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Ibbotson's Zebra gets first Australian investor



I & T News

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Zebra Capital Management, the fund-management business started by investment luminary Roger Ibbotson, has gained a \$35-million mandate from an Australian investor for its strategy focusing on less-liquid stocks.

Zebra, which manages \$613 million globally from its Connecticut base, garnered the mandate from a multi-manager fund in May for its Australia Liquidity Return Strategy. The company declined to name the fund.

It invests in stocks that Zebra sees as fundamentally sound and can be bought at discounts when they are out of favour with other investors. Returns are made if and when the stocks become more popular and are traded in greater volumes.

"Liquidity has a high price," Ibbotson, chairman and chief investment officer of Zebra, said in a June 26 interview during his third visit to Australia with the company. "If you give up some liquidity you're going to get higher returns. But if you treat it as a free good, it's really going to hurt your performance."

Zebra began investing the new capital in May. In back tests, the strategy, which is based on academic research beginning in 1984, earned 13.63 per cent against the 8.24 per cent of benchmark ASX 300 from January 1996 to May 2012, according to the company.

It has a low beta, or correlation, with the Australian stock market because it avoids popular stocks and can manage about \$1.5 billion until it becomes too big to invest in less-liquid companies.

Ibbotson, a professor of finance at the Yale School of Management, founded and led asset-allocation consultancy Ibbotson Associates in 1997 until Chicago-based investment researcher Morningstar bought the business for \$83 million in 2005.

He says Zebra has "barely tapped" the potential of liquidity-focused investing.

"People have studied the relationship between risk and return for the last 60 years," Ibbotson says. "There is some literature on liquidity for the last 30 years, but it's only a small amount of research compared to the study of risk and return. In many ways I think it's the second big thing. If you ask what drives returns, first it's risk and then it's liquidity."

[ZEBRA CAPITAL MANAGEMENT](#)

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[Louise Davidson](#) August 18, 2023

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