



Thursday, October 28, 2010

Shying Away From Alts. Not Always Best For Investors, Says Hall Capital

While institutional investors continue to have relatively shorter time horizons and a high preference for liquidity, those that are able to get past the stigma around illiquid funds will ultimately achieve greater portfolio success, said Sarah Stein, co-director of research and managing director at Hall Capital Partners.

"There's a general lack of appetite for complexity," said Stein, who co-authored *Investing for Foundations and Endowments*, a white paper published last year (NPN, 11/19/09). Stein said that the decreased appetite for illiquid asset classes has left good managers starved for capital, and in turn, a tremendous opportunity for those that can deploy funds.

In last year's white paper, San Francisco-based Hall Capital made a case for opportunistic investments, finding that institutions that are taking a conventional approach will not be able to withstand large amounts of market volatility going forward.

A year later, Stein said that Hall Capital maintains that same view.

"We feel there is a place for opportunistic investments," she said. "We've seen a really robust pipeline of those managers globally and in the U.S., and it is important for people to have the flexibility to allocate to those firms."

In addition, Stein said she has continued to find that clients paying attention to their liabilities and needs are taking the right path over those that are "following the herd."

"I continue to believe that being willing to differentiate from the herd is the right path," Stein said. "People mean well, but have also piled into certain funds. I think it is becoming bifurcated between the people who are willing to forge out on different paths and those who are cycling away and going to more conventional decisions."

Overall, Stein said it comes back to those institutions that have liquidity versus those who do not, and having the ability to take advantage of opportunities as they arise.

"I think the conversations are different in places that are blessed with liquidity as opposed to not," she said. "(Institutions) with solid footing are engaged in conversations about allocating capital," adding that the Hall Capital's outsourced platform, it's significant to make sure illiquidity is appropriately balanced with liquidity.