



News Release

PGIM And GIC Help CIOs Build Balanced Portfolios When Investing In Illiquid Private Assets

Singapore, 14 April 2020 – The search for higher returns and better diversification has led many institutional investors to allocate more capital to illiquid private assets. However, as this allocation increases, the liquidity characteristics of their portfolios change. Particularly given the current market volatility, investors need to know how different portfolio structures and private asset commitment strategies may affect their ability to respond to various liquidity demands.

PGIM Inc., the US\$1 trillion global investment management business of Prudential Financial, Inc. ([NYSE: PRU](#)) has collaborated with GIC, Singapore’s sovereign wealth fund, to create a framework that links top-down asset allocation with bottom-up private asset investing to support investors who are increasingly faced with the difficult choice between potentially higher portfolio returns and greater liquidity.

PGIM’s Institutional Advisory & Solutions (IAS) group and GIC’s Economics & Investment Strategy (EIS) department, enhanced and expanded PGIM’s asset allocation framework, OASIS™ (Optimal Asset Allocation with Illiquid Assets) to formally integrate liquidity measurement and cash flow management into a multi-asset, multi-period portfolio construction process. This customizable framework, measuring the potential trade-off between asset allocations, total portfolio performance and the frequency of certain liquidity events with different severities, can help investors quantify the interaction between their portfolio structure and performance.

“Investors can use this framework to analyze how allocations to illiquid private assets, in combination with their private asset commitment strategy, may affect their portfolio’s liquidity,” says Junying Shen, PGIM’s senior associate and one of the principal authors of the research along with GIC’s Dr. Grace Qiu and Ding Li. “Investors can formulate a private asset commitment strategy to manage private asset exposure, determine desired allocations for their liquidity risk tolerance, and model how different market environments could affect their portfolio’s performance and liquidity,” says Shen.

OASIS™ allows investors to incorporate their capital market assumptions, views on private asset performance and their fund-selection skill, and variety of commitment strategies, as well as conduct sensitivity analysis and stress testing.

“Portfolios with large allocations to private assets need to meet substantial cash flow obligations. This is especially challenging in today’s environment,” says Kevin Bong, director of GIC’s EIS department. “The framework we have created enables long-term investors to analyze the liquidity consequences of different commitment strategies and stress scenarios. This will help investors target the best portfolio performance for a given level of liquidity risk.”

“Constructing multi-asset portfolios, with both liquid and illiquid assets while faithfully acknowledging the distinct characteristics of each, is a challenge facing CIOs globally,” says Bruce D. Phelps, head of PGIM’s IAS group. “Collaborating with senior GIC researchers was a rare and wonderful opportunity to develop a novel framework to help CIOs formalize their decision making around portfolio liquidity choices.”

For more details, read the full paper: [Building a Better Portfolio: Balancing Performance and Liquidity](#).

About PGIM's Institutional Advisory & Solutions group

[PGIM's IAS group](#) delivers portfolio-level advisory services to institutional clients worldwide. Their expert research professionals offer customized asset allocation, portfolio construction, benchmark selection and other portfolio management solutions to help clients achieve desired outcomes. IAS also works closely with the PGIM Institutional Relationship Group which provides access to expertise across PGIM's eight asset managers.

About PGIM

PGIM, the global asset management business of Prudential Financial, Inc. ([NYSE: PRU](#)), ranks among the top 10 largest asset managers in the world* with more than US\$1.3 trillion in assets under management as of 31 Dec. 2019. With offices in 16 countries, PGIM's businesses offer a range of investment solutions for retail and institutional investors around the world across a broad range of asset classes, including public fixed income, private fixed income, fundamental equity, quantitative equity, real estate and alternatives. For more information about PGIM, visit [pgim.com](#).

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*As ranked in Pensions & Investments' Top Money Managers list, 27 May 2019; based on PFI total worldwide institutional assets under management as of 31 Dec. 2018. Assets under management (AUM) are based on company estimates and are subject to change.

About GIC

GIC is a leading global investment firm established in 1981 to manage Singapore's foreign reserves. As a disciplined long-term value investor, GIC is uniquely positioned for investments across a wide range of asset classes, including equities, fixed income, private equity, real estate and infrastructure. GIC's Economics & Investment Strategy (EIS) department conducts bespoke economic and long-term thematic research, and guides GIC's top-down portfolio design and management by constructing long-term portfolio investment policy, defining strategic asset allocation, undertaking medium-term strategy, as well as innovating alternative investment models. For more information on GIC, please visit [www.gic.com.sg](#) or [LinkedIn](#).

MEDIA CONTACTS:

PGIM

Julia O'Brien
+1 973-367-7098
julia.obrien@pgim.com

GIC

Wendy Wong
+65 68896928
wendywong@gic.com.sg