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Changing Stripes



Simon Mumme
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SAVE ARTICLE



Roger Ibbotson has stepped back from the investment consulting and academic fields – in which he built his reputation – to spend most of his professional time running money. He is an external advisor to Ibbotson Associates, and lectures one course at Yale University, where he is professor of finance, but spends most of his working time at Zebra Capital Management, the business he founded in 2001 with Zhiwu Chen, a fellow professor of finance at Yale. Their market neutral and recently launched “liquidity return” funds focus on the fundamentals of securities and apply quantitative techniques.

And it should come as no surprise the strategies are based on, and refined by, deep research. The liquidity strategy, launched in the second half of 2009, has already drawn \$444 million in commitments. It is based on the liquidity premium in listed equity markets, which can gross 6 per cent each year, which Ibbotson first studied in 1984. The fund targets securities with good fundamentals – particularly strong forecast earnings and book values – that are undervalued and are experiencing low trading volumes. Sectors with regularly low turnover, such as utilities, usually hold these types of stocks, Ibbotson says. And when stocks hold similar valuations, those with less liquidity will be given a greater weighting.

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