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Once the 'Bond King,' Bill Gross Is Retiring, His Star Dimmed

William H. Gross in his office at Janus Henderson Investments in November. He joined the firm after a contentious split with Pimco in 2014.CreditCreditMichael Lewis for The New York Times

By Jeff Sommer
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William H. Gross, the "Bond King," is going into retirement.

Mr. Gross, who co-founded the investment firm Pimco in 1971 and built it into a $2 trillion colossus, entertained investors with quirky pronouncements over many decades. He left unceremoniously in a nasty dispute in 2014, and joined Janus Henderson Investments, which announced his retirement on Monday.

"I've had a wonderful ride for over 40 years in my career," he said in a statement, "trying at all times to put client interests first while inventing and reinventing active bond management along the way."

At Pimco, Mr. Gross controlled more bond money than anyone in the world. He advised the Treasury on the role of subprime mortgage bonds in the dark days of the financial crisis, and his colorful metaphors often enlivened the otherwise dreary discourse about fixed-income investing.

In 2011, for example, he told me that investors were like complacent frogs sitting in a pot of slowly heating water.

“Bond investors are receiving almost nothing for their money, and the situation is getting worse and worse,” he said. “But they’ve gotten used to it. They don’t realize how bad it is. And before they know it, well, they’ll be cooked.”

His utterances in those days often moved markets, and his early-morning yoga ritual at Newport Beach, Calif., was widely chronicled.

Early in his tenure at Pimco, Mr. Gross was known as a skillful bond trader who pioneered the use of mathematical models to eke out steady profits. He also gained fame as an analyst of broad economic trends, which he used to inform the firm’s investment strategy.

He had a homespun style that he used in books aimed at a popular audience, like “Everything You’ve Heard About Investing Is Wrong!: How to Profit in the Coming Post-Bull Markets.” In that 1997 book, he said the solid returns produced by bonds would shield investors from the disappointments of the busts that inevitably followed boom markets in stocks.

But Mr. Gross has not been a dominant figure in finance since he was forced out of Pimco amid accusations that he had mismanaged the firm, where he was a co-chief investment officer. Mr. Gross and Pimco settled a lawsuit over the dispute in 2017.

While he set high expectations for himself, his second career at Janus Henderson was not impressive.

In a 2016 interview with The New York Times, he said explicitly that he viewed himself as competing directly with the fund managers at Pimco. “My whole evening is dependent on whether I beat them,” he said. “You see, I have to prove it all over again. Every day.”

Yet a quick look at the numbers suggests he may have been disheartened by his recent performance. Pimco Total Return, the fund he once ruled, returned 2.54 percent, annualized, in the three years through Friday, trouncing the paltry 0.95 percent returned by his new fund, Janus Henderson Global Unconstrained.

Through most of Mr. Gross’s time at Pimco, however, his performance was splendid. In the 15 years through February 2014, for example, Pimco Total Return posted an annualized gain of 6.68 percent, versus 5.19 percent for the average intermediate-term bond fund. And his risk-adjusted returns over the long term were much better than average.

Over the past 20 years, Janus Henderson said, Mr. Gross had donated $800 million to various philanthropies. He will continue to manage his own assets, which are considerable, and those of his family foundation, which is valued at $390 million.

Although he was often revered as something of an oracle in his years at Pimco, his frequent pronouncements on the state of the markets and the economy were not always on the mark, even in his heyday.

In May 2009, when the stock market was just entering a bull market that has lasted nearly 10 years, Mr. Gross told me that the market rested on precarious foundations. He warned against “jumping into a stock market that’s 35 percent higher than it was three months ago.”

He predicted moderate “single-digit returns” for the next decade, well short of the double-digit returns that stock investors actually received.