

# Pensions & Investments

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## BlackRock, TCW, others gaining from PIMCO turmoil

By James Comtois

BlackRock (BLK), TCW, Vanguard, Baird Advisors and DoubleLine saw the largest inflows to their bond mutual funds in October, following William H. Gross' departure from PIMCO on Sept. 26, Morningstar Inc. reported.

In addition, Loomis Sayles & Co., Legg Mason (LM), J.P. Morgan Asset Management (JPM) and Prudential Financial Inc. had increased fixed-income inflows, due in part to Mr. Gross' departure, sources said.

Several sources agreed, however, that Mr. Gross' departure from Pacific Investment Management Co., Newport Beach, Calif., merely accelerated the healthy flows these firms already were experiencing.

"We had started seeing interest from consultants and clients upwards of six months ago, following the departure of (former CEO and Co-Chief Investment Officer Mohamed) El-Erian," said one money manager who asked not to be named. "Once the news hit that Bill Gross had left, that accelerated the allocation of funds to us."

Data from mutual funds researcher EPFR Global, Cambridge, Mass., show institutional investors committed \$36 billion to EPFR Global-tracked U.S. bond mutual funds in October, after redeeming \$3.2 billion in September.

(Data on institutional separate accounts are not tracked monthly by data providers contacted for this story.)

A BlackRock Inc. (BLK) spokesman confirmed the New York-based manager saw roughly \$5.2 billion in fixed-income mutual fund inflows in October, but didn't specify how much was institutional.

Data from Morningstar, Chicago, show BlackRock's Strategic Income Opportunities Fund attracted institutional inflows of \$2.17 billion in October. Meanwhile, BlackRock's Total Return, Core Bond Portfolio, CoreAlpha Bond and



Mary Ellen Stanek said Baird Advisors has seen \$3 billion flow through its doors since the end of September, most coming from institutions.

Bond Index funds together pulled in approximately \$1.19 billion in institutional inflows last month.

After the \$174.7 billion Florida State Board of Administration, Tallahassee, terminated PIMCO for a total of \$1.03 billion in its Total Return Fund and Inflation Response Multiasset Strategy Fund, officials moved the money to two BlackRock funds that the FSBA already was invested in — a U.S. debt index fund and a Treasury inflation-protected securities fund.

BlackRock managed \$1.33 trillion in fixed-income assets as of Sept. 30, of which \$513.34 billion was institutional.

### BIG INFLOWS FOR TCW

TCW Group Inc. experienced some of the biggest mutual fund fixed-income inflows during the month, with four of its funds — the Metropolitan West Total Return Bond Fund, Metropolitan West Intermediate Bond Fund, TCW Total Return Bond Fund and TCW Core Fixed Income

Fund — bringing in a total of approximately \$6.45 billion in institutional assets in October, according to Morningstar. TCW manages approximately \$110 billion in fixed income.

Sources close to the company said about 80% of TCW's fixed-income inflows in October were attributable to outflows from PIMCO.

Four bond index funds offered by Vanguard Group Inc., Malvern, Pa., saw inflows of \$2.92 billion in October, Morningstar data showed. Vanguard spokeswoman Linda Wolohan declined to comment on inflows.

Mary Ellen Stanek, a managing director and director of asset management at Baird Advisors, Milwaukee, said the firm has seen “nearly \$3 billion in (fixed-income) assets since Sept. 25,” the vast majority institutional and in the firm's core and core-plus strategies. Baird Advisors manages more than \$27 billion in fixed-income assets.

“(Mr.) Gross' departure triggered a number of changes,” added Warren Pierson, managing director and senior portfolio manager with Baird, noting a lot of the flows came directly from clients pulling out of PIMCO.

Among them, the board of the \$2.69 billion San Francisco Deferred Compensation Plan voted to pull the \$271 million it had invested in the PIMCO Total Return Fund and move it to Baird's Core Plus Bond Fund.

“We didn't react to the market turmoil from the Bill Gross announcement,” said Ms. Stanek. “This is something we've been building on for our entire careers.”

In an e-mail sent to the media, DoubleLine Capital reported the DoubleLine Funds collectively received net inflows of \$2.38 billion in October. Of that amount, about \$1.92 billion was institutional, according to Morningstar. DoubleLine manages almost \$56 billion in fixed income. DoubleLine spokeswoman Allyson Pfeifer did not respond to requests for comment.

## INCREASED INTEREST

Robert Michele, managing director and global CIO for fixed income at J.P. Morgan Asset Management (JPM), New York, said: “Interest level for all our fixed-income products, both in terms of flows coming in and people seeking information for our products, was higher in October” than September,

JPMAM took in \$1.37 billion in total fixed-income assets in October, confirmed company spokeswoman Kristen Chambers. The company manages \$440 billion in fixed-income assets globally.

Joseph Sullivan, CEO of Legg Mason (LM) Inc. (LM), Baltimore, said when it comes to fixed-income flows, “the theme is ‘A Tale of Two Cities.’ There are tailwinds from manager transitions, but also the growth of our core business has been underway for a while now, and we feel we're benefiting from both fronts.”

Legg Mason and its affiliates, which include Western Asset Management Co., experienced \$5.1 billion in fixed-income inflows in October. Of that, \$1 billion was in a mandate from an existing client. Of the remaining \$4.1 billion, a little more than half was due to “tailwind from manager transition,” Mr. Sullivan said. Legg Mason and its affiliates manage \$369 billion in fixed income. The firm doesn't break down these assets between retail and institutional.

Mr. Gross' new corporate home, Janus Capital Group, Denver, brought in some of that newly available fixed-income money.

The manager saw more than \$1 billion in net deposits into two bond mutual funds — the \$442.9 million Janus Global Unconstrained Bond Fund, which Mr. Gross manages, and the \$8.4 billion Janus Flexible Bond Fund — in October. Janus spokesman Peter MacKeller did not specify how much of the assets were institutional. Janus managed \$31.5 billion in fixed income as of Sept. 30.

At Prudential Fixed Income, the U.S. institutional business “has been dominated by current and potential PIMCO replacement searches, predominantly across our core, core-plus, and absolute-return strategies,” James J. Sullivan, senior managing director and head of fixed income, said in an e-mail.

He said his firm is seeing replacement search opportunities for these strategies totaling more than \$12 billion. The firm managed \$534 billion as of Sept. 30, of which \$182 billion was institutional.

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