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Release of collaborative research exploring the management of illiquid assets in portfolios

The Conexus Institute and CFA Societies Australia have collaborated on a research project exploring the challenges associated with portfolios allocating to illiquid assets. The output is a range of resources (models, papers, presentations, and videos), all made open-source to enable funds to tailor the analysis to account for their unique situation. While some of the challenges of investing in illiquid assets are universal to many parts of the finance industry, the central case study of this research is super funds.

David Bell (The Conexus Institute), Stefano Cavaglia, and Reece Zachariah (both representing CFA Societies Australia) comprised the research team, with oversight of the CFA Societies Australia Advocacy Council.

Lisa Carroll (CEO, CFA Societies Australia): “CFA Societies Australia advocate strongly for increasing investment governance standards and supporting trustees and funds in this goal. We were pleased to work with David Bell and the Conexus Institute to explore the challenges of managing portfolios with illiquid assets. This work reflects many of the values of CFA Societies Australia – it is collaborative, it addresses an important contemporary challenge, and the project has an applied focus.”

David Bell: “This work is highly relevant. It was only last year that the early release of super program stress-tested super funds on issues related to illiquidity. Now we have the Your Future, Your Super reforms which will create a different range of impacts which may impact how super funds manage their portfolio liquidity profile into the future.”

“Most work on liquidity management focuses on the first-order issue of solvency. We extend this by considering a range of second order issues such as portfolio quality, pricing inequities, and liquidity management costs.”

“The deeper we researched, the clearer it became that the appropriate allocation to illiquid assets is very much fund-specific. Allocations to illiquid assets should be informed by a fund’s net inflow position, present and prospective.

The research, all open source, can be accessed [here](#).

Contact details for media inquiries:

The Conexus Institute	David Bell: David.Bell@theconexusinstitute.org.au , 0417 431 624
CFA Societies Australia	Lisa Carroll: lisa.carroll@cfas.org.au , 0401 559 897

About the CFA Societies Australia

CFA Societies Australia is part of the worldwide network of CFA Institute member societies that lead the investment profession globally by promoting the highest standards of ethics, education and professional excellence for the ultimate benefit of society. CFA Societies Australia represents the interests of over 3000 investment professionals through advocacy, education, events, and professional development. For more information visit www.cfas.org.au, or follow us on Twitter at @CFASocietiesAus, Facebook at facebook.com/CFASocietiesAus or on LinkedIn.

About the Conexus Institute

Established as an independent, philanthropically funded think tank designed to be a catalyst for positive change to Australia's retirement system, The Conexus Institute adopts a research-for-impact model. Much of its work involves collaborating with industry and academia while the Institute presents itself as an unbiased sounding board resource for regulators and policymakers. For more information visit www.theconexusinstitute.org.au, or on LinkedIn.