



FEEDBACK

The open-ended fund model is outdated

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Editor: Your recent front-page story asked: “[Is it the end of the road for open-ended funds?](#)” If that is the case, it has been a slow demise.

I had a letter published in *Property Week* in July 2021 similarly titled “[End of the road for property funds?](#)” following Aegon and Aviva’s announcements that they were winding up funds. This followed significant outflows post-Covid, which left funds performing poorly, without the economies of scale to keep going.

The most recent open-ended fund casualties are M&G Investments and Canada Life Asset Management, plus St James’s Place, which suspended trading last week. This time they have cited declining investor interest and a shift away from property investment prompted by worries about rising debt costs and empty post-pandemic offices and shops, making fixed-income and cash products look a lot safer.

But I don’t believe investors have really fallen out of love with property investment – in fact, the appeal of these funds is the access they offer to investment in commercial property that is otherwise a less readily available asset class.

However, the open-ended fund model has not kept up with the times. It is a blanket approach to investment that gives investors a lack of choice and leaves fund managers making broad-brush decisions. Constant redemption requests leave funds without enough cash to be sustainable and M&G has told its customers they may have to wait 18 months to get their money back.

We are now used to the ability to open accounts, move money around and manage our own portfolios with online banking.

The fund model can't offer this sort of flexibility and choice, and sophisticated retail customers are shopping around for other options, including investment in real estate debt via wealth-tech platforms, where they are in control of their portfolio and investment choices online, not at the behest of fund managers.

The fundamentals of investment in real estate will always remain attractive, but access to the right opportunities, liquidity and choice are key factors for today's investors.

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