AULIEN

Aulien SCA, SICAV-SIF

Liquidity Risk Management Process

Content

1 Introduction

This document summarizes the liquidity risk management procedure of Aulien S.C.A, Sicav-SIF. It features the processes in place for the identification, the measurement, the monitoring and the management of the liquidity risk of the Fund, in compliance with CSSF Circular 19/733 and the underlying IOSCO Recommendations for Liquidity Risk Management for Collective Investment Schemes (2018).

This document describes the inherent liquidity risk of the currently managed sub-fund of Aulien SCA, SICAV-SIF, i.e. Patrimonium (the “Fund”), on the basis of its investment strategy and its own characteristics, the methodology implemented to identify and quantify the liquidity risk on the assets and on the liability sides, as well as the way in which this liquidity risk is handled and monitored.

2 Liquidity management - Investment strategy

This Fund is mainly invested in a diversified portfolio of government and/or corporate bonds, but also equities, commodities (through financial derivative instruments), currencies, structured products, and alternative investment products.

The Fund will invest directly in the financial markets or through other collective investment vehicles.

The Fund is open-ended and offers to its shareholders, the possibility of redeeming their shares on a weekly basis. The investor must request a redemption at least two (2) days before a valuation day. The shares currently issued by the Fund are only capitalizing shares, hence there is no issue with the management of distributions.

The investors can expect their redemption proceeds to be paid within ten (10) business days following the relevant valuation day.

When the redemptions requests in the fund are higher than 10% of its issued shares, the General Partner can decide on a total or partial deferral proportionally. This deferral can vary according to the General Partner consideration of the best interest of the fund and will normally not exceed one valuation period. Partial payment in kind can also be considered by the General Partner, under exceptional circumstances.

3 Methodology for the identification of liquidity risk

The identification of the liquidity risk is performed in two steps. The first step is to analyse the liquidity risk on the asset side of the Fund. The second step uses the outcomes of the first step and brings them together with the analysis of the liability side of the Fund.

3.1 Methodology of the identification of the liquidity risk on the asset side

The analysis of the liquidity risk on the assets side of the Fund can be performed using two alternative approaches: Definition of a time to liquidate on the one hand, the determination of a cost to liquidate on the other hand[1].

[1] In compliance with the ESMA Guidelines on liquidity stress testing on UCITS and AIF funds.

3.1.1 Time to liquidate

The objective of the time to liquidate approach is to provide a distribution of the assets in liquidation horizons or time buckets. The time buckets used are the ones initially defined in the Commission Delegated Regulation (EU) 231/2013.

The different time buckets are defined as follows:

Time bucket	**% of portfolio 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 method used to determine the liquidity of each position is based on the instrument type. Each position is mapped with a specific method, which is used to determine the liquidity horizon of the position.

Five instrument types are identified:

- Cash;
- Equity: Two different approaches are used for Equity and Exchange Traded Funds ("ETF"):
  - The market transactions' volume is used as the primary source for equities and ETF;
  - When there is no reliable information about market transactions' volumes, a specific scoring approach is considered.
- Target funds: Based on target funds' key features (NAV and redemptions' contractual frequency, cut-offs etc.);
- Derivatives: Depending on the key characteristics of the instrument (exchange-traded or OTC) and on the underlying asset;

- Fixed Income: A score is determined, based on market data and instruments' characteristics.

Once assigned to time buckets, positions can be aggregated at Fund level. The liquidity at Fund level is meant to be compared to redemption scenarios to identify and measure potential liquidity gaps.

The time to liquidate is first calculated in normal conditions. Then, it is calculated in stressed conditions by stressing the parameters used for the determination of the time-to-liquidate for each instrument type.

3.1.2 Cost to liquidate

The methodology consists in simulating a fire-sale by restraining the liquidation horizon of the positions to 1 day, and then in evaluating the discount to be accepted.

Different frequency intervals are considered:

Cost to liquidate % of position's market value	% of the Portfolio (1 day)
[0% - 0.1%[	
[0.1% - 0.25%[	
[0.25% - 0.5%[	
[0.5% - 1%[	
[1% - 3%[	
[3% - 5%[	
[5% - 100%]	

By aggregating the cost to liquidate of all the positions, the distribution of the assets per cost to liquidate can be determined.

3.2 Methodology for assessing redemption scenarios

Defining liquidity scenarios requires to take into consideration the specificity of the liability side and the cyclical evolution of the redemptions[2].

Four alternative types of scenarios are possible:

- Redemption of a significant quantity of shares (typically between 20% and 50%) based on the frequency of the NAV, on the possible notification period and on the investors' types;
- Redemption of the shares of the largest investors;
- Redemptions based on historical redemptions observed on a sample of similar types of funds;
- Redemptions based on investors' behaviour.

The redemption scenarios are defined based on the typology and the specific constrains of the Fund.

3.3 Combined liquidity risk Asset/Liability

Confronting the time to liquidate bucket with the redemption scenarios enables the calculation of negative liquidity gaps, i.e. horizons where the cumulated redemptions requests are beyond available liquid assets. Liquidity gaps can be compared with credit facilities of the Fund, if need be.

4 Liquidity risk monitoring

4.1 Liquidity risk reporting

Managing the liquidity risk of the Fund is at the heart of the investment policy and is considered by the Portfolio Manager on a permanent basis.

The Risk Manager is in charge of monitoring the liquidity risk of the Fund as a second line of defence. The production of monthly reports is supported by Bennani&Marchal Associates Sàrl, a Luxembourg risk management advisory services company. The liquidity risk report is produced based on portfolio information provided by the depositary bank / Fund's administrative agent (CBP Quilvest SA). It is addressed to all the directors of the Fund.

[2] In compliance with the ESMA Guidelines on liquidity stress testing on UCITS and AIF funds.

The Risk Manager is the owner of the liquidity risk report, is responsible for it and ensures the follow up on behalf of the Fund.

4.2 Liquidity management tools

Although the Fund typically invest in liquid assets and although it does not perform distributions, general liquidity shortages of financial markets or very high redemptions may jeopardize the capacity of a sub-fund to meet its redemption obligations.

Such circumstances or events, although exceptional, may trigger postponements in redemptions and/or additional costs to liquidate some positions.

A liquidity risk management process has been put in place, enabling to identify the categories assets featuring significant liquidity risks, to measure and to limit the exposure to such assets. The liquidity risk management process also measures the exposure to large and sudden redemptions and margin calls linked to operation on financial derivative instruments. Reports on liquidity risks under ordinary and stressed conditions, in an assets and liabilities perspective, are discussed by the directors of the Fund, at least monthly.

The main liquidity risk management tools available are the possibility for the Board to postpone large redemptions over the next valuation day, redemptions in-kind and, ultimately, the NAV suspension.

The requests for redemptions are monitored on a weekly basis, in cooperation with the transfer agent. Cumulated redemptions above 10% of the total net assets must be authorized. Such large redemptions may be prorated, the unsatisfied balance being treated as though it had been made in respect of the next valuation day, and not beyond. Therefore, some investors may have their redemption requests served over a maximum of two (2) weeks.

Exceptionally, the Board of the Fund may also agree to make in-kind redemptions and distributions.

Finally, extreme circumstances might lead the Board to suspend the determination of the NAV, as well as any redemption.