Pinnacle Fund Services Limited
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# Liquidity Management Statement

## Overview

Pinnacle views sound risk management as an essential part of operating a funds management business. The Board of Pinnacle Fund Services Limited (**PFSL**) recognises the broad range of risks that it faces as a responsible entity including, but not limited to, strategic risk, governance risk, legal, tax and regulatory compliance risks, financial requirements risks, scheme risks (including liquidity risk), operational risks, outsourcing risk, cyber risk, people risk, and culture & conduct risks. The Board is ultimately responsible for its risk management framework and oversees its operation by Management.

## Liquidity Risk Management

Liquidity risk is the potential inability to meet our financial obligations either at a responsible entity (RE) level or at a scheme level. In relation to the schemes we operate, this includes the risk that the securities in which the scheme is invested, or the scheme itself, may become illiquid. The absence of an established market or shortage of buyers for an investment may result in a loss if the holder of an investment needs to sell within a certain timeframe. Liquidity risk is managed though our Board approved liquidity risk management policy.

## Liquidity Risk Management Policy

PFSL's Liquidity Risk Management Policy outlines:

- the monitoring and management of liquidity risk at both the RE and scheme level (including the specifications of stress testing and scenario analysis);
- the reporting of liquidity risk to the PFSL Board and Compliance Committee, the Pinnacle Risk & Compliance function and PFSL's appointed Investment Managers (as relevant); and
- the relevant actions and responsibilities should a liquidity crisis emerge by providing the framework for a formal contingency plan.

The PFSL Board has articulated its appetite for liquidity risk as part of its overall Risk Appetite Statement.

## Ongoing monitoring and reporting

PFSL has processes in place for the automated calculation of liquidity across the schemes it operates, incorporating escalation triggers if liquidity for a scheme is approaching certain thresholds, so that the relevant Investment Manager can address the deterioration in liquidity, and if necessary, Risk & Compliance and the Board can ensure that appropriate measures are adopted to respond to the reduced liquidity. To ensure the prudent management of liquidity risk, quarterly liquidity reports (including details of stress testing and scenario analysis performed) are provided to the PFSL Board and Compliance Committee, senior management and Investment Managers (where relevant).

## Scenario Analysis and Stress Testing

PFSL's liquidity risk calculation methodology models the ability to fund redemptions under both normal market conditions and during a 'stressed' state. This approach ensures that liquidity risk is considered under a range of market conditions. The scope of the stress testing and scenario analysis is subject to ongoing review to ensure that it remains relevant and appropriate for the schemes we operate.

## Liquidity Crisis Plan

PFSL maintains a crisis plan that outlines the key stakeholders to be consulted and key decision-makers to be involved and the likely actions to be taken to respond to situations in which a scheme or PFSL itself is experiencing unacceptable levels of liquidity. The crisis plan is reviewed at a minimum annually, in line with the policy review cycle and approved by the PFSL Board.

## Review

In accordance with ASIC Regulatory Guide 259 *Risk Management systems of responsible entities* (**RG 259**), PFSL's liquidity management policy is reviewed at a minimum annually.

## How can you contact us

If you have any questions or feedback about this Liquidity Management Statement, require a copy of our Liquidity Management Policy or have any questions, please contact us on 1300 010 311 or invest@pinnacleinvestment.com.