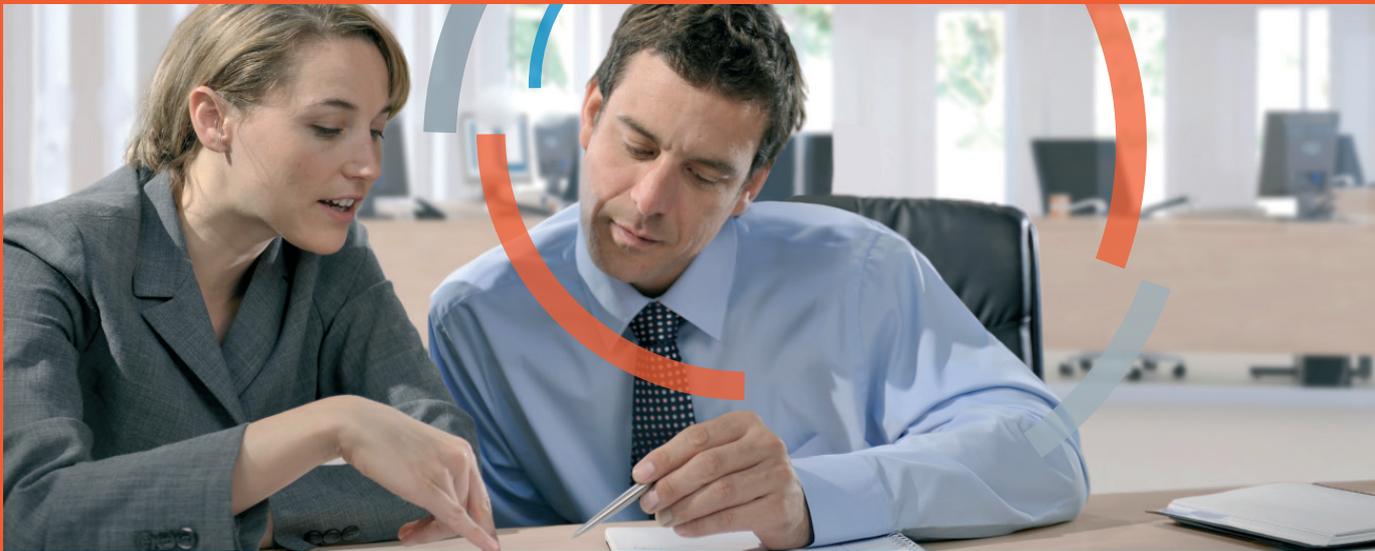


Liquidity Reporting  
Fund liquidity under control.



# Enables risk controllers in asset management companies to examine the impact of cash flows and concentration risks on compliance with legal provisions and performance requirements.

Liquidity risks have moved into the focus of risk controllers and supervisory authorities in the wake of the financial crisis. Asset management companies (AMCs), for their part, are concentrating on the market liquidity of the instruments in the portfolios. Our liquidity reporting provides an overview of the liquidity of individual portfolios and of the overall investment portfolio managed by the AMC. This enables the rapid identification of potentially critical funds, ensures compliance with regulatory requirements, steers the performance impact and mitigates reputational risks.

## Features

Our liquidity reporting provides AMC risk controllers with two modules designed to control the liquidity risks in their security portfolios. The two modules complement each other but can also be used separately, depending on the needs of the AMC.

### “Fund Liquidity” module

- Static data-based liquidity rating for each instrument across all security classes
- Grouping to liquidity layering at portfolio level
- Evaluations for real-case scenarios and, upon request, for stress scenarios
- Real-case scenario as the AMC’s current market estimate
- Stress scenarios reveal the impact of potential crises
- Decision trees to the individual scenarios can be flexibly adapted
- Default setting for speedy implementation: practice-oriented decision tree with liquidity ratings
- IDS GmbH – Analysis and Reporting Services (IDS) is affiliated with a great number of data vendors and can provide static data by arrangement

Being based on static data, the “Fund Liquidity” module is a state-of-the-art process for controlling the liquidity of portfolios containing different types of securities.

### “Stock Liquidity” module

- Specifically tailored for equity portfolios
- Number of days to liquidate a position and its share of the market capitalization of the stock used as meaningful figures
- Grouping of instruments at the portfolio and AMC levels
- Detects thinly traded stocks
- Reveals stocks where a portfolio or the AMC exercises investment discretion over a large part of the stocks
- Identifies AMC-wide concentration risks that fall outside the scope of a single portfolio manager

As current market and turnover data are available on equity markets, the “Stock Liquidity” module can respond rapidly to market changes.

## Benefits

Liquidity risks are an underestimated and elusive type of risk for investment funds. Dried-up markets in combination with substantial net outflows jeopardize the performance and compliance of the single fund and the reputation of the AMC.

- According to the German Investment Act (Investmentgesetz – InvG), investors can request redemption of shares in UCITS-compliant funds on a regular basis
- The use of an appropriate liquidity risk management process is stipulated by supervisory authorities, e.g. in the German “Minimum requirements for risk management in investment companies” (Mindestanforderungen an das Risikomanagement für Investmentgesellschaften – InvMaRisk)
- Performance may be impacted negatively if illiquid instruments remain in the fund after the sale of liquid instruments.

#### **“Fund Liquidity” module**

- Risk controllers can detect critical funds and take appropriate action
- Stress scenarios reveal portfolios which might be vulnerable in a crisis
- The AMC anticipates crises in good time and can take precautions
- This process supports fund managers, controllers and management and provides a common basis for recognizing the need to take action

#### **“Stock Liquidity” module**

- Meaningful figures derived from current market and turnover data
- Grouping at the AMC level also reveals stocks that escape the individual fund manager’s attention
- Overview of conspicuous stocks and affected funds helps risk controllers and fund managers to recognize the need to take action

Our liquidity reporting, which has been field-proven with several AMCs, helps the client fulfill regulatory requirements and steers the impact on performance. It highlights a risk type that has so far not received the attention it deserves.

#### **Functionalities**

The position data for the portfolios under consideration is taken from the client and enriched in the IDS data warehouse for liquidity reporting. The resulting reports contain evaluations at the AMC, portfolio and single instrument levels.

Users receive reports on a regular basis or, in the case of stress scenarios in the “Fund Liquidity” module, upon request. Reporting formats are defined in agreement with the user. A dedicated IDS professional is assigned to each client as a competent contact person to deal with any inquiries.

Stress scenarios and changes in the standard scenario of the “Fund Liquidity” module are defined in substance by the AMC’s risk controller. IDS realizes the scenarios technically and integrates the static data required. Based on the liquidity figures the AMC’s limit systems can be monitored by IDS.

Each instrument’s path through the decision tree can be retraced for revision purposes.

IDS has many years’ experience in implementing various efficient investment analysis and reporting solutions. Besides our in-depth technical expertise, which enables us to fulfill sophisticated reporting requirements within our existing infrastructure, IDS has extensive knowledge of portfolio/investment analysis. This allows IDS to offer a stable technical solution for liquidity reporting as well as competent professional advice.

