

ALPHA ALTERNATIVES

Provincial Finance & Leasing
Co Private Limited

Liquidity Policy
March 2022

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I. Policy requirement

Provincial Finance & Leasing Company Private Limited (“Provincial”) deploys its capital from the balance sheet in multiple asset classes and recognises the need to formulate a liquidity policy that will govern the design of its investment schemes, raising liabilities, terms for investors, portfolio construction and monitoring guidelines to allow for proper asset liability management and liquidity for any redemptions by investors to structured investment products or change in the liabilities’ portfolio.

II. Policy Objective

Provincial works with a two-pronged approach towards liquidity:

1. Asset liability management
2. Current and evolving liabilities portfolio

III. Guidelines

Provincial follows the following guidelines to manage its liquidity:

1. Matched funding
 - a. To the extent possible, the duration of the liabilities’ portfolio is matched with that of the asset portfolio
 - b. The duration of the asset portfolio takes into account the timelines for and recoverability percentage on collateral liquidation
 - c. Investor redemption terms are matched with expected portfolio liquidation timelines for publicly traded investments in structured product
2. Listed Equity Portfolio Construction

Listed equity portfolio construction or collateral assessment to include liquidity measures to ensure on a best effort basis:

- a. Single asset exposure to be less than such percentage of 3 months’ average daily turnover for public exchange listed asset classes to be able to unwind positions in stipulated redemption periods of portfolios
- b. Adequate analyst coverage of the asset exposure
- c. Barring generically applicable market events, no unexplainable history of sharp decreases in price and/or trade volumes

- d. Strategy and timelines with an exit plan to exit exposure to stocks that do not follow the above in the case of special situations investing (including but not limited to expected drawdown in the case of a 'fire sale')

3. Off-exchange Investments

Off-exchange investments in or collateral security of non-financial assets such as commodities should include the following liquidity measures:

- a. Sell side contracts in place where applicable, on or off – exchange
- b. For non-agricultural commodities, single asset exposure to be less than such percentage of 3 months' average daily turnover of sell side contracts to be able to unwind positions in stipulated redemption periods of portfolios

4. Collateralised Investments

Collateralised investments with illiquid collateral should have the following checks in place on the collateral:

- a. Periodic valuation to track collateral cover
- b. Real assets liquidity to be ascertained via survey of leading brokers dealing in such assets at such location for number and value of similar asset sales every 1 year or earlier if required.
- c. Liquidity of unlisted holdings collateral to be ascertained prior to investment with defined exit mechanisms
- d. The terms for funds holding such investments should include redemption in kind options exercisable by the fund manager along with procedure for the same
- e. Expected collateral recovery timelines and percentage recovery to be factored in while raising funds for such collateralised investments

5. Derivative Instruments' Usage

Derivative instruments' usage and investments to have the following checks in place:

- a. OTC derivatives to be used only on a case by case basis
- b. Exchange listed and traded derivatives exposure to be limited to such percentage of 3 months' average daily turnover to be able to unwind positions in stipulated redemption periods of portfolios