

Daily Liquidity Cannot Always be Sustained

Stockholm (HedgeNordic) – The International Advisory Board for Fund Selection (IAB) has raised concerns about investors expecting daily liquidity from asset classes that do not always support the buying and selling on a daily basis. In a recent meeting in Madrid, the IAB discussed the mismatch between the liquidity of investment products and the liquidity of underlying assets.

The IAB is sponsored by Spanish fund platform Banco Inversis and comprises six members, including Per Lindgren, Head of Manager Selection at Skandia, among others. The six-member group reckons that regulatory attempts to balance the competing demands of investors with the objectives communicated by funds managers are increasingly difficult, as accelerating redemptions could alter the dynamic of funds and challenge their original purpose.

Professor Andrew Clare, an IAB member and Professor of Asset Management at London-based Cass Business School, argues that “appreciating the opportunities and risks relating to liquidity in the various asset classes is a question of investor education.” Clare also emphasizes that “investors expect to have daily liquidity in their property portfolio, that is, the option to complete commercial property transactions in a day” even if most people know that selling a house is not an instantaneous, easy and hassle-free process. “To have daily liquidity in property funds is just nonsensical. Of all the asset classes, it’s probably the biggest mismatch between product and underlying asset there is,” adds Clare. “In my view the industry needs to bite the bullet and explain to investors when they can’t have daily liquidity, particularly in property funds.”

The International Advisory Board for Fund Selection has the following members:

- Per Lindgren, Head of Manager Selection at Skandia;
- Dr. Dirk Rathjen, Institut für Vermögensaufbau;
- Adam Smears, Head of Fixed Income Research at Russell Investments;
- Ramon Eyck, Head of Emerging Markets Equities at a Gulf Sovereign Wealth Fund;
- Dr. Andrew Clare, Professor of Asset Management at Cass Business School;
- Guendalina Bolis, Managing Director and Head of fund selection at Inversis Gestion.

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