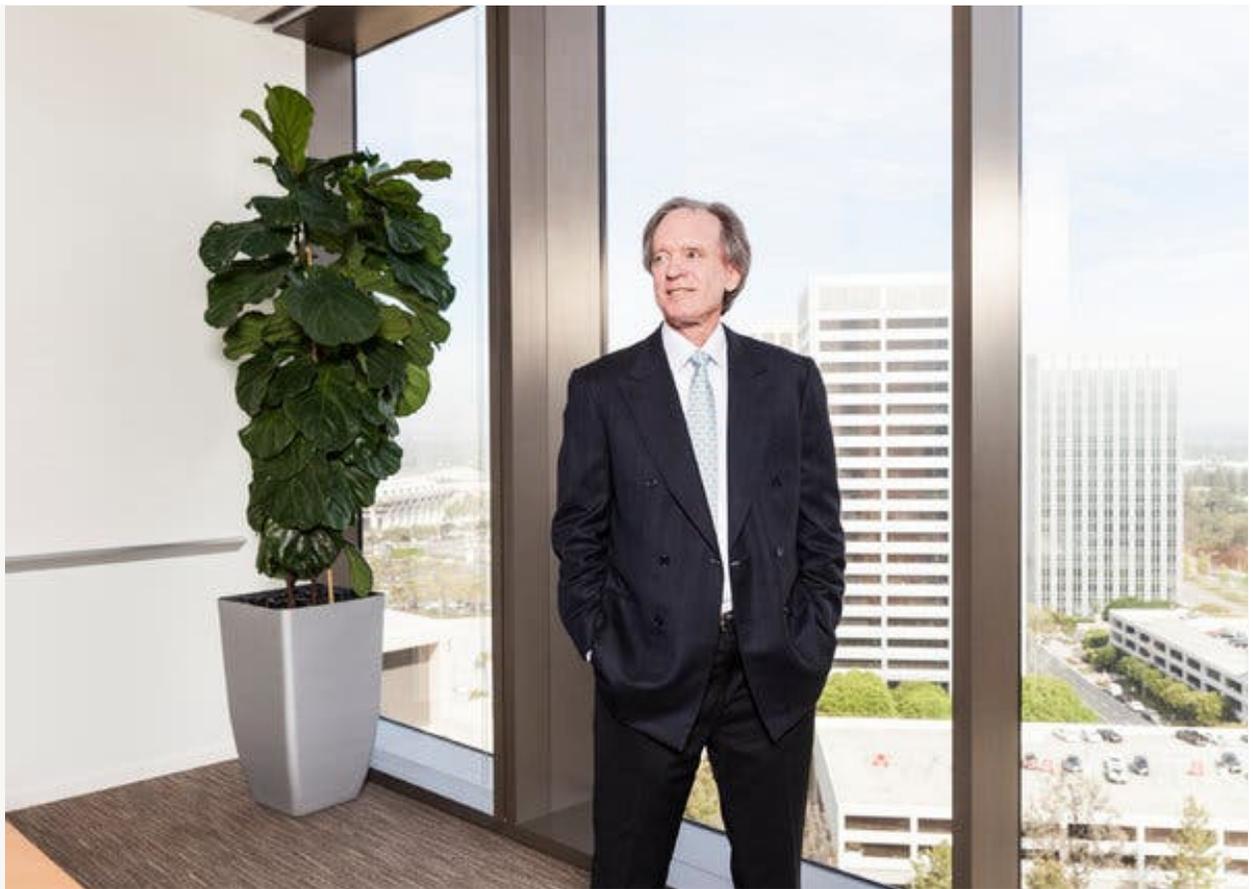


**The New York Times**

***For Bill Gross, Besting Pimco Is the Best Revenge***



Image

William Gross, in his suite at the Janus offices in Newport Beach, Calif. His Janus Global Unconstrained Fund is beating its counterpart at Pimco, his former employer.  
Credit Emily Berl for The New York Times

**By Landon Thomas Jr.**

- April 25, 2016

NEWPORT BEACH, Calif. — Sitting in the conference room of his empty office suite, with its floor-to-ceiling wall of windows, William H. Gross cannot help noticing the sleek office tower that the bond giant Pimco moved into in early 2014.

Just a short walk up the road, the 20-story building looms large in the Southern California sun — a potent symbol of the riches and might that Pimco came to represent during Mr. Gross’s long reign there as the bond king.

Although he was forced out nearly two years ago and has moved on to a rival, Janus Capital Group, Pimco remains very, very close — both physically and, it would appear, psychologically.

“We were a family: Everything I did was for them,” Mr. Gross said in his whispery, high-pitched voice. “That is the most disappointing thing — it just didn’t make business sense.”

Pimco would disagree, even though \$376 billion has walked out the door since it was decided in late 2014 that the firm would be better off without the man who was the public face of the franchise.

The trouble for Pimco does not stop there. Mr. Gross has filed a lawsuit asserting that he was wrongfully terminated, and he is seeking \$200 million — which he said he plans to donate to charity. And, as he is only too happy to point out, his new vehicle, the Janus Global Unconstrained Fund, is handily beating its counterpart at Pimco.

Glaser Weil

Attorneys for Plaintiff  
William H. Gross

SUPERIOR COURT OF THE STATE OF CALIFORNIA  
FOR THE COUNTY OF ORANGE

WILLIAM H. GROSS, an individual,  
Plaintiff,

v.

PACIFIC INVESTMENT MANAGEMENT  
COMPANY LLC, a Delaware limited liability  
company, ALLIANZ ASSET MANAGEMENT  
OF AMERICA L.P., a Delaware limited  
partnership, and DOES 1-100, inclusive,  
Defendants.

Case No.  
*Unlimited Jurisdiction*

**COMPLAINT FOR:**

**(1) CONSTRUCTIVE TERMINATION**

**(2) BREACH OF CONTRACT**

**(3) BREACH OF COVENANT OF GOOD  
FAITH AND FAIR DEALING**

**JURY TRIAL DEMANDED**

## Gross's Pimco Lawsuit

William H. Gross is suing the company to repair the damage that was done to his reputation in the year before and after he was fired.

In a world where a portfolio manager's ability to outperform represents the truest measure of worth, these results have invigorated Mr. Gross.

"I am fixated on proving that they were wrong," he said. "It's like — no, you shouldn't have done that and the numbers will prove it."

Pimco is no less fixated on him. This month, Pimco filed a legal response to Mr. Gross's suit, rebutting his allegations.

The turmoil was tied to the abrupt departure in 2014 of Mohamed El-Erian, who had been set to succeed Mr. Gross.

The accounts of Mr. Gross's conduct were described by people who have worked with him at the firm, but who spoke on the condition of anonymity.

Furious at the betrayal, Mr. Gross wanted to dock Mr. El-Erian's pay and provoke him into suing Pimco, which, he believed, would hurt his chances of getting another job,

those people said. Pimco executives rejected the idea — as well as a demand that they lie to a newspaper reporter to present him in a better light, they said.

Even with the punishing toll of that turmoil — outflows, layoffs and a battered reputation — firm leaders say they have no regrets.

Still, while they have strived to assure concerned clients that Pimco is moving on, Mr. Gross's ability to remain squarely in the public eye, via the legal fight and now a campaign to promote his superior performance, is driving them to distraction.

Michael Reid, a spokesman, said, "The entire 240-member portfolio management team competes in the financial markets every day with the goal of generating strong risk-managed returns on behalf of our clients."

Patricia Glaser, Mr. Gross's lawyer, said the assertions were untrue: "Pimco seems to have a problem getting their story straight. It is now acknowledging they pushed Bill out, instead of their previous claim that Bill walked away from the company."

That the dispute has become a mind game of sorts does not seem to bother Mr. Gross.

Unlike any other fund manager, Mr. Gross, who majored in psychology at Duke, puts himself on the couch for the world to see. In his investment letters, he has revealed such intimacies as the erotic pleasure of a good sneeze, his failure in college to get a girl into the back seat of his car and how sad he was when his cat died.

Convention bores him: That is why he will stand on his head when the urge hits and wear a silk tie as a scarf, draped loosely around his neck.



Image

Mohamed El-Erian was set to succeed William Gross at Pimco but left abruptly in 2014.

Credit Fred Prouser/Reuters

So it is no revelation for him to own up to obsessive behavior in terms of how his \$1.3 billion fund is faring against its Pimco counterpart.

Mr. Gross, 71, is not tethered to his phone, so when Bloomberg publishes the daily result of his fund at 3 p.m. California time, he will drop his golf clubs and rush to the office to get the news.

The first thing he says he does when arriving home (after kissing his wife, Sue, of course): Check the Bloomberg. At night he will wake up as many as three times to check on global markets, he says.

He is not above poking fun at himself, though. At a recent golf tournament he was paired — to his surprise — against Michael Gomez, a young Pimco executive known to be close to his nemesis, Mr. El-Erian.

“I really wanted to win — but yeah, they killed us,” he said, laughing loudly.

Since Mr. Gross officially took control of his fund on Oct. 6, 2014, he is up 1.8 percent, compared with Pimco Unconstrained, which is down 1.64 percent, according to Morningstar.

Making it all the sweeter is the fact that Daniel J. Ivascyn, one of the executives who led the effort to oust him and then took over as chief investment officer, is an executive of the fund. Mr. Ivascyn, who manages the better-performing Pimco Income Fund, is not a primary manager on the vehicle.

“My whole evening is dependent on whether I beat them,” Mr. Gross said. “You see, I have to prove it all over again. Every day.”

Despite this favorable run, money has not flooded in. One of his larger investors, George Soros, last year removed \$490 million from his oversight.

Of the \$1.3 billion in the fund, about half is Mr. Gross’s own money.

“Money is holding out,” said Todd Rosenbluth, a mutual fund specialist at Standard & Poor’s Global Market Intelligence. “I think there is legitimate market skepticism that he can do this on his own — without a Pimco team supporting him.”

Mr. Gross contends the main reason that his bond fund has been winning the day is that Pimco has been making bold plays on emerging market bonds and inflation-linked securities, wagering that central bank activism will stimulate global growth.

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For some time now, he has been arguing that with rates at zero or negative, central banks have virtually no ability to spur growth.

“They are betting on reflation, while I am skeptical of it,” he said.

Mr. Gross, has, in effect, taken the opposite side of this wager by building a portfolio that pays off if there are no global market shocks, like interest rate increases or a large country going bust.

Of course, such a strategy carries dangers. Mr. Gross has made some big bets that Brazil and Mexico will not default by selling investors credit-default swaps, derivative instruments that would force him to disburse large sums if these countries go belly up.

Such derivative-fueled bets on financial stability can backfire when markets go haywire. Last year, his Janus fund experienced several sharp drops in price, which preceded Mr. Soros’s decision to withdraw his funds.

“This is not a riskless strategy,” Mr. Gross acknowledged.

He is also under no illusion that his good run is permanent.

So he is enjoying its fruits while they last. And if he has become fanatical about beating the guys across the street, so what? He is convinced that fealty to the screen, not to mention daily yoga stretches, is what keeps him feeling youthful.

In fact, over the years, Mr. Gross has consistently asked one question of prospective employees: What drives you?

The twist is that they must pick one of three answers: money, power or fame.

Strangely to him, no one has ever picked fame.

“It is the one thing I have always wanted,” he said. “When I was starting out at Pimco in 1972, I told my mother and father that I was going to become the most famous bond manager in the world.”

That he did, but then came the fall.

“When you write my obituary I don’t want you to mention that I was fired by Pimco,” he said. “I want you to write that I was a great investor — so maybe I am not over it.”