Liquidity Risk Procedure

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QUILVEST
CAPITAL PARTNERS AM

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Version Control

Version	Editor	Date	MC Approval	BofD Approval	Comments
1.0	RPA	26/07/2014	26/07/2014	n/a	First version
2.0	RPA	15/03/2015	15/05/2015	10/12/2015	Review of formulas; template have been deleted has risk measures are reported into AMOD/AIFMD
3.0	RPA	2020-02-28	n/a	n/a	Section 2.2 on Investment in illiquid assets is added with liquidity stress test and liquidity level by investment strategy
3.1	ARU	2021-06-29	n/a	n/a	Section 2.2 on Investment in illiquid assets is updated to include better description of sources of cash and cash obligations
3.2	ABO	2023-03-14	2023-03-15	n/a	Sections 2.2.1 and 2.2.2 are updated in line with the liquidity policy
3.3	SSZ	2024-01-09	2024-03-01	n/a	Review done, updated sections 2.2.1, 2.2.2, 2.2.3 on cash sources and cash obligations
3.4	SSZ	2025-02-11	2025-02-13	n/a	Generic review

1. Introduction

This document contains specification on the methods and calculation of liquidity risk metrics for the compartments under management. These include:

- Liquidity adjusted values
- Liquidation time, as per AIFMD reporting
- Investor liquidity, as per AIFMD reporting (fund liability side)
- Investor liquidity risk monitoring for open ended funds
- Procedure review

2. Portfolio Liquidity-Adjusted Asset Value

More illiquid assets present more friction at the time of liquidation, leading to higher liquidation cost and time to liquidate and exposing them to additional market risk. To incorporate these components into the value of a portfolio's assets, Quilvest Capital Partners AM ("QCPAM") uses the metric of Liquidity-Adjusted Asset Value. The Liquidity-Adjusted Asset Value represents an estimate of the liquidation value of an asset under immediate sale constraint and is calculated by applying a Liquidity-Adjustment Factor (LAF) to the current value of the asset. The illiquidity of an assets is reflected through this factor.

This section describes how a portfolio's Liquidity Adjusted Asset Value is calculated:

- first of all, a Liquidity-Adjusted Asset Value is calculated for each asset included in the portfolio:
    - The Liquidity-Adjusted Asset Value is calculated by multiplying the asset Market Value (MV) by its Liquidity-Adjustment Factor (LAF). A formula to obtain the Liquidity Adjustment Factor is specified for each asset class and is derived from one or more Liquidity Risk Factors (L);
    - A Liquidity Risk Factor is used to derive the adjustment to be applied to the asset Market Value in case of immediate sale. Liquidity Risk Factors are different for each asset class, since the drivers of liquidity and the method of liquidation can differ. Examples of Liquidity Risk Factors are: bid-ask spread and issue size;

- Once the Liquidity-Adjusted Asset Value is calculated for each asset in the portfolio, then the Liquidity-Adjusted Value of the portfolio is obtained by taking the ratio of the aggregated Liquidity-Adjusted Asset Values over the aggregated asset Market Values, according to the following formula:

$$Liquidity\ Adjusted\ Portfolio\ Value = \frac{\sum_{i=1}^{N} MV_i * LAF_i}{\sum_{i=1}^{N} MV_i}$$

Where:

MV(i): Market Value for Asset i

LAF(i): Liquidity Adjustment Factor for Asset i

The following sub-sections describe how to derive the Liquidity Risk Factors and the Liquidity-Adjustment Factor (LAF) for each asset class.

2.1 Investment in liquid assets

The liquid assets considered are:

- Stocks
- Bonds
- UCI
- Cash
- Derivatives

2.1.1 Stocks

The calculation of the Liquidity-Adjustment Factor for stocks is based on the following Liquidity Risk Factors:

- L(BAS): Bid-Ask Spread
- L(ADVT): Ratio of Invested Amount over Average Daily Value Traded
- L(CUR): Instrument Currency vs Base Currency of the fund

$$LAF(Stock) = [1 - L(BAS) - L(ADVT) - L(CUR)]$$

The Liquidity Risk Factors are calculated according to the following formulas:

Bid/Ask Spread:

$$L(BAS)_d = max\left\{0, \left(\frac{1}{d}\sum_{t=1}^{d}\frac{\frac{1}{2} * BAS_t}{Price\_Mid_t}\right)\right\}$$

Where:

BAS (t) = Bid-Ask Spread on day t

Price_Mid (t) = Mid Price on day t

The reference time period is set to $d = 20\ days$.

Ratio of Invested Amount on Average Daily Value Traded:

$$L(ADVT)_d = Max\left\{0, \left(\frac{Asset\ Market\ Value_m}{0.2 * (\frac{1}{d}\sum_{t=1}^{d} ADVTt)} - 1\right)\right\}$$

Where:

Asset_Market_Value (m) = market value of the stock on the valuation day m

ADVT (t) = average daily value traded on day t

The reference time period is set to $d = 20\ days$.

Instrument Currency vs Base Currency of the Fund:

$$L(CUR) = \begin{cases} 0, & instrument\ currency\ is\ same\ as\ AIF\ base\ currency \\ 0.05, & otherwise \end{cases}$$

2.1.2 Bonds

The calculation of the Liquidity-Adjustment Factor for bonds is based on the following Liquidity Risk Factors:

- L(BAS): Bid-Ask Spread
- L(AGE): Age of Bond in Years
- L(DUR): Bond Duration
- L(SIZE): Ratio of invested amount vs Amount Outstanding
- L(RATING): Average Probability of Default
- L(CUR): Instrument Currency vs Base Currency of the fund

$$LAF(Bond) = [1 - L(BAS) - L(AGE) - L(DUR) - L(SIZE) - L(CUR) - L(RATING)]$$

The Liquidity Risk Factors are calculated according to the following formulas:

Bid/Ask Spread:

$$L(BAS)_d = min\left\{0, \left(\frac{1}{d}\sum_{t=1}^{d}\frac{BAS_t}{Price\_Mid_t}\right)\right\}$$

Where:

BAS (t) = Bid-Ask Spread on day t

Price_Mid (t) = Mid Price on day t

The reference time period is set to $d = 20\ days$.

Age of Bond in Years:

$$L(Age) = \begin{cases} 0, & Age < 7y \\ 0.05, & Age \geq 7y \end{cases}$$

Bond Duration:

$$\boldsymbol{L}(Dur) = \begin{cases} Dur[0,1] = 0 \\ Dur[1,2] = 0.01 \\ Dur[2,7] = 0.05 \\ Dur[7,15] = 0.1 \\ Dur[15,+] = 0.15 \end{cases}$$

Invested Amount over Amount Outstanding:

$$L(SIZE) = max\left\{0, \left(\frac{Asset - Market - Value_m}{0.1 * Issue - Amount - Outstanding_m} - 1\right)\right\}$$

Where:

Asset_Market_Value(m) = market value of the bond on the valuation day m

Issue_Amount_Outstanding(m) = amount outstanding of the bond on the valuation day m

Instrument Currency vs Base Currency of the Fund:

$$L(CUR) = \begin{cases} 0, & instrument\ currency\ is\ same\ as\ AIF\ base\ currency \\ 0.05, & otherwise \end{cases}$$

Average Probability of Default:

L (RATING): is equal to the average probability of default as obtained by third party providers (e.g. Bloomberg) or from rating agencies, as reported below:

Average Probability of Default:

S&P	Moody's	Average Default Probability
AAA	Aaa	0.00002
AA+	Aa1	0.000232
AA	Aa2	0.000518
AA-	Aa3	0.001112
A+	A1	0.002080
A	A2	0.003796
A-	A3	0.005940
BBB+	Baa1	0.009130
BBB	Baa2	0.0132
BBB-	Baa3	0.026180
BB+	Ba1	0.0462
BB	Ba2	0.0748
BB-	Ba3	0.10769
B+	B1	0.152350
B	B2	0.199430
B-	B3	0.264440
CCC+	Caa1	0.357268
CCC	Caa2	0.482680
CCC-	Caa3	0.728662
CC	Ca	1
D	C	1

2.1.3 UCI

The calculation of the Liquidity-Adjustment Factor for UCIs is based on the following Liquidity Risk Factors:

- L(FREQ): redemption frequency of the fund vs the invested UCI
- L(CUR): Instrument Currency vs Base Currency of the fund

$$LAF(UCI) = [1 - L(FREQ) - L(CUR)]$$

The Liquidity Risk Factors are calculated according to the following formulas:

Redemption Frequency:

Redemption Freq. \ Fund \ UCI	Daily	Weekly	Monthly	Quarterly or +
Daily	0.05	0.10	0.2	1
Weekly	0.01	0.10	0.15	1
Monthly	0.01	0.01	0.15	1
Quarterly or +	0.01	0.01	0.01	1

Instrument Currency vs Base Currency of the Fund:

$$L(CUR) = \begin{cases} 0, & instrument\ currency\ is\ same\ as\ AIF\ base\ currency \\ 0.05, & otherwise \end{cases}$$

2.1.4 Cash Account

The calculation of the Liquidity-Adjustment Factor for cash is based on the following Liquidity Risk Factors:

- L(CUR): base currency of the cash account

$$LAF(Cash) = [1 - L(CUR)]$$

The Liquidity Risk Factors are calculated according to the following formula:

Instrument Currency vs Base Currency of the Fund:

$$L(CUR) = \begin{cases} 0, & instrument\ currency\ is\ same\ as\ AIF\ base\ currency \\ 0.05, & otherwise \end{cases}$$

2.1.5 Derivatives

The calculation of the Liquidity-Adjustment Factor is based on the following Liquidity Risk Factors:

- L(DLL): Derivative Liquidity Level
- L(CUR): Instrument Currency vs Base Currency of the fund

$$LAF(Derivative) = [1 - L(DLL) - L(CUR)]$$

The Liquidity Risk Factors are calculated according to the following formulas:

Derivative Liquidity Level, L(DLL):

Derivative Type	L(DLL)
Contract for Difference (CFD)	0
Future\Forward	0
Foreign Exchange Derivative Instruments	1
CDS	1
Interest Rate Swap	1
Other Non Listed Derivatives	1
Options	LRF as in stocks

Instrument Currency vs Base Currency of the Fund:

$$L(CUR) = \begin{cases} 0, & instrument\ currency\ is\ same\ as\ AIF\ base\ currency \\ 0.05, & otherwise \end{cases}$$

2.1.6 Stress Test

We implement the liquidity stress test by worsening the liquidity conditions (cost of liquidating a position) by 2,3,4 times. This is done by multiplying the sum of the Liquidity Factors by 2,3,4 times and consequently modifying the Liquidity Adjustment Factor.

2.2 Investment in illiquid assets

Investments in many alternative assets (e.g. Private Equity, Real Estate and Real Assets) are likely to be illiquid and long-term. Such investments may be illiquid because, among other reasons, they may have unique geographic and market characteristics, there is no established market for the particular type of asset or Fund, there is a scarcity of disposal options and/or potential acquirers, or there are legal, tax, regulatory or contractual restrictions and/or public opinion or political considerations associated with the disposal of the investment.

These investments are by definition illiquid and thus have a liquidity adjustment factor (LAF) of 0, implying that such positions cannot provide liquidity under immediate sale needs.

Moreover illiquid funds have additional sources of liquidity risk related to the cash flow profile of such investments. For this reason, additional metrics are used to monitor the liquidity risk of portfolios following illiquid strategies. This section describes the liquidity analysis that is performed for a fund investing in illiquid alternative assets.

The liquidity analysis is focused on two aspects:

- Liquidity Risk: assessment of available liquidity with respect to expected obligations;
- Liquidity Stress Tests: assessment of the available liquidity with respect to expected obligations in a set of stress scenarios.

2.2.1 Private Equity FoFs

Liquidity Risk for PE FoFs is monitored through the level of sources of cash and the level of expected cash obligations. These are monitored through their value and through their value as a proportion of committed capital.

The identified sources of cash are the following:

- Cash
- Uncalled commitment
- Credit lines
- Target fund distributions

For leverage Private Equity FoFs we also consider targeted fund with a redemption under 365 days as cash equivalent as set out in the Risk Policy.

The identified cash obligations are the following:

- Commitments to target funds
- Operational expenses
- Financial expenses (including interest and principal payments)
- Recallable distributions

The capacity of sources of cash to cover the cash obligations is tested through the following metrics:

- Over-Commitment: commitments to and from the fund are compared through the Over-Commitment ratio. While this metric is generally expected to be below 1, compartments investing in multiple target funds may have limits above 1.

$$Over\_Commitment = \frac{Commitment\ to\ target\ funds}{Uncalled\ Commitment}$$

- Net Cash Available: The total expected cash sources are compared against the total expected cash obligations over time horizon X. This metric is expected to be positive.

$$\begin{aligned} Net\ Cash\ Available = (&Cash + Uncalled\ Commitment + Credit\ Lines + Target\ fund\ distributions) \\ &- (Uncalled\ Commitment\ to\ target\ funds + Operational\ Expenses + Financial\ Expenses \\ &+ Recallable\ Distributions) \end{aligned}$$

The liquidity stress tests represent scenarios where the sources of cash, and the cash obligations, are stressed. The Net Cash Available is then re-calculated under the stress conditions. The modelled liquidity stress scenarios currently considered are the following:

- Operational expenses are doubled
- Projected liquidity needs in case of redemption, if applicable

2.2.2 Real Estate FoFs

Liquidity Risk for RE FoFs is monitored through the level of sources of cash and the level of cash obligations. These are monitored through their value and through their value as a proportion of committed capital. The identified sources of cash are the following:

- Cash
- Uncalled commitment
- Credit lines
- Target fund distributions

For leverage Real Estate FoFs we also consider targeted fund with a redemption under 365 days as cash equivalent as set out in the Risk Policy.

The identified cash obligations are the following:

- Commitment to target funds
- Operational expenses
- Financial expenses (including interest and principal payments)
- Recallable distributions

The capacity of sources of cash to cover the cash obligations is tested through the following metrics:

- Over-Commitment: commitments to and from the fund are compared through the Over-Commitment ratio. While this metric is generally expected to be below 1, compartments investing in multiple target funds may have limits above 1.

$$Over\_Commitment = \frac{Commitment\ to\ target\ funds}{Uncalled\ Commitment}$$

- Net Cash Available: The total expected cash sources are compared against the total expected cash obligations over time horizon X. This metric is expected to be positive.

$$\begin{aligned} Net\ Cash\ Available = (&Cash + Uncalled\ Commitment + Credit\ Lines + Target\ fund\ distributions) \\ &- (uncalled\ Commitment\ to\ target\ funds + Operational\ Expenses + Financial\ Expenses \\ &+ Recallable\ Distributions) \end{aligned}$$

The liquidity stress tests represent scenarios where the sources of cash, and the cash obligations, are stressed. The Net Cash Available is then re-calculated under the stress conditions. The modelled liquidity stress scenarios currently considered are the following:

- Operational expenses are doubled
- Projected liquidity needs in case of redemption, if applicable

2.2.3 Direct Private Equity Funds

Liquidity Risk for Private Equity Funds is monitored through the level of sources of cash and the level of cash obligations. These are monitored through their value and through their value as a proportion of committed capital. The identified sources of cash are the following:

- Cash
- Uncalled commitment
- Credit lines
- Distributions from investees

The identified cash obligations are the following:

- Commitment to investees
- Operational expenses
- Financial expenses (including interest and principal payments)
- Recallable distributions

The capacity of sources of cash to cover the cash obligations is tested through the following metrics:

- Over-Commitment: commitments to and from the fund are compared through the Over-Commitment ratio. While this metric is generally expected to be below 1, diversified compartments may have limits above 1.

$$Over\_Commitment = \frac{Commitment\ to\ investees}{Uncalled\ Commitment}$$

- Net Cash Available: The total expected cash sources are compared against the total expected cash obligations over time horizon X. This metric is expected to be positive.

$$\begin{aligned} Net\ Cash\ Available = (&Cash + Uncalled\ Commitment + Credit\ Lines + Investee\ distributions) \\ &- (Uncalled\ commitment\ to\ investees + Operational\ Expenses + Financial\ Expenses \\ &+ Recallable\ Distributions) \end{aligned}$$

The liquidity stress tests represent scenarios where the sources of cash, and the cash obligations, are stressed. The Net Cash Available is then re-calculated under the stress conditions. The modelled liquidity stress scenarios are the following:

- Operational expenses are doubled
- Projected liquidity needs in case of redemption, if applicable

2.2.4 Venture Capital Funds

Liquidity Risk for Venture Capital Funds is monitored through the level of sources of cash and the level of cash obligations. These are monitored through their value and through their value as a proportion of committed capital. The identified sources of cash are the following:

- Cash
- Uncalled commitment
- Credit lines

The identified cash obligations are the following:

- Commitment to investees
- Operational expenses
- Financial expenses (including interest and principal payments)

The capacity of sources of cash to cover the cash obligations is tested through the following metrics:

- Over-Commitment: commitments to and from the fund are compared through the Over-Commitment ratio. While this metric is generally expected to be below 1, diversified compartments may have limits above 1.

$$Over\_Commitment = \frac{Commitment\ to\ investees}{Uncalled\ Commitment}$$

- Net Cash Available: The total expected cash sources are compared against the total expected cash obligations over time horizon X. This metric is expected to be positive.

$$Net\ Cash\ Available = (Cash + Uncalled\ Commitment + Credit\ Lines + Investee\ distributions) - (Uncalled\ commitment\ to\ investees + Operational\ Expenses + Financial\ Expenses)$$

The liquidity stress tests represent scenarios where the sources of cash, and the cash obligations, are stressed. The Net Cash Available is then re-calculated under the stress conditions. The modelled liquidity stress scenarios are the following:

- Operational expenses are doubled
- Projected liquidity needs in case of redemption, if applicable

2.2.5 Direct Real Estate Funds

Liquidity Risk for Direct Real Estate Funds and Real Estate Loan Funds is monitored through the level of sources of cash and the level of cash obligations. These are monitored through their value and through their value as a proportion of the committed capital. The identified sources of cash are the following:

- Cash
- Uncalled commitment
- Credit lines
- Income from Real Estate investments

The identified cash obligations are the following:

- Operational expenses
- Financial expenses (including interest and principal payments)

The capacity of sources of cash to cover the cash obligations is tested through the following metric:

- Net Cash Available: The total expected cash sources are compared against the total expected cash obligations over time horizon X. This metric is expected to be positive.

$$Net\ Cash\ Available = (Cash + Uncalled\ Commitment + Credit\ Lines + Investment\ Income) - (Operational\ Expenses + Financial\ Expenses + CAPEX)$$

The liquidity stress tests represent scenarios where the sources of cash and the cash obligations are stressed. The Net Cash Available is then re-calculated under the stress conditions. The modelled liquidity stress scenarios are the following:

- Operational expenses are doubled
- A sensitivity analysis providing IRR with respect to NOI and exit value is calculated
- Projected liquidity needs in case of redemption, if applicable

2.2.6 Real Asset Lease Funds

Liquidity Risk for Real Asset Funds is monitored through the level of sources of cash and the level of cash obligations. These are monitored through their value and through their value as a proportion of the committed capital or NAV. The identified sources of cash are the following:

- Cash
- Uncalled commitment
- Credit lines
- Income from Real Asset investments

The identified cash obligations are the following:

- Operational expenses
- Financial expenses (including interest and principal payments)
- CAPEX

The capacity of sources of cash to cover the cash obligations is tested through the following metric:

- Net Cash Available: the total expected cash sources are compared against the total expected cash obligations over time horizon X. This metric is expected to be positive.

$$Net\ Cash\ Available = (Cash + Uncalled\ Commitment + Credit\ Lines + Investment\ Income) - (Operational\ Expenses + Financial\ Expenses + CAPEX)$$

The liquidity stress tests represent scenarios where the sources of cash, and the cash obligations, are stressed. The Net Cash Available is then re-calculated under the stress conditions. The modelled liquidity stress scenarios are the following:

- Projected liquidity needs in case of redemption, if applicable
- A sensitivity analysis providing IRR with respect to revenues and operating expenses is calculated

2.2.7 Transportation Assets Funds

Liquidity Risk for Transportation Asset Funds is monitored through the level of sources of cash and the level of cash obligations. These are monitored through their value and through their value as a proportion of the committed capital or NAV. The identified sources of cash are the following:

- Cash
- Uncalled commitment
- Credit lines
- Income from transportation assets

The identified cash obligations are the following:

- Operational expenses
- Financial expenses (including interest and principal payments)
- CAPEX

The capacity of sources of cash to cover the cash obligations is tested through the following metric:

- Net Cash Available: The total expected cash sources are compared against the total expected cash obligations over time horizon X. This metric is expected to be positive.

$$Net\ Cash\ Available = (Cash + Uncalled\ Commitment + Credit\ Lines + Investment\ Income) - (Operational\ Expenses + Financial\ Expenses + CAPEX)$$

The liquidity stress tests represent scenarios where the sources of cash, and the cash obligations, are stressed. The Net Cash Available is then re-calculated under the stress conditions. The modelled liquidity stress scenarios are the following:

- Projected liquidity needs in case of redemption, if applicable
- A sensitivity analysis providing IRR with respect to revenues and operating expenses is calculated

3. Liquidation time for AIFMD reporting

Besides the liquidity metrics discussed above, QCPAM calculates the asset liquidation time profile as required by the AIFMD reporting.

For this purpose, QCPAM leverages the calculated liquidity adjustment factors (LAF), and converts them into an equivalent time to liquidation at the security level. To obtain the liquidation time profile of the fund, the entire market value of each asset, as a proportion of the NAV, is allocated into the bucket corresponding to its liquidation time.

Rule for an Equity Security

[LAF_equity>=0.7] = "1 day or less";

[LAF_equity>=0.5 & LAF_eq<0.7] = "2 – 7 days"

[LAF_equity>=0 & LAF_eq<0.5] = "8 – 30 days"

Rule for a Bond Security

[LAF_bond>=0.7] = "1 day or less";

[LAF_bond>=0.5 & LAF_bond<0.7] = "2 – 7 days"

[LAF_bond>=0 & LAF_bond<0.5] = "8 – 30 days"

Rule for Mutual Fund Share

["FUND_REDEMPTION_FREQ"]== "daily"] = "1 day or less";

["FUND_REDEMPTION_FREQ"]== "weekly"] = "2 – 7 days";

["FUND_REDEMPTION_FREQ"]== "fortnightly"] = "8 – 30 days";

["FUND_REDEMPTION_FREQ"]== "monthly"] = "8 – 30 days";

["FUND_REDEMPTION_FREQ"]== "quarterly"] = "31 - 90 days";

["FUND_REDEMPTION_FREQ"]== "semi-annual"] = "91 - 180 days";

["FUND_REDEMPTION_FREQ"]== "annual"] = "181 – 365 days";

["FUND_REDEMPTION_FREQ"]== ">annual"] = "more than 365 days";

Rule for Cash Account

[‟CASH ACCOUNT"] = "1 day or less";

Rule for Derivative

[LAF_derivative>=0.5] = "1 day or less";

[LAF_derivative<0.5] = "8 – 30 days";

Rule for Non Listed Securities

[LAF_NonListedSec.=1] = "more than 365 days";

Please remember it must be possible to change values manually (e.g. assign a private equity security to "91 - 180 days" if additional information is available on the specific situation of an asset (e.g. an exit is undergoing for a direct private equity asset).

4. Investor Illiquidity

The investor liquidity profile reflects the redemption frequency of the different share classes as per fund prospectus.

The investor liquidity profile table is defined as:

Percentage of investor equity that can be re-deemed within (as % of AIF's NAV):	
"1 day or less"	
"2 – 7 days"	
"8 – 30 days"	
"31 - 90 days"	
"91 - 180 days"	
"181 – 365 days"	
"more than 365 days"	

The investor liquidity profile is assigned manually based on the redemption frequency indicated in the prospectus. Generally, all share classes of a compartment inherit the investor liquidity profile of the compartment. However, it is possible that different share classes of the same compartment have a different investor liquidity profile. To obtain the liquidity profile at the level of the compartment, the share classes investor liquidity is aggregated, weighted by NAV.

5. Another Investor Liquidity Risk Monitoring for open ended funds

For open-ended funds, the investor liquidity is additionally monitored through the Liquidity Coverage Ratio (LCR). This section describes the methodology for the calculation of LCR.

The LCR reflects the capacity of the fund to generate liquidity from assets to cover the estimated outflows due to redemptions. It is calculated as the ratio of Highly Liquid Assets over the Estimated Cash Outflows, at valuation time t:

$$LCR_t = \frac{HLA_t}{COF_t}$$

Where:
LCR (t): Liquidity Coverage Ratio at time t
HLA (t): Highly Liquid Assets at time t
COF (t): Estimated Cash Outflows at time t

Contingency Plan

As a general rule, the Liquidity Coverage Ratio must be greater than 100% to ensure that projected liquidity needs are fully satisfied.

When an open-ended fund is found to have a LCR lower than 100%, an escalation to the Portfolio Manager and GP is made in order to ensure that an appropriate remediation plan can be deployed. As part of the remediation plan, liquidity management tools might be appropriate, including:

- Gating
- Credit Lines
- Borrowing

If the LCR is found to be lower than 150%, Risk Management issues a warning for the sub-fund as it poses a risk of seeing its LCR fall below 100%.

Highly Liquid Assets

HLA is a conservative estimate of the liquidation value of assets that are considered highly liquid. Assets are considered highly liquid if they can easily and immediately be converted into cash at little or no loss of value.

The assets considered for inclusion in HLA are:

- all assets whose liquidity bucket (see section 3) is less than or equal to the redemption frequency of the fund

To calculate the value of the Highly Liquid Assets, the value of each selected asset is multiplied by its Liquidity Adjustment Factor (LAF), as defined in section 2.

HLA is then the sum of the eligible liquid assets multiplied by their LAF, as per the following formula:

$$HLA_t = \sum_{i=1}^{N} MV_i * LAF_i$$

Where:

MV (i): market value of asset i

LAF (i): Liquidity Adjustment Factor of asset i

N: number of Highly Liquid Assets

HLA is a conservative estimate of the liquidation value of assets that can be liquidated within the observation period.

Estimated Cash Outflows

Cash outflows are defined as the sum of expected redemptions and other obligations over a given time horizon. The time horizon considered is determined using the following table:

Fund NAV Calculation Frequency	Horizon
Daily	1 week
Weekly/Bimonthly	1 month
Monthly	3 months
Quarterly	6 months
Other	1 year

In order to maintain a conservative approach, the horizon is longer than the Fund NAV calculation frequency.

However, the horizon will not be shorter than the Frequency of the Liquidity Analysis so that, if the frequency is monthly while a fund NAV calculation frequency is Daily, the horizon to be considered is 1 month and not 1 week.

The calculation of the estimated cash outflows is done in three steps:

Step 1. Calculate the relative gross redemptions for each available observation period (an observation period corresponds to the period between two NAV dates)

$$K_h = \frac{R_h}{NAV_{h-1}}$$

Where:

R (h): redemption over time horizon h

NAV (h-1): NAV at the end of time horizon h-1

Step 2. Determine the highest redemption among the observations

$$K_{max} = \max(\mathrm{K_h})$$

Where:

K (h): redemption over time horizon h

Step 3. Calculate Estimated Cash Outflow by multiplying the maximum redemption by the fund NAV and adding any other liability that is expected to mature in horizon h

$$COF_t = K_{max} * NAV_t + STL_{t,h}$$

Where:

NAV (t): NAV at time t

STL (t,h): other short term liabilities at time t which mature in horizon h, including expected distributions

Estimate based on Best Available Information

In case that 1 year of historical information to be used in the estimation of COF is not available, the analyst will use the data of a representative compartment.

6. Procedure Review

In line with the ongoing reviewing process that the Company has established, this procedure should be revised every two years or earlier if a significant change occurs in the related regulations or in the way activities, operations or management are organized.