Liquidity Rules

Ensuring flexibility while preserving returns

Liquidity is an integral element of portfolio construction, not an afterthought. A disciplined framework ensures that portfolios retain the flexibility to manage risks, fund hedges, and address investor requirements—without disrupting long-term allocations or compounding potential.

Cash Buffer

- A **5% cash buffer** is maintained consistently across portfolios
- Cash holdings are placed in a segregated account that earns approximately **4% annualized return**, ensuring liquidity remains productive
- This buffer serves as the primary source for supporting hedging strategies while also providing operational flexibility

Review & Adjustment

- **Weekly Monitoring**: Liquidity levels are reviewed to ensure adequacy for hedge coverage and operational requirements
- **Monthly Rebalancing**: Buffers are reset at month-end, with adjustments based on prevailing market conditions, hedge intensity, and client inflows/outflows
- **Redeployment of Hedge Profits**: Any profits realized from hedging activities are systematically redeployed into the **core portfolio**, ensuring gains from risk management strategies contribute directly to long-term compounding

Objective

The liquidity management approach is designed to balance **agility with efficiency**:

- Capital is always accessible for hedging requirements and client needs
- Even idle liquidity contributes positively to returns through systematic deployment
- Hedge gains are reinvested into the growth engine of the portfolio, reinforcing the compounding cycle