

Case Study 1

Interim Management with Internal Transition Management

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Key elements of the transition

- Global REITs portfolio (volume 1.1 billion euros)
- Asset manager switch
- Portfolio restructuring

Brief

The investor planned to replace the asset manager of his REITs portfolio and to restructure the portfolio into five new segments with different asset managers and regional focuses. In addition, further funds were to be incorporated and invested during the course of the project.

Key points identified in the pre-trade analysis

- It took several months to integrate the new asset managers
- The liquidity of some of the REITs to be traded was very low and it took a correspondingly long time to build the new portfolio
- There were overlaps in the selection of REITS by the individual asset managers

On the basis of these analyses, the transition team drew up a transition plan and trading strategy aimed at optimising the investor's costs and risks. The future asset managers contributed their individual wish-lists for the target portfolio. Adjustments to this hypothetical portfolio were made during the execution of the transition, which lasted several months.

The first step was to identify and optimise the potential cross trades of the REITs and the currencies involved in order to avoid unnecessary trading. The trading strategy was improved on the basis of the whole basket.

The liquidity of each REIT had to be analysed. The instruments on the sell side were significantly more liquid than those on the buy side. The basket trade was therefore executed cash neutral. The main advantage: the investor was fully invested throughout the transition.

Result

The trading volume totalled 1.65 billion euros during the four-month interim- and transition management process. Costs savings for the investor amounted to 1.865 million euros when compared with a transition executed by the asset managers. Moreover, the investor was invested in the target structure three months before the asset managers were integrated. The target asset managers were able to take over the entire, fully-invested segment without a performance break in between.

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