

## Avoiding illiquid assets

18 March 2020

**The liquidity of investment funds, and investors' ability to gain access to their savings at all times, has come into greater focus in recent times.**

Many investors may recall, for instance, the liquidity issues faced by property funds at the time of the Brexit vote in 2016 and again in December at the time of the UK's General Election; news last year of investors being trapped in Woodford Investment Management's funds has also raised awareness of liquidity issues and not helped sentiment in the funds sector. Market disruption, such as we are seeing currently, can often also place and compound strains on areas involving investment liquidity.

We therefore wish to reassure you that liquidity, in particular the liquidity of the funds used to construct clients' portfolios, is an area that continues to be a focus for the research team and Investment Committee at Bordier UK. Fund liquidity, as well as corporate resilience, are standing items on our agenda when we conduct our regular research meetings with underlying managers, and will remain a priority particularly during these challenging times for financial markets and investors alike.

Our focus on protecting clients' money from liquidity events has meant we have remained concerned about holding funds where the underlying asset could come under pressure, even if on the face of it certain funds may profess daily liquidity. It is due to this analysis that we have not held property funds, for example, for some time – we believe many have structural issues by offering daily liquidity on underlying property assets that are by their nature quite illiquid.

This mis-match between the liquidity of any fund's assets and its own trading liquidity, compounded by investor redemptions, is once again being highlighted as a series of well-known property funds start to impose 'gates' and suspend dealing. With transactional activity drying up and the current coronavirus uncertainty placing additional question marks over tenants' ability to pay rent, it is also difficult for independent valuers to determine an accurate valuation that in turn creates fund pricing which is fair to both existing investors and those wishing to buy or sell. This situation could remain in place for as long as there is market disruption and therefore investors face the very real prospect of having their money trapped for the foreseeable future. As noted, this is one asset class where we are happy to have no exposure.

If you have any questions or concerns about liquidity within your investment portfolio, please do not hesitate to get in touch with your regular Bordier investment management contact, or your professional adviser.

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CL5710/20200318/1.01