

# MONEY

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## Just how accessible are your investments? Time to find out

### Don't get starry-eyed over funds, says Barry O'Neill, investment director at Carbon Financial Partners

How accessible are your investments? The answer is that you probably won't know until there's a stampede for the exit door.

Most people keep their short-term funding in the form of cash in the bank or building society because it's instantly available.

Provided you don't have more than the Financial Services Compensation Scheme limit of £85,000 per person with any single bank, you can regard your money as safe.

You would be excused for thinking otherwise in 2008, when the global financial crisis was in full swing.



Barry O'Neill

Long queues formed outside branches of Northern Rock as we saw the first run on a bank or building society in living memory.

Fast forward to 2019 to witness the latest run,

#### "So what are the key lessons to be learned?"

this time on investment funds managed by high-profile, star manager Neil Woodford.

Mr Woodford has long been the darling of the financial press. His funds could be found in the portfolios or recommended "buy lists" of wealth managers across the land.

Following a period of poor performance, investors fled in their droves and Mr Woodford's flagship fund quickly shrank from more than £10 billion to under £4bn.

The exit doors were slammed shut as there



FALLEN STAR: Despite being the darling of the financial press, Neil Woodford's flagship fund has been sinking

simply weren't enough liquid assets to meet the redemption requests.

How can this happen to a fund which is supposed to be a mainstream "core" holding, targeting a higher than average level of dividend income?

Mr Woodford has always been a contrarian investor and his strategy of trying to deliver superior returns by

including a proportion of small unlisted stocks has backfired significantly.

Once all of the liquid holdings had been disposed of to meet redemption requests, the very illiquid unlisted portfolio accounted for more than 20% of the fund.

At the time of writing, the remaining investors in Mr Woodford's flagship

fund still cannot get access to their money - a situation they are understandably very unhappy about.

So what are the key lessons to be learned?

Firstly, that it's imperative to look under the bonnet of any investment fund you're considering buying to make sure you know exactly what it contains.

This should help you to establish how easy it will be to get your money back when you want it.

Secondly, it's yet another example of why "best buy" lists are not constructed for your benefit.

And finally, it's the most high-profile example yet of the cult of the star manager coming apart at the seams.

## Regulator probes suspensions after investors pull out

BY KEITH FINDLAY

Trading in Woodford Investment Management (WIM)'s largest fund - the Woodford Equity Income (WEI) fund - was suspended on June 4 after large withdrawals by many investors.

Trading in the

associated Woodford Equity Income Feeder Fund was also suspended.

The Financial Conduct Authority, which regulates the sector, launched a formal probe into the suspensions and the events leading up to them.

WIM gave assurances its other funds would

be unaffected, but these were not enough to stop a slump in the share price of Woodford Patient Capital Trust amid concerns of knock-on effects.

Shares of a raft of stocks counting Mr Woodford's fund among their biggest investors also fell heavily.

Mr Woodford said the

WEI fund suspension was to "protect" investors and reposition the portfolio in a bid to preserve liquidity.

Disposals aimed at raising cash for the fund have brought in hundreds of millions of pounds.

These include the sale of a near-16% stake in activist investor Crystal Amber,

whose portfolio includes a large stake in North Sea oil company Hurricane Energy.

WIM has insisted these disposals do not amount to a fire sale, and are proceeding in a "timely and orderly way" in order to fetch the best prices and protect

the interests of investors. According to WIM's website, the Woodford team is "working around the clock to ensure the situation is resolved in everyone's best interests as quickly as possible" and the WEI suspension will be lifted "when the fund's repositioning is complete".