed through the application of a proprietary mathematical model. The theory is the result of research performed by Dr. Robert Fernholz and published in his 1982 paper, "Stochastic Portfolio Theory and Stock Market Equilibrium," which details the application of stochastic calculus to portfolio theory and management. In essence, purchases and sales of portfolio holdings are driven by the results of a mathematical formula and are not determined by the subjective discretion of a portfolio manager.

No one person at INTECH is primarily responsible for implementing investment strategies. INTECH is run as a research facility and its staff works together to implement the mathematical portfolio management process. INTECH's portfolio strategies include:

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3 Id.

4 INTECH serves as subadviser to a number of registered investment companies which are advised by Janus. Janus Capital Group Inc., the parent company of Janus, indirectly owns 77.5% of the outstanding voting shares of INTECH.

(i) Large Cap Growth, benchmarked to either the S&P BARRA/Growth or Russell 1000 Growth indexes; (ii) Large Cap Value, benchmarked to either the S&P BARRA/Value or Russell 1000 Value indexes; (iii) Large Cap Core, benchmarked to either the S&P 500 Index or the Russell 1000 indexes; and (iv) Enhanced Index, benchmarked to the S&P 500 Index or the Russell 1000 index.

While the reasons outlined by the ICI for the continued exclusion of index funds from portfolio manager disclosure certainly apply to INTECH's portfolios, INTECH's portfolio strategy differs fundamentally from that of a typical index portfolio and presents an even stronger case for continued exclusion. In INTECH portfolios, no fundamental analysis occurs for individual stocks. The strategy is based on the theory that by analyzing the covariance structure of the market and stock volatility through mathematical modeling, it is possible to build portfolios of companies whose price variability may produce returns in excess of the benchmark. The unique element of the approach is that no estimates of the future rates of return are necessary for the stocks in the portfolio. INTECH believes that such estimates based on an analyst's forecasts are susceptible to error. In comparison, INTECH's process is based on proprietary mathematical principles and formulas and portfolio holdings are optimized and rebalanced every six days pursuant the mathematical formula.

Since management of INTECH portfolios is objective, mechanical and driven by a mathematical formula, we believe that potential investors in INTECH portfolios would be best served by understanding the theory and strategy of the portfolios and that additional disclosure regarding INTECH's investment staff would be significantly less relevant.[5]

Further, the Commission's proposals as applied to such portfolios are likely to cause shareholder confusion and could be misleading. For example, requiring investors to examine detailed disclosure regarding INTECH's investment staff may suggest to some shareholders that INTECH's staff is driving investment decisions, when in reality stochastic portfolio theory is utilized to determine ideal portfolio holdings. Ultimately, we want potential investors to understand that the portfolio strategies are based on INTECH's proprietary mathematical modeling, not efforts of a portfolio manager.

Finally, concerns regarding portfolio manager conflicts of interest which prompted the Commission's proposals do not exist in INTECH's portfolios. There is no risk that any staff compensation plan or securities ownership will influence the decisions of INTECH staff, because INTECH staff has no such discretion.

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[5] No one person on the INTECH investment team is primarily responsible for implementing the INTECH investment strategies. The team of investment professionals at INTECH works together to implement the mathematical portfolio management process. Consistent with current disclosure, Janus would continue to disclose the background and qualifications of individuals at INTECH responsible for implementing the INTECH investment strategies.

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We urge the Commission to maintain its long-standing exclusion for portfolio managers of index funds. In the alternative, the exclusion should continue to extend to portfolios such as INTECH's wherein management decisions are based on objective mathematical formulas rather than subjective, traditional portfolio management decision-making.

Again, we appreciate the opportunity to comment on these issues. If you have any questions regarding our comments, please feel free to contact me 303-333-3863.

Sincerely,

JANUS CAPITAL MANAGEMENT LLC

By: Heidi Walter

Heidi J. Walter
Vice President and Assistant General Counsel

cc: Paul F. Roye
Director
Division of Investment Management
Securities and Exchange Commission

Amy Lancellota
Acting General Counsel
Investment Company Institute