



Cash: Liquidity Savior

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Buyside institutions reach for cash securities such as money market funds, and repurchased agreements in times of investor risk averseness.

"As the U.S. Congress considers new budget proposals, and the European debt crisis looms, investors and corporate treasurers across the board have moved to cash," according to Pauline Modjeski, president and chief operating officer for Horizon Cash Management.

Horizon Cash Management is an investment advisor specializing in active, efficient cash management tailored to the individual needs and requirements of clients that include managed futures funds, hedge funds, family offices and institutional investors worldwide. Assets currently total about \$2.5 billion under management.

The firm partakes in "active cash management;" assets are held through separately managed accounts for institutions.

Although cash instruments are not known for competitive yields, institutions, such as hedge funds, have undoubtedly increased their allocations to cash, as beating market returns are tough to come by.

"You've seen a number of hedge funds move to cash, or a have a greater assets under management portion in cash," said Jill King, partner and senior portfolio manager at Horizon Cash Management. "It's been a difficult market to perform well."

King told Markets Media that lack of profitability applies to hedge funds that employ an array of different strategies. "If you're a trend follower, it's been difficult because there are no trends. There's been no stellar performance anywhere," despite re-allocations to different strategies," she said.

Investors do not want a "repeat of 2008," according to King, who said that macroeconomic issues such as the uncertainty over the U.S. debt ceiling further instigate investor bearishness on the markets. Preserving capital is key, while "maximizing cash balances," according to Modjeski.

For King, the current environment is simply a reflection of a "technical phenomenon." Laggards in the economy do not sprout from fundamental challenges, but are a byproduct of "technical factors that have driven the market," she told Markets Media. Such a factor is "the very low interest rate environment."

Nonetheless, "idle cash represents missed opportunity, and the money should be put to work," said Modjeski. "Separately managed accounts offer the best protection for your cash and are designed to suit individual requirements, such as cash flow, liquidity and risk/return ambitions."