



2026.04.29

Have you ever tried to quickly get out of a sports arena after the game? Too many people rush to the exits all at once, resulting in a chaotic logjam of anxiety and urgency. That was an experience some investors - much to their dismay - had earlier this year. Those private-debt fund unit holders discovered how liquidity can quickly vanish when too many people head for the exits at the same time.

These funds are described as “semi-liquid,” meaning the capital invested cannot be withdrawn for a period of time and may require a notice period of up to several months. One lesson to be learned from this experience is that “semi-liquid” can be a misleading label; when market conditions deteriorate, access to cash can tighten just when investors expect it to be there.



All my lunch money is in real estate

These funds are described as “semi-liquid,” meaning the capital invested cannot be withdrawn for a period of time and may require a notice period of up to several months. One lesson to be learned from this experience is that “semi-liquid” can be a misleading label; when market conditions deteriorate, access to cash can tighten just when investors expect it to be there.

The appeal of such investments is understandable. A private debt fund advertising annual returns of 8 per cent to 10 per cent with seemingly low volatility looked attractive after years of low interest rates. What felt like stability in many cases only masked a key valuation feature. Many private investments are not priced daily, so investors rarely see price swings – but that does not mean the risk is absent.

Private debt funds, like every new financial instrument, follows a predictable cycle: novelty, early success, envy from the sidelines, a flood of capital, lowered standards, and eventually stress. It is a pattern that has repeated from the dot-com era to the subprime mortgage crisis, and now to private debt.

The gating mechanisms for these funds are technically working as designed — they exist to prevent fire sales of illiquid assets. But for investors who read “quarterly redemption windows” as genuine liquidity, being told to wait feels like a betrayal, even when it has always been in the fine print. “Semi-liquid” is, at minimum, a label that can overstate how much liquidity investors actually have.

Retail investors should heed the lesson and learn to read “semi-liquid” as what it often is: marketing language that makes illiquid assets sound more attractive. When the exit itself is gated, access to your

funds becomes the risk you might not be prepared for.

Our asset allocations have assiduously avoided the allure of private debt funds, notwithstanding their appeal to yield-hungry retail investors. Holding illiquid, or semi-liquid assets inside unitized investments is inherently unworkable. The same can be said for infrastructure funds -after all, it's not every day that a bridge or an electrical grid gets sold to honour investors cash needs. I'm reminded of the words of my father when it comes to the distinction between assets and wealth: "like owning St. Paul's Cathedral, -it's worth millions and millions of dollars, but how and to whom are you going to sell it...?"

The final word then is that when it comes to asset allocation, we are here to remind our clients of the prophetic words of John Maynard Keynes: "The market can remain irrational longer than you can remain solvent". Stranded assets are not wealth, they are notional wealth (merely the idea of it) and when it comes to asset allocations, investors should consider liquidity to be paramount.

Thanks for reading!

Martin

1-519-546-5088

MARTIN WEILER, FINANCIAL ADVISOR
FIRST CAPITAL FINANCIAL / WORLDSOURCE FINANCIAL MANAGEMENT INC
50 CORESLAB DR. DUNDAS, ON L9H 0B2
P: 519-829-1331 F: 833-869-8042
MARTIN@FCFCORP.CA

Mutual Funds and some Segregated Funds provided by the Fund Companies are offered by Martin Weiler, a representative, through Worldsource Financial Management Inc., sponsoring mutual fund dealer. Other Products and Services are offered through First Capital Financial Corporation. This email and any attachments are intended only for the recipient(s) named in this email and may contain personal and/or confidential information. If you have received this email in error, please email the sender immediately, and delete the original email. Dissemination, distribution, or copying of all or any part of this message by anyone other than the intended recipient(s) is not authorized. The information provided in this email and/or attachment/s is solely for general and educational purposes and is based on the perspectives and opinions of the owners and writers. It is provided with the understanding that it may not be relied upon as, nor considered to be, the rendering of tax, legal, accounting, or professional advice. Please consult an appropriate professional regarding your particular circumstances. References to third party goods or services should not be regarded as an endorsement of those goods or services. All information provided is believed to be accurate and reliable, however, we cannot guarantee its accuracy. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus and/or the fund facts before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

[SEND TO A FRIEND](#)

[WEBSITE](#)

[BLOG](#)