Liquidity Management and Liquidity Risk Policy

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QUILVEST
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Version Control

Version	Editor	Date	MC Approval	BofD Approval	Comments
1.0	RPA	2014-07-01	2014-07-26	2014-12-19	First version of policy
1.1	RPA	2015-03-01	2015-03-18	2015-04-29	Formatting, Annex III added about liquidity monitoring process
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3.1	RPA	2019-12-01	2019-12-18	2019-12-20	Section 6.4 on "Guidelines on Liquidity Stress Testing in UCITS and AIFs (ESMA guideline 02 September 2019)" removed
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					review updated Section 6.
5.1	ABO	2023-03-01	2023-03-15	2023-03-30	Updated the file to include liquidity profiles and specific ways to monitor leverage/unleveraged funds. Section 4.2 added on escalation procedure.
5.2	SSZ	2024-01-12	2024-03-01	2024-03-26	Generic revision
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1. Introduction

Liquidity risk is the possibility that an organization or investment vehicle will experience a decrease in value or losses due to its inability to secure the necessary liquid funds, or because it is forced to obtain them at far higher cost than under normal conditions, in order to run its operations and fulfil its obligations and commitments.

Additionally, a liquidity risk may refer to the lack of sufficient liquid funds to honour the obligations of an organization or investment vehicle.

From an investment point of view, a liquidity risk can be market related in terms of price impact and potential demands for additional guarantees, linked to investor behaviour, derived from the investment implementation process, or connected to the operating requirements in the case of some particular investment structures.

Liquidity risk specifically refers to the potential losses that an investment vehicle may suffer when transforming other assets into cash, or the inability of that investment structure to obtain enough liquid funds to honour its commitments. Nevertheless, liquidity risk does not occur in isolation and in many circumstances it is the by-product of other types of risks such as market risk or credit risk. An appropriate and sound portfolio management process requires that it includes a comprehensive risk management system in which liquidity risk management is a fundamental block.

A liquidity management policy has to pay attention to liquidity risks and also pursue that the liquidity decisions and liquidity positions of an investment vehicle are consistent with its investment profile and strategy.

In general, sound liquidity management practices must have comprehensive liquidity risk measurement and monitoring systems (including assessments of the current and prospective cash-flows or sources and uses of funds) that are commensurate with the complexity of the investment vehicle, consider comprehensive contingency funding plans that sufficiently address potential adverse liquidity events and emergency cash flows requirements (Liquidity Stress Test or LST), and identify what assets could be used to confront a situation of strained liquidity.

In particular, liquidity stress test is defined as a risk management tool within the overall liquidity risk management framework of a manager which simulates a range of conditions, including: normal and stressed (i.e. extreme, unlikely or unfavourable) conditions to assess their potential impact on the funding (liability), assets, and overall liquidity of a fund and the necessary follow-up action. It is important to consider scenarios that are plausible, but severe enough to adequately assess the resilience of the fund to liquidity shocks.

This document describes the liquidity management policy that QCPAM has developed to assess and monitor liquidity, and to manage liquidity risk.

This Liquidity Management and Liquidity Risk Policy has been developed considering the nature of the AIFs under management, good and sound practices, and the requirements of applicable legislation, particularly the requirements of articles 46 to 49 of the European

Commission Delegated Regulation 231/2013[1] and the ESMA Guidelines on liquidity stress testing in UCITS and AIFs (September 2019).

Section 2 of the document gives the regulatory background; section 3 sets out the principles that guide the Liquidity Risk Policy by looking at the different types of investment and reporting obligations as well; section 4 sets the principles for liquidity stress testing; section 5 explains the monitoring framework; annex I reports the Liquidity related regulation; annex II matches the liquidity policy to the liquidity regulation; and annex III gives a representation of the liquidity management process built on the interaction between regulation and professional criteria integrated in the Liquidity Policy.

[1] Sections 2, 6, and 7 of this document describe in a varying degree of detail the requirements of the AIFM dispositions in respect of liquidity management.

2. Regulatory Background[2]

2.1 European Directive 2011/61/EU on Alternative Investment Fund Managers

Article 16. Liquidity Management.

1. AIFMs shall, for each AIF that they manage which is not an unleveraged closed-ended AIF, employ an appropriate liquidity management system and adopt procedures which enable them to monitor the liquidity risk of the AIF and to ensure that the liquidity profile of the investments of the AIF complies with its underlying obligations.

AIFMs shall regularly conduct stress tests, under normal and exceptional liquidity conditions, which enable them to assess the liquidity risk of the AIFs and monitor the liquidity risk of the AIFs accordingly.

Article 23. Disclosure to investors.

1. AIFMs shall for each of the EU AIFs that they manage and for each of the AIFs that they market in the Union make available to AIF investors, in accordance with the AIF rules or instruments of incorporation, the information from (a) to (p) before they invest in the AIF, as well as any material changes thereof.

2. The AIFM shall inform the investors before they invest in the AIF of any arrangement made by the depositary to contractually discharge itself of liability in accordance with Article 21(13). The AIFM shall also inform investors of any changes with respect to depositary liability without delay.

3. Where the AIF is required to publish a prospectus in accordance with Directive 2003/71/EC or in accordance with national law, only such information referred to in paragraphs 1 and 2 which is in addition to that contained in the prospectus needs to be disclosed separately or as additional information in the prospectus.

4. AIFMs shall, for each of the EU AIFs that they manage and for each of the AIFs that they market in the Union, periodically disclose to investors:

(a) the percentage of the AIF's assets which are subject to special arrangements arising from their illiquid nature;

(b) the current risk profile of the AIF and the risk management systems employed by the AIFM to manage those risks.

(c) any new arrangements for managing the liquidity of the AIF;

5. AIFMs managing EU AIFs employing leverage or marketing in the Union AIFs employing leverage shall, for each such AIF disclose, on a regular basis:

(a) any changes to the maximum level of leverage which the AIFM may employ on behalf of the AIF as well as any right of the reuse of collateral or any guarantee granted under the leveraging arrangement;

[2] The texts included in this section may have been edited to highlight the most relevant aspects in connection with this procedure.

(b) the total amount of leverage employed by that AIF.

6. The Commission shall adopt, by means of delegated acts in accordance with Article 56 and subject to the conditions of Articles 57 and 58, measures specifying the disclosure obligations of AIFMs referred to in paragraphs 4 and 5, including the frequency of the disclosure referred to in paragraph 5. Those measures shall be adapted to the type of AIFM to which they apply.

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Article 24 Reporting obligations to competent authorities.

2. An AIFM shall, for each of the EU AIFs it manages and for each of the AIFs it markets in the Union, provide the following to the competent authorities of its home Member State:

(a) the percentage of the AIF's assets which are subject to special arrangements arising from their illiquid nature;

(b) any new arrangements for managing the liquidity of the AIF;

(c) the current risk profile of the AIF and the risk management systems employed by the AIFM to manage the market risk, liquidity risk, counterparty risk and other risks including operational risk;

(d) information on the main categories of assets in which the AIF invested; and

(e) the results of the stress tests performed in accordance with point (b) of Article 15(3) and the second subparagraph of Article 16(1).

The above mentioned Directive was implemented in Luxembourg through the July 12 2013 Law regarding the Alternative Investment Fund Managers where liquidity risk and monitoring are mentioned in its articles 15, 21 and 22 with the same requirements as the Directive.

2.2 European Commission Delegated Regulation 231/2013

The European Commission Delegated Regulation 231/2013 provides more details to set up, in the context of AIFs, proper liquidity management tools, policies, and procedures.

Article 40. Risk management policy.

Article 44. Risk limits.

Article 46. Liquidity management systems and procedures.

Article 47. Monitoring and managing liquidity risks.

Article 48. Liquidity management, limits, and stress tests.

Article 49. Alignment of investment strategy, liquidity profile and redemption policy.

Article 53. Qualitative requirements concerning AIFMs exposed to securitizations.

Article 108. Periodic disclosure to investors.

Article 110. Reporting to competent authorities.

(f)

(g) The regulatory framework has been recently updated (September 2019) regarding liquidity stress tests. The ESMA Guidelines follow recommendations by the European Systemic Risk Board (ESRB) published in April 2018 on how to address liquidity and leverage risk in investment funds.

2.3 Circular CSSF 20/752

ESMA Guidelines on Liquidity Stress Testing in UCITS and AIFs.

Guideline V.1.1. The design of the LST models.

Guideline V.1.2. Understanding liquidity risks.

Guideline V.1.3. Governance principles for LST.

Guideline V.1.4. The LST policy.

Guideline V.1.5. Frequency of LST.

Guideline V.1.6. The use of LST outcomes.

Guideline V.1.7. Adapting the LST to each fund.

Guideline V.1.8. LST scenarios.

Guideline V.1.9. Data availability.

Guideline V.1.10. Product development.

Guideline V.1.11. Stress testing fund assets to determine the effect on fund liquidity.

Guideline V.1.12. Stress testing fund liabilities to determine the effect on fund liquidity.

Guideline V.1.13. LST on other types of liabilities.

Guideline V.1.14. Funds investing in less liquid assets.

Guideline V.1.15. Combined asset and liability LST.

Guideline V.1.16. Aggregating LST across funds.

3. Liquidity Management and Liquidity Risk Policy

The Liquidity Management Policy (or Liquidity Risk Policy through the document) has its ownership within the Risk Management department and it is included in the global taxonomy analysis that QCPAM has developed for its Risk Management Process (4M). Liquidity Risk is therefore, included in the Risk Management policy and procedures that govern this activity.

The main purpose of the liquidity policy is to ensure that the liquidity profile of the AIF's investments is aligned with its risk profile. Liquidity needs can be classified in four different classes:

- investment commitments (linked to the implementation of the investment strategy);
- market related (linked to the evolution of market conditions);
- investor related (linked to redemption requirements);
- operational needs (linked to the investment itself).

In order to allow the AIF to comply with these liquidity related obligations, QCPAM will seek the alignment and the consistency of the investment strategy, the liquidity profile, and the redemption policy of the AIF managed, taking into account that the redemption policy of the AIF pursues in all circumstances a fair treatment of investors.

While proceeding to redemptions, QCPAM as the liquidity risk manager of the AIF, will seek to minimize the impact of the redemption for the leaving investors as well as the remaining investors.

3.1. Purpose

The liquidity management and liquidity risk policy established by QCPAM aims to respond to five major objectives:

- to engage in an optimal liquidity strategy that reconciles liquidity needs with AIF's asset profile;
- to ensure that the assessment and monitoring of the liquidity risk of the AIF is in line with the described AIF's liquidity rules, and that the correct assessment of the risks will contribute to the management of the AIF itself;
- to provide evidence when required to the regulatory authorities that an effective Liquidity Management System Policy has been set up within the core activities of QCPAM in agreement with the AIF legislation and the best industry practices;
- to ensure disclosure of information to AIF's investors related to liquidity;
- to keep informed the regulatory authorities about the liquidity measures taken in consideration for managing the AIFs.

To fulfil its duties in respect of liquidity and liquidity risk management, QCPAM will perform its regulatory duties and will apply on a periodic basis, specific methods to analyze, monitor, stress tests (under normal and exceptional circumstances) the performance and structure of the AIF, in order to determine the appropriateness of the applied liquidity policy. In addition, and through analytical models that will study market liquidity, it will also determine the adjustments (if any) to the liquidity policy applicable to each AIF.

3.2. Risk Profiling

The liquidity policy must be adapted to the size, the structure, and the nature of the managed AIF. For this, QCPAM will consider a number of factors, including:

- the scale and complexity of the AIF;
- the type of underlying assets and investment strategy, considering as well the potential liabilities and commitments that the AIF may have in respect of its underlying obligations;
- the amount of liquidity risk exposure, considering the relative market liquidity of the assets and the impact of individual assets on the liquidity profile of the AIF;
- the sensitivity to specific risk factors from a liquidity perspective;
- the complexity and nature of the asset liquidation process;
- the redemption policy, investor profile, and relative size of investments.

The analysis of these factors together with other considerations, as it is indicated below, will configure the applicable liquidity management procedure for each AIF under management.

Some investment vehicles, such as hedge funds or other funds that may be exposed to liquidity tensions as a result of their specific investment strategy, foresee in their prospectus or other documents the existence of temporary and special liquidity arrangements including gates, partial redemptions, temporary borrowings, notice periods, pools of liquid assets, side pockets, or other similar mechanisms. In these particular cases, the liquidity policy has to take them into account when assessing the liquidity risks and identifying an optimal liquidity management.

In the context of assets of limited liquidity (i.e. real estate and private equity), the liquidity policy has to attend to three distinctive phases of the life of investments. The investment implementation stage may present liquidity challenges in terms or reconciling payment commitments and investors disbursements; during the life of the investment, some assets with operational and financing requirements may be subject to liquidity risk; and the investment disposal phase may be subject to liquidity issues when trying to reconcile the fund's commitment with actual market conditions.

When investing in other collective investment vehicles not actively traded in a regulated market, the liquidity procedures will monitor on an ongoing basis how the respective managers deal with liquidity issues, including the potential changes in related redemption provisions.

Additionally, in the case of the AIF having exposure to securitization credit risk, and for the purpose of appropriate risk and liquidity management, QCPAM will map, measure, monitor, manage, control and report the risk that arise due to potential mismatches between assets and liabilities, concentration risks and investment risk at the AIF level.

For some AIFs the liquidity management policy will include the monitoring of predetermined liquidity limits and also the implementation of stress-tests in respect of events and variables related both to investment assets and funding activities.

3.3. Investor Disclosure

The information to disclose to investors in respect of liquidity matters can be divided in pre-investment and post-investment disclosures. Before the investment is realized, QCPAM will ensure that the fund provides investors with a description of the AIF’s liquidity risk management, a detailed list of redemption rights in the different circumstances that can arise in the life of an AIF (normal and exceptional), and if applicable, a list of existing special redemption arrangements with other investors.

During the life of the investment, QCPAM will periodically inform the investors about the percentage of the AIF’s assets subject to special arrangement due to its illiquid nature, and about new arrangement regarding the management of the liquidity of the AIF that could be considered as material (terms under which the redemption is permitted, applicable management discretion, lock-up length, or redemption rules applicable to gates and suspensions, among others).

Additionally, QCPAM will immediately inform the AIF’s investors if the AIF triggers gates, side pockets, other similar arrangements, and/or it decides to suspend redemptions.

3.4. Regulatory Disclosure

The information to provide to the regulatory authorities regarding liquidity includes i) the percentage of AIF’s assets subject to special arrangements arising from the illiquid nature of the mentioned assets; ii) new arrangements to manage the liquidity of the AIF; iii) a description of the Risk Management System regarding the liquidity risk; iv) the liquidity profile of the AIF (including the liquidity profiling of assets, the redemption terms, and the different financing conditions provided by the different counterparties); and v) finally the results of the stress tests performed to monitor the liquidity risks of the AIF.

4. Liquidity Stress Testing

4.1. Stress Testing Procedure

Among the scenario simulation techniques, stress testing models encompass those analysis in which relevant variables are assumed to take extreme values that could result in significant adverse consequences. Stress testing is a technique that allows to assess tail risks.

Stress testing may be variable or event driven, but in both approaches it tries to gauge the impact of particularly negative situations on a portfolio (or organization) and their potential downside.

In contrast to other risk measurement methods, stress testing has a limited probabilistic base, and scenarios tend to be constructed based on historical situations or in assumptions adopted by the risk analyst. However, stress testing models still require that the consistency between the stressed variables is preserved and that the assumed or explicit covariance matrix remains plausible.

Also, stress-test models need to take into account the interaction between liquidity risks and other risks such as credit or market risks.

An AIFM is required for the AIFs it manages[3] to conduct periodic liquidity related stress tests as part of its liquidity management and liquidity risk policy and considering normal and exceptional liquidity conditions.

QCPAM's liquidity stress-test models will pay attention, among others, to the following situations and variables, when relevant:

- scenarios based on investor concentrations;
- shortage of liquid assets;
- volume and frequency of recent subscriptions and redemptions;
- atypical redemption requests;
- market factors and related impacts (e.g. currency changes leading to additional collateral requirements);
- sensitivity of valuations to the stressed variables.

As is discussed in more detailed below, liquidity related stress-tests will be conducted in accordance with the nature of each particular AIF, but at least they will be run on an annual basis. The frequency of the stress testing will be influenced by different factors that impact the liquidity of the AIF on a regular basis:

- the investment strategy;

[3] Article 15 of the 2013 AIFM Law indicates that the obligation of employing an appropriate liquidity management system does not apply to unleveraged closed-ended AIFs. However, an AIFM can also monitor the liquidity needs and liquidity risks of this kind of investment vehicles.

- the liquidity profile;
- the redemption policy;
- the type of investors.

In general, stress-tests conducted by QCPAM are model based. These models require to define at least the assumed scenario (historical, hypothetical…), risk factors to stress, how risk factors are combined, range of shocks to be considered, and the reference timeframe.

Retained models are subject to a validation and calibration process to verify there is consistency and robustness under a number and range of values and circumstances.

It is understood that the liquidity stress testing has to be performed with updated reliable quantitative and qualitative information (where the quantitative data will be privileged). Moreover, an appropriate liquidity stress test will provide insight into the liquidity risks of the investment vehicle under different situations and expose the potential weaknesses of its liquidity management.

The current policy is updated in order to integrate recommendations contained in the ESMA Guidelines on liquidity stress testing in UCITS and AIFs (September 2019).

The main recommendations are reported in the following table:

Recommendation	**Coverage**
In building LST models managers should determine: the risk factors that may impact the fund's liquidity; the types of scenarios to use and their severity; different outputs and indicators to be monitored based on the results of the LST; the reporting of LST results, outputs and indicators to management; how the results of the LST are used by risk management, portfolio management and by senior management.	As per description of LST included in the Liquidity Management and liquidity risk policy.
A manager should strike a balance by employing LST that: 1) is adequately focused, specific to the fund and highlights the key liquidity risk factors; and 2) uses a wide enough range of scenarios to adequately represent the diversity of the fund's risks.	As per description of LST included in the Liquidity Management and liquidity risk policy.
LST should be properly integrated and embedded into the fund's risk management framework supporting liquidity management. It should be subject to appropriate governance and oversight, including appropriate reporting and escalation procedures.	Liquidity stress test is included in the AMOD analysis.
LST should be documented in an LST policy within the UCITS and AIF RMP, which should require the manager to periodically review and adapt, if necessary, the LST as appropriate.	LST included in the Liquidity Management and liquidity risk policy.

LST should be carried out at least annually and, where appropriate, employed at all stages in a fund's lifecycle. It is recommended to employ quarterly or more frequent LST. The determination of a higher or lower frequency should be based on the fund's characteristics and the reasons for such a determination should be recorded in the LST policy. Flexibility is allowed for on this issue depending on the fund's nature, scale and complexity and liquidity profile.	The LST is part of AMOD. Frequency is at least annual.
LST should provide outcomes which: 1) help ensure the fund is sufficiently liquid; 2) strengthen the manager's ability to manage fund liquidity in the best interests of investors; 3) help identify potential liquidity weaknesses of an investment strategy; 4) assist risk management monitoring and decision-making.	Results of LST are part of AMOD reporting. When necessary, these results will be escalated and discussed with the portfolio management function.
LST should be adapted appropriately to each fund, including by adapting: the frequency of LST, the types and severity of scenarios, the assumptions regarding investor behavior and asset liquidation, the complexity of the LST model.	LST is adapted to each fund, a description of LST is included in a fund Liquidity Form.
LST should employ hypothetical and historical scenarios and, where appropriate, RST (reverse stress test). LST should not overly rely on historical data, particularly as future stresses may differ from previous ones.	As a general rule, preference is given to hypothetical scenarios on the evolution of the investment based on cash flow projections.
LST should demonstrate a manager is able to overcome limitations related to the availability of data, including by: avoiding optimistic assumptions; justifying reliance on third parties' LST models; exercising expert qualitative judgement.	As a general rule, preference is given to hypothetical scenarios on the evolution of the investment based on cash flow projections.
During product development, a manager of a fund which requires authorization from an NCA should: 1) be able to demonstrate to NCA that key elements of the fund, including its strategy and dealing frequency enable it to remain sufficiently liquid during normal and stressed circumstances; and 2) where appropriate, undertake LST on the asset side (using a model portfolio) as well as on the liability side, incorporating the expected investor profile both from the early and late stages of the fund's existence.	Liquidity Policy and Liquidity Form

LST should enable a manager to assess not only the time and/or cost to liquidate assets in a portfolio, but also whether such an activity would be permissible taking into account: 1) the objectives and investment policy of the fund; 2) the obligation to manage the fund in the interests of investors; 3) any applicable obligation to liquidate assets at limited cost; 4) the obligation to maintain the risk profile of the fund following liquidation of a portion of its assets.	The LST will signal in case of impairment of fund status.
LST should incorporate scenarios relating to the liabilities of the fund, including both redemptions and other potential sources of risk to liquidity emanating from the liability side of the fund balance sheet. LST should incorporate risk factors related to investor type and concentration according to the nature, scale and complexity of the fund.	Liability profile included in liquidity analysis. Stress test performed on ad-hoc basis.
A manager should include other types of liabilities in its LST in normal and stressed conditions, where appropriate. All relevant items on the liability side of the fund's balance sheet, including items other than redemptions, should be subject to LST.	On ad-hoc basis.
Risks arising from less liquid assets and liabilities risks should be reflected in the LST.	LST is adapted to each fund, a description of LST is included in a fund Liquidity Form.
After separately stress testing the assets and the liabilities of the fund balance sheet, the manager should combine the results of the LST appropriately to determine the overall effect on fund liquidity.	On ad-hoc basis.
A manager should aggregate LST across funds under its management where it assesses such an activity to be appropriate for those funds.	On ad-hoc basis.

4.2. Escalation Process

When a negative result is obtained in a liquidity stress test, an escalation process should be initiated to identify the root cause of the issue and develop a plan to mitigate the risk. The following steps can be taken:

(1) The first step is to validate the data used in the stress test to ensure its accuracy and completeness. This involves reviewing the assumptions, models, and scenarios used in the test.

(2) The outcome of the stress test should be analysed in detail to understand the reasons for the negative result. This includes an examination of the liquidity position of the AIF, the impact of stress scenarios on cash flows and funding sources, and the effectiveness of existing liquidity risk management measures.

(3) the analysis is complete, the results should be shared with the portfolio management team and discussed. The team should be informed about the nature and severity of the negative result and its implications for the AIF.

(4) Based on the outcome of the stress test and the discussion with the portfolio management team, an appropriate mitigation plan should be developed. This could include raising additional funds, diversifying funding sources, subscribe to debt, reducing exposure to certain assets, or implementing new liquidity risk management measures.

(5) After the mitigation plan is implemented, QCPAM should closely monitor the situation and review the effectiveness of the measures taken. If the situation does not improve, QCPAM may need to consider additional actions or escalate the issue further.

5. Monitoring Framework

The two sections above on Liquidity Management and Liquidity Risk Policy and Stress Testing describe the activities and tools that Quilvest Capital Partners AM (from now on QCPAM) will conduct and operate when controlling the liquidity and related risks of the AIFs it manages.

Liquidity risk monitoring is an integral part of the risk management framework utilized by QCPAM and the related activities are included in the risk review cycle that applies to each AIF that at least requires an annual review and update, if needed.

Liquidity management has to be adapted to the nature and specific requirements of each AIF, with special attention to the issues of monitoring frequency and applicable stress-testing models.

For the monitoring of each AIF a minimum number of activities have to be developed, including to:

- determine the applicability or not of liquidity risk monitoring procedures;
- formalize the liquidity profile of the fund based on its investment strategy, specific portfolio, investor profile, and stated commitments and policies;
- define, when appropriate, the relevant liquidity or illiquidity limits (quantitative, qualitative, or both) consistent with AIF's underlying obligations and redemption policy;
- specify which liquidity linked variables will be monitored and the related frequency;
- identify the stress-test models and the variables in scope, as well as the periodicity of the tests;
- Determine the escalation and decision procedures that need to be applied when the monitoring and stress-test procedures show liquidity issues that need to be managed.

In the case of AIFs that have most of their portfolio invested in tradable securities, liquidity monitoring will be conducted at least quarterly, and stress testing twice a year. For investment vehicles that specialize in assets of limited liquidity monitoring frequency will be at least annually.

These periodic reviews will be additionally supported with ad-hoc analysis when situations of specially strained market conditions call for it.

In the implementation of the liquidity risk model for a particular sub-fund or investment vehicle, a liquidity risk form will contain the relevant measures to be implemented and monitored.

All these activities will be properly documented and the related policies updated when required.

5.1. Liquidity Form

In order to control the liquidity profile of a fund, QCPAM incorporates the liquidity form of each fund into the respective fund’s risk form, which contains a description of the liquidity analysis to be performed for each AIF, including:

- Liquidity Risk description;
- Liquidity Risk measurement;
- Risk limits, if existing (Thresholds, limits, monitoring frequency);
- Escalation Procedure (Mitigation, Remedial).

5.2. Marketing and Distribution

For open-ended AIFs, marketing and distribution of the AIF can have an impact on liquidity management as it might lead to liquidity inflows and outflows through subscriptions and redemptions respectively. The impact of marketing and distribution is integrated into the liquidity analysis when appropriate.

5.3. Contingency Plan

Situations of market stress can cause a liquidity mismatch between the asset side and the liability side of an open-ended AIF. For these cases, it is necessary to be prepared by having a contingency plan in place.

Each open-ended AIF has thresholds that indicate there is a mismatch between the liquidity of the asset side and the liability side of the balance sheet. When a threshold is breached, the contingency plan is triggered. This allows the portfolio manager of the AIF to make use of Liquidity Management Tools (LMTs) to remediate the situation. The LMTs available to each sub-fund are indicated in the prospectus, and include:

Gating;

Credit Lines;

Borrowing;

Side Pockets;

Equity injection.

6. Policy Review

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

7. Annex I - Liquidity Related Regulations

For convenience, this section compiles the different regulations and articles that deal with liquidity risk issues and liquidity risk management.

7.1. Directive 2011/61/on Alternative Investment Fund Managers

Preamble. Paragraph 81

Delegated acts should also be adopted to specify the liquidity management systems and procedures that AIFMs should employ and the alignment of the investment strategy, liquidity profile and redemption policy.

Article 16. Liquidity management

1. AIFMs shall, for each AIF that they manage which is not an unleveraged closed-ended AIF, employ an appropriate liquidity management system and adopt procedures which enable them to monitor the liquidity risk of the AIF and to ensure that the liquidity profile of the investments of the AIF complies with its underlying obligations.

AIFMs shall regularly conduct stress tests, under normal and exceptional liquidity conditions, which enable them to assess the liquidity risk of the AIFs and monitor the liquidity risk of the AIFs accordingly.

2. AIFMs shall ensure that, for each AIF that they manage, the investment strategy, the liquidity profile and the redemption policy are consistent.

3. The Commission shall adopt, by means of delegated acts in accordance with Article 56 and subject to the conditions of Articles 57 and 58, measures specifying:

(a) the liquidity management systems and procedures; and

(b) the alignment of the investment strategy, liquidity profile and redemption policy set out in paragraph 2.

Article 23. Disclosure to investors

1. AIFMs shall for each of the EU AIFs that they manage and for each of the AIFs that they market in the Union make available to AIF investors, in accordance with the AIF rules or instruments of incorporation, the following information before they invest in the AIF, as well as any material changes thereof:

(h) a description of the AIF's liquidity risk management, including the redemption rights both in normal and in exceptional circumstances, and the existing redemption arrangements with investors;

4. AIFMs shall, for each of the EU AIFs that they manage and for each of the AIFs that they market in the Union, periodically disclose to investors:

(a) the percentage of the AIF's assets which are subject to special arrangements arising from their illiquid nature;

(b) any new arrangements for managing the liquidity of the AIF;

Article 24. Reporting obligations to competent authorities

2. An AIFM shall, for each of the EU AIFs it manages and for each of the AIFs it markets in the Union, provide the following to the competent authorities of its home Member State:

(a) the percentage of the AIF's assets which are subject to special arrangements arising from their illiquid nature;

(b) any new arrangements for managing the liquidity of the AIF;

(c) the current risk profile of the AIF and the risk management systems employed by the AIFM to manage the market risk, liquidity risk, counterparty risk and other risks including operational risk;

(e) the results of the stress tests performed in accordance with point (b) of Article 15(3) and the second subparagraph of Article 16(1).

7.2. Law of 12 July 2013 on Alternative Investment Fund Managers

Article 15. Liquidity management

(1) AIFMs are required, for each AIF that they manage other than for an unleveraged closed-ended AIF, to employ an appropriate liquidity management system and adopt procedures which enable them to monitor the liquidity risk of the AIF and to ensure that the liquidity profile of the investments of the AIF complies with its underlying obligations.

They must regularly conduct stress tests, under normal and exceptional liquidity conditions, which enable them to assess the liquidity risk of the AIFs and monitor the liquidity risk of the AIFs accordingly.

(2) AIFMs must ensure that, for each AIF that they manage, the investment strategy, the liquidity profile and the redemption policy are consistent.

Article 21. Disclosure to investors

(1) AIFMs must for each of the EU AIFs that they manage and for each of the AIFs that they market in the European Union make available to AIF investors, before they invest in the AIF, in accordance with the AIF management regulations or instruments of incorporation, the following information, as well as any material changes thereof:

(h) a description of the AIF's liquidity risk management, including the redemption rights both in normal and in exceptional circumstances, and the existing redemption arrangements with investors;

Article 22. Reporting obligations to the CSSF

(2) An AIFM must, for each of the EU AIFs it manages and for each of the AIFs it markets in the European Union, provide the following information to the CSSF:

(a) the percentage of the AIF's assets which are subject to special arrangements arising from their illiquid nature;

(b) any new arrangements for managing the liquidity of the AIF;

(c) the current risk profile of the AIF and the risk management systems employed by the AIFM to manage the market risk, liquidity risk, counterparty risk and other risks including operational risk;

(d) information on the main categories of assets in which the AIF invested; and

(e) the results of the stress tests performed in accordance with point (b) of Article 14(3) and the second subparagraph of Article 15(1).

7.3. Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU

Preamble. Paragraph 1

Directive 2011/61/EU empowers the Commission to adopt delegated acts specifying, in particular, the rules relating to calculation of the threshold, leverage, operating conditions for Alternative Investment Fund Managers (hereinafter 'AIFMs'), including risk and liquidity management, valuation and delegation, requirements detailing the functions and duties of depositaries of Alternative Investment Funds (hereinafter 'AIFs'), rules on transparency and specific requirements relating to third countries. …

Preamble. Paragraph 57

Directive 2011/61/EU requires the Commission to specify the liquidity management systems and procedures enabling the AIFM to monitor the liquidity risk of the AIF, except where the AIF is an un-leveraged closed-ended AIF, and ensure that the liquidity profile of the AIF's investments complies with its underlying obligations. Therefore, it is important to set out fundamental general requirements addressed to all AIFMs, the application of which should be adapted to the size, structure and nature of the AIFs managed by the AIFM concerned.

Preamble. Paragraph 58

AIFMs should be able to demonstrate to their competent authorities that appropriate and effective liquidity management policies and procedures are in place. That requires due consideration to be given to the nature of the AIF, including the type of underlying assets and the amount of liquidity risk to which the AIF is exposed, the scale and complexity of the AIF or the complexity of the process to liquidate or sell assets.

Preamble. Paragraph 59

Liquidity management systems and procedures can allow AIFMs to apply the tools and arrangements necessary to cope with illiquid assets and related valuation problems in order to respond to redemption requests. Such tools and arrangements may include, where allowed under national law, gates, partial redemptions, temporary borrowings, notice periods and pools of liquid assets. 'Side pockets' and other mechanisms where certain assets of the AIF are subject to similar arrangements between the AIF and its investors should be regarded as 'special arrangements' as they impact the specific redemption rights of investors in the AIF. The suspension of an AIF should not be considered as a special arrangement as this applies to all of the AIF's assets and all of the AIF's investors. The use of tools and special arrangements to manage liquidity should be made dependent on concrete circumstances and should vary according to the nature, scale and investment strategy of the AIF.

Preamble. Paragraph 60

The requirement to monitor the liquidity management of underlying collective investment undertakings in which AIFs invest, along with the requirements to put in place tools and arrangements to manage liquidity risk and identify, manage and monitor conflicts of interest between investors should not apply to AIFMs managing AIFs of the closed-ended type regardless of whether they are deemed to be employing leverage. The exemption from those redemption-related liquidity management requirements should reflect the differences in the general redemption terms of investors in a closed-ended AIF compared to those in an open-ended AIF.

Preamble. Paragraph 61

The use of minimum limits regarding the liquidity or illiquidity of the AIF could provide an effective monitoring tool for certain types of AIFMs. Exceeding a limit may not of itself require action by the AIFM as this depends on the facts and circumstances and the tolerances set by the AIFM. Limits could thus be used in practice in relation to monitoring average daily redemption versus fund liquidity in terms of days over the same period. That could also be used to monitor investor concentration to support stress testing scenarios. Those limits could provide triggers for continued monitoring or remedial action depending on the circumstances.

Preamble. Paragraph 62

The stress tests should, where appropriate, simulate shortage of liquidity of the assets as well as atypical redemption requests. Recent and expected future subscriptions and redemptions should be taken into consideration together with the impact of anticipated AIF performance relative to peers on such activity. The AIFM should analyse the period of time required to meet redemption requests in the stress scenarios simulated. The AIFM should also conduct stress tests on market factors such as foreign exchange movements which could materially impact the credit profile of the AIFM or that of the AIF and as a result collateral requirements. The AIFM should account for valuation sensitivities under stressed conditions in its approach to stress testing or scenario analysis.

Preamble. Paragraph 63

The frequency with which stress tests should be conducted should depend on the nature of the AIF, the investment strategy, liquidity profile, type of investor and redemption policy of the AIF. However, it is expected that those tests will be conducted at least on an annual basis. Where stress tests suggest significantly higher than expected liquidity risk, the AIFM should act in the best interest of all AIF investors taking into consideration the liquidity profile of the AIF's assets, the level of redemption requests and where appropriate the adequacy of the liquidity management policies and procedures.

Preamble. Paragraph 64

Directive 2011/61/EU requires the Commission to specify how the investment strategy, liquidity profile and redemption policy are to be aligned. The consistency between those three elements is ensured if investors are able to redeem their investments in accordance with the AIF redemption policy, which should cover conditions for redemption in both normal and exceptional circumstances, and in a manner consistent with the fair treatment of investors.

Preamble. Paragraph 129

In order to manage liquidity AIFMs should be permitted to enter into borrowing arrangements on behalf of AIFs they manage. Those arrangements can be short term or more permanent. In the latter case it is more likely that such an arrangement would be a special arrangement for the purpose of managing illiquid assets.

Article 40. Risk management policy

2. The risk management policy shall comprise such procedures as are necessary to enable the AIFM to assess for each AIF it manages the exposure of that AIF to market, liquidity and counterparty risks, and the exposure of the AIF to all other relevant risks, including operational risks, which may be material for each AIF it manages.

3. The AIFM shall address at least the following elements in the risk management policy:

(b) the techniques, tools and arrangements that enable liquidity risk of the AIF to be assessed and monitored under normal and exceptional liquidity conditions including through the use of regularly conducted stress tests in accordance with Article 48;

Article 44. Risk limits

1. An AIFM shall establish and implement quantitative or qualitative risk limits, or both, for each AIF it manages, taking into account all relevant risks. Where only qualitative limits are set, the AIFM shall be able to justify this approach to the competent authority.

2. The qualitative and quantitative risk limits for each AIF shall, at least, cover the following risks:

(a) market risks;

(b) credit risks;

(c) liquidity risks;

(d) counterparty risks;

(e) operational risks.

3. When setting risk limits, the AIFM shall take into account the strategies and assets employed in respect of each AIF it manages as well as the national rules applicable to each of those AIFs. Those risk limits shall be aligned with the risk profile of the AIF as disclosed to investors in accordance with point (c) of Article 23(4) of Directive 2011/61/EU and approved by the governing body.

Article 46. Liquidity management system and procedures

AIFMs shall be able to demonstrate to the competent authorities of their home Member State that an appropriate liquidity management system and effective procedures referred to in Article 16(1) of Directive 2011/61/EU are in place taking into account the investment strategy, the liquidity profile and the redemption policy of each AIF.

Article 47. Monitoring and managing liquidity risk

1. The liquidity management system and procedures referred to in Article 46 shall at least, ensure that:

(a) the AIFM maintains a level of liquidity in the AIF appropriate to its underlying obligations, based on an assessment of the relative liquidity of the AIF's assets in the market, taking account of the time required for liquidation and the price or value at which those assets can be liquidated, and their sensitivity to other market risks or factors;

(b) the AIFM monitors the liquidity profile of the AIF's portfolio of assets, having regard to the marginal contribution of individual assets which may have a material impact on liquidity, and the material liabilities and commitments, contingent or otherwise, which the AIF may have in relation to its underlying obligations. For these purposes the AIFM shall take into account the profile of the investor base of the AIF, including the type of investors, the relative size of investments and the redemption terms to which these investments are subject;

(c) the AIFM, where the AIF invests in other collective investment undertakings, monitors the approach adopted by the managers of those other collective investment under takings to the management of liquidity, including through conducting periodic reviews to monitor changes to the redemption provisions of the underlying collective investment undertakings in which the AIF invests. Subject to Article 16(1) of Directive 2011/61/EU, this obligation shall not apply where the other collective investment under takings in which the AIF invests are actively traded on a regulated market within the meaning of point (14) of Article 4(1) of Directive 2004/39/EC or an equivalent third country market;

(d) the AIFM implements and maintains appropriate liquidity measurement arrangements and procedures to assess the quantitative and qualitative risks of positions and of intended investments which have a material impact on the liquidity profile of the portfolio of the AIF's assets to enable their effects on the overall liquidity profile to be appropriately measured. The procedures employed shall ensure that the AIFM has the appropriate knowledge and under standing of the liquidity of the assets in which the AIF has invested or intends to invest including, where applicable, the trading volume and sensitivity of prices and, as the case may be, or spreads of individual assets in normal and exceptional liquidity conditions;

(e) the AIFM considers and puts into effect the tools and arrangements, including special arrangements, necessary to manage the liquidity risk of each AIF under its management. The AIFM shall identify the types of circumstances where these tools and arrangements may be used in both normal and exceptional circumstances, taking into account the fair treatment of all AIF investors in relation to each AIF under management. The AIFM may use such tools and arrangements only in these circumstances and if appropriate disclosures have been made in accordance with Article 108.

2. AIFMs shall document their liquidity management policies and procedures, as referred to in paragraph 1, review them on at least an annual basis and update them for any changes or new arrangements.

3. AIFMs shall include appropriate escalation measures in their liquidity management system and procedures, as referred to in paragraph 1, to address anticipated or actual liquidity shortages or other distressed situations of the AIF.

4. Where the AIFM manages an AIF which is a leveraged closed-ended AIF, point (e) of paragraph 1 shall not apply.

Article 48. Liquidity management limits and stress tests

1. AIFMs shall,where appropriate, considering the nature, scale and complexity of each AIF they manage, implement and maintain adequate limits for the liquidity or illiquidity of the AIF consistent with its underlying obligations and redemption policy and in accordance with the requirements laid down in Article 44 relating to quantitative and qualitative risk limits.

AIFMs shall monitor compliance with those limits and where limits are exceeded or likely to be exceeded, they shall determine the required (or necessary) course of action. In deter mining appropriate action, AIFMs shall consider the adequacy of the liquidity management policies and procedures, the appropriateness of the liquidity profile of the AIF's assets and the effect of atypical levels of redemption requests.

2. AIFMs shall regularly conduct stress tests, under normal and exceptional liquidity conditions, which enable them to assess the liquidity risk of each AIF under their management. The stress tests shall:

(a) be conducted on the basis of reliable and up-to-date information in quantitative terms or, where this is not appropriate, in qualitative terms;

(b) where appropriate, simulate a shortage of liquidity of the assets in the AIF and atypical redemption requests;

(c) cover market risks and any resulting impact, including on margin calls, collateral requirements or credit lines;

(d) account for valuation sensitivities under stressed conditions;

(e) be conducted at a frequency which is appropriate to the nature of the AIF, taking in to account the investment strategy, liquidity profile, type of investor and redemption policy of the AIF, and at least once a year.

3. AIFMs shall act in the best interest of investors in relation to the outcome of any stress tests.

Article 49. Alignment of investment strategy, liquidity profile and redemption policy

1. For the purposes of Article 16(2) of Directive 2011/61/EU, the investment strategy, liquidity profile and redemption policy of each AIF managed by an AIFM shall be considered to be aligned when investors have the ability to redeem their investments in a manner consistent with the fair treatment of all AIF investors and in accordance with the AIF's redemption policy and its obligations.

2. In assessing the alignment of the investment strategy, liquidity profile and redemption policy the AIFM shall also have regard to the impact that redemptions may have on the underlying prices or spreads of the individual assets of the AIF.

Article 53 . Qualitative requirements concerning AIFMs exposed to securitisations

3. For the purposes of appropriate risk and liquidity management, AIFMs assuming exposure to the credit risk of a securitisation on behalf of one or more AIFs shall properly identify, measure, monitor, manage, control and report the risks that arise because of mismatches between the assets and liabilities of the relevant AIF, concentration risk or investment risk arising from these instruments. The AIFM shall ensure that the risk profile of such securitisation positions corresponds to the size, overall portfolio structure, investment strategies and objectives of the relevant AIF as laid down in the AIF rules or instruments of incorporation, prospectus and offering documents.

Article 108. Periodic disclosure to investors

3. For any new arrangements for managing the liquidity of the AIF in accordance with point (b) of Article 23(4) of Directive 2011/61/EU AIFMs shall:

(a) for each AIF that they manage which is not an unleveraged closed-ended AIF, notify to investors whenever they make changes to the liquidity management systems and procedures referred to in Article 16(1) of Directive 2011/61/EU which are material in accordance with Article 106(1);

(b) immediately notify investors where they activate gates, side pockets or similar special arrangements or where they decide to suspend redemptions;

(c) provide an overview of the changes to arrangements concerning liquidity, whether or not these are special arrangements. Where relevant, the terms under which redemption is permitted and circumstances determining when management discretion applies shall be included. Also any voting or other restrictions exercisable, the length of any lock-up or any provision concerning 'first in line' or 'pro-rating' on gates and suspensions shall be included.

Article 110. Reporting to competent authorities

2. For each of the EU AIFs they manage and for each of the AIFs they market in the Union, AIFMs shall provide to the competent authorities of their home Member State the following information in accordance with Article 24(2) of Directive 2011/61/EU:

(a) the percentage of the AIF's assets which are subject to special arrangements as defined in Article 1(5) of this Regulation arising from their illiquid nature as referred to in point (a) of Article 23(4) of Directive 2011/61/EU;

(b) any new arrangements for managing the liquidity of the AIF;

(c) the risk management systems employed by the AIFM to manage the market risk, liquidity risk, counterparty risk and other risks including operational risk;

(d) the current risk profile of the AIF, including:

(i) the market risk profile of the investments of the AIF, including the expected return and volatility of the AIF in normal market conditions;

(ii) the liquidity profile of the investments of the AIF, including the liquidity profile of the AIF's assets, the profile of redemption terms and the terms of financing provided by counterparties to the AIF;

7.4. Guidelines on Liquidity Stress Testing in UCITS and AIFs (ESMA guideline 02 September 2019)

Please refer to Final Report on Guidelines on liquidity stress testing in UCITS and AIFs.

8. Annex II - Accordance of the Liquidity Management Policy with the requirements of articles 46 to 49 of the Delegated Regulation 231/2013

This Annex summarizes in a detailed manner how this Liquidity Management and Liquidity Risk policy answers to the requirements of Section 4 — Liquidity Management, articles 46 to 49 of the Commission Delegated Regulation 231/2013.

Below, the content of each article has been summarized (the full text is included in Section 6 of this document) followed by a reference to the sections of the Liquidity Management and Liquidity Risk Policy that respond to the requirements of the article.

Article 46. Liquidity management system and procedures

AIFMs shall be able to demonstrate to the regulator that an appropriate liquidity management system and effective procedures are in place considering:

- *the investment strategy;*
- *the liquidity profile;*
- *the redemption policy of each AIF.*

The Liquidity Management and Liquidity Risk Policy of QAM that this document describes constitutes the core foundation of its liquidity management system and procedures. Additionally, the ongoing monitoring of the liquidity conditions, include when appropriate the development of liquidity stress tests, properly documented contribute to provide substance and evidence to the liquidity management system.

Section 3 of this document explains in detail how the Liquidity Management Policy responds to the general requirements of article 46.

Article 47. Monitoring and managing liquidity risk

1. *The liquidity management system and procedures should ensure that:*
   - *(a) AIF's liquidity level is appropriate to its underlying obligations considering*
     - *relative market liquidity of AIF's assets;*
     - *time required for liquidation and related price;*
     - *sensitivity to other risk factors;*
   - *(b) liquidity profile of AIF's portfolio monitored considering:*
     - *marginal contribution of individual assets with a potential major impact on liquidity;*
     - *material liabilities and commitments that the AIF may have in respect of its underlying obligations;*
     - *consider AIF's investor profile, relative size of investments and related redemption terms;*
   - *(c) when investing in other collective investment undertakings (except in the case of investment vehicles actively traded in a regulated market), monitors the approach used by the respective managers to deal with liquidity, including through periodic reviews to monitor changes in the related redemption provisions;*
   - *(d) the AIFM has appropriate arrangements to assess the quantitative and qualitative risks of positions and intended investments that may have impact liquidity profile from the perspective on their impact on the overall liquidity profile. The procedures shall ensure appropriate knowledge and understanding by the AIMF on the liquidity of the assets or intended investments including, where applicable, trading volume and sensitivity of prices, and spreads of individual assets in normal and exceptional liquidity conditions;*
   - *(e) the AIFM considers and applies the tools and arrangements (including special arrangements) to manage the liquidity of each AIF, identifying the situations where they can be used in normal and exceptional circumstances, taking into account the fair treatment of investors of each AIF, and only in these circumstances and if appropriate disclosure has been made to investors.*

In Section 3 discusses how the requirements of article 47.1 are included in the Liquidity Management Policy, differentiating between those issues that will apply to most AIFs and those that are relevant only in the case of specific investment vehicles or specific assets.

2. *Liquidity management policies and procedures shall be documented, reviewed at least on an annual basis, and updated to include any changes or new arrangements.*

General Liquidity management policies and procedures are documented through this Liquidity Management and Liquidity Risk Policy which is review an updated within the review cycle of the Risk Management System as it is indicated in Section 5 above:

“Liquidity risk monitoring is an integral part of the risk management framework utilised by QCPAM and the related activities are included in the risk review cycle that applies to each AIF that at least requires an annual review an updated if needed.”

Specific liquidity requirements, limits, stress testing procedures, monitoring and escalation procedures for each AIF are documented in the relevant risk forms as it is explained in the Risk Management Framework that implementes the 4M Risk Management Process.

3. *The AIFM shall include appropriate escalation measures in its liquidity management systems and procedures to address anticipated or updated liquidity shortages or other distressed situations of the AIF.*

Escalation procedures are discussed in Section 5 above and are an integral part of the management component of the 4M Risk Management Process.

4. *Point 1-(e) above does not apply to leveraged closed-ended AIFs.*

At this stage QCPAM does not manage any leveraged closed-ended AIF.

Article 48. Liquidity management limits and stress tests

1. *AIFM shall, where appropriate, considering the nature, scale and complexity of each AIF, implement and maintain adequate limits (quantitative, qualitative, or both) for the liquidity or illiquidity of the AIF consistent with its underlying obligations and redemption policy.*

   The AIFM will monitor compliance with those limits and when exceeded or likely to be exceeded they shall determine the required course of action considering the:
   - *the adequacy of the liquidity management policies and procedures;*
   - *the appropriateness of the liquidity profile of the AIF’s assets;*
   - *the effect of atypical levels of redemption requests.*

Liquidity limits are discussed in Sections 3 and 5 above, indicating that specific limits, if applicable would be consistent with the nature and obligations of the particular AIF.

2. *An AIFM shall regularly conduct stress tests under normal and exceptional liquidity conditions, to assess the liquidity risk of each AIF:*
   (a) *conducted on the basis of reliable and up-to-date information in quantitative terms, or, where this is not appropriate qualitative terms;*
   (b) *where appropriate, simulating a shortage of AIF's asset liquidity, and atypical redemption requests;*
   (c) *cover market risks and any resulting impact, including on margin calls, collateral requirements or credit lines;*
   (d) *account for valuation sensitivities under stressed conditions;*
   (e) *conducted at least annually and with a frequency appropriate to the nature of the AIF considering:*
   - *AIF's the investment strategy;*
   - *liquidity profile;*
   - *type of investor;*
   - *redemption policy.*

Stress tests are discussed in detail in Section 4 and stress test frequency for each type of AIF is analysed in Section 5 of this document.

3. *AIFM shall act in the best interest of investors in relation to the outcome of any stress tests.*

This requirements could be understood as encompassed in the overarching legal and ethical obligation of the AIFM of fulfilling its fiduciary duties towards AIF's investors.

Article 49. Alignment of investment strategy, liquidity profile and redemption policy

1. *For the purposes of article 16(20) of Directive 2011/61/(EU), investment strategy, liquidity profile, and redemption policy of an AIF shall be considered to be aligned when investors have the ability to redeem their investments in a manner consistent with the fair treatment of all AIF investors and in accordance with the AIF's redemption policy and its obligations*

This article 49.1 serves as a validation check or acid test of the liquidity procedures and processes that apply to a specific AIF.

2. *In assessing the alignment of the investment strategy, liquidity profile, and redemption policy the AIFM shall also consider the potential impact of redemptions on the prices or spreads of the individual assets of the AIF.*

The need to reconcile the interest of those investors leaving and those staying within the investment vehicle is discussed in Section 3 of this document.

Final Report on Guidelines on liquidity stress testing in UCITS and AIFs.

Please refer to section 4, "Liquidity Stress Testing".

9. Annex III - Liquidity Profile & Cash Flow Monitoring

1. Liquidity Profile

Risk Sub-Category	Measure Description	Monitoring
Portfolio Liquidity Profile (AIFM reporting)	assets that can be liquidated in: “1 day or less”; “2 - 7 days”; ”8 - 30 days”; “31 - 90 days”; “91 - 180 days”; “181 - 365 days”; “More than 365 days”;	At control date evaluate liquidity measure for the relevant reference date
Investor Liquidity Profile (AIFM reporting)	investors that can be redeemed in: “1 day or less”; “2 - 7 days”; ”8 - 30 days”; “31 - 90 days”; “91 - 180 days”; “181 - 365 days”; “More than 365 days”;	At control date evaluate liquidity measure for the relevant reference date

By default, all closed-ended funds are classified as “More than 365 days” at the investor level. According to regulation 2011/61/EU, QCPAM does not put in place liquidity management system and procedures to monitor the liquidity risk of the underlying collective investment undertakings in which an unleveraged closed-ended AIF invests. This means that the Portfolio Liquidity Profile is not applicable in this case.

In case of Leveraged closed-ended AIF that invests in collective investment undertakings ("Target Funds"), QCPAM has put in place appropriate profiles to properly manage the liquidity. Target Funds are regrouped in two categories:

- "Less than 365 days"
- "More than 365 days"

All collective investment undertakings that fall under the "Less than 365 days" category of underlying investments can be used in Liquidity Stress Testing to ensure all kind of repayments.

2. Cash Flow Monitoring

Assessment of fund liquidity profile through analysis of cash flows, including impact of stress situation on expected cash flows.