

**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 September 30, 2013

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)

**43-180408**

(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 October 18, 2013, there were 189,111,260 shares of the Company’s common stock, \$0.01 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, Except Share Data)

	<u>September 30, 2013</u>	<u>December 31, 2012</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 358.2	\$ 387.0
Investment securities	434.4	350.5
Accounts receivable	98.1	100.2
Income taxes receivable	10.2	3.5
Other current assets	35.3	47.2
Total current assets	<u>936.2</u>	<u>888.4</u>
<b>Other assets:</b>		
Property and equipment, net	29.8	33.3
Intangible assets, net	1,233.1	1,242.3
Goodwill	488.2	488.2
Other assets	<u>6.6</u>	<u>8.2</u>
Total assets	<u>\$ 2,693.9</u>	<u>\$ 2,660.4</u>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 4.2	\$ 3.7
Accrued compensation and benefits	80.0	91.2
Current portion of long-term debt	95.9	—
Other accrued liabilities	55.8	64.6
Total current liabilities	<u>235.9</u>	<u>159.5</u>
<b>Other liabilities:</b>		
Long-term debt	447.1	545.1
Deferred income taxes	439.3	436.0
Other liabilities	50.6	41.8
Total liabilities	<u>1,172.9</u>	<u>1,182.4</u>
Commitments and contingencies		
Redeemable noncontrolling interests	<u>7.1</u>	<u>42.9</u>

**Equity:**

Preferred stock (\$1.00 par, 10,000,000 shares authorized, none issued)	—	—
Common stock (\$0.01 par, 1,000,000,000 shares authorized; 265,500,708 and 265,500,708 shares issued, respectively; 189,347,010 and 187,522,000 shares outstanding, respectively)	1.9	1.9
Retained earnings	1,475.1	1,415.4
Accumulated other comprehensive (loss) income, net of tax	(1.2)	0.6
Total JCG stockholders' equity	<u>1,475.8</u>	<u>1,417.9</u>
Noncontrolling interests	<u>38.1</u>	<u>17.2</u>
Total equity	<u>1,513.9</u>	<u>1,435.1</u>
Total liabilities and equity	<u>\$ 2,693.9</u>	<u>\$ 2,660.4</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 COMPREHENSIVE INCOME (UNAUDITED)**  
**(Dollars in Millions, Except Per Share Data)**

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
<b>Revenues:</b>				
Investment management fees	\$ 204.0	\$ 194.1	\$ 605.0	\$ 588.5
Performance fees	(22.0)	(20.9)	(63.7)	(61.8)
Shareowner servicing fees and other	35.7	35.8	106.4	106.7
Total	<u>217.7</u>	<u>209.0</u>	<u>647.7</u>	<u>633.4</u>
<b>Operating expenses:</b>				
Employee compensation and benefits	73.3	70.8	222.0	209.4
Long-term incentive compensation	15.8	16.2	45.3	51.0
Marketing and advertising	4.6	5.4	14.3	16.3
Distribution	30.8	32.3	94.0	96.0
Depreciation and amortization	7.1	9.9	21.9	26.0
General, administrative and occupancy	27.1	26.5	78.1	78.2
Total	<u>158.7</u>	<u>161.1</u>	<u>475.6</u>	<u>476.9</u>
<b>Operating income</b>	59.0	47.9	172.1	156.5
Interest expense	(9.5)	(11.1)	(31.7)	(33.9)
Investment gains, net	7.9	7.6	6.4	6.9
Other income, net	0.8	0.3	1.8	2.2
Loss on early extinguishment of debt	(0.9)	—	(13.5)	(7.2)
Income before taxes	<u>57.3</u>	<u>44.7</u>	<u>135.1</u>	<u>124.5</u>
Income tax provision	<u>(21.7)</u>	<u>(17.0)</u>	<u>(53.0)</u>	<u>(45.4)</u>
Net income	35.6	27.7	82.1	79.1
Noncontrolling interests	<u>(3.0)</u>	<u>(2.6)</u>	<u>(5.7)</u>	<u>(8.0)</u>
<b>Net income attributable to JCG</b>	<u>\$ 32.6</u>	<u>\$ 25.1</u>	<u>\$ 76.4</u>	<u>\$ 71.1</u>

**Earnings per share attributable to JCG common**

**shareholders:**

Basic	\$	0.18	\$	0.14	\$	0.41	\$	0.39
Diluted	\$	0.17	\$	0.14	\$	0.41	\$	0.38
<b>Other comprehensive income (loss), net of tax:</b>								
Net unrealized gain on available-for-sale securities	\$	0.7	\$	0.1	\$	0.6	\$	0.6
Foreign currency items		—		0.3		—		0.1
Reclassifications for items included in net income		(0.7)		0.2		(2.4)		(0.1)
Other comprehensive income (loss), net of tax		—		0.6		(1.8)		0.6
Comprehensive income		35.6		28.3		80.3		79.7
Comprehensive income attributable to noncontrolling interests		(3.0)		(2.6)		(5.7)		(8.0)
<b>Comprehensive income attributable to JCG</b>	<b>\$</b>	<b>32.6</b>	<b>\$</b>	<b>25.7</b>	<b>\$</b>	<b>74.6</b>	<b>\$</b>	<b>71.7</b>

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

**JANUS CAPITAL GROUP INC.**

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

	Nine months ended September 30,	
	2013	2012
<b>CASH FLOWS PROVIDED BY (USED FOR):</b>		
<b>Operating activities:</b>		
Net income	\$ 82.1	\$ 79.1
Adjustments to net income:		
Depreciation and amortization	21.9	26.0
Deferred income taxes	13.5	12.1
Amortization of stock-based compensation	18.5	22.5
Investment gains, net	(6.4)	(6.9)
Amortization of debt discount and deferred issuance costs	7.9	8.4
Loss on early extinguishment of debt	13.5	7.2
Payment of deferred commissions, net	(3.3)	(3.9)
Other, net	(1.0)	0.3
Changes in working capital items:		
Accounts receivable	2.6	5.2
Other current assets	(6.6)	6.8
Accounts payable and accrued compensation payable	(5.1)	(8.7)
Other liabilities	(5.6)	(6.6)
Net operating activities	<u>132.0</u>	<u>141.5</u>
<b>Investing activities:</b>		
Purchase of property and equipment	(5.0)	(4.4)
Purchase of investment securities	(167.8)	(96.4)
Proceeds from sales and maturities of investment securities	112.2	69.5
Net investing activities	<u>(60.6)</u>	<u>(31.3)</u>
<b>Financing activities:</b>		
Proceeds from issuance of stock warrants	10.5	—
Purchase of convertible note hedge	(16.1)	—
Debt issuance costs	(3.3)	—
Repayment of long-term debt	(8.9)	(65.8)
Purchase of noncontrolling interests	(34.1)	(6.5)
Proceeds from stock plans	7.1	5.3

Proceeds from stock option issuance	—	4.9
Excess tax benefit from equity-based compensation	1.6	1.3
Repurchase of common stock	(22.2)	(14.9)
Distributions to noncontrolling interests	(5.9)	(9.1)
Principal payments under capital lease obligations	(0.8)	(0.8)
Dividends paid to shareholders	(26.5)	(31.9)
Net financing activities	<u>(98.6)</u>	<u>(117.5)</u>

**Cash and cash equivalents:**

Effect of exchange rate changes	(1.6)	—
Net change	<u>(28.8)</u>	<u>(7.3)</u>
At beginning of period	387.0	360.0
At end of period	<u>\$ 358.2</u>	<u>\$ 352.7</u>

**Supplemental cash flow information:**

Cash paid for interest	\$ 18.4	\$ 19.9
Cash paid for income taxes	\$ 46.2	\$ 27.3

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

**JANUS CAPITAL GROUP INC.****CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)**

(Amounts in Millions)

	<u>Shares</u>	<u>Common stock</u>	<u>Retained earnings</u>	<u>Accumulated other comprehensive income (loss)</u>	<u>Nonredeemable noncontrolling interests</u>	<u>Total equity</u>
<b>Balance at December 31, 2011</b>	187.0	\$ 1.9	\$ 1,311.8	\$ (0.5)	\$ 35.9	\$ 1,349.1
Net income			71.1		1.4	72.5
Other comprehensive income				0.6		0.6
Amortization of stock-based compensation			20.5		3.5	24.0
Issuance and forfeitures of restricted stock awards, net	1.3	—				—
Stock option exercises and employee stock purchases	0.9	—	5.3			5.3
Stock option issuance			4.9			4.9
Change in noncontrolling interests in consolidated investment products					(16.5)	(16.5)
Distributions to noncontrolling interests					(1.8)	(1.8)
Change in fair value of redeemable noncontrolling interests			22.1			22.1
Vesting of noncontrolling interests					(1.2)	(1.2)
Purchase of noncontrolling interests					(0.6)	(0.6)
Common stock repurchases	(1.8)	—	(14.9)			(14.9)
Common stock dividends			(31.9)			(31.9)
<b>Balance at September 30, 2012</b>	<u>187.4</u>	<u>\$ 1.9</u>	<u>\$ 1,388.9</u>	<u>\$ 0.1</u>	<u>\$ 20.7</u>	<u>\$ 1,411.6</u>
<b>Balance at December 31, 2012</b>	187.5	\$ 1.9	\$ 1,415.4	\$ 0.6	\$ 17.2	\$ 1,435.1
Net income			76.4		0.8	77.2
Other comprehensive loss				(1.8)		(1.8)
Amortization of stock-based compensation			16.1		1.7	17.8
Issuance and forfeitures of restricted stock awards, net	3.0	—				—
Stock option exercises and employee stock	1.3	—	7.1			7.1

purchases					
Convertible senior notes issuance			14.7		14.7
Extinguishment of convertible senior notes			(2.0)		(2.0)
Convertible note hedge issuance			(16.1)		(16.1)
Stock warrants issuance			10.5		10.5
Change in noncontrolling interests in consolidated investment products				21.5	21.5
Distributions to noncontrolling interests				(1.6)	(1.6)
Change in fair value of redeemable noncontrolling interests			1.7		1.7
Vesting of noncontrolling interests				(1.2)	(1.2)
Purchase of noncontrolling interests				(0.3)	(0.3)
Common stock repurchases	(2.5)	—	(22.2)		(22.2)
Common stock dividends			(26.5)		(26.5)
<b>Balance at September 30, 2013</b>	<u>189.3</u>	<u>\$ 1.9</u>	<u>\$ 1,475.1</u>	<u>\$ (1.2)</u>	<u>\$ 38.1</u>
					<u>\$ 1,513.9</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 JCG in accordance with accounting principles generally accepted in the United States of America (“GAAP”). All such adjustments are of a normal recurring nature. Such interim condensed consolidated 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 JCG’s Annual Report on Form 10-K for the year ended December 31, 2012.

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 JCG’s Annual Report on Form 10-K for the year ended December 31, 2012.

#### Note 2 — Recent Accounting Guidance

In February 2013, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) No. 2013-02, “Comprehensive Income”. The ASU requires an entity to disclose changes in accumulated other comprehensive income (“OCI”) balances by component and disaggregate the total change between current period OCI and reclassification adjustments. For significant reclassifications out of accumulated OCI, an entity is required to identify each line item affected by the reclassification in the notes to the financial statements or on the statement where net income is presented. The ASU is effective for JCG’s fiscal period beginning January 1, 2013. JCG adopted ASU No. 2013-02 on January 1, 2013, and added related disclosure in Note 10 — Accumulated Other Comprehensive (Loss) Income.

#### Note 3 — Investment Securities

JCG’s investment securities as of September 30, 2013, and December 31, 2012, are summarized as follows (*in millions*):

September 30, 2013	December 31, 2012
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**Trading securities:**

Seeded investment products	\$ 338.9	\$ 219.5
Investments in advised mutual funds	58.4	89.0
Deferred compensation plans	13.8	11.9
Total trading securities	<u>411.1</u>	<u>320.4</u>

**Available-for-sale securities:**

Seeded investment products	23.3	30.1
<b>Total investment securities</b>	<u>\$ 434.4</u>	<u>\$ 350.5</u>

*Trading Securities*

Investment securities classified as trading include seeded investment products, investments in advised mutual funds and investments related to the economic hedging of deferred compensation plans. Investments in advised mutual funds represent those assets that had been previously utilized as economic hedges against JCG's mutual fund share awards. Effective January 2013, JCG is no longer making dollar-for-dollar investments in advised mutual funds for purposes of economically hedging mutual fund share awards.

At September 30, 2013, seeded investment products represented \$257.4 million in 13 mutual funds advised by JCG and \$81.5 million in 27 separately managed accounts. At December 31, 2012, seeded investment products represented \$155.3 million in 18 mutual funds advised by JCG and \$64.2 million in 25 separately managed accounts.

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JCG recognized \$14.5 million and \$13.5 million of gains related to trading securities that were still held as of the reporting date for the nine months ended September 30, 2013 and 2012, respectively.

*Available-for-Sale Securities*

At September 30, 2013, and December 31, 2012, seeded investment products advised by JCG classified as available-for-sale securities represented \$23.3 million held in 37 mutual funds and \$30.1 million held in 31 mutual funds, respectively.

The following is a summary of the cost, gross unrealized gains and losses, and estimated fair value of seeded investment products classified as available-for-sale securities at September 30, 2013, and December 31, 2012 (*in millions*):

	September 30, 2013	December 31, 2012
Cost basis	\$ 21.1	\$ 32.2
Gross unrealized gains	2.3	1.0
Gross unrealized losses	(0.1)	(3.1)
Estimated fair value	<u>\$ 23.3</u>	<u>\$ 30.1</u>

The gross unrealized gains and losses in seeded investment products were recognized as components of other comprehensive income (loss), net of tax on the Condensed Consolidated Statements of Comprehensive Income. JCG reviewed the gross unrealized losses and determined that the losses were not other-than-temporary. No other-than-temporary impairment charges were recognized in the three and nine months ended September 30, 2013 and 2012.

Realized gains and losses related to the disposition of seeded investment products classified as available-for-sale securities were recognized in investment gains, net on the Condensed Consolidated Statements of Comprehensive Income. The following is a summary of realized gains and losses upon disposition of seeded investment products classified as available-for-sale securities for the three and nine months ended September 30, 2013 and 2012 (*in millions*):

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Realized gains	\$ 1.8	\$ —	\$ 2.6	\$ 0.6
Realized losses	(0.5)	(0.6)	(1.1)	(0.6)
Net realized gains (losses)	<u>\$ 1.3</u>	<u>\$ (0.6)</u>	<u>\$ 1.5</u>	<u>\$ —</u>

*Derivative Instruments*

The Company maintains an economic hedge program that uses derivative instruments to hedge against market volatility of its seed investments. Fluctuations in equity markets, credit markets and foreign currency markets are hedged by using index swaps, futures contracts and forward contracts, respectively. As of September 30, 2013, JCG had six index swap positions with a notional value of \$182.5 million, six futures contract positions with a notional value of \$84.1 million and four foreign currency forward contract positions with a notional value of \$81.6 million.

These instruments are not designated as hedges for accounting purposes. The index swaps and futures contracts are settled daily, and settlement amounts are recognized in investment gains, net on the Condensed Consolidated Statements of Comprehensive Income. The fair value of the foreign currency forward contracts as of September 30, 2013, and December 31, 2012, was \$(2.6) million and \$(0.2) million, respectively, and is netted against associated cash collateral within other current assets on the Condensed Consolidated Balance Sheets. Fair value adjustments for the foreign currency forward contracts are recognized in other income, net on the Condensed Consolidated Statements of Comprehensive Income.

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JCG recognized the following net gains on hedged seed investments and net losses on associated index swaps and futures contracts for the three and nine months ended September 30, 2013 and 2012 (*in millions*):

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Hedged seed investments classified as trading securities	\$ 15.4	\$ 4.8	\$ 18.6	\$ 9.4
Hedged seed investments classified as available-for-sale securities	0.6	—	0.6	—
Total hedged seed investments	16.0	4.8	19.2	9.4
Futures contracts	(13.7)	(5.0)	(20.5)	(10.1)
Index swaps	(0.7)	—	(2.1)	—
Total	\$ 1.6	\$ (0.2)	\$ (3.4)	\$ (0.7)

JCG recognized the following net gains on hedged trading securities denominated in a foreign currency and net losses on associated foreign currency forward contracts for the three and nine months ended September 30, 2013 and 2012 (*in millions*):

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Net losses in net income related to:				
Translation gains	\$ 3.4	\$ 0.1	\$ 2.7	\$ —
Foreign currency forward contracts	(3.7)	(0.2)	(2.9)	—
Total	\$ (0.3)	\$ (0.1)	\$ (0.2)	\$ —

#### Investment Gains, Net

Investment gains, net on the Condensed Consolidated Statements of Comprehensive Income includes the following for the three and nine months ended September 30, 2013 and 2012 (*in millions*):

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Seeded investment products	\$ 17.4	\$ 8.7	\$ 18.0	\$ 15.3
Noncontrolling interests in seeded investment products	2.0	0.6	2.1	1.7
Investments in advised mutual funds	2.2	3.3	7.0	6.1
Futures contracts and index swaps	(14.4)	(5.0)	(22.6)	(10.1)
Economic hedges for deferred compensation plans	0.7	—	1.9	—
Other	—	—	—	(6.1)
Investment gains, net	\$ 7.9	\$ 7.6	\$ 6.4	\$ 6.9



*Purchases, Sales and Maturities*

Cash flows related to investment securities for the three and nine months ended September 30, 2013 and 2012, are summarized as follows (*in millions*):

	Three months ended September 30,				Nine months ended September 30,			
	2013		2012		2013		2012	
	Purchases	Sales/ Maturities	Purchases	Sales/ Maturities	Purchases	Sales/ Maturities	Purchases	Sales/ Maturities
Trading securities	\$ (2.1)	\$ 2.2	\$ (16.4)	\$ 6.9	\$ (113.5)	\$ 62.5	\$ (77.9)	\$ 51.4
Available-for-sale securities	(0.1)	8.1	(0.1)	2.9	(0.4)	18.2	(0.8)	8.0
Seed capital derivative instruments	(19.2)	8.0	(7.4)	1.8	(53.9)	31.5	(17.7)	10.1
Total cash flows	<u>\$ (21.4)</u>	<u>\$ 18.3</u>	<u>\$ (23.9)</u>	<u>\$ 11.6</u>	<u>\$ (167.8)</u>	<u>\$ 112.2</u>	<u>\$ (96.4)</u>	<u>\$ 69.5</u>

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**Note 4 — Fair Value Measurements**

The following table presents assets, liabilities and redeemable noncontrolling interests measured or disclosed at fair value on a recurring basis as of September 30, 2013 (*in millions*):

	Fair Value Measurements Using:			Total
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
<b>Assets:</b>				
Cash equivalents	\$ —	\$ 179.3	\$ —	\$ 179.3
Trading securities:				
Seeded investment products	245.6	93.3	—	338.9
Investments in advised mutual funds	58.4	—	—	58.4
Deferred compensation plans hedge assets	13.8	—	—	13.8
Available-for-sale securities:				
Seeded investment products	5.3	18.0	—	23.3
Total investment securities	<u>323.1</u>	<u>111.3</u>	<u>—</u>	<u>434.4</u>
Total assets	<u>\$ 323.1</u>	<u>\$ 290.6</u>	<u>\$ —</u>	<u>\$ 613.7</u>
<b>Liabilities:</b>				
Current portion of long-term debt	\$ —	\$ 100.1	\$ —	\$ 100.1
Long-term debt	—	507.2	—	507.2
Foreign currency forward contracts	—	2.6	—	2.6
Total liabilities	<u>\$ —</u>	<u>\$ 609.9</u>	<u>\$ —</u>	<u>\$ 609.9</u>
<b>Redeemable noncontrolling interests</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 7.1</u>	<u>\$ 7.1</u>

The following table presents assets, liabilities and redeemable noncontrolling interests measured or disclosed at fair value on a recurring basis as of December 31, 2012 (*in millions*):

	Fair Value Measurements Using:			Total
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
<b>Assets:</b>				
Cash equivalents	\$ —	\$ 250.1	\$ —	\$ 250.1
Trading securities:				
Seeded investment products	74.2	145.3	—	219.5

Investments in advised mutual funds	89.0	—	—	89.0
Deferred compensation plans hedge assets	11.9	—	—	11.9
Available-for-sale securities:				
Seeded investment products	7.5	22.6	—	30.1
Total investment securities	182.6	167.9	—	350.5
Total assets	\$ 182.6	\$ 418.0	\$ —	\$ 600.6
<b>Liabilities:</b>				
Long-term debt	\$ —	\$ 618.3	\$ —	\$ 618.3
Foreign currency forward contracts	—	0.1	—	0.1
Total liabilities	\$ —	\$ 618.4	\$ —	\$ 618.4
<b>Redeemable noncontrolling interests</b>	\$ —	\$ —	\$ 42.9	\$ 42.9

JCG's Level 1 fair value measurements consist of trading securities and available-for-sale securities with quoted market prices in active markets. The majority of investment securities classified as Level 2 are debt securities with values derived from

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evaluated pricing by independent third-party providers. Short-term securities with maturities of 60 days or less are valued at amortized cost, which approximates market value, and are also categorized as Level 2 in the hierarchy. The underlying securities of mutual funds and separate accounts may be denominated in a foreign currency. In some cases, 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. Security prices are adjusted based upon historical impacts for similar post-close activity. These adjustments result in the securities being classified as Level 2 and may also result in movements of securities between Level 1 and Level 2.

Transfers between Level 1 and Level 2 classifications for the nine months ended September 30, 2013 and 2012, are summarized as follows (*in millions*):

	September 30,	
	2013	2012
Transfers from Level 1 to Level 2	\$ —	\$ —
Transfers from Level 2 to Level 1	\$ 13.4	\$ 4.9

Transfers from Level 2 to Level 1 primarily represented foreign securities whose quoted market prices no longer required adjustment for subsequent fluctuations in active markets. Transfers are generally recognized at the end of each reporting period.

JCG's Level 3 recurring fair value measurements represent redeemable noncontrolling interests in INTECH Investment Management LLC ("INTECH") and Perkins Investment Management LLC ("Perkins").

Redeemable noncontrolling interests in INTECH are measured at fair value on an annual basis, or more frequently if events or circumstances indicate that material change in the fair value of INTECH has occurred. The fair value of INTECH is determined using a discounted cash flow methodology with probability-weighted scenarios. Discounted cash flow analyses are prepared internally within JCG's finance organization by personnel with appropriate valuation experience and credentials. In preparing the analyses, JCG benchmarks valuation metrics such as multiples of earnings against recent market transactions of a similar size and nature to ensure that the estimates are reasonable. The analyses are reviewed by senior JCG finance personnel and JCG's Chief Financial Officer. The analyses may also be reviewed by the holders of the noncontrolling interests in INTECH. If the analyses are reviewed by the holders of the noncontrolling interests in INTECH and the valuation is agreed to by both JCG and the holders of noncontrolling interests, JCG utilizes the analyses to value the redeemable noncontrolling interests. If the holders of noncontrolling interests object to the analyses, a valuation is obtained from a third-party investment bank agreed upon by the interested parties. JCG has engaged a third-party investment bank for such valuation in the past and may do so again in the future.

Significant unobservable inputs related to the INTECH discounted cash flow analysis include forecasted operating results, discount rate and terminal multiple of forecasted earnings before interest expense, taxes, depreciation and amortization. Significant increases or decreases in the forecasted operating results and terminal multiple inputs in isolation would result in a significantly higher or lower fair value measurement, respectively. A significant increase or decrease in the discount rate input would result in a significantly lower or higher fair value measurement, respectively. The terminal multiple input for each scenario is influenced by the growth rate contained in the forecasted operating results. Generally, a change in the assumptions used for forecasted operating results is accompanied by a

directionally similar change in the terminal multiple. A fair value analysis on the INTECH redeemable noncontrolling interests was performed during the first quarter 2013. The average discount rate and average terminal multiple used in the first quarter 2013 analysis were 13% and 7.50x, respectively.

Redeemable noncontrolling interests in Perkins are measured by a contractual formula intended to represent fair value on a monthly basis. The contractual formula is prepared internally within JCG's finance organization and is reviewed by senior JCG finance personnel and JCG's Chief Financial Officer. The analyses are also reviewed by the holders of the noncontrolling interests in Perkins. In the event either party objects to the valuation determined by the contractual formula, a valuation is obtained from a third-party investment bank agreed upon by the interested parties. JCG has not engaged a third-party investment bank for such valuation in the past but may do so in the future.

Inputs to the Perkins contractual formula include trailing 12-month revenues of Perkins investment products and the relative performance of Perkins investment products as compared to benchmark indices. The contractual formula applies defined revenue multiples to trailing 12-month Perkins revenues to arrive at fair value; the revenue multiples are subject to increases if certain performance targets are met. Due to the contractual nature of the formula, the revenue and performance inputs are relationally independent. The revenue multiples used in the September 30, 2013, and December 31, 2012, valuations were 3.39x and 3.43x, respectively.

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 analysis that requires assumptions regarding projected future earnings and discount rates. 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. There were no remeasurements of these assets during the nine months ended September 30, 2013 and 2012.

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

	Three months ended September 30,		Nine months ended September 30,		
	2013	2012	2013	2012	2012
	Redeemable noncontrolling interests	Redeemable noncontrolling interests	Redeemable noncontrolling interests	Redeemable noncontrolling interests	Other investment securities
Beginning of period fair value	\$ 40.3	\$ 65.6	\$ 42.9	\$ 85.4	\$ 3.2
Distributions	(0.1)	(1.3)	(4.3)	(7.3)	—
Current earnings	0.7	1.5	2.8	4.9	—
Sale of investments	—	—	—	—	(3.2)
Purchase of redeemable noncontrolling interests <sup>(1)</sup>	(33.8)	(2.6)	(33.8)	(5.9)	—
Vesting of noncontrolling interests	—	—	1.2	1.2	—
Change in fair value	—	(7.0)	(1.7)	(22.1)	—
End of period fair value	<u>\$ 7.1</u>	<u>\$ 56.2</u>	<u>\$ 7.1</u>	<u>\$ 56.2</u>	<u>\$ —</u>

(1) Refer to Note 7— Noncontrolling Interests for information regarding the redemption of certain Perkins ownership units.

## Note 5 — Debt

Debt at September 30, 2013, and December 31, 2012, consisted of the following (*in millions*):

	September 30, 2013		December 31, 2012	
	Carrying value	Fair value	Carrying value	Fair value
6.119% Senior Notes due 2014	\$ 38.9	\$ 39.8	\$ 38.9	\$ 40.7
3.250% Convertible Senior Notes due 2014	57.0	60.3	154.0	176.0
6.700% Senior Notes due 2017	344.4	384.9	352.2	401.6
0.750% Convertible Senior Notes due 2018	102.7	122.3	—	—

Total	543.0	607.3	545.1	618.3
Less: Current maturities	(95.9)	(100.1)	—	—
Total long-term debt	<u>\$ 447.1</u>	<u>\$ 507.2</u>	<u>\$ 545.1</u>	<u>\$ 618.3</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, which are considered Level 2 inputs.

### ***Partial Buyback of 6.700% Senior Notes and Loss on Early Extinguishment of Debt***

On August 30, 2013, JCG repurchased on the open market \$8.0 million aggregate principal amount of the Company's outstanding 6.70% Senior Notes due 2017 ("2017 Notes") for \$8.9 million in cash. JCG recognized a loss of \$0.9 million on the repurchase.

### ***Exchange of Convertible Senior Notes and Loss on Early Extinguishment of Debt***

On June 14, 2013, JCG entered into separate, privately negotiated exchange agreements pursuant to which \$110.0 million aggregate principal amount of JCG's existing, 3.25% Convertible Senior Notes due 2014 ("2014 Notes") was exchanged for \$116.6 million aggregate principal amount of newly issued, 0.75% Convertible Senior Notes due 2018 ("2018 Notes"). Immediately following the exchange, \$60.0 million aggregate principal amount of existing 2014 Notes remained outstanding.

The non-cash exchange of the 2018 Notes for a portion of the 2014 Notes constituted an extinguishment of debt under applicable accounting guidance. As a result of the extinguishment, JCG recognized a \$12.6 million loss on early extinguishment of debt related to the settlement of the liability component of the exchanged 2014 Notes, and a \$2.0 million reduction in equity related to the retirement of the conversion feature of the exchanged 2014 Notes.

### ***0.750% Convertible Senior Notes***

The 2018 Notes pay interest semiannually at a rate of 0.75% per annum on January 15 and July 15 of each year, beginning on January 15, 2014, and will be convertible, under certain circumstances, into cash, shares of JCG common stock, or a combination of cash and shares of JCG common stock, at the Company's election. The initial conversion rate of the 2018 Notes is 92.1 shares of JCG common stock per \$1,000 principal amount of the 2018 Notes, which is equivalent to an initial conversion price of approximately \$10.86 per share of common stock, subject to adjustment in certain circumstances. This initial conversion price represents a premium of 25% relative to the \$8.69 per share closing price of JCG's common stock on June 13, 2013, the date of pricing.

Holder may convert their 2018 Notes at their option prior to the close of business on the business day immediately preceding April 15, 2018, only under the following circumstances: (1) during any calendar quarter commencing after September 30, 2013, if the last reported sale price of JCG's 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; (2) during the five business day period after any five consecutive trading day period in which the trading price per \$1,000 principal amount of the 2018 Notes for each day of such period is less than 98% of the product of the last reported sale price of JCG's common stock and the applicable conversion rate; or (3) upon the occurrence of specified corporate events.

Because the 2018 Notes may be wholly or partially settled in cash, the liability and conversion feature components are required to be accounted for separately. The initial \$102.0 million liability component was determined by discounting future contractual cash flows at a 3.5% rate, which is consistent with the estimated market interest rate for similar senior notes with no conversion option. The liability component will accrete up to the face value of \$116.6 million over the five-year expected term of the 2018 Notes through interest expense. The \$14.6 million initial equity component was determined as the difference between the initial liability component and the face value of the 2018 Notes and was recorded as an adjustment to equity.

The 2018 Notes include an unamortized discount at September 30, 2013 of \$13.9 million, which will be amortized over the remaining term. Interest expense related to the 2018 Notes includes interest on the outstanding principal balance as well as amortization of capitalized issuance costs and totaled \$1.0 million and \$1.1 million for the three and nine months ended September 30, 2013, respectively.

### *Convertible Note Hedge and Warrant Transactions*

In connection with the 2018 Notes issuance, JCG entered into convertible note hedge and warrant transactions which, in combination, are intended to reduce the potential for future dilution to existing shareholders by effectively increasing the conversion price of the 2018 Notes to JCG from \$10.86 to \$12.60 per share of common stock.

The convertible note hedge and warrant transactions consist of two separate instruments: purchased call options and the sale of warrants. The call options represent the same number of shares of JCG's common stock underlying the 2018 Notes with a strike price of \$10.86 per share of common stock, which is equal to the conversion price of the 2018 Notes. The call options cost \$16.1 million. To offset the cost of the call options, JCG sold warrants to the counterparty of the call options for the same number of shares of JCG's common stock underlying the 2018 Notes with an exercise price of \$12.60 per share of common stock. The proceeds from the sale of the warrants totaled \$10.5 million. The call options and warrants may be settled in cash or stock at JCG's election. The instruments are indexed to JCG's equity and may potentially settle in JCG stock. Accordingly, the Company recorded the \$5.6 million net cost of the instruments as a reduction in equity, and will not recognize subsequent changes in fair value of these financial instruments in its consolidated financial statements.

### **3.250% Convertible Senior Notes**

In July 2009, JCG issued \$170.0 million of 2014 Notes, which pay interest at 3.25% semiannually on July 15 and January 15 of each year and mature on July 15, 2014, unless earlier converted. As discussed above, \$110.0 million aggregate principal amount of the 2014 Notes was exchanged for the 2018 Notes, leaving \$60.0 million aggregate principal amount of 2014 Notes outstanding. The 2014 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 holders of the 2014 Notes have the right to require JCG to repurchase their notes for cash under certain circumstances. The original conversion rate of 71.3 shares of JCG common stock per \$1,000 principal amount of 2014 Notes was most recently adjusted during the third quarter 2013 when JCG paid a quarterly cash dividend of \$0.07 per share. As a result of the quarterly cash dividend paid on August 23, 2013, the conversion rate changed to 75.4 shares of JCG common stock per \$1,000 principal amount of 2014 Notes, equivalent to a conversion price of approximately \$13.26 per share of common stock. JCG is required to continue to adjust the conversion rate to the extent there are future dividend payments above \$0.04 per share on an annual basis. The 2014 Notes are not callable by JCG. During the second quarter 2013, JCG derecognized \$7.4 million and \$0.6 million of unamortized debt discount and capitalized issuance costs, respectively, in conjunction with the exchange of \$110.0 million aggregate principal amount of the 2014 Notes discussed above.

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The 2014 Notes include an unamortized discount at September 30, 2013, of \$3.0 million, which will be amortized over the remaining term. Interest expense related to the 2014 Notes includes interest on the outstanding principal balance as well as amortization of capitalized issuance costs and totaled \$1.5 million and \$9.3 million for the three and nine months ended September 30, 2013, respectively. Interest expense related to the 2014 Notes totaled \$3.9 million and \$11.6 million for the three and nine months ended September 30, 2012, respectively.

### **Credit Facility**

At September 30, 2013, JCG had a \$250 million, unsecured, revolving credit facility (the "Credit Facility") with JPMorgan Chase Bank, N.A., as administrative agent and swingline lender. Under the Credit Facility, JCG's financing leverage ratio cannot exceed 3.00x, and its interest coverage ratio must equal or exceed 4.00x. At September 30, 2013, 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 14, 2014.

### **Capital Lease Obligations**

JCG's capital lease obligations represent leased computer equipment. The carrying values of the obligations totaled \$2.1 million and \$2.9 million at September 30, 2013, and December 31, 2012, respectively, and are included in other accrued liabilities and other liabilities on the Condensed Consolidated Balance Sheets. The related lease terms extend through 2017.

### **Note 6 — Income Taxes**

JCG's provision for income taxes was \$21.7 million and \$17.0 million, or 37.8% and 38.0% of income before taxes, for the three months ended September 30, 2013 and 2012, respectively. The provision for income taxes was \$53.0 million and \$45.4 million, or 39.2% and 36.5% of income before taxes, for the nine months ended September 30, 2013 and 2012, respectively. The Company's

effective tax rate for the nine month period ending September 30, 2013 increased by 2.7% due largely to the reversal of unrealized deferred tax assets upon the expiration and vesting of certain equity-based compensation awards.

As of September 30, 2013, JCG had \$6.0 million of accrued reserves for income tax contingencies. JCG accrued additional reserves for income tax contingencies in the amount of \$0.3 million during the three months ended September 30, 2013, creating a net tax expense of \$0.2 million. JCG also decreased its income tax contingency reserves by \$0.1 million and \$0.7 million during the three and nine months ended September 30, 2013, respectively, as a result of the expiration of statutes of limitations and audit settlements, creating a net tax benefit of \$0.1 million and \$0.5 million, respectively. JCG anticipates that its income tax contingency reserves will decrease by approximately \$1.2 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 and other liabilities on the Condensed Consolidated Balance Sheets.

#### Note 7 — Noncontrolling Interests

Noncontrolling interests in net income consist of the following (*in millions*):

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Nonredeemable noncontrolling interests in subsidiaries	\$ 0.3	\$ 0.5	\$ 0.8	\$ 1.4
Nonredeemable noncontrolling interests in consolidated seeded investment products	2.0	0.6	2.1	1.7
Redeemable noncontrolling interests in subsidiaries	0.7	1.5	2.8	4.9
Total noncontrolling interests in net income	<u>\$ 3.0</u>	<u>\$ 2.6</u>	<u>\$ 5.7</u>	<u>\$ 8.0</u>

Noncontrolling interests on the Condensed Consolidated Balance Sheets consist of the following:

#### Nonredeemable Noncontrolling Interests

Noncontrolling interests that are not subject to redemption rights include, or have included, employee ownership interests in two of JCG's subsidiaries, INTECH and Perkins, and third-party investors' ownership in consolidated seeded investment products. Certain of the Perkins ownership interests granted to employees became subject to redemption rights upon vesting in the first quarter 2013 at which time such interests were reclassified to redeemable noncontrolling interests.

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Nonredeemable noncontrolling interests as of September 30, 2013, and December 31, 2012, are summarized as follows (*in millions*):

	September 30, 2013	December 31, 2012
Nonredeemable noncontrolling interests in consolidated seeded investment products	\$ 33.9	\$ 12.4
Nonredeemable noncontrolling interests in subsidiaries	4.2	4.8
Total nonredeemable noncontrolling interests	<u>\$ 38.1</u>	<u>\$ 17.2</u>

Changes in noncontrolling interests in consolidated seeded investment products are driven by two factors: changes in the market value of the underlying seeded investment products and changes in ownership of the underlying seeded investment products.

The following table presents a rollforward of noncontrolling interests in consolidated seeded investment products (*in millions*):

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Beginning of period balance	\$ 26.1	\$ 35.6	\$ 12.4	\$ 29.2
Change in market value	2.0	0.6	2.1	1.7
Change in ownership	5.8	(23.6)	19.4	(18.3)
End of period balance	<u>\$ 33.9</u>	<u>\$ 12.6</u>	<u>\$ 33.9</u>	<u>\$ 12.6</u>

***Redeemable Noncontrolling Interests***

Redeemable noncontrolling interests consist of INTECH and Perkins interests that are currently redeemable or will become subject to redemption rights at certain future dates. Also included are undistributed earnings due to the redeemable noncontrolling interests. As of September 30, 2013, and December 31, 2012, redeemable noncontrolling interests are summarized as follows (*in millions*):

	September 30, 2013	December 31, 2012
Redeemable noncontrolling interest in subsidiaries	\$ 5.8	\$ 40.1
Undistributed earnings	1.3	2.8
Total redeemable noncontrolling interests	<u>\$ 7.1</u>	<u>\$ 42.9</u>

***INTECH***

INTECH ownership interests held by a founding member had an estimated value of approximately \$5.2 million and \$4.8 million as of September 30, 2013, and December 31, 2012, respectively, representing approximately 1.0% aggregate ownership of INTECH for both periods. This founding member is entitled to retain his remaining INTECH interests until his death and has the option to require JCG to purchase from him his ownership interest of INTECH at fair value.

At September 30, 2013, and December 31, 2012, no ownership interests subject to redemption rights were held by other INTECH employees.

***Perkins***

The total Perkins noncontrolling interests subject to redemption rights had an estimated fair value of approximately \$0.6 million and \$35.3 million as of September 30, 2013, and December 31, 2012, respectively.

On February 1, 2013, the noncontrolling owners of Perkins (who then owned 22.2% of the equity units of Perkins) exercised their right to put 98% of their equity units to JCG. Under the terms of the put, the noncontrolling ownership units were redeemed at fair value of \$33.8 million as determined on August 31, 2013, six full months following the month of the put exercise. The fair value of the ownership units was based on a contractual formula driven by revenue and investment performance of products managed by Perkins.

The noncontrolling interests were primarily held by founding members who are not involved in the management of Perkins. Perkins management continue to hold the majority of their interests in Perkins through senior profits interests awards and long-term incentive compensation plans. The Perkins senior profits interests awards generally receive 5% of Perkins annual taxable

income and have a terminal value based on Perkins revenue and relative investment performance of products managed by Perkins. The Perkins senior profits interests awards and long-term incentive compensation plans provide active members of Perkins management an ongoing stake in the success of Perkins.

**Note 8 — Long-Term Incentive Compensation**

JCG generally grants annual long-term incentive awards in February of each year. JCG granted \$55.8 million in long-term incentive awards during the nine months ended September 30, 2013, which generally vest and will be recognized ratably over a four-year period. The 2013 awards consisted of \$33.4 million of restricted stock (3.5 million shares at a weighted-average price of \$9.55 per share), \$22.2 million of mutual fund share awards and \$0.2 million of stock option awards.

JCG records compensation expense associated with long-term incentive awards based on the amount of awards expected to vest at the end of the stated service period, comprising the total value of the awards less an estimate for forfeitures.

During the three and nine months ended September 30, 2013, JCG recognized \$2.4 million and \$5.7 million of long-term incentive compensation expense related to mark-to-market adjustments of mutual fund share awards and deferred compensation plans, respectively, and \$1.7 million and \$4.3 million during the same periods in 2012, respectively.

**Note 9 — Other Income, Net**

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

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Dividend income	\$ 0.4	\$ 0.3	\$ 1.1	\$ 1.0
Interest income	0.1	0.2	0.4	0.4
Foreign currency gains (losses)	0.3	(0.2)	0.2	(1.0)
Other, net	—	—	0.1	1.8
Total	<u>\$ 0.8</u>	<u>\$ 0.3</u>	<u>\$ 1.8</u>	<u>\$ 2.2</u>

**Note 10 — Accumulated Other Comprehensive (Loss) Income**

Changes in accumulated other comprehensive (loss) income, net of tax, for the three months ended September 30, 2013 and 2012, are as follows (*in millions*):

	Three months ended September 30,					
	2013			2012		
	Unrealized gains (losses) on available-for-sale securities	Foreign currency items	Total	Unrealized gains (losses) on available-for-sale securities	Foreign currency items	Total
Beginning balance	\$ 1.1	\$ (2.3)	\$ (1.2)	\$ 0.9	\$ (1.4)	\$ (0.5)
Other comprehensive gain before reclassifications	0.7	—	0.7	0.1	0.3	0.4
Amounts reclassified from accumulated other comprehensive (loss) income to:						
Investment gains, net	(0.7)	—	(0.7)	0.2	—	0.2
Net current period other comprehensive income	—	—	—	0.3	0.3	0.6
Ending balance	<u>\$ 1.1</u>	<u>\$ (2.3)</u>	<u>\$ (1.2)</u>	<u>\$ 1.2</u>	<u>\$ (1.1)</u>	<u>\$ 0.1</u>

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Changes in accumulated other comprehensive (loss) income, net of tax, for the nine months ended September 30, 2013 and 2012, are as follows (*in millions*):

	Nine months ended September 30,					
	2013			2012		
	Unrealized gains (losses) on available-for-sale securities	Foreign currency items	Total	Unrealized gains (losses) on available-for-sale securities	Foreign currency items	Total
Beginning balance	\$ 1.4	\$ (0.8)	\$ 0.6	\$ 0.7	\$ (1.2)	\$ (0.5)
Other comprehensive gain before reclassifications	0.6	—	0.6	0.6	0.1	0.7
Amounts reclassified from accumulated other comprehensive (loss) income to:						
Investment gains, net	(0.9)	—	(0.9)	(0.1)	—	(0.1)
Other income, net	—	(1.5)	(1.5)	—	—	—
Net current period other comprehensive (loss) income	(0.3)	(1.5)	(1.8)	0.5	0.1	0.6
Ending balance	<u>\$ 1.1</u>	<u>\$ (2.3)</u>	<u>\$ (1.2)</u>	<u>\$ 1.2</u>	<u>\$ (1.1)</u>	<u>\$ 0.1</u>

**Note 11 — 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. The calculation of diluted earnings per common share adjusts the weighted-average shares outstanding by the dilutive impact of shares underlying stock options, unvested restricted stock awards and price-vesting units.



The following is a summary of the earnings per share calculation for the three and nine months ended September 30, 2013 and 2012 (*in millions, except per share data*):

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
<b>Net income attributable to JCG common shareholders</b>	\$ 32.6	\$ 25.1	\$ 76.4	\$ 71.1
<b>Basic earnings per share attributable to JCG common shareholders:</b>				
Weighted-average common shares outstanding	184.7	183.4	184.8	183.8
Basic earnings per share	\$ 0.18	\$ 0.14	\$ 0.41	\$ 0.39
<b>Diluted earnings per share attributable to JCG common shareholders:</b>				
Weighted-average common shares outstanding	184.7	183.4	184.8	183.8
Dilutive effect of stock options, unvested restricted stock and price-vesting units using the treasury stock method	1.7	1.9	1.2	1.3
Weighted-average diluted common shares outstanding	186.4	185.3	186.0	185.1
Diluted earnings per share	\$ 0.17	\$ 0.14	\$ 0.41	\$ 0.38
<b>Dividends paid per share</b>	\$ 0.07	\$ 0.06	\$ 0.14	\$ 0.17

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

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Employee stock options	7.0	9.6	7.0	9.6
Other stock options	14.0	14.0	14.0	14.0
Unvested restricted stock and price-vesting units	0.2	1.4	1.0	1.5

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 conversion of the 2014 Notes and 2018 Notes because their conversion would be anti-dilutive as the conversion criteria have not been satisfied.

### Dividends

Dividends paid during the nine months ended September 30, 2013, are summarized as follows:

Dividend per share	Date declared	Date paid
\$ 0.07	April 18	May 24
\$ 0.07	July 22	August 23

On December 10, 2012, JCG's Board of Directors declared a regular quarterly cash dividend of \$0.06 per share, which was paid on December 31, 2012, to stockholders of record at the close of business on December 21, 2012. This accelerated quarterly cash dividend was in place of the quarterly cash dividend scheduled to be declared in January 2013.

On April 18, 2013, JCG's Board of Directors approved an increase of \$0.01 per share, or 17%, in the Company's regular quarterly dividend. The approved quarterly rate of \$0.07 per share represents an expected annualized dividend rate of \$0.28 per share of common stock.

On October 21, 2013, JCG's Board of Directors declared a regular quarterly cash dividend of \$0.07 per share. The quarterly dividend will be paid on November 22, 2013, to stockholders of record at the close of business on November 8, 2013.

## **Note 12 — Litigation and Other Regulatory Matters**

JCG is periodically involved in various legal proceedings and other regulatory matters. At September 30, 2013, JCG had a \$0.5 million litigation accrual for all pending litigation matters. Possible losses in addition to the litigation accrual cannot be currently estimated, and as such, no additional accruals have been made. Although there can be no assurances, based on information currently available, management believes that it is probable that the ultimate outcome of matters that are pending or threatened will not have a material effect on JCG's consolidated financial condition.

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## **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 JCG 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 JCG's Annual Report on Form 10-K for the year ended December 31, 2012, 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 JCG 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 JCG 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. JCG undertakes no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events unless required by applicable law or regulation.*

### **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 Chief Executive Officer and Senior Financial Officers (including its Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer) (the "Officer Code"); Corporate Code of Business Conduct 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/govdocs.aspx?iid=4050265>). 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 financial advisors, individuals and institutional clients 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 investment product offerings and distribution capabilities. JCG provides investment management competencies across a range of disciplines, including fundamental U.S. and global equities (growth and value), mathematical equities, fixed income and alternatives through its subsidiaries, Janus Capital Management LLC ("Janus"), INTECH Investment Management LLC ("INTECH") and Perkins Investment Management LLC ("Perkins"). Each of JCG's subsidiaries specializes in specific investment styles and has its own unique and independent perspective. JCG's investment products are distributed through three primary 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. Certain investment products are also subject to performance fees, which vary based on a product's relative performance as compared to a benchmark index and the level of assets subject to such fees. Assets under management primarily consist of domestic and international equity and fixed income 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.

### Third Quarter 2013 Summary

Average assets under management for the third quarter 2013 of \$165.2 billion increased \$1.0 billion, or 0.6%, over the second quarter 2013 as a result of favorable market conditions, partially offset by long-term net outflows. Third quarter 2013 revenues of \$217.7 million increased \$1.9 million, or 0.9%, from the second quarter 2013 due to increased investment management fee revenue driven by higher average assets under management. JCG achieved an operating margin of 27.1% and net income attributable to JCG of \$0.17 per diluted share in the third quarter 2013.

### 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. The following table is a summary of investment performance as of September 30, 2013:

	Percentage of Mutual Fund Assets Outperforming Majority of Morningstar Peers (1)		
	1-year	3-year	5-year
Complex-wide mutual fund assets	48%	41%	47%
Fundamental equity mutual fund assets	41%	32%	39%
Fixed income mutual fund assets	98%	100%	100%
	Percentage of Strategies Outperforming Respective Benchmarks (2)		
	1-year	3-year	5-year
Mathematical equity strategies	29%	64%	42%

(1) References Morningstar relative performance on an asset-weighted basis.

(2) References relative performance, net of fees.

**Assets Under Management and Flows****Valuation**

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 the separate or subadvised clients to JCG or another party. JCG validates pricing received from third-party providers by comparing pricing between primary and secondary vendors. Any

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discrepancies are identified and resolved. All pricing vendors are subject to an annual on-site due diligence review that includes a detailed discussion about the methodologies used, particularly for evaluated prices, and any changes to the methodologies.

The value of assets under management is derived from the cash and investment securities underlying JCG's investment products. The value of the majority of the equity securities underlying JCG's investment products is derived from readily available and reliable market price quotations while the value of a majority of the fixed income securities is derived from evaluated pricing from independent third-party providers.

When market quotations are not readily available or deemed unreliable, or events or circumstances that may affect the value of portfolio securities are identified between the closing of their principal markets and the time the net asset value is determined, securities may be valued under procedures established and supervised by the Funds' Independent Board of Trustees. Circumstances in which fair value pricing may be utilized include, but are not limited to: (i) a significant event that may affect the securities of a single issuer, such as a merger or bankruptcy; (ii) an event that may affect an entire market, such as a natural disaster; and (iii) pricing of a non-valued security or a restricted or non-public security. Systematic fair valuation models provided by independent third-parties may be used to value international equity securities in order to adjust for stale pricing, which may occur between the close of certain foreign exchanges and the close of the New York Stock Exchange.

**Assets Under Management and Flows**

Total Company assets under management of \$166.7 billion at September 30, 2013, increased \$8.5 billion, or 5.4%, from September 30, 2012, as a result of net market appreciation of \$25.6 billion, offset by long-term net outflows of \$17.1 billion. Long-term net flows represent total Company net sales and redemptions, excluding money market assets.

Fundamental equity long-term net outflows were \$4.9 billion in the third quarter 2013 compared with long-term net outflows of \$3.3 billion in the third quarter 2012.

Fixed income long-term net flows were flat in the third quarter 2013 compared with long-term net inflows of \$1.0 billion in the third quarter 2012.

Mathematical equity long-term net inflows were \$0.7 billion in the third quarter 2013 compared with long-term net inflows of \$0.3 billion in the third quarter 2012.

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The following tables present the components of JCG's assets under management for the three and nine months ended September 30, 2013 and 2012 (*in billions*):

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Beginning of period assets	\$ 160.6	\$ 152.4	\$ 156.8	\$ 148.2
Long-term sales:				
Fundamental equity	3.8	4.0	13.2	13.4
Fixed income	2.5	2.8	9.0	9.0
Mathematical equity	2.7	2.6	4.3	3.7
Long-term redemptions:				

Fundamental equity	(8.7)	(7.3)	(24.2)	(21.1)
Fixed income	(2.5)	(1.8)	(8.6)	(5.7)
Mathematical equity	(2.0)	(2.3)	(7.2)	(7.7)
Long-term net flows: <sup>(1)</sup>				
Fundamental equity	(4.9)	(3.3)	(11.0)	(7.7)
Fixed income	—	1.0	0.4	3.3
Mathematical equity	0.7	0.3	(2.9)	(4.0)
Total long-term net flows	(4.2)	(2.0)	(13.5)	(8.4)
Net money market flows	—	—	(0.1)	(0.1)
Market/fund performance	10.3	7.8	23.5	18.5
End of period assets	<u>\$ 166.7</u>	<u>\$ 158.2</u>	<u>\$ 166.7</u>	<u>\$ 158.2</u>

(1) 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 September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Average assets under management				
Fundamental equity	\$ 92.8	\$ 89.0	\$ 92.6	\$ 91.2
Fixed income	27.6	24.8	27.4	23.2
Mathematical equity	43.3	40.3	42.3	40.7
Money market	1.5	1.4	1.4	1.4
Total	<u>\$ 165.2</u>	<u>\$ 155.5</u>	<u>\$ 163.7</u>	<u>\$ 156.5</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 investment products. Assets and flows by investment discipline are as follows (*in billions*):

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
<b>Growth/Core <sup>(1)</sup></b>				
Beginning of period assets	\$ 57.1	\$ 52.7	\$ 53.8	\$ 49.7
Sales	2.0	2.3	8.0	7.5
Redemptions	(5.4)	(3.9)	(13.4)	(11.3)
Net redemptions	(3.4)	(1.6)	(5.4)	(3.8)
Market/fund performance	4.9	3.1	10.2	8.3
End of period assets	<u>\$ 58.6</u>	<u>\$ 54.2</u>	<u>\$ 58.6</u>	<u>\$ 54.2</u>
<b>Global/International</b>				
Beginning of period assets	\$ 16.8	\$ 17.6	\$ 17.9	\$ 18.4
Sales	1.1	0.7	2.5	2.7
Redemptions	(1.1)	(1.5)	(4.3)	(4.7)
Net redemptions	—	(0.8)	(1.8)	(2.0)
Market/fund performance	1.5	0.7	2.2	1.1
End of period assets	<u>\$ 18.3</u>	<u>\$ 17.5</u>	<u>\$ 18.3</u>	<u>\$ 17.5</u>
<b>Mathematical Equity</b>				
Beginning of period assets	\$ 41.3	\$ 39.2	\$ 40.2	\$ 39.9
Sales	2.7	2.6	4.3	3.7
Redemptions	(2.0)	(2.3)	(7.2)	(7.7)
Net sales (redemptions)	0.7	0.3	(2.9)	(4.0)

Market/fund performance	2.7	2.4	7.4	6.0
End of period assets	<u>\$ 44.7</u>	<u>\$ 41.9</u>	<u>\$ 44.7</u>	<u>\$ 41.9</u>
<b>Fixed Income <sup>(1)</sup></b>				
Beginning of period assets	\$ 27.3	\$ 23.8	\$ 26.4	\$ 20.6
Sales	2.5	2.8	9.0	9.0
Redemptions	<u>(2.5)</u>	<u>(1.8)</u>	<u>(8.6)</u>	<u>(5.7)</u>
Net sales	—	1.0	0.4	3.3
Market/fund performance	0.5	0.8	1.0	1.7
End of period assets	<u>\$ 27.8</u>	<u>\$ 25.6</u>	<u>\$ 27.8</u>	<u>\$ 25.6</u>
<b>Value</b>				
Beginning of period assets	\$ 16.7	\$ 17.7	\$ 17.0	\$ 18.1
Sales	0.7	1.0	2.7	3.2
Redemptions	<u>(2.2)</u>	<u>(1.9)</u>	<u>(6.5)</u>	<u>(5.1)</u>
Net redemptions	(1.5)	(0.9)	(3.8)	(1.9)
Market/fund performance	0.7	0.8	2.7	1.4
End of period assets	<u>\$ 15.9</u>	<u>\$ 17.6</u>	<u>\$ 15.9</u>	<u>\$ 17.6</u>
<b>Money Market</b>				
Beginning of period assets	\$ 1.4	\$ 1.4	\$ 1.5	\$ 1.5
Sales	0.2	0.2	0.6	0.5
Redemptions	<u>(0.2)</u>	<u>(0.2)</u>	<u>(0.7)</u>	<u>(0.6)</u>
Net redemptions	—	—	(0.1)	(0.1)
Market/fund performance	—	—	—	—
End of period assets	<u>\$ 1.4</u>	<u>\$ 1.4</u>	<u>\$ 1.4</u>	<u>\$ 1.4</u>

(1) Growth/core and fixed income assets reflect a 50%/50% split of the Janus Balanced Fund between the two categories.

## Results of Operations

### Three Months Ended September 30, 2013, Compared with Three Months Ended September 30, 2012

#### Revenues

##### Investment Management Fees

Investment management fees increased \$9.9 million, or 5.1%, primarily as a result of the 6.2% increase in average assets under management driven by market appreciation. Revenue increased at a lower rate than average assets primarily due to a product mix shift toward lower yielding products.

##### Performance Fees

Negative performance fees increased \$1.1 million, or 5.3%, due to underperformance of certain mutual funds against their respective benchmarks. The following is a summary of mutual fund and private account assets subject to performance fees as of September 30, 2013 and 2012 (*in billions*):

	September 30,	
	2013	2012
Mutual fund assets	\$ 52.2	\$ 55.1
Private account assets	\$ 13.3	\$ 11.0

#### Operating Expenses

### *Employee Compensation and Benefits*

Employee compensation and benefits increased \$2.5 million, or 3.5%, principally due to higher investment team incentive compensation as a result of higher operating income. The investment team incentive compensation plan is designed to link variable compensation to operating income.

### *Depreciation and Amortization*

Depreciation and amortization expense decreased \$2.8 million, or 28.3%, primarily due to a \$2.5 million intangible asset impairment charge from the loss of a subadvised relationship recognized in the third quarter 2012.

### *Non-Operating Activities*

#### *Investment Gains, Net*

Net investment gains totaling \$7.9 million for the third quarter 2013 include gains of \$21.1 million from the mark-to-market and sale of trading securities, \$14.4 million of losses generated by JCG's economic hedging of seed capital and \$1.2 million of gains from the sale of available-for-sale securities. The economic hedge program uses derivative instruments to hedge against market volatility of seed investments.

#### *Loss on Early Extinguishment of Debt*

During the third quarter 2013, JCG recognized a \$0.9 million loss on the open market repurchase of \$8.0 million aggregate principal amount of the Company's outstanding 6.70% Senior Notes due 2017 ("2017 Notes") for \$8.9 million in cash.

#### *Income Tax Provision*

JCG's effective tax rate was 37.8% and 38.0% for the three months ended September 30, 2013 and 2012, respectively. The effective tax rate and JCG's income tax provision for the same periods include \$1.7 million and \$1.3 million, respectively, related to the reversal of unrealized deferred tax assets upon the expiration and vesting of certain equity-based compensation awards.

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## **Nine Months Ended September 30, 2013, Compared with Nine Months Ended September 30, 2012**

### ***Revenues***

#### *Investment Management Fees*

Investment management fees increased \$16.5 million, or 2.8%, primarily as a result of the 4.6% increase in average assets under management driven by market appreciation. Revenue increased at a lower rate than average assets primarily due to a product mix shift toward lower yielding products.

### ***Operating Expenses***

#### *Employee Compensation and Benefits*

Employee compensation and benefits increased \$12.6 million, or 6.0%, principally due to higher investment team incentive compensation as a result of higher operating income.

#### *Long-Term Incentive Compensation*

Long-term incentive compensation decreased \$5.7 million, or 11.2%, due to a decrease of \$13.3 million from the vesting of awards granted in previous years and a decrease of \$4.0 million as a result of JCG revising its forfeiture estimates. These decreases were partially offset by an increase of \$8.6 million of expense from new awards granted during 2013 and an increase of \$2.3 million in Perkins senior profits interests awards expense.

#### *Depreciation and Amortization*

Depreciation and amortization expense decreased \$4.1 million, or 15.8%, due to \$2.7 million of intangible asset impairment charges that occurred during the nine months ended September 30, 2012, and \$1.7 million due to certain assets becoming fully depreciated in 2012.

### ***Non-Operating Activities***

#### *Investment Gains, Net*

Net investment gains totaling \$6.4 million for the nine months ended September 30, 2013, include gains of \$27.6 million from the mark-to-market and sale of trading securities, \$22.6 million of losses generated by JCG's economic hedging of seed capital and \$1.4 million of gains related to sales of available-for-sale securities.

#### *Loss on Early Extinguishment of Debt*

During the second quarter 2013, JCG recognized a \$12.6 million loss on early extinguishment of debt related to the exchange of \$110.0 million aggregate principal amount of JCG's outstanding 3.25% Convertible Senior Notes due 2014 ("2014 Notes"). Additionally, JCG recognized a \$0.9 million loss on the open market repurchase of \$8.0 million aggregate principal amount of the Company's 2017 Notes during the third quarter 2013.

JCG recognized a \$7.2 million loss on early extinguishment of debt in the first quarter 2012 related to the repurchase of \$59.4 million aggregate principal amount of JCG's outstanding 6.119% Senior Notes due 2014 and 2017 Notes.

#### *Income Tax Provision*

JCG's effective tax rate was 39.2% and 36.5% for the nine months ended September 30, 2013 and 2012, respectively. The effective tax rate and JCG's income tax provision for the same periods include \$5.7 million and \$3.9 million, respectively, related to the reversal of unrealized deferred tax assets upon the expiration and vesting of certain equity-based compensation awards.

#### *Noncontrolling Interests*

Noncontrolling interests in net income decreased \$2.3 million, or 28.8%, due to a decline of \$1.4 million in the noncontrolling interest share of Perkins earnings, a decline of \$1.3 million in the noncontrolling interest share of INTECH earnings and \$0.4 million of gains associated with the noncontrolling interest in consolidated investment products.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Cash Flows**

The following is a summary of cash flow data for the nine months ended September 30, 2013 and 2012 (*in millions*):

	<b>Nine months ended September 30,</b>	
	<b>2013</b>	<b>2012</b>
Cash flows provided by (used for):		
Operating activities	\$ 132.0	\$ 141.5
Investing activities	(60.6)	(31.3)
Financing activities	(98.6)	(117.5)
Effect of exchange rate changes on cash and cash equivalents	(1.6)	—
Net change in cash and cash equivalents	(28.8)	(7.3)
Balance beginning of period	387.0	360.0
Balance end of period	<u>\$ 358.2</u>	<u>\$ 352.7</u>

#### *Operating Activities*

JCG's cash flow from operations is expected to be 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.



### *Investing Activities*

Cash used for investing activities for the nine months ended September 30, 2013, includes purchases and sales of investments as well as seed capital derivative instruments. Purchases of investments in 2013 totaling \$167.8 million include \$113.9 million from the seeding of investment products and \$53.9 million from purchases of derivative instruments used to economically hedge seed capital and foreign currency exposure. Seeding of investment products includes a \$73.7 million investment in a euro-denominated investment product. To reduce the exposure to foreign currency fluctuations, JCG has entered into foreign currency forward contracts. These contracts have not been designated as hedges for accounting purposes. Sales of investments totaling \$112.2 million include \$80.7 million from the sale of seeded investment products and \$31.5 million related to proceeds from seed capital derivative instruments.

Cash used for investing activities for the nine months ended September 30, 2012, includes purchases and sales of investments as well as economic hedging and vesting of mutual fund share awards. Purchases of investments in 2012 totaling \$96.4 million include \$39.8 million from the economic hedging of mutual fund share awards and \$38.8 million from the seeding of investment products, while sales of investments totaling \$69.5 million include \$32.2 million from the sale of mutual fund share award hedge assets and \$23.3 million from the sale of seeded investment products. Effective January 2013, JCG is no longer making dollar-for-dollar investments in advised mutual funds for purposes of economically hedging mutual fund share awards.

### *Financing Activities*

Cash used for financing activities for the nine months ended September 30, 2013, primarily represents \$34.1 million for the purchase of noncontrolling interests, \$26.5 million of dividends paid to stockholders, \$22.2 million of repurchases of common stock, \$16.1 million for the purchase of a convertible senior note hedge and \$8.9 million related to the open market repurchase of outstanding 2017 Notes partially offset by \$10.5 million of proceeds from the issuance of stock warrants.

Cash used for financing activities for the nine months ended September 30, 2012, primarily represents the payment of \$59.4 million principal amount of long-term debt for \$65.8 million, \$31.9 million of dividends paid to stockholders, \$14.9 million of repurchases of common stock, \$9.1 million of distributions to noncontrolling interests, a \$6.5 million purchase of noncontrolling interests in INTECH and \$4.9 million of proceeds from stock options issued to The Dai-Ichi Life Insurance Company, Limited.

### *Exchange of Convertible Senior Notes*

On June 14, 2013, JCG entered into separate privately negotiated exchange agreements pursuant to which \$110.0 million aggregate principal amount of JCG's existing, 2014 Notes was exchanged for \$116.6 million aggregate principal amount of newly issued, 0.75% Convertible Senior Notes due 2018 ("2018 Notes"). Immediately following the exchange, \$60.0 million aggregate principal amount of existing 2014 Notes remained outstanding.

The 2018 Notes pay interest semiannually at a rate of 0.75% per annum on January 15 and July 15 of each year, beginning on January 15, 2014 and will be convertible, under certain circumstances, into cash, shares of JCG common stock, or a

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combination of cash and shares of JCG common stock, at the Company's election. The initial conversion rate of 2018 Notes is 92.1 shares of JCG common stock per \$1,000 principal amount of 2018 Notes, which is equivalent to an initial conversion price of approximately \$10.86 per share of common stock, subject to adjustment in certain circumstances. The initial conversion price represents a premium of 25% relative to the \$8.69 per share closing price of JCG's common stock on June 13, 2013, the date of pricing. The 2018 Notes will mature on July 15, 2018, unless earlier converted or repurchased.

### *Convertible Note Hedge and Warrant Transactions*

In connection with the 2018 Notes issuance, JCG entered into convertible note hedge and warrant transactions which, in combination, are intended to reduce the potential for future dilution to existing shareholders by effectively increasing the conversion price of the 2018 Notes to JCG from \$10.86 to \$12.60 per share of common stock.

The convertible note hedge and warrant transactions consist of two separate instruments: purchased call options and the sale of warrants. The call options represent the same number of shares of JCG's common stock underlying the 2018 Notes with a strike price of \$10.86 per share of common stock, which is equal to the conversion price of the 2018 Notes. The call options cost \$16.1 million. To offset the cost of the call options, JCG sold warrants to the counterparty of the call options for the same number of shares of JCG's

common stock underlying the 2018 Notes with an exercise price of \$12.60 per share of common stock. The proceeds from the sale of the warrants totaled \$10.5 million. The call options and warrants may be settled in cash or stock at JCG's election. The instruments are indexed to JCG's equity and may potentially settle in JCG stock. Accordingly, the Company recorded the \$5.6 million net cost of the instruments as a reduction in equity, and will not recognize subsequent changes in fair value of these financial instruments in its consolidated financial statements.

### Repurchase of Securities

JCG may seek to retire or purchase its outstanding debt or equity securities through cash purchases, open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, JCG's liquidity requirements, contractual restrictions and other factors.

On August 30, 2013, JCG repurchased on the open market \$8.0 million aggregate principal amount of the Company's 2017 Notes for \$8.9 million cash. JCG recognized a loss of \$0.9 million related to the repurchase of the 2017 Notes.

### Purchase of Redeemable Noncontrolling Interests

On February 1, 2013, the noncontrolling owners of Perkins (who then owned 22.2% of the equity units of Perkins) exercised their right to put 98% of their equity units to JCG. Under the terms of the put, the noncontrolling ownership units were redeemed at fair value of \$33.8 million as determined on August 31, 2013, six full months following the month of the put exercise. The fair value of the ownership units was based on a contractual formula driven by revenue and investment performance of products managed by Perkins.

### Dividends

Dividends paid during the nine months ended September 30, 2013, are summarized as follows:

<u>Dividend per share</u>	<u>Date declared</u>	<u>Date paid</u>
\$ 0.07	April 18	May 24
\$ 0.07	July 22	August 23

On December 10, 2012, JCG's Board of Directors declared a regular quarterly cash dividend of \$0.06 per share, which was paid on December 31, 2012, to stockholders of record at the close of business on December 21, 2012. This accelerated quarterly cash dividend was in place of the quarterly cash dividend scheduled to be declared in January 2013.

On April 18, 2013, JCG's Board of Directors approved an increase of \$0.01 per share, or 17%, in the Company's regular quarterly dividend. The approved quarterly rate of \$0.07 per share represents an expected annualized dividend rate of \$0.28 per share of common stock.

On October 21, 2013, JCG's Board of Directors declared a regular quarterly cash dividend of \$0.07 per share. The quarterly dividend will be paid on November 22, 2013, to stockholders of record at the close of business on November 8, 2013.

The payment of cash dividends is within the discretion of JCG's Board of Directors and depends on many factors, including, but not limited to, JCG's results of operations, financial condition, capital requirements, restrictions imposed by financing agreements, general business conditions and legal requirements.

### Other Sources of Liquidity

#### *Credit Facility*

At September 30, 2013, JCG had a \$250 million, unsecured, revolving credit facility (the "Credit Facility") with JPMorgan Chase Bank, N.A., as administrative agent and swingline lender. Under the Credit Facility, JCG's financing leverage ratio cannot exceed 3.00x, and its interest coverage ratio must equal or exceed 4.00x. At September 30, 2013, 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 14, 2014.

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

	<u>Last four quarters ended September 30, 2013</u>
Net income attributable to JCG	\$ 107.6
Add back:	
Interest expense	42.8
Income tax provision	72.3
Depreciation and amortization	34.4
Noncash amortization of long-term incentive compensation	61.0
Unrealized gains or losses on investments	(31.3)
Other nonrecurring cash charges	0.8
Loss on early extinguishment of debt	13.5
Cash paid for deferred commissions and mutual fund share awards	(42.1)
Adjusted net income	<u>\$ 259.0</u>
Debt (including capital leases)	<u>\$ 545.1</u>
Leverage Ratio (Debt divided by adjusted net income)	<u>2.10</u>
<b>Cannot exceed 3.00x</b>	
Interest Coverage Ratio (Adjusted net income divided by last four quarters cash interest expense)	<u>7.6</u>
<b>Must equal or exceed 4.00x</b>	

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

JCG has had no material changes in its exposure to market risks from that previously reported in JCG's Annual Report on Form 10-K for the year ended December 31, 2012.

### Item 4. Controls and Procedures

As of September 30, 2013, 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 JCG 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 Jennifer J. McPeck, Senior Vice President and Chief Financial Officer, reviewed and participated in management's evaluation of the disclosure controls and procedures. Based on this evaluation, Mr. Weil and Ms. McPeck 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 third quarter 2013 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 12 — Litigation and Other Regulatory Matters.

#### Item 1A. Risk Factors

JCG has had no material changes in its risk factors from those previously reported in JCG's Annual Report on Form 10-K for the year ended December 31, 2012.

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

#### *Common Stock Repurchases*

JCG's Board of Directors authorized five separate \$500 million share repurchase programs beginning in July 2004 with the most recent authorization in July 2008. JCG did not repurchase any of its common stock from the end of 2008 through the end of 2011.

As part of its capital and liquidity management, JCG resumed stock repurchases in the first quarter 2012 with the intention to offset dilution resulting from awards of stock-based compensation. During the nine months ended September 30, 2013, JCG repurchased 2,479,579 shares of its common stock at an average price of \$8.95 per share and a total cost of \$22.2 million.

Period	Total number of shares (or units) purchased	Average price paid per share (or unit)	Total number of shares (or units) purchased as part of publicly announced plans or programs	Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs (end of month)
January	—	\$ —	—	\$504 million
February	61,260	\$ 9.26	61,260	\$503 million
March	315,089	\$ 9.48	315,089	\$500 million
April	373,180	\$ 8.90	373,180	\$497 million
May	381,182	\$ 8.75	381,182	\$493 million
June	282,572	\$ 8.51	282,572	\$491 million
July	356,900	\$ 9.24	356,900	\$488 million
August	363,260	\$ 9.04	363,260	\$484 million
September	346,136	\$ 8.67	346,136	\$481 million
<b>Total</b>	<b>2,479,579</b>	<b>\$ 8.95</b>	<b>2,479,579</b>	

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## Item 6. Exhibits

- 31.1 Certification of Richard M. Weil, Chief Executive Officer of Registrant
- 31.2 Certification of Jennifer J. McPeck, Senior 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 Jennifer J. McPeck, Senior 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: October 24, 2013

Janus Capital Group Inc.

/s/ Richard M. Weil

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

/s/ Jennifer J. McPeck

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 Jennifer J. McPeck,  
 Senior Vice President and  
 Chief Financial Officer  
 (Principal Financial Officer)

/s/ Brennan A. Hughes

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 Brennan A. Hughes,  
 Senior Vice President,  
 Chief Accounting Officer and Treasurer  
 (Principal Accounting Officer)

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

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