

Leadership Changes at PIMCO

*"If only Mohamed would let me, I could run all the \$2 trillion myself.
I'm Secretariat. Why would you bet on anyone other than Secretariat?"*
-Bill Gross, PIMCO

Pacific Investment Management Company, LLC, the colossal bond company better known as PIMCO, received quite the shake-up at the end of January. Mohamed El-Erian, CEO, co-CIO and heir apparent to 69 year old founder and co-CIO, Bill Gross, gave notice that he will be leaving the company in mid-March. He will serve as a part-time Chief Economic Adviser for PIMCO's parent company, Allianz, and seek other opportunities.¹ According to interviews conducted by The Wall Street Journal, sources near these two businessmen suggest that El-Erian's departure is a result of "a high pressure work environment that turned less collegial over the past year, a deteriorating relationship between the two senior executives and certain decisions by Mr. Gross that confused some employees."² Gross, an admittedly demanding boss, claims that tension is not the cause of El-Erian's decision to leave PIMCO. However, employees recall public arguments between the two men increasing drastically since the past summer, likely an effect of amplified pressure on the bond market at that time. Witnesses recall a scene in June where Mr. Gross said during a dispute with Mr. El-Erian, "I have a 41-year track record of investing excellence. What do you have?"² The disagreements illustrated by the interviews have a theme surrounding the way Gross conducts himself and interacts with employees.

On January 21st, PIMCO announced El-Erian's imminent departure as well as a new portfolio management and executive leadership team. Douglas Hodge, current Managing Director and Chief Operating Officer, has been named to replace El-Erian as Chief Executive Officer. PIMCO also appointed a new President and Head of Strategic Business Management. To assist Gross in his duties as CIO, six Deputy Chief Investment Officers have been chosen. Gross commented on the new appointments, "This is a world-class team of investors, befitting a firm dedicated to serving our clients. Together with our newly appointed CEO Doug Hodge, who has 25 years at PIMCO, and President Jay Jacobs with a 15 year tenure (much of it globally), they will lead Your Global Investment Authority. The future is bright here, and it will get even brighter in the months and years ahead!"³ In the midst of this new management team, an heir apparent to Mr. Gross has not been named. At this time, we continue to have confidence in PIMCO as a firm as well as in Bill Gross as the premier bond manager.

¹ Suess, O. (2014, February 27). Allianz names El-Erian as chief economic adviser. *Bloomberg*.

<http://www.bloomberg.com/news/2014-02-27/allianz-names-el-erian-as-chief-economic-adviser.html>

² Zuckerman, G., & Grind, K. (2014, February 25). Inside the showdown atop the world's biggest bond firm. *The Wall Street Journal*, pp. A1, A10.

³ PIMCO Press Release. (2014, January 21). PIMCO appoints leadership team.

<http://www.pimco.com/en/pressreleases/pages/leadershipteamjanuary2014.aspx>