

# Advisers weigh pros and cons of Janus-Henderson merger

Expanded distribution, consolidation and some lower fees expected

Oct 3, 2016 @ 12:48 pm

By **Jeff Benjamin**  





The announced merger between **Janus Capital Group** Inc. and London's Henderson Group is getting mostly good reviews from the industry, including the financial markets.

In mid-day trading Monday, the day the all-stock deal was announced, Janus (JNS) shares were up nearly 14% and Henderson (HGG) shares were up 16.5%, while the S&P 500 Index was down 41 basis points.

Pending shareholder and regulatory approval, the **merger is expected to be completed** during the second quarter of next year.

The new Janus Henderson Global Investors will be a \$320 billion asset management firm with an estimated market capitalization of \$6 billion.

David Haraway, principal at Substantial Financial, described Henderson's reputation as an "outstanding international global manager," and said Janus is not as strong in the international sector.

"Combining the two and shedding some of the overhead in the process make sense, particularly for Janus shareholders," he added.

According to one analysis of the combined asset management firms, they do represent an **attractive geographical fit**.

Janus has \$116 billion in U.S. retail assets, which compares with \$12 billion for Henderson. But Henderson has \$66 billion in United Kingdom assets, compared with Janus' \$3 billion in that market. Henderson has \$28 billion in Europe and Latin America, where Janus has \$7 billion. Janus has \$16 billion in Japan, while Henderson has just \$500 million.

“Although I'm generally pessimistic about mergers because of the lack of long-term economic value that they add for shareholders, this deal may help both of these firms,” said Kashif Ahmed, president of American Private Wealth.

“No one has heard of Henderson in the U.S. and while they are the bigger firm, this will get them a U.S. footprint,” he added. “I am also pessimistic about what this means for Janus, a firm I work with, because I respect its distance from Wall Street and independent, adviser-focused culture.”

In terms of the kinds of consolidation that typically follows a merger of described equals, Mr. Ahmed does not see a bright future for Janus CEO Richard Weil.

“Make no mistake, once the merger is complete, Dick Weil's desk will be in the men's room within 15 minutes,” Mr. Ahmed said. “There is no such thing as co-leaders. The people writing the check run the show.”

Representatives from Janus did not respond to a request for comment for this story.

Todd Rosenbluth, director of mutual fund and ETF research at S&P Global Market Intelligence, sees the **merger as being about survival** for the struggling active management space.

“In light of pressure from passive investments and ahead of the Department of Labor's new fiduciary standards that should encourage greater demand from passive, asset managers are likely to seek out partnerships,” he said. “Larger firms that grow through acquisitions can use scale benefits to bring costs down and launch new products. Janus has rolled out new thematic and small-cap focused ETFs and likely will offer more such products.”

Mr. Rosenbluth added that he believes there will be more consolidation among active managers in the months ahead.

“Whenever asset managers get together, they will look to see what overlapping offerings they have that can be combined,” he said. “It is reasonable to expect some fund mergers where the style is similar and one fund is struggling compared to peers. Investors in Janus funds will need to keep their eyes out once the deal closes.”

Greg Carlson, senior analyst at Morningstar, said if lower fees are the ultimate goal, the expanded global distribution network could be the means to that end.

“There could be some collaboration in the investment teams, but I don't know how many products we would expect to see right off the bat,” he said.



**What do you think?**

## LATEST FROM INVESTMENTNEWS

---

## RELATED READS

---