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Active Managers Janus and Henderson Merge

What this means for Investors

On May 30th, 2017 the merger between Janus Capital Group and Henderson Group closed. The merger illustrates a growing trend of consolidation among active investment managers.[1] Denver-based Janus and U.K.-based Henderson first announced their planned merger on October 3rd, 2016. The resulting merged entity, Janus Henderson Global Investors, boasts $331 billion under management.

Merger Reasons

Reasons for the merger most likely include operational efficiencies and increased geographic footprint. The entities are targeted to realize $110 million in cost savings due to the merger. Co-chiefs of the new Janus Henderson assert that cost savings were not the primary factor and this union was an offensive strategy to capitalize on the two firms' disparate geographic bases and product offerings[2]. Henderson brings to the table a strong base in the U.K. and European markets, while Janus was more focused in the U.S. and Asia.

The combined lineup doesn't have any standout funds with Morningstar rating 16 of their investments Neutral, 11 Bronze, and 10 Silver. Morningstar deemed both parent companies as Neutral premerger[3]. Undoubtedly, the hope of both Janus and Henderson will be to utilize each other's strengths and gain efficiencies and economies of scale that allow stronger performance together than they have experienced as separate entities.

What this means for Investors

For Investors, mergers can mean changes ahead, but many can be for the better. With both firms having modestly lower fees than their peers and the projected cost savings of the merger, consumers may experience even lower fees. As is typical in investment firm mergers and acquisitions, streamlining the fund lineups to eliminate overlap is to be expected. Both Janus and Henderson trimmed their lineups by a small degree in anticipation of the merger and further consolidation may occur. Henderson has particular expertise in the developed Europe and emerging-markets segments, while Janus has struggled with their global and international equity offerings. We may see Henderson managers take over those segments under the merged entity.

A risk of any merger is losing key talent due to culture clashes or disruptions caused by the merger itself. Many investment companies have seen veteran portfolio managers

[1] Vlastelica, Ryan. 3 things to know about Janus Capital's planned merger with Henderson. MarketWatch. 3 October 2016
[2] Wigglesworth, Robin. Janus Henderson Investors: when Andrew met Dick. Financial Times. 12 June 2016
[3] Carlson, Greg. Will the Janus-Henderson Merger Benefit Fund Shareholders? Morningstar. 08 June 2017.

leave in the wake of a merger. Only time will tell if Janus Henderson will have a similar experience.

Conclusion

On paper, the merger seems to make good business sense. Janus and Henderson appear to have complementary product offerings, have geographically different bases, and can reduce costs significantly together. The two co-chiefs of the new Janus Henderson Investors, Janus' Dick Weil and Henderson Group's Andrew Formica, seem committed to making joint leadership work. The Janus Henderson Group's website positions this joining as a "merger of equals" where they "believe in the sharing of expert insight for better investment and business decisions". They "call this ethos *Knowledge. Shared. Knowledge."*[4] If their united front extends throughout the organization, the merger may be what the entities need to be successful into the future.

[4] "Corporate Profile." *Corporate Profile* | *Investor Relations* | *Janus Henderson*. Janus Henderson Group, n.d. Web. 13 June 2017.