PRODUCTS

Liquidity Risk Management

FUNDS AXIS

Proprietary and Confidential

Proprietary and Confidential

Contents

04 Liquidity Risk

06 Our Technology

07 Coverage

08 Limit Monitoring

10 Stress and Scenario Testing

12 Risk Assessments

13 Investor Dealing Activity

Liquidity Risk

The Funds-Axis liquidity risk management module is designed to meet international requirements in respect of liquidity risk management and liquidity stress testing.

This includes: UCITS, AIFMD, EU MMF regulations and SEC Liquidity requirements.

Proprietary and Confidential

Our Technology

Our cloud-based reporting platform provides interactive, real-time reporting of liquidity risk through a comprehensive suite of dashboards. These dashboards are built with international regulations in mind to provide our end users with a solution that covers all aspects of their liquidity risk responsibilities.

Proprietary and Confidential

Coverage

- All liquidity calculations - normal and stressed basis
- Liquidity limit monitoring
- Asset and liability monitoring
- Liquidity assessment of funds invested into
- Regulatory reporting liquidity bucket calculations
- Scenario analysis and stress testing
- Monitoring of investor redemption activity
- Portfolio liquidity risk assessment for each of the funds

Limit Monitoring

THRESHOLD MONITORING ON A NORMAL AND STRESSED BASIS

- Minimum in 1 day liquidity / 7 day liquidity etc.
- Maximum % in less liquid assets
- Asset liquidity vs. Investor redemptions
- Individual stocks days to liquidate
- Portfolio weighted average days to liquidate

OTHER ANALYTICS

- Changes in trading volume over time
- Yields and price spreads over time
- Industry fund inflows / outflows

Key Features

- Interactive real-time reporting
- Coverage of all asset classes
- Limit monitoring against key liquidity risk indicators
- Stock level trend analysis
- User-defined metrics and classifications
- Automation of internal & regulatory reporting

Proprietary and Confidential

Stress and Scenario Testing

The Funds-Axis Liquidity Module includes out-of-the box liquidity stress tests and scenario analysis which have regard to assets and liabilities and to investor redemptions.

EXAMPLE STRESS TESTS

- **Deterioration in asset liquidity** - eg. trade volumes fall by 50%
- **Fund size increases by 25%** - The fund holding gets larger, but the market trading volume remains the same, therefore potentially impacting on liquidity.
- **Largest investors redeem** - the ability to meet redemption by the top investors. Analysis of the percentage held by the top investors vs. the percentage held that can be liquidated in one day, together with any shortfall.
- **Meeting redemptions on a pro-rata basis.** The shortfall highlights the risk that fund would need to use liquid assets to meet redemptions, with the result that the continuing investors would be left with greater exposure to illiquid assets.
- **Stressed Investor Redemptions –** ability to meet stressed net redemptions over a 3 month
- **Stressed Assets and Liability Monitoring -** the impact of underlying market prices falling by 10%, including for leveraged assets

Proprietary and Confidential

Risk Assessments

The system includes Risk Assessment Framework for

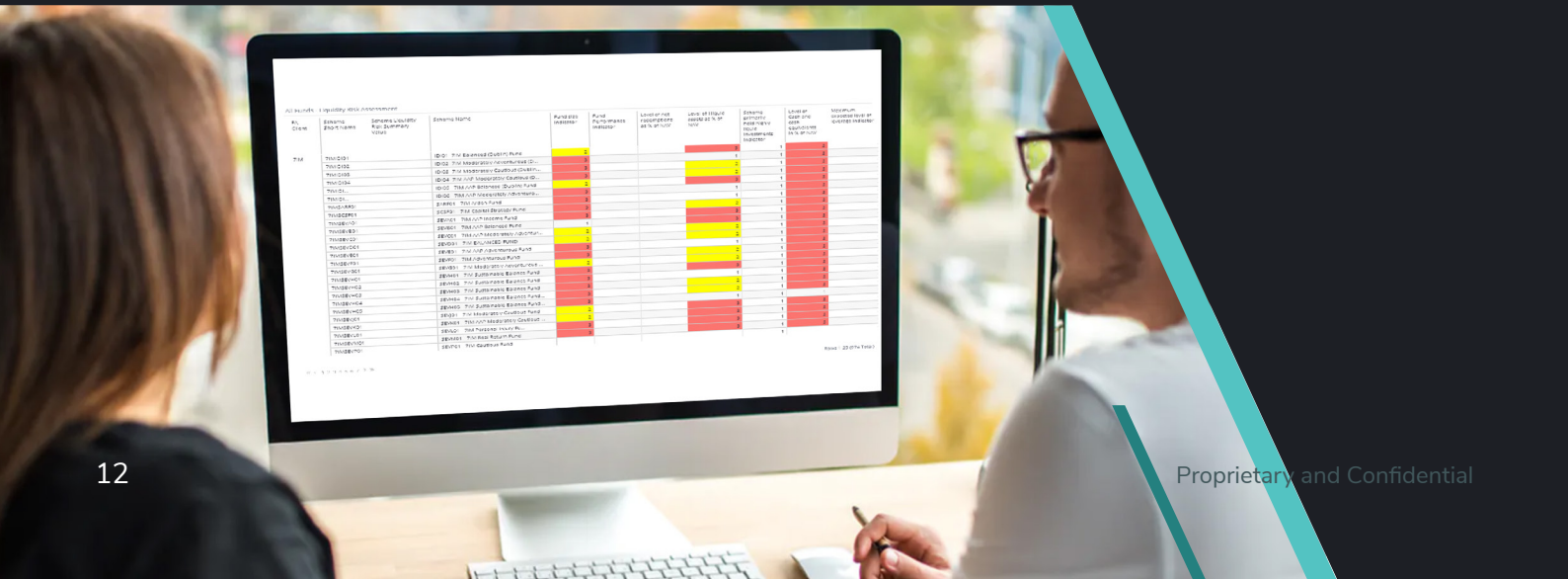
- Client's Funds
- Funds Invested into

LIQUIDITY RISK MANAGEMENT

- **CLIENT'S FUNDS**
- **FUNDS INVESTED INTO**

INDICATORS OF LIQUIDITY

- Regulatory type
- Asset class of exposure
- Geography exposure
- Size of fund
- Dealing arrangements
- Bid/offer spread
- Estimated dilution levy
- % in less liquid asset
- % in borrowing
- Use of derivatives
- Fund performance
- Fund/sector outlaws



Proprietary and Confidential

Investor Dealing Activity

Investor dealing activity is considered throughout the Liquidity Risk Module. This includes:

- Monitoring of liquidity vs. Largest investors redemption
- Monitoring of liquidity vs. Stressed investor redemptions over a 3-month period
- Stressed assets and liability monitoring
- Liquidity risk analysis based on investor risk type and percentage owned by top investors
- Monitoring of industry inflows and outflows

FUNDS AXIS

+44 (0) 28 9032 9736

info@funds-axis.com

funds-axis.com

@Funds-AxisLimited

@FundsAxis

©2021 Funds-Axis Limited. All Rights Reserved. Funds-Axis and HighWire are trademark of Funds-Axis Limited. The views contained in this material are those of Funds-Axis as of the date of this report and may change as subsequent conditions vary. Funds-Axis has no obligation to update this material or to notify you of changes. This material is for informational purposes only and reliance upon it is at the sole discretion of the reader. This material is not intended for distribution to third parties without the prior written permission of Funds-Axis. Funds-Axis may modify or discontinue any functionality or service component described herein at any time without prior advance notice to you.