

Auteur: Kristy Jansen, Patrick Tuijpp

Titel: A Survey of Institutional Investors' Investment and Management Decisions on Illiquid Assets

Abstract: This paper reports the outcomes of a survey of nine Dutch and five Canadian pension funds and fiduciary managers on the investment and management decisions of pension funds towards illiquid assets. The Dutch pension funds in our survey represent a total assets under management of EUR 342 billion, and the Canadian pension funds CAD 203 billion. The Dutch pension funds invest on average 14 percent of their portfolio in illiquid assets, and Canadian pension funds 34 percent. The most often reported main reasons to invest in illiquid assets are the risk-return trade-off and diversification benefits. Dutch pension funds generally use asset liability management studies to determine the allocation to illiquid assets while Canadian pension funds use a target return. For pension funds in both countries upper limits on the fraction invested in illiquid assets exists and are often set by their board. Most survey participants have liquidity management policies such as maintaining a cash buffer, using the repo market or securities lending, and having an order in which to liquidate positions to free up cash if necessary. Many survey participants perform liquidity stress tests.