

Case Study Liquidity Mgt.

Takeaway (QU Case):

Allocation \uparrow but Liquidity \downarrow

"Denominator effect":

Lagged valuations for P/E \rightarrow Liquid Assets fall in value faster as traditional assets are valued more often, The weight of liquid asset will go down

Rebalancing Strat: 1) Deriv. 2) Cash (e.g. ETFs)

ETF low cost, ^{least cash efficient} high cash usage

TRS \rightarrow exposed to counterparty risk.