

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2011

OR

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

for the transition period from to

Commission File Number 001-15253



**JANUS CAPITAL
Group**

Janus Capital Group Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

43-1804048

(I.R.S. Employer
Identification No.)

151 Detroit Street, Denver, Colorado

(Address of principal executive offices)

80206

(Zip Code)

(303) 333-3863

(Registrant's telephone number, including area code)

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Company was required to file such reports), and (2) has been subject to the filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," "non-accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of July 21, 2011, there were 186,541,886 shares of the Company's common stock, \$.01 par value per share, issued and outstanding.

PART I — FINANCIAL INFORMATION**Item 1. Financial Statements****JANUS CAPITAL GROUP INC.****CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)****(Dollars in Millions)**

	<u>June 30, 2011</u>	<u>December 31, 2010</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 269.5	\$ 373.2
Investment securities	404.0	296.1
Accounts receivable	115.7	167.0
Income taxes receivable	16.1	10.9
Other current assets	42.1	46.1
Total current assets	<u>847.4</u>	<u>893.3</u>
Other assets:		
Property and equipment, net	39.2	44.1
Intangible assets, net	1,267.7	1,273.6
Goodwill	488.2	488.2
Other assets	26.9	27.6
Total assets	<u>\$ 2,669.4</u>	<u>\$ 2,726.8</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 7.8	\$ 5.8
Accrued compensation and benefits	74.4	116.0
Current portion of long-term debt	92.2	213.1
Other accrued liabilities	71.4	85.9
Total current liabilities	<u>245.8</u>	<u>420.8</u>
Other liabilities:		
Long-term debt	590.8	586.7
Deferred income taxes	416.3	410.3
Other liabilities	45.8	43.0
Total liabilities	<u>1,298.7</u>	<u>1,460.8</u>
Commitments and contingencies		
Redeemable noncontrolling interests	<u>97.5</u>	<u>82.8</u>

STOCKHOLDERS' EQUITY

Preferred stock	—	—
Common stock	1.9	1.8
Retained earnings	1,239.5	1,168.1
Accumulated other comprehensive income	2.6	1.6
Total JCG stockholders' equity	<u>1,244.0</u>	<u>1,171.5</u>
Noncontrolling interests	29.2	11.7
Total stockholders' equity	<u>1,273.2</u>	<u>1,183.2</u>
Total liabilities and stockholders' equity	<u>\$ 2,669.4</u>	<u>\$ 2,726.8</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

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JANUS CAPITAL GROUP INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(Dollars in Millions, Except Per Share Data)

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Revenues:				
Investment management fees	\$ 226.0	\$ 207.8	\$ 451.2	\$ 413.6
Performance fees	(0.2)	4.3	0.6	9.0
Shareowner servicing fees and other	38.2	37.2	77.6	73.6
Total	<u>264.0</u>	<u>249.3</u>	<u>529.4</u>	<u>496.2</u>
Operating Expenses:				
Employee compensation and benefits	79.9	79.4	161.6	159.0
Long-term incentive compensation	17.7	20.5	35.9	39.1
Marketing and advertising	8.2	15.2	14.3	22.0
Distribution	39.6	35.6	75.7	70.7
Depreciation and amortization	8.4	9.9	17.4	19.8
General, administrative and occupancy	28.4	27.3	57.5	56.9
Total	<u>182.2</u>	<u>187.9</u>	<u>362.4</u>	<u>367.5</u>
Operating income	81.8	61.4	167.0	128.7
Interest expense	(13.1)	(15.8)	(26.3)	(31.4)
Investment (losses) gains, net	(1.4)	3.2	0.3	3.9
Other income, net	0.5	0.7	0.4	0.9
Loss on early extinguishment of debt	—	—	(9.9)	—
Income before taxes	<u>67.8</u>	<u>49.5</u>	<u>131.5</u>	<u>102.1</u>
Income tax provision	<u>(22.3)</u>	<u>(18.1)</u>	<u>(45.1)</u>	<u>(37.3)</u>
Net income	45.5	31.4	86.4	64.8
Noncontrolling interests	<u>(3.6)</u>	<u>(1.2)</u>	<u>(6.6)</u>	<u>(3.3)</u>
Net income attributable to JCG	<u>\$ 41.9</u>	<u>\$ 30.2</u>	<u>\$ 79.8</u>	<u>\$ 61.5</u>
Earnings per share attributable to JCG common shareholders:				
Basic	\$ 0.23	\$ 0.17	\$ 0.44	\$ 0.34

Diluted \$ 0.23 \$ 0.17 \$ 0.43 \$ 0.34

The accompanying notes are an integral part of these condensed consolidated financial statements.

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JANUS CAPITAL GROUP INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(Dollars in Millions)

	Six months ended June 30,	
	2011	2010
CASH FLOWS PROVIDED BY (USED FOR):		
Operating Activities:		
Net income	\$ 86.4	\$ 64.8
Adjustments to net income:		
Depreciation and amortization	17.4	19.8
Deferred income taxes	8.1	10.6
Amortization of stock-based compensation	20.6	27.4
Investment gains, net	(0.3)	(3.9)
Amortization of debt discount and deferred issuance costs	5.7	6.0
Loss on early extinguishment of debt	9.9	—
Payment of deferred commissions, net	(2.9)	(5.1)
Other, net	(0.1)	(0.4)
Changes in working capital items:		
Accounts receivable	20.0	14.6
Other current assets	(5.3)	(24.9)
Accounts payable and accrued compensation payable	(37.7)	(31.2)
Other liabilities	(19.3)	5.7
Net operating	<u>102.5</u>	<u>83.4</u>
Investing Activities:		
Purchase of property and equipment	(2.5)	(5.8)
Purchase of investment securities	(147.4)	(142.8)
Proceeds from sales and maturities of investment securities	88.7	49.7
Net investing	<u>(61.2)</u>	<u>(98.9)</u>
Financing Activities:		
Repayment of long-term debt	(130.8)	—
Purchase of noncontrolling interests	(0.8)	(36.4)
Proceeds from stock plans	2.8	1.6
Excess tax benefit from equity-based compensation	3.2	2.6
Distributions to noncontrolling interests	(9.6)	(9.6)
Principal payments under capital lease obligations	(0.5)	(0.5)
Dividends paid to shareholders	(9.3)	(7.4)
Net financing	<u>(145.0)</u>	<u>(49.7)</u>
Cash and Cash Equivalents:		
Net decrease	(103.7)	(65.2)
At beginning of period	373.2	324.7
At end of period	<u>\$ 269.5</u>	<u>\$ 259.5</u>
Supplemental Cash Flow Information:		
Cash paid for interest	\$ 20.9	\$ 24.9
Cash paid for income taxes	\$ 41.6	\$ 51.1

The accompanying notes are an integral part of these condensed consolidated financial statements.

JANUS CAPITAL GROUP INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)
(Amounts in Millions, Except Per Share Data)

	Shares	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Nonredeemable Noncontrolling Interests in Subsidiaries	Total Stockholders' Equity
Balance at December 31, 2009	182.0	\$ 1.8	\$ 998.3	\$ 1.0	\$ 10.5	\$ 1,011.6
Net income attributable to JCG			159.9		2.5	162.4
Net unrealized gain on available-for-sale securities				0.7		0.7
Amortization of net loss on cash flow hedge				0.2		0.2
Reclassification for net gains included in net income				(1.4)		(1.4)
Foreign currency translation adjustment				1.1		1.1
<i>Comprehensive income</i>						<u>163.0</u>
Amortization of stock-based compensation			33.4		4.8	38.2
Issuance and forfeitures of restricted stock awards, net	1.4					—
Tax impact of stock-based compensation			(5.1)			(5.1)
Stock option exercises and employee stock purchases	0.7		4.4			4.4
Noncontrolling interests in consolidated investment products					3.3	3.3
Purchase of noncontrolling interests					(5.0)	(5.0)
Distributions to noncontrolling interests					(3.2)	(3.2)
Change in value of redeemable noncontrolling interests			(16.6)			(16.6)
Vesting of Perkins LLC interests			1.2		(1.2)	—
Common stock dividends (\$0.04 per share)			(7.4)			(7.4)
Balance at December 31, 2010	<u>184.1</u>	<u>1.8</u>	<u>1,168.1</u>	<u>1.6</u>	<u>11.7</u>	<u>1,183.2</u>
Net income attributable to JCG			79.8		1.2	81.0
Net unrealized gain on available-for-sale securities				0.1		0.1
Amortization of net loss on cash flow hedge				0.1		0.1
Reclassification for net gains included in net income				(0.5)		(0.5)
Foreign currency translation adjustment				1.3		1.3
<i>Comprehensive income</i>						<u>82.0</u>

Amortization of stock-based compensation			12.4		2.2	14.6
Issuance and forfeitures of restricted stock awards, net	2.0	0.1				0.1
Tax impact of stock-based compensation			1.1			1.1
Stock option exercises and employee stock purchases	0.4		2.8			2.8
Noncontrolling interests in consolidated investment products					18.9	18.9
Purchase of noncontrolling interests					(0.8)	(0.8)
Distributions to noncontrolling interests					(2.3)	(2.3)
Change in fair value of redeemable noncontrolling interests			(15.4)			(15.4)
Vesting of PERKINS LLC interests					(1.2)	(1.2)
Vesting of INTECH LLC interests					(0.5)	(0.5)
Common stock dividends (\$0.05 per share)			(9.3)			(9.3)
Balance at June 30, 2011	<u>186.5</u>	<u>\$ 1.9</u>	<u>\$ 1,239.5</u>	<u>\$ 2.6</u>	<u>\$ 29.2</u>	<u>\$ 1,273.2</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

JANUS CAPITAL GROUP INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1 — Basis of Presentation

In the opinion of Janus Capital Group Inc. (collectively, “JCG” or the “Company”) management, the accompanying unaudited interim condensed consolidated financial statements contain all adjustments necessary to fairly present the financial position, results of operations and cash flows of the Company in accordance with accounting principles generally accepted in the United States of America (“GAAP”). All such adjustments are of a normal recurring nature. Such unaudited interim financial statements have been prepared in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Events subsequent to the balance sheet date have been evaluated for inclusion in the accompanying condensed consolidated financial statements through the issuance date. These condensed consolidated financial statements should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2010.

The accompanying condensed consolidated financial statements have been prepared on a consistent basis with the accounting policies described in Note 2 to the consolidated financial statements that are presented in the Company’s Annual Report on Form 10-K for the year ended December 31, 2010.

Note 2 — Recent Accounting Guidance

In June 2009, the Financial Accounting Standards Board (“FASB”) issued new accounting guidance related to the consolidation of variable interest entities which amends guidance for identifying the primary beneficiary in variable interest entities, requires ongoing assessments for purposes of identifying the primary beneficiary and eliminates the scope exception for qualifying special-purpose entities. In January 2010, the FASB deferred the provisions of this guidance primarily for entities with attributes of an investment company until the FASB and the International Accounting Standards Board develop converged guidance on consolidation. This accounting guidance may otherwise have resulted in the consolidation of certain mutual funds, other pooled investment vehicles, separate accounts and subadvised relationships (collectively referred to as “investment products”). An Exposure Draft is expected to be published during the second half of 2011.

In May 2011, the FASB issued an update regarding fair value measurements and disclosures. The amendments in the update result in a common fair value measurement and required disclosure requirements in GAAP and International Financial Reporting Standards. The amendments change the wording used to describe many of the requirements for measuring fair value and for disclosing information about fair value measurements. The update is effective for the Company's fiscal year beginning January 1, 2012. The Company is currently evaluating the potential impact of this updated guidance on its consolidated financial statements.

In June 2011, the FASB issued an update regarding the presentation of comprehensive income. This standard eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. Under the updated guidance, an entity can elect to present items of net income and other comprehensive income in one continuous statement or in two separate but consecutive statements. Each component of net income and each component of other comprehensive income, together with totals for comprehensive income and its two parts (net income and other comprehensive income) would need to be displayed under either alternative. The statement(s) would need to be presented with equal prominence as the other primary financial statements. The amendment is effective for the Company's fiscal year beginning January 1, 2012. The Company is currently assessing the impact of this updated guidance on its consolidated financial statements.

Note 3 — Investment Securities

JCG's investment securities at June 30, 2011, and December 31, 2010, are summarized as follows (*in millions*):

	June 30, 2011				December 31, 2010			
	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Short-term investments:								
Trading securities								
(carried at fair value)								
Seeded investment products	\$ 196.6	\$ 9.6	\$ (1.0)	\$ 205.2	\$ 93.1	\$ 9.6	\$ (0.6)	\$ 102.1
Mutual fund share awards	76.3	11.7	(0.6)	87.4	69.1	19.0	(0.1)	88.0
Available-for-sale securities (carried at fair value)								
Investments in advised funds	15.9	3.1	—	19.0	10.2	2.7	—	12.9
Held-to-maturity securities (carried at amortized cost)	92.4	—	—	92.4	93.1	—	—	93.1
	<u>\$ 381.2</u>	<u>\$ 24.4</u>	<u>\$ (1.6)</u>	<u>\$ 404.0</u>	<u>\$ 265.5</u>	<u>\$ 31.3</u>	<u>\$ (0.7)</u>	<u>\$ 296.1</u>

Proceeds and net gains from the redemption of investment securities are as follows (*in millions*):

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Proceeds from redemptions:				
Trading securities	\$ 13.4	\$ 4.2	\$ 47.6	\$ 29.3
Available-for-sale securities	2.1	5.6	2.1	5.6
Net gains from redemption of investment securities	3.9	2.3	12.4	1.0

Investment securities are classified as follows:

Trading Securities

JCG periodically adds new investment strategies to its investment product offerings by providing the initial cash investment, or "seeding," of these investment products. Seeded investment products are initially consolidated and the individual securities within the portfolio are accounted for as trading securities. JCG will consolidate such investment products as long as it holds a controlling interest, defined as greater than 50% ownership. Upon deconsolidation, JCG accounts for its investments as available-for-sale

securities. JCG may redeem invested seed capital for a variety of reasons, including when third-party investments in the relevant product is sufficient to sustain the given investment strategy.

JCG also periodically invests in funds advised by the Company for purposes of economically hedging its mutual fund share awards to employees. These investments are accounted for as trading securities.

At June 30, 2011, investments classified as trading securities totaled \$292.6 million, representing \$205.2 million of seeded investment products and \$87.4 million of investments related to economic hedging of mutual fund share awards. Seeded investment products represent \$54.6 million of securities held in separately managed accounts and \$150.6 million of securities held in the portfolios of funds advised by the Company. Trading securities are carried on JCG's Consolidated Balance Sheets at fair value, with changes in value recognized in investment (losses) gains, net on the Consolidated Statements of Income.

JCG implemented an economic hedge strategy in December 2008 covering the majority of trading securities related to initial cash investments in seeded products. The hedge strategy is designed to mitigate a portion of the net income volatility created by the mark-to-market accounting of these investment securities. The strategy primarily utilizes futures contracts on various market indices to minimize volatility in earnings. These instruments are settled daily, with settlement amounts recognized in investment (losses) gains, net on the Consolidated Statements of Income.

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JCG recognized the following net (losses) gains on the above noted hedged trading securities and associated derivative instruments (*in millions*):

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Net gains (losses) in earnings:				
Trading securities	\$ 0.5	\$ (4.8)	\$ 3.3	\$ (2.7)
Futures contracts	(1.0)	5.7	(4.7)	4.2
Total	<u>\$ (0.5)</u>	<u>\$ 0.9</u>	<u>\$ (1.4)</u>	<u>\$ 1.5</u>

Additionally, during the three and six months ended June 30, 2011, JCG recognized \$(0.9) million and \$1.5 million, respectively, of investment (losses) gains related to the mark-to-market adjustments for the economic hedge of the mutual fund share awards. The corresponding mark-to-market adjustments for the three and six months ended June 30, 2010, were not recognized until the fourth quarter 2010 in conjunction with a correction in accounting treatment.

Available-for-Sale Securities

Investments in Advised Funds

At June 30, 2011, investments in advised funds totaled \$19.0 million. Investments in advised funds are carried on JCG's Consolidated Balance Sheets at fair value, with changes in value recognized as gains and losses in other comprehensive income (loss). Accumulated gains and losses are reclassified to earnings when the securities are sold on a specific identification basis. JCG periodically reviews the carrying value of investments in advised funds for impairment by evaluating the nature, duration and extent of any decline in fair value. If the decline in value is determined to be other-than-temporary, the carrying value of the security is written down to fair value through earnings. No impairment charges were recognized during the three and six months ended June 30, 2011 and 2010.

Held-to-Maturity Securities

At June 30, 2011, held-to-maturity investments totaled \$92.4 million, primarily representing U.S. Treasury notes purchased in the second quarter 2010, which mature in August 2011. Held-to-maturity investments are carried on JCG's Consolidated Balance Sheets at amortized cost, with corresponding interest income reflected as other income, net on JCG's Consolidated Statements of Income.

Note 4 — Fair Value Measurements

Measurements of fair value are classified within a hierarchy based upon the transparency of inputs used in the valuation of an asset or liability. Classification within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The valuation hierarchy contains three levels:

- Level 1 — Valuation inputs are unadjusted quoted market prices for identical assets and liabilities in active markets.
- Level 2 — Valuation inputs are quoted prices for identical assets or liabilities in markets that are not active, quoted market prices for similar assets and liabilities in active markets, and other observable inputs directly or indirectly related to the asset or liability being measured.
- Level 3 — Valuation inputs are unobservable and significant to the fair value measurement.

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The following table presents assets and liabilities carried at fair value on a recurring basis as of June 30, 2011 (*in millions*):

	Level 1	Level 2	Level 3	Total	Investment Securities Not Held at Fair Value
Trading securities					
Seeded investment products	\$ 174.3	\$ 30.8	\$ 0.1	\$ 205.2	\$ —
Mutual fund share awards	87.4	—	—	87.4	—
Available-for-sale securities					
Investments in advised funds	8.9	10.1	—	19.0	—
Held-to-maturity securities	—	—	—	—	92.4
Total investment securities	<u>270.6</u>	<u>40.9</u>	<u>0.1</u>	<u>311.6</u>	<u>92.4</u>
Other assets					
Deferred compensation hedge asset	24.1	—	—	24.1	—
Other long-term investments	—	—	5.4	5.4	—
Total assets	<u>\$ 294.7</u>	<u>\$ 40.9</u>	<u>\$ 5.5</u>	<u>\$ 341.1</u>	<u>\$ 92.4</u>
Redeemable noncontrolling interests	\$ —	\$ —	\$ 97.5	\$ 97.5	\$ —
Total liabilities	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 97.5</u>	<u>\$ 97.5</u>	<u>\$ —</u>

The following table presents assets and liabilities carried at fair value on a recurring basis as of December 31, 2010 (*in millions*):

	Level 1	Level 2	Level 3	Total	Investment Securities Not Held at Fair Value
Trading securities					
Seeded investment products	\$ 62.9	\$ 39.2	\$ —	\$ 102.1	\$ —
Mutual fund share awards	88.0	—	—	88.0	—
Available-for-sale securities					
Investments in advised funds	11.5	1.4	—	12.9	—
Held-to-maturity securities	—	—	—	—	93.1
Total investment securities	<u>162.4</u>	<u>40.6</u>	<u>—</u>	<u>203.0</u>	<u>93.1</u>
Other assets					
Deferred compensation hedge asset	23.5	—	—	23.5	—
Other long-term investments	—	—	5.5	5.5	—
Total assets	<u>\$ 185.9</u>	<u>\$ 40.6</u>	<u>\$ 5.5</u>	<u>\$ 232.0</u>	<u>\$ 93.1</u>
Redeemable noncontrolling interests	\$ —	\$ —	\$ 82.8	\$ 82.8	\$ —

Total liabilities	\$ —	\$ —	\$ 82.8	\$ 82.8	\$ —
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JCG's Level 1 and Level 2 fair value measurements consist of exchange-traded equity and debt securities underlying separate accounts and consolidated mutual funds and shares of unconsolidated mutual funds. The underlying securities of mutual funds and separate accounts can be denominated in a foreign currency. The closing price of such securities may be adjusted to capture the effects of any post-closing activity impacting the markets in which they trade. These adjustments result in the securities being classified as Level 2 and can also result in significant movements of securities between being classified as Level 1 and as Level 2. There were no transfers between levels for the three or six months ended June 30, 2011 and 2010.

JCG's Level 3 recurring fair value measurements primarily represent redeemable noncontrolling interests. Redeemable noncontrolling interests in INTECH Investment Management LLC ("INTECH") are measured at fair value using a

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discounted cash flow methodology. Significant inputs to the discounted cash flow analysis include forecasted operating results, discount rate and terminal multiple of future cash flows. Redeemable noncontrolling interests in Perkins Investment Management LLC ("Perkins") are measured by a contractual formula intended to represent fair value. See Note 7 for further discussion of redeemable noncontrolling interests. Other long-term investments are measured using internal models and other available data.

The changes in carrying value of JCG's recurring Level 3 fair value measurements are as follows (*in millions*):

	Other Investment Securities	Redeemable Noncontrolling Interests
Fair value at January 1, 2010	\$ 43.2	\$ 101.1
Distributions	(10.6)	(9.3)
Current earnings	—	5.8
Purchase of noncontrolling interest	—	(31.4)
Purchase of investments	0.4	—
Sales of investments	(26.9)	—
Impairment of investments	(0.6)	—
Change in fair value	—	16.6
Fair value at December 31, 2010	5.5	82.8
Distributions	—	(7.4)
Vesting	—	1.8
Current earnings	—	4.9
Change in fair value	(0.1)	15.4
Fair value at June 30, 2011	\$ 5.4	\$ 97.5

Nonrecurring Level 3 fair value measurements include goodwill and intangible assets. JCG measures the fair value of goodwill and intangible assets using a discounted cash flow model. Significant inputs to the discounted cash flow analysis include JCG's forecasted operating results, discount rate and terminal multiple of cash flows. Because of the significance of the unobservable inputs in the fair value measurements of these assets and liabilities, such measurements have been classified as Level 3.

JCG's held-to-maturity investment securities not held at fair value primarily represent U.S. Treasury notes which are carried at amortized cost.

Note 5 — Debt

Debt consisted of the following (*in millions*):

	June 30, 2011		December 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
5.875% Senior Notes due 2011	\$ 92.2	\$ 92.9	\$ 92.2	\$ 94.7
6.250% Senior Notes due 2012	—	—	120.9	126.7
6.119% Senior Notes due 2014	82.3	88.9	82.3	86.5
3.250% Convertible Senior Notes due 2014	140.5	152.1	136.5	202.3

6.700% Senior Notes due 2017	368.0	396.5	367.9	386.3
Total	<u>683.0</u>	<u>730.4</u>	<u>799.8</u>	<u>896.5</u>
Less: current maturities	(92.2)	(92.9)	(213.1)	(221.4)
Total long-term debt	<u>\$ 590.8</u>	<u>\$ 637.5</u>	<u>\$ 586.7</u>	<u>\$ 675.1</u>

Fair Value of Debt

The fair value of debt was determined using broker quotes and recent trading activity for each of the notes listed above.

6.250% Senior Notes

During the fourth quarter 2010, JCG exercised its call right on the \$120.9 million carrying value of the 6.250% Senior Notes and retired the notes on January 14, 2011. Under the terms of the call, JCG was required to pay the present value of the interest that would have been paid if the debt remained outstanding through scheduled maturity. As a result, JCG recognized a \$9.9 million net loss on early extinguishment of debt in the first quarter 2011.

3.250% Convertible Senior Notes

In July 2009, JCG issued \$170.0 million of 3.250% convertible senior notes (“convertible senior notes”), which pay interest semiannually on July 15 and January 15 of each year and mature on July 15, 2014, unless earlier converted. The convertible senior notes are convertible under certain circumstances into cash, shares of JCG common stock, or a combination of cash and shares of JCG common stock, at JCG’s election. The original conversion rate of 71.3 shares of JCG common stock per \$1,000 principal amount of convertible senior notes was adjusted during the second quarter 2011 as a result of the quarterly cash dividend paid on May 13, 2011, and will continue to be adjusted with future dividend payments above \$0.04 per share on an annual basis. The adjusted conversion rate is 71.4 shares of JCG common stock per \$1,000 principal amount of convertible senior notes, which is equivalent to a conversion price of approximately \$14.01 per share of common stock, subject to adjustment in certain circumstances. The convertible senior notes are not callable by JCG.

Holder may convert their notes at their option prior to the close of business on the business day immediately preceding April 15, 2014, only under the following circumstances: (1) during any calendar quarter commencing after September 30, 2009, if the last reported sale price of the common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the preceding calendar quarter is greater than or equal to 130% of the applicable conversion price on each applicable trading day; or (2) upon the occurrence of other specified events. On or after April 15, 2014, until maturity, holders may convert their notes regardless of the preceding circumstances. As of June 30, 2011, the conversion criteria of the convertible senior notes have not been satisfied.

Because the convertible senior notes may be wholly or partially settled in cash, the proceeds were required to be bifurcated into debt and equity components. The \$125.7 million initial debt component was determined by discounting future contractual cash flows at a 10.0% rate, which is consistent with the estimated market rate at the time of issuance for similar senior notes with no conversion option. The debt component will accrete up to the face value over the five-year expected term through interest expense. The unamortized discount at June 30, 2011, is \$29.5 million and is being amortized over the remaining period of 36 months. The \$44.3 million (or \$27.9 million, net of deferred taxes) initial equity component was determined using the difference between the proceeds and the debt component. The fair value of the convertible notes in the above table is based on the outstanding principal balance while the carrying value represents the outstanding principal balance exclusive of the unamortized discounts. Interest expense related to the convertible senior notes includes interest on the outstanding principal balance as well as amortization of capitalized issuance costs and totaled \$7.2 million for the six months ended June 30, 2011.

Interest Rate Adjustment Covenant

All of JCG’s senior notes, excluding the convertible senior notes, are subject to an interest rate adjustment covenant that provides that the interest rate payable will increase by 25 basis points for each level that the Company’s debt rating is decreased by Moody’s Investors Service Inc. (“Moody’s”) from Baa3 or by Standard & Poor’s (“S&P”) Rating Service from BBB-, up to a maximum increase of 200 basis points. If at any time after the interest rate has been adjusted upward as a result of either Moody’s or S&P increasing its rating, then for each level of such increase in the rating, the interest payable will be decreased by 25 basis points, but in no event to a rate less than the interest rate payable on the date of issuance of the respective notes. The interest rate adjustment covenant will permanently terminate if the Company’s debt ratings increase to Baa2 (or higher) by Moody’s and BBB (or higher) by S&P, with a

stable or positive outlook regardless of any subsequent decrease in the ratings by either or both rating agencies. S&P increased JCG's credit rating to BBB- on January 10, 2011, resulting in a 25 basis point decrease in the interest rate payable on all of JCG's senior notes, excluding the convertible senior notes.

Credit Facility

At June 30, 2011, JCG had a \$100 million, unsecured, revolving credit facility (the "Credit Facility") with JPMorgan Chase Bank, N.A., as administrative agent and swingline lender. Under the Credit Facility, the financing leverage ratio cannot exceed 4.00 and the interest coverage ratio must equal or exceed 3.50. In addition, long-term assets under management must exceed \$100.0 billion. At June 30, 2011, JCG was in compliance with all covenants and there were no borrowings under the Credit Facility.

Capital Lease Obligations

JCG's capital lease obligations represent leased computer equipment. The carrying value of the obligations at June 30, 2011, totaled \$1.4 million and is included in other accrued liabilities and other liabilities on the Consolidated Balance Sheets. The related lease terms extend through 2016.

Note 6 — Income Tax Contingencies

As of June 30, 2011, JCG had \$13.6 million of accrued reserves for income tax contingencies, including interest. JCG anticipates that its income tax contingency reserves will decrease by approximately \$8.3 million in the next 12 months, primarily from the expiration of statutes of limitations and the resolution of audits. Accrued reserves for income tax contingencies are presented in other accrued liabilities on the Consolidated Balance Sheets.

Note 7 — Noncontrolling Interests

Noncontrolling interests that are not subject to put rights are classified in permanent equity. Redeemable noncontrolling interests remain classified in mezzanine equity and are measured at estimated fair value as of the balance sheet date. Earnings attributable to noncontrolling interests that are and are not subject to put rights are combined in the Consolidated Statements of Income. Acquisitions of entities where JCG holds an existing controlling interest are treated as a reduction of noncontrolling interests in an amount equal to the purchase price.

Noncontrolling Interests That Are Not Subject to Put Rights

Noncontrolling interests that are not subject to put rights consist of undistributed earnings related to third-party investors in consolidated investment products and certain INTECH and Perkins ownership interests granted to employees. Undistributed earnings attributable to such INTECH and Perkins ownership interests totaled \$3.3 million at June 30, 2011. Certain of the INTECH and Perkins ownership interests granted to employees become subject to put rights upon vesting at which time such interests are reclassified to redeemable noncontrolling interests.

In May 2011 and June 2010, INTECH purchased ownership interests held by INTECH employees for \$0.6 million and \$5.0 million, respectively. These ownership interests represent less than 1% of total INTECH ownership interests and were not subject to put rights.

Redeemable Noncontrolling Interests

Redeemable noncontrolling interests consist of INTECH and Perkins ownership interests that are currently puttable to JCG or will become puttable at certain future dates, and undistributed earnings of \$(1.6) million attributable to such interests as of June 30, 2011. Distributions are based on taxable income, which currently exceeds book income, causing undistributed earnings at June 30, 2011, to be negative. Changes in fair value of redeemable noncontrolling interests are recognized as increases or decreases to redeemable noncontrolling interests with an offsetting charge to retained earnings.

On February 19, 2010, pursuant to contractual obligations, JCG acquired an additional 3% interest in INTECH from the two founding members for \$31.4 million. This transaction reduced the two founders' aggregate ownership interest to approximately 2% of INTECH. Each founder is entitled to retain his remaining INTECH shares outstanding until his death unless he is terminated for cause or leaves voluntarily while not in good standing. An INTECH founder will be considered to be in good standing if he voluntarily leaves after providing 12 months' prior notice and cooperates with the transition. Each of the two INTECH founding members has the option annually to require JCG to purchase from him his remaining ownership interest of INTECH at fair value. The following table discloses the effect on equity as a result of JCG's acquisition of the additional 3% interest in INTECH (*in millions*):

	<u>Six months ended June 30, 2011</u>	<u>Six months ended June 30, 2010</u>
Net income attributable to controlling interest	\$ 34.3	\$ 36.1
Decrease in JCG retained earnings from acquisition of noncontrolling interest	—	(29.1)
Change from net income (controlling interest) and acquisitions of noncontrolling interest	<u>\$ 34.3</u>	<u>\$ 7.0</u>

Total INTECH ownership interests held by the two founders have an estimated value of approximately \$16.5 million as of June 30, 2011. Ownership interests held by other INTECH employees subject to put rights have an estimated value of approximately \$3.2 million as of June 30, 2011.

Perkins

JCG has the option to acquire the majority of the 22.2% noncontrolling interest of Perkins at fair value on the third, fifth, seventh or each subsequent anniversary of December 31, 2008 ("closing"), the date JCG acquired a majority ownership in Perkins. The noncontrolling owners of Perkins have the option to require JCG to purchase any or all of their remaining ownership interests on the fourth or sixth anniversary of closing at fair value. The total Perkins noncontrolling interest subject to put rights has an estimated value of approximately \$79.5 million as of June 30, 2011, based on a contractual formula driven by revenue and investment performance of products managed by Perkins. The formula is intended to represent fair value.

Note 8 — Long-Term Incentive Compensation

JCG granted \$61.9 million in long-term incentive awards during the first six months of 2011, which generally vest and will be recognized ratably over a four-year period. The 2011 awards consisted of \$26.3 million of restricted stock (2.1 million shares at a weighted average price of \$12.70 per share) and \$35.6 million of mutual fund share awards.

During the three and six months ended June 30, 2011, respectively, JCG recognized \$0.6 million and \$2.7 million of long-term incentive compensation expense related to mark-to-market adjustments of mutual fund share awards. The corresponding mark-to-market adjustments for the three and six months ended June 30, 2010, were not recognized until the fourth quarter 2010 in conjunction with a correction in accounting treatment.

Note 9 — Other Income, Net

The components of other income, net are as follows (*in millions*):

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Dividend income	\$ 0.3	\$ —	\$ 0.6	\$ —
Interest income	0.2	0.2	0.4	0.2
Translation losses, net	(0.2)	—	(0.7)	—
Other, net	0.2	0.5	0.1	0.7
Total	<u>\$ 0.5</u>	<u>\$ 0.7</u>	<u>\$ 0.4</u>	<u>\$ 0.9</u>

Note 10 — Earnings Per Share

Basic earnings per common share is calculated by dividing net income attributable to JCG common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per common share adjusts the weighted average shares outstanding by the dilutive impact of shares underlying stock options and unvested restricted stock awards. The following is a summary of the earnings per share calculation (*in millions, except per share data*):

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Net income attributable to JCG common shareholders:	\$ 41.9	\$ 30.2	\$ 79.8	\$ 61.5
Basic earnings per share attributable to JCG common shareholders:				
Weighted average common shares outstanding	182.5	179.8	182.2	179.5
Basic earnings per share	\$ 0.23	\$ 0.17	\$ 0.44	\$ 0.34
Diluted earnings per share attributable to JCG common shareholders:				
Weighted average common shares outstanding	182.5	179.8	182.2	179.5
Dilutive effect of stock options and unvested restricted stock using the treasury stock method	2.0	2.7	2.0	2.7
Weighted average diluted common shares outstanding	184.5	182.5	184.2	182.2
Diluted earnings per share	\$ 0.23	\$ 0.17	\$ 0.43	\$ 0.34

The following stock options and unvested restricted stock are anti-dilutive and have not been included in the weighted average diluted shares outstanding calculation (*in millions*):

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Stock options	10.9	11.7	10.9	11.7
Unvested restricted stock	2.0	0.6	1.9	0.6

All shares held in the JCG Employee Stock Ownership Plan are treated as outstanding for purposes of computing basic earnings per share. The computation of diluted earnings per share does not include the impact of the convertible senior notes because the effect would be anti-dilutive as the conversion criteria have not been satisfied.

Note 11 — Litigation and Other Regulatory Matters

JCG is periodically involved in various legal proceedings and other regulatory matters. Although there can be no assurances based on information currently available, management believes that it is probable that the ultimate outcome of each of the actions described below and other matters that are pending or threatened will not have a material adverse effect on JCG's consolidated financial condition. JCG has established a litigation accrual, which decreased from \$2.0 million at March 31, 2011, to \$1.5 million at June 30, 2011, for all pending litigation matters.

Market Timing Litigation

Following the market timing investigations by the New York Attorney General and the SEC in 2003, JCG and certain affiliates were named as defendants in a consolidated lawsuit in the U.S. District Court in Baltimore, Maryland (*Case No. MDL No. 1586, 04-MD-15863*). Five amended complaints were originally filed in these coordinated proceedings and only one complaint remains: derivative claims by investors in certain Janus funds ostensibly on behalf of such funds (*Steinberg et al. v. Janus Capital Management LLC et al., U.S. District Court, District of Maryland, Case No. 04-CV-00518*). On January 20, 2010, the U.S. District Court entered orders dismissing the remaining claims asserted against JCG and its affiliates by fund investors in the *Steinberg* matter; however, plaintiffs

appealed the decision in February 2010. JCG expects a decision from the Fourth Circuit Court of Appeals in the first half of 2012. As a result of these events, JCG and its affiliates are the remaining defendants, in some capacity, in the action described above.

After a trial court dismissal and subsequent appeal, the previously reported litigation matter of *First Derivative Traders et al. v. Janus Capital Group Inc., et al.*, U.S. District Court, District of Maryland, MDL 1586, a putative class of shareholders of Janus Capital Group Inc. (“JCGI”) asserting claims against JCGI and Janus Capital Management LLC (“Janus”), was dismissed in JCGI’s and Janus’ favor by the U.S. Supreme Court in June 2011.

Other Regulatory Matters

As previously disclosed on JCG’s Form 8-K dated November 23, 2010, JCG received a governmental inquiry regarding an insider trading investigation. JCG is cooperating fully with that inquiry. JCG has not been accused of any wrongdoing, and the government confirmed that JCG is not a target of its investigation into potential insider trading.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

FORWARD-LOOKING STATEMENTS

Certain statements in this Quarterly Report on Form 10-Q contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Statements preceded by, followed by or that otherwise include the words “believes,” “expects,” “anticipates,” “intends,” “projects,” “estimates,” “plans,” “may increase,” “may fluctuate,” “forecast” and similar expressions or future or conditional verbs such as “will,” “should,” “would,” “may” and “could” are generally forward-looking in nature and not historical facts. Any statements that refer to expectations or other characterizations of future events, circumstances or results are forward-looking statements. These statements are based on the beliefs and assumptions of Company management based on information currently available to management.

Various risks, uncertainties, assumptions and factors that could cause future results to differ materially from those expressed by the forward-looking statements included in this Quarterly Report on Form 10-Q include, but are not limited to, risks, uncertainties, assumptions and factors specified in the Company’s Annual Report on Form 10-K for the year ended December 31, 2010, and this Quarterly Report on Form 10-Q included under headings such as “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and in other filings and furnishings made by the Company with the SEC from time to time. In light of these risks, uncertainties, assumptions and factors, the forward-looking events discussed in this Quarterly Report on Form 10-Q may not occur. Many of these factors are beyond the control of the Company and its management. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date stated, or if no date is stated, as of the date of this Quarterly Report on Form 10-Q. Except for the Company’s ongoing obligations to disclose material information under applicable securities law and stock exchange rules, the Company undertakes no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events.

AVAILABLE INFORMATION

Copies of Janus Capital Group Inc.’s (collectively, “JCG” or the “Company”) filings with the Securities and Exchange Commission (“SEC”) can be obtained from the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information can be obtained about the operation of the Public Reference Room by calling the SEC at (800) SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at <http://www.sec.gov>.

JCG makes available free of charge its annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and amendments thereto as soon as reasonably practical after such filing has been made with the SEC. Reports may be obtained through the Investor Relations section of JCG’s website (<http://ir.janus.com>) or by contacting JCG at (888) 834-2536. The contents of JCG’s website are not incorporated herein for any purpose.

JCG’s Officer Code of Ethics for Principal Executive Officer and Senior Financial Officers (including its chief executive officer, chief financial officer and controller) (the “Officer Code”); Corporate Code of Business Conduct and Ethics for all employees; corporate

governance guidelines; and the charters of key committees of the board of directors (including the Audit, Compensation, Nominating, Corporate Governance, and Planning and Strategy committees) are available on its website (<http://ir.janus.com/documents.cfm>). Any future amendments to or waivers of the Officer Code will be posted to the Investor Relations section of JCG's website.

RESULTS OF OPERATIONS

Overview

JCG provides investment management, administration, distribution and related services to individual and institutional investors through mutual funds, other pooled investment vehicles, separate accounts and subadvised relationships (collectively referred to as "investment products") in both domestic and international markets. Over the last several years, JCG has expanded its business to become a more diversified manager with increased product offerings and distribution capabilities. JCG offers three distinct types of investment advisory services, including fundamental equity (includes growth and core equity, global and international equity and value investment disciplines), fixed income and mathematical equity, through its primary subsidiaries, Janus Capital Management LLC ("Janus"), INTECH Investment Management LLC ("INTECH") and Perkins Investment Management LLC ("Perkins"). Each of JCG's three primary subsidiaries specializes in specific investment styles and disciplines. JCG's investment products are distributed through three channels: retail intermediary, institutional and international. Each distribution channel focuses on specific investor groups and the unique requirements of each group.

Revenues are generally based upon a percentage of the market value of assets under management and are calculated as a percentage of the daily average asset balance in accordance with contractual agreements with the Company's investment products or clients. Certain investment products are also subject to performance fees, which vary based on a product's relative performance as compared to a benchmark index over a specified period of time and the level of assets subject to such fees. Assets under management primarily consist of domestic and international equity and debt securities. Accordingly, fluctuations in domestic and international financial markets, relative investment performance, sales and redemptions of investment products, and changes in the composition of assets under management are all factors that have a direct effect on JCG's operating results.

Second Quarter 2011 Summary

Average assets under management for the second quarter 2011 of \$171.6 billion decreased slightly from the first quarter 2011, primarily as a result of long-term net outflows. Second quarter 2011 revenues of \$264.0 million decreased slightly from the first quarter 2011 and included \$1.8 million of negative performance fees incurred on certain mutual funds during the second quarter 2011. The Company achieved an operating margin of 31.0% and net income of \$0.23 per diluted share in the second quarter 2011.

Investment Performance

Investment products are generally evaluated based on their investment performance relative to other investment products with similar disciplines and strategies or benchmark indices.

- 16%, 62% and 80% of complex-wide mutual fund assets ranked in the top half of their Lipper categories on a one-, three- and five-year total return basis, respectively, as of June 30, 2011.
- 8%, 58% and 79% of the Company's fundamental equity mutual fund assets ranked in the top half of their Lipper categories on a one-, three- and five-year total return basis, respectively, as of June 30, 2011.
- 100% of the Company's fixed income mutual fund assets ranked in the top half of their Lipper categories on a one-, three- and five-year total return basis as of June 30, 2011.
- 94%, 69% and 55% of the Company's mathematical equity strategies surpassed their respective benchmarks, net of fees, over the one-, three- and five-year periods, respectively, as of June 30, 2011.

Assets Under Management and Flows

Valuation

The value of assets under management is derived from the cash and investment securities held by JCG's investment products. Investment security values are determined using unadjusted or adjusted quoted market prices and independent third-party price quotes in active markets. For debt securities with maturities of 60 days or less, the amortized cost method is used to determine the value. Securities for which market prices are not readily available or are considered unreliable are internally valued using appropriate methodologies for each security type or by engaging third-party specialists. The value of the majority of the securities underlying JCG's investment products is derived from readily available and reliable market price quotations.

The pricing policies for mutual funds advised by JCG's subsidiaries (the "Funds") are established by the Funds' Independent Board of Trustees and are designed to test and validate fair value measurements. Responsibility for pricing securities held within separate and subadvised accounts may be delegated by separate or subadvised clients to JCG or another party.

Assets Under Management and Flows

Total Company assets under management of \$169.8 billion at June 30, 2011, increased \$22.6 billion, or 15.4%, from June 30, 2010. The increase was primarily driven by net market appreciation of \$36.1 billion, offset by total Company long-term net outflows of \$13.5 billion.

Fundamental equity long-term net outflows were \$4.6 billion in the second quarter 2011 compared with \$1.1 billion in the second quarter 2010. The decline in net flows quarter-over-quarter was primarily driven by an acceleration in net outflows and lower sales in several of JCG's largest fundamental equity funds, which are experiencing underperformance.

JCG continues to make progress toward building out its fixed income franchise, with positive long-term net inflows of \$1.0 billion in the second quarter 2011 compared to \$1.3 billion in the second quarter 2010.

Mathematical equity strategies continue to deliver strong investment results, which has led to a decline in redemptions and a \$1.3 billion mandate from a non-U.S. client in the second quarter 2011. Mathematical equity long-term net inflows were \$0.5 billion in the second quarter 2011 compared with long-term net outflows of \$1.5 billion in the second quarter 2010.

The following table presents the components of JCG's assets under management (*in billions*):

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Beginning of period assets	\$ 173.5	\$ 165.5	\$ 169.5	\$ 159.7
Long-term sales				
Fundamental equity	5.0	7.4	12.5	14.4
Fixed income	2.1	2.4	4.0	4.4
Mathematical equity (1)	2.3	2.0	2.8	2.5
Long-term redemptions				
Fundamental equity	(9.6)	(8.5)	(17.6)	(14.2)
Fixed income	(1.1)	(1.1)	(2.6)	(2.0)
Mathematical equity (1)	(1.8)	(3.5)	(4.9)	(8.3)
Long-term net flows (2)				
Fundamental equity	(4.6)	(1.1)	(5.1)	0.2
Fixed income	1.0	1.3	1.4	2.4
Mathematical equity	0.5	(1.5)	(2.1)	(5.8)
Total long-term net flows	(3.1)	(1.3)	(5.8)	(3.2)
Net money market flows	—	—	—	(0.1)
Market/fund performance	(0.6)	(17.0)	6.1	(9.2)
End of period assets	\$ 169.8	\$ 147.2	\$ 169.8	\$ 147.2

(1) Year-to-date 2011 gross sales and redemptions exclude the transfer of \$1.1 billion between mathematical equity strategies in the first quarter 2011.

(2) Excludes money market flows. Sales and redemptions of money market funds are presented net on a separate line due to the short-term nature of the investments.

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Average assets under management				
Fundamental equity	\$ 108.9	\$ 102.2	\$ 110.1	\$ 101.6
Fixed income	16.8	12.1	16.2	11.5
Mathematical equity	44.4	44.3	44.3	45.4
Money market	1.5	1.6	1.5	1.6
Total	<u>\$ 171.6</u>	<u>\$ 160.2</u>	<u>\$ 172.1</u>	<u>\$ 160.1</u>

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Assets and Flows by Investment Discipline

JCG, through its primary subsidiaries, offers investment products based on a diversified set of investment disciplines. Janus offers growth and core equity, global and international equity as well as balanced, fixed income and retail money market investment products. INTECH offers mathematical-based investment products and Perkins offers value-disciplined investments. Assets and flows by investment discipline are as follows (*in billions*):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Growth/Core (1)				
Beginning of period assets	\$ 61.8	\$ 63.7	\$ 60.9	\$ 60.9
Sales	2.4	3.6	6.2	6.8
Redemptions	5.9	5.5	10.6	8.7
Net redemptions	(3.5)	(1.9)	(4.4)	(1.9)
Market/fund performance	0.2	(7.7)	2.0	(4.9)
End of period assets	<u>\$ 58.5</u>	<u>\$ 54.1</u>	<u>\$ 58.5</u>	<u>\$ 54.1</u>
Global/International				
Beginning of period assets	\$ 28.6	\$ 25.9	\$ 27.9	\$ 23.8
Sales	1.2	1.6	3.1	3.1
Redemptions	2.2	1.7	3.9	2.9
Net sales (redemptions)	(1.0)	(0.1)	(0.8)	0.2
Market/fund performance	(1.5)	(2.9)	(1.0)	(1.1)
End of period assets	<u>\$ 26.1</u>	<u>\$ 22.9</u>	<u>\$ 26.1</u>	<u>\$ 22.9</u>
Mathematical Equity (2)				
Beginning of period assets	\$ 44.2	\$ 45.9	\$ 44.1	\$ 48.0
Sales	2.3	2.0	2.8	2.5
Redemptions	1.8	3.5	4.9	8.3
Net sales (redemptions)	0.5	(1.5)	(2.1)	(5.8)
Market/fund performance	0.8	(4.6)	3.5	(2.4)
End of period assets	<u>\$ 45.5</u>	<u>\$ 39.8</u>	<u>\$ 45.5</u>	<u>\$ 39.8</u>
Fixed Income (1)				
Beginning of period assets	\$ 16.1	\$ 11.6	\$ 15.3	\$ 10.3
Sales	2.1	2.4	4.0	4.4
Redemptions	1.1	1.1	2.6	2.0
Net sales	1.0	1.3	1.4	2.4
Market/fund performance	0.1	(0.2)	0.5	—
End of period assets	<u>\$ 17.2</u>	<u>\$ 12.7</u>	<u>\$ 17.2</u>	<u>\$ 12.7</u>
Value				
Beginning of period assets	\$ 21.3	\$ 16.8	\$ 19.8	\$ 15.0
Sales	1.4	2.2	3.2	4.5

Redemptions	1.5	1.3	3.1	2.6
Net sales (redemptions)	(0.1)	0.9	0.1	1.9
Market/fund performance	(0.2)	(1.6)	1.1	(0.8)
End of period assets	<u>\$ 21.0</u>	<u>\$ 16.1</u>	<u>\$ 21.0</u>	<u>\$ 16.1</u>

Money Market

Beginning of period assets	\$ 1.5	\$ 1.6	\$ 1.5	\$ 1.7
Sales	0.2	0.3	0.5	0.4
Redemptions	<u>0.2</u>	<u>0.3</u>	<u>0.5</u>	<u>0.5</u>
Net redemptions	—	—	—	(0.1)
Market/fund performance	—	—	—	—
End of period assets	<u>\$ 1.5</u>	<u>\$ 1.6</u>	<u>\$ 1.5</u>	<u>\$ 1.6</u>

- (1) Growth/core and fixed income assets reflect a 50%/50% split of the Janus Balanced Fund between the two categories.
- (2) Year-to-date 2011 gross sales and redemptions exclude the transfer of \$1.1 billion between mathematical equity strategies in the first quarter 2011.

Results of Operations**Three Months Ended June 30, 2011 Compared with Three Months Ended June 30, 2010****Revenues**

Investment management fees increased \$18.2 million, or 8.8%, primarily as a result of the 7.1% increase in average assets under management driven by favorable market conditions, offset by long-term net outflows. Revenue increased at a higher rate than average assets due to a product mix shift towards higher yielding products.

Performance fee revenue is derived from certain mutual funds and separate accounts. The decrease in performance fee revenue from \$4.3 million in the second quarter 2010 to negative \$0.2 million in the second quarter 2011 was primarily due to negative performance fees incurred on certain mutual funds during the second quarter 2011. These negative performance fees totaled \$1.8 million and were driven by underperformance compared to the mutual funds' respective benchmarks. Mutual fund performance fees represent up to a positive or negative 15 basis point adjustment to the base management fee.

At June 30, 2011, \$38.9 billion of mutual fund assets were subject to performance fees. As approved by mutual fund shareholders, additional mutual funds representing \$30.6 billion at June 30, 2011, will become subject to performance fees over the next six months. Had these additional mutual fund assets been subject to performance fees for the second quarter 2011, an incremental \$14.6 million in negative performance fees would have been recognized in the current quarter.

Expenses

Long-term incentive compensation decreased \$2.8 million, or 13.7%, primarily as a result of the vesting of awards granted in previous years and a decline of \$1.2 million in expense related to Perkins senior profit interest awards, partially offset by new awards granted in 2011. The Perkins senior profit interest awards have a formula-driven terminal value based on revenue growth and relative investment performance of investment products managed by Perkins.

Marketing and advertising declined \$7.0 million, or 46.1%, primarily due to \$8.1 million of fund proxy costs included in the prior year period for the election of the mutual fund trustees in JCG's domestic mutual funds.

Distribution expense increased \$4.0 million, or 11.2%, primarily as a result of \$3.1 million in retroactive payments associated with certain distribution agreements during the second quarter 2011 which are not expected in the future. Distribution fees are calculated based on a contractual percentage of the market value of assets under management distributed through third-party intermediaries.

Depreciation and amortization expense decreased \$1.5 million, or 15.2%, primarily as a result of lower amortization of deferred commissions from a decrease in sales of certain mutual fund shares.

Interest expense declined \$2.7 million, or 17.1%, primarily as a result of the retirement of \$120.9 million principal amount of outstanding debt in the first quarter 2011 and from a 25 basis point decrease in the interest rates payable on all of JCG's senior notes, excluding the convertible senior notes, as a result of Standard & Poor's ("S&P") Rating Service increasing JCG's credit rating to BBB- on January 10, 2011.

Net investment losses totaling \$1.4 million include a \$0.9 million loss from mark-to-market adjustments on the mutual fund share award economic hedge. Mark-to-market gains on trading securities for the three months ended June 30, 2010 were more than offset by losses generated by an economic hedging strategy implemented in late 2008, covering the majority of seed capital. The hedging strategy utilizes futures contracts to mitigate a portion of the earnings volatility created by the mark-to-market accounting of seed capital investments.

Noncontrolling interests in net income increased from \$1.2 million to \$3.6 million primarily due to higher Perkins earnings and assets under management, combined with \$0.8 million of gains associated with the noncontrolling interest in consolidated investment products.

Six Months Ended June 30, 2011 Compared with Six Months Ended June 30, 2010

Revenues

Investment management fees increased \$37.6 million, or 9.1%, primarily as a result of the 7.5% increase in average assets under management driven by favorable market conditions. Revenue increased at a higher rate than average assets due to a product mix shift towards higher yielding products.

The decrease of \$8.4 million, or 93.3%, in performance fee revenue was primarily due to lower performance fees earned on certain mutual funds driven by a decline in performance.

Expenses

Long-term incentive compensation decreased \$3.2 million, or 8.2%, primarily as a result of the vesting of awards granted in previous years and a decline of \$2.8 million in expense related to Perkins senior profit interest awards, partially offset by new awards granted in 2011 and a \$2.8 million mark-to-market adjustment for changes in fair value of mutual fund share awards. Long-term incentive awards granted during 2011 totaled \$61.9 million and will be recognized ratably over a four-year period.

Marketing and advertising declined \$7.7 million, or 35.0%, primarily due to \$9.1 million of fund proxy costs included in the prior year period for the election of the mutual fund trustees in JCG's domestic mutual funds.

Depreciation and amortization expense decreased \$2.4 million, or 12.1%, primarily as a result of lower amortization of deferred commissions from a decrease in sales of certain mutual fund shares.

Interest expense declined \$5.1 million, or 16.2%, primarily as a result of the retirement of \$120.9 million principal amount of outstanding debt in the first quarter 2011 and from a 25 basis point decrease in the interest rates payable on all of JCG's senior notes, excluding the convertible senior notes, as a result of S&P increasing JCG's credit rating to BBB- on January 10, 2011.

Net investment gains totaling \$0.3 million include a \$1.5 million gain from mark-to-market adjustments on the mutual fund share award hedge. Mark-to-market gains on trading securities for the six months ended June 30, 2010, were more than offset by losses generated by an economic hedging strategy implemented in late 2008, covering the majority of seed capital. The hedging strategy utilizes futures contracts to mitigate a portion of the earnings volatility created by the mark-to-market accounting of seed capital investments.

Noncontrolling interests in net income increased from \$3.3 million to \$6.6 million primarily due to higher Perkins earnings and assets under management, combined with \$1.2 million of gains associated with the noncontrolling interest in consolidated investment products.

JCG recognized a \$9.9 million net loss on early extinguishment of debt in the first quarter 2011. Under the terms of the call, JCG was required to pay the present value of interest that would have been paid if the debt had remained outstanding through scheduled

maturity.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

A summary of cash flow data for the six months ended June 30, 2011 and 2010, is as follows (*in millions*):

	<u>2011</u>	<u>2010</u>
Cash flows provided by (used for):		
Operating activities	\$ 102.5	\$ 83.4
Investing activities	(61.2)	(98.9)
Financing activities	(145.0)	(49.7)
Net change in cash and cash equivalents	<u>(103.7)</u>	<u>(65.2)</u>
Balance beginning of period	373.2	324.7
Balance end of period	<u>\$ 269.5</u>	<u>\$ 259.5</u>

On an annual basis, JCG's cash flow from operations historically has been positive and sufficient to fund ordinary operations and capital requirements. Fluctuations in operating cash flows are attributable to changes in net income and working capital items, which can vary from period to period based on the amount and timing of cash receipts and payments. The increase in cash flow from operations from the comparable prior year period was driven by higher revenues as a result of the increase in average assets under management.

Cash used for investing activities for the six months ended June 30, 2011, includes purchases and sales of investments as well as economic hedging and vesting of mutual fund share awards. Purchases of investments totaling \$147.4 million include \$93.0 million from the seeding of new investment products in the second quarter 2011. Sales of investments totaling \$88.7 million include proceeds of \$32.6 million from the disposal of structured investment vehicle securities in the first quarter 2011. Cash used for investing activities for the comparable prior year period primarily represents \$93.1 million for the net purchase of investments, including an aggregate total of \$92.8 million of U.S. Treasury notes purchased in the second quarter 2010, which mature in August 2011.

Cash used for financing activities for the six months ended June 30, 2011, primarily represents the repayment of \$120.9 million principal amount of long-term debt for \$130.8 million, \$9.6 million of distributions to noncontrolling interests and \$9.3 million of dividends paid to stockholders. Cash used for financing activities for the comparable prior year period primarily represents \$31.4 million for the purchase of an additional 3% interest in INTECH combined with \$9.6 million of distributions to noncontrolling interests and \$7.4 million of dividends paid to stockholders.

Dividend

On July 19, 2011, the Board of Directors declared a regular quarterly cash dividend of \$0.05 per share. This quarterly rate represents an annualized dividend payout of \$0.20 per share of common stock. The initial quarterly dividend was paid on May 13, 2011, to shareholders of record at the close of business on May 2, 2011. Subject to the declaration of each quarterly cash dividend by the Board of Directors, the following cash dividend schedule is expected:

<u>Record Date</u>	<u>Payment Date</u>
July 29, 2011	August 12, 2011
October 31, 2011	November 14, 2011
February 3, 2012	February 14, 2012

Interest Rate Adjustment Covenant

All of JCG's senior notes, excluding the convertible senior notes, are subject to an interest rate adjustment covenant that provides that the interest rate payable will increase by 25 basis points for each level that the Company's debt rating is decreased by Moody's Investors Service, Inc. ("Moody's") from Baa3 or by S&P from BBB-, up to a maximum increase of 200 basis points. If at any time after the interest rate has been adjusted upward as a result of either Moody's or S&P increasing its rating, then for each level of such increase in the rating, the interest payable will be decreased by 25 basis points, but in no event to a rate less than the interest rate

payable on the date of issuance of the respective notes. For each 25 basis point increase or decrease, JCG's interest expense will increase or decrease by

approximately \$1.3 million on an annualized basis. The interest rate adjustment covenant will permanently terminate if the Company's debt ratings increase to Baa2 (or higher) by Moody's and BBB (or higher) by S&P, with a stable or positive outlook regardless of any subsequent decrease in the ratings by either or both rating agencies. S&P increased JCG's credit rating to BBB- on January 10, 2011, resulting in a 25 basis point decrease in the interest rate payable on all of JCG's senior notes, excluding the convertible senior notes.

Other Sources of Liquidity

Shelf Registration

The Company has an effective Shelf Registration Statement with the SEC that allows it to offer for sale of an indeterminate amount of preferred stock and additional common stock and debt securities.

Credit Facility

At June 30, 2011, JCG had a \$100 million, unsecured, revolving credit facility (the "Credit Facility") with JPMorgan Chase Bank, N.A., as administrative agent and swingline lender. Under the Credit Facility, the financing leverage ratio cannot exceed 4.00 and the interest coverage ratio must equal or exceed 3.50. The breach of these financial covenants would result in a default under the Credit Facility and would prevent JCG from borrowing under the Credit Facility. In addition, long-term assets under management must exceed \$100.0 billion. At June 30, 2011, JCG was in compliance with all covenants and there were no borrowings under the Credit Facility. The Credit Facility has a maturity date of October 3, 2011.

The covenants and the calculation of the ratios, as defined in the Credit Facility, were as follows (*in millions*):

	Last Four Quarters Ended June 30, 2011
Net income attributable to JCG	\$ 178.2
Add back:	
Interest expense	58.1
Income tax provision	84.2
Depreciation and amortization	36.7
Noncash amortization of long-term incentive compensation	79.9
Unrealized gains or losses on investments	(4.8)
Other nonrecurring cash charges	17.4
Noncash gain on sale of SIV securities	(5.8)
Cash paid for deferred commissions and mutual fund share awards	(41.3)
Adjusted net income	<u>\$ 402.6</u>
Debt (including capital leases and letters of credit)	<u>\$ 684.4</u>
Leverage Ratio (debt divided by adjusted net income)	<u>1.70</u>
Cannot exceed 4.00	
Interest Coverage Ratio (adjusted net income divided by last four quarters interest expense)	<u>6.9</u>
Must equal or exceed 3.50	
Minimum assets under management	
Ending long-term assets under management (in billions)	<u>\$ 168.3</u>
Must exceed \$100.0 billion	

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company has had no material changes in its exposure to market risks from that previously reported in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

Item 4. Controls and Procedures

As of June 30, 2011, JCG's management evaluated the effectiveness of the design and operation of its disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Disclosure controls and procedures are designed by the Company to seek to ensure that it records, processes, summarizes and reports in a timely manner the information it must disclose in reports that it files with or submits to the SEC. Richard M. Weil, Chief Executive Officer, and Gregory A. Frost, Executive Vice President and Chief Financial Officer, reviewed and participated in management's evaluation of the disclosure controls and procedures. Based on this evaluation, Messrs. Weil and Frost concluded that as of the date of their evaluation, JCG's disclosure controls and procedures were effective.

There has been no change in JCG's internal controls over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the second quarter 2011 that has materially affected, or is reasonably likely to materially affect, JCG's internal controls over financial reporting.

PART II — OTHER INFORMATION**Item 1. Legal Proceedings**

See Part I, Item 1. Financial Statements, Note 11 — Litigation and Other Regulatory Matters.

Item 1A. Risk Factors

The Company has had no material changes in its risk factors from those previously reported in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

JCG's Board of Directors has authorized a \$500 million stock repurchase program with no expiration date to take effect when the current authorization is utilized. The amount that may yet be repurchased under current unexpired authorizations as of June 30, 2011, is \$521.2 million. JCG has not repurchased any shares since the third quarter 2008. JCG does not repurchase shares from employees under a share withholding program. Tax withholdings on vesting employee stock-based compensation are satisfied by selling shares in the open market.

Item 6. Exhibits

10.1	Janus Capital Group Inc. 401(k), Profit Sharing and Employee Stock Ownership Plan, as amended and restated effective July 1, 2011
31.1	Certification of Richard M. Weil, Chief Executive Officer of Registrant
31.2	Certification of Gregory A. Frost, Executive Vice President and Chief Financial Officer of Registrant
32.1	Certification of Richard M. Weil, Chief Executive Officer of Registrant, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Gregory A. Frost, Executive Vice President and Chief Financial Officer of Registrant, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Insurance Document

101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: July 28, 2011

Janus Capital Group Inc.

/s/ Richard M. Weil

Richard M. Weil,
Director and Chief Executive Officer
(Principal Executive Officer)

/s/ Gregory A. Frost

Gregory A. Frost,
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

/s/ Brennan A. Hughes

Brennan A. Hughes,
Vice President and Controller
(Principal Accounting Officer)

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**JANUS CAPITAL GROUP INC.
INDEX TO EXHIBITS**

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