



**LET'S TALK ABOUT...**

FINANCIAL LEXICON EDITED BY THE SWISS ASSOCIATION OF ASSET MANAGERS

## Exit Strategy

(Part One) This term happens to be widely met in the media, in connection with the recent economic and financial crisis still in progress. It comes from the strategic-military domain, and, later, the corporate business lexicon. The first meaning points to a situation where evolutions different from the expected ones, new balances of power, unforeseen outcomes, lacking political and operational motivations, all induce to disengage from a military action without destabilizing the scenario and, first of all, saving one's face. The second meaning refers to operators of direct or indirect investments in corporate activities, who do not have their objectives reached, their expected returns being not met, so aiming at limiting damages and liquidating their participations with the least negative possible outcome. For the design and implementation of exit strategies in corporate worlds specialists exist today, particularly when corporate events such as mergers, acquisitions, restructurings are underway.

But the current use of the term in today's communication is still different: it denotes the progressive reduction, up to their cancellation, of the interventions that government and central banks have operated after the dramatic financial crisis that spread from the subprime sector to the whole credit area and related securities, fueled by huge debts, excessive leverages, so taking to illiquidity and the disruption of many financial institutions. And then financial difficulties were to strongly and negatively affect the "real economy" too. Then governments and central banks put in place their massive actions and, after exhausting the range of their traditional interventions, other unconventional operations were defined and implemented, which we already mentioned in some previous articles. *(to be continued)* -  
*GLT*

The views expressed are not necessarily those of the Swiss Association of Asset Managers

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