



LIQUIDITY RISK MANAGEMENT POLICY

abr dn Brasil

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Liquidity Risk Management Policy – abrdn Brasil

Introduction

CVM Resolution No. 21/2021 and Anbima, through its Rules and Procedures for the Administrators and Asset Management Companies, determine that the investment manager must establish, implement and maintain a Risk Management Policy. Therefore, this Policy sets forth the rules, procedures, criteria and controls for the Liquidity Risk Management of funds managed by Aberdeen Group. The implementation of this policy and the level of sophistication in relation to procedures and monitoring of liquidity risk are adjusted according to the nature, scale and complexity of the funds.

The Liquidity Risk Management Policy is in line with Aberdeen Group's global liquidity risk management Policy.

The policy is revised at least once a year. Such revision and all changes are approved by the Executive Board of abrdn Brazil.

Governance - Responsibility and Duties

Risk management is the responsibility of the "Investment Risk Governance" department.

The Investment Risk Governance department is a permanent and independent risk function, with hierarchical and functional independence from the business areas and from the Investment Fund Management.

The Investment Risk Governance department is a second line of defence supervision function responsible for designing and implementing liquidity risk management. In addition, it is also responsible for advising the Executive Board and other internal areas on the liquidity risk limits for the funds and notifying them when it considers that the level of risk assumed by the funds is not in line with their risk profile.

The main activities of the Investment Risk department in the liquidity risk management process are:

- Implementation of the liquidity risk management policy and its development and maintenance;
- Understanding the business and product strategy and providing advisory services to abrdn Brazil and internal teams regarding the identification of the liquidity risk profile for mandates managed by abrdn Brazil and adequate tools for managing these risks;
- Identification, measurement, management and monitoring of liquidity risks associated with mandates to ensure that the risk level is aligned with the established risk profile;

Organizational Structure

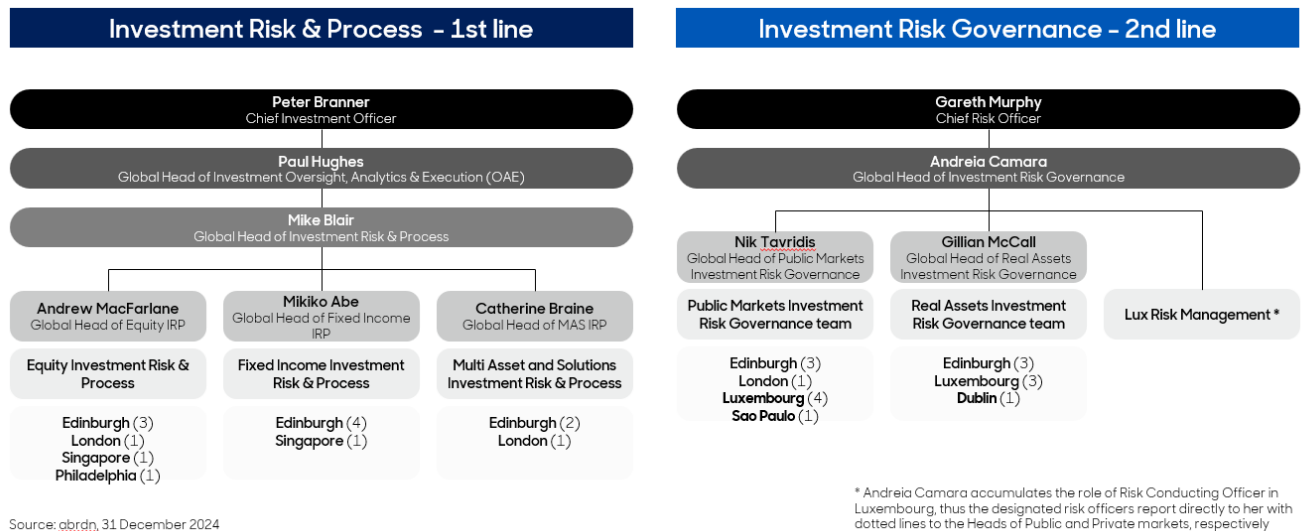
abrdn Brazil has named and appointed a local representative as part of the "Investment Risk Governance" team in connection with the implementation and management of abrdn Brazil's liquidity risk management policy.

Additionally, the local representative of the "Investment Risk Governance" team is the Director responsible for Risk Management at abrdn Brazil before the Brazilian Securities Commission ("CVM") and, as such, can raise concerns/questions that have come to their attention in the exercise of their functions. The local "Investment Risk Governance" representative is also responsible for abrdn Brazil's regulatory and compliance program and reports to the Global Head of Public Markets Investment Risk Governance and the Chief Risk Officer – Americas, who in turn report directly or indirectly to the Group's Chief Risk Officer.

For carrying out and maintaining risk management process we have the support of the “Investment Risk Governance” and the Investment Risk and Process team in the United Kingdom.

The representative of the “Investment Risk Governance” department in Brazil follows the liquidity risk management process together with their Investment Risk colleagues in the United Kingdom, through constant conversations, analysis of reports and conversations with fund managers.

Investment Risk – Team structure



Source: [abrdn](https://www.abrdn.com), 31 December 2024

Process

Currently, abrdn Brazil manages exclusive funds intended for a pension fund that invests predominantly in UCTIS funds managed by other subsidiaries of the Aberdeen Group and some third party managed funds. In this context, the Controls and monitoring of liquidity risk management regarding the assets and liabilities of the funds managed are objective and simplified. Below we list the aspects and considerations from the fund’s asset and liability perspectives that we have taken into account in our analyses.

It is worth mentioning that, due to these aspects, we understand that the liquidity risk for the Brazilian exclusive funds is very low.

Methodology:

1. Asset analysis

- These are local funds investing only in UCITS funds which are highly regulated funds and for this reason are subject to strict liquidity risk monitoring rules;
- The local fund has a diversified portfolio as it generally invests in more than 10 UCITS funds of different classes;
- For regulatory reasons, the local fund intended for pension funds may have a maximum exposure of 15% of the net equity of the investment fund established abroad;

- the invested funds (UCITS) contain liquidity management tools to ensure adequate protection for investors, allowing, when necessary, the right to postpone redemptions that exceed 10% of the fund's net Equity ("gating");
- The controls for managing the liquidity risk of invested funds (UCTIS) managed by Aberdeeb Group include monthly monitoring of the funds' liquidity levels and analysis of their ability to meet their liabilities both in normal situations and in stress scenarios (historical, hypothetical as well as scenarios involving CVaR margin calls), continuous monitoring based on shareholder concentration, comparison of liquidity levels with established limits, and ongoing assessment of the adequacy of established liquidity management tools. In addition, there is a high level of governance and escalation behind these processes involving internal Governing Bodies and Senior Management from different departments.
- Neither the fund managed by abrdn Brasil nor the invested funds are leveraged.

2. Liability Analysis

Other considerations from the liability point of view that also reinforce this status of low liquidity risk are the following:

- observation of whether the redemption terms are adequate to the liquidity levels of each fund. In this way, the redemption term of each invested fund is observed to ensure that such terms are in accordance with the redemption term established by the local funds to fulfill their redemption requests.
- Currently, exclusive funds managed by abrdn Brasil have a redemption payment deadline of T+14 (9 days after conversion of shares that takes place on T+5 of the redemption request). On the other hand, the invested funds have deadlines for payment of redemption to shareholders that vary between T0 and T+4;
- close and frequent contact with the client, which helps us in cases of redemption requests, as we may be aware of the redemption intention in advance.
- although the level shareholder concentration is high as these are exclusive clients, given the nature of the fund and its type of investment, as well as all the above considerations, it is our view that the controls are adequate for liquidity risk purposes.
- With regard to the criteria for verifying the behavior of liabilities, considering the vertices of 1, 2, 3, 4, 5, 21, 42 and 63 days,, we understand that due to the deadline for payment of redemption of the fund managed by abrdn Brasil as well as its invested funds (as mentioned above) such short-term verifications, in the requested vertices, lose their relevance.

Internal Risk Limits

To ensure that the funds managed by Aberdeen Group, in general, the UCITS funds (which are the internal funds invested by the funds managed by abrdn Brazil) are capable of fulfilling investors cash redemption at any time, there are minimum daily, weekly, monthly and annual liquidity limits that we expect the funds to maintain. These limits can be tailored to the particular nature and liquidity profile of each fund and will be captured in each fund specification and/or risk profile. In turn, the fund managed by abrdn Brazil must be able to liquidate all its assets in less than 14 days.

Breach monitoring and escalation process

Whenever any violation is identified by the "Investment Risk Governance" department, this exception will first be addressed and discussed with the Fund Manager and notified to the client's relationship manager. After investigation of the issue, measures will be taken to rectify/correct it; and, where appropriate, improvements will be implemented to prevent further occurrences.

Violations are registered on Service Now, Aberdeen's operational risk system, in accordance with its policies and within the established deadlines.

Reports and Meeting

Reports related to risk exposures are generally produced at least on a monthly basis and are analyzed by the Investment Risk Governance team.

In addition to monitoring the fund's risk profiles, there is also a formal quarterly risk exposure meeting.

Portfolio review:

The scope of this meeting is to go through the following topics:

- Performance review of the portfolio;
- Strategic trades (relevant changes in the portfolio during the reviewed period);
- Investment Risk;
- Guidelines adherence;
- sensitive topics with the client;
- Operational aspects (e.g: issues with custodians, prices).

When necessary, members may call an extraordinary meeting to discuss atypical situations.

This meeting will be held on a biannual and will be comprised by abrdn Brasil's director appointed at CVM, members of Investment Risk Governance and Investment Risk & Process team, Brazil fund managers and the Bespoke Client Investment Solutions (UK).

In addition to the monitoring of the risk profiles of the funds there are frequent calls between Investment Risk Process and Investment Risk Governance team (mainly based in the UK) and the Director appointed at CVM.

Policy Owner: Investment Risk Governance Brazil