

<b>Institutional Policy</b>	
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## **LIQUIDITY RISK MANAGEMENT MANUAL**

## 1. INTRODUCTION AND OBJECTIVE

This Liquidity Risk Management Manual ("Manual") aims to establish the set of principles, guidelines, procedures, attributions and responsibilities required to control and manage the liquidity risk of the investment funds and separately managed accounts portfolios ("Investment Vehicles") managed by **CAPSIGMA INVESTMENT PARTNERS LTDA.** ("Manager") and which follow the rules set forth in CVM Resolution No. 175, of December 23, 2022 ("CVM Resolution 175").

This Manual has been prepared in accordance with Manager's internal policies, including its Code of Ethics, Internal Controls Manual and Risk Management Policy (collectively, "Internal Policies"), and is in compliance with the applicable rules, in particular CVM Resolution No. 21 of February 25, 2021 ("CVM Resolution 21") and ANBIMA's "*Código de Administração e Gestão de Recursos de Terceiros*" and its "*Regras e Procedimentos do Código de Administração e Gestão de Recursos de Terceiros*" ("ANBIMA Code").

This Manual was also prepared in accordance with the fiduciary obligations under the Investment Advisers Act of 1940 and the requirements of Rule 206(4)-7, which mandates the implementation of written policies and procedures reasonably designed to prevent violations of applicable law. Additionally, the Manager observes the principles of Rule 204-2 with respect to recordkeeping and, when relevant, aligns with industry best practices derived from Rule 22e-4 under the Investment Company Act of 1940.

This Manual describes, among other things: (i) the liquidity control and management procedures to be observed in the Investment Vehicles' portfolios; (ii) the criteria and methods used; (iii) the minimum liquidity levels required; (iv) the governance adopted and the measures implemented in the event of non-compliance with the liquidity limits; (v) the frequency of the liquidity control report; and (vi) the frequency of revision of this Manual.

For the purposes of this Manual, the Portfolio Manager and the Chief Compliance Officer are those individuals formally appointed in the Manager's Articles of Association. The Chief Compliance Officer also assumes the responsibility of the Chief Risk Officer, and, unless otherwise specified, references to the Chief Compliance Officer shall encompass both compliance and risk management functions. The Investment Team shall include all members of the investment department, including the Portfolio Manager.

## 2. GENERAL PRINCIPLES

Liquidity risk consists of the possibility of an Investment Vehicle (i) not being able to efficiently honor its expected and unexpected obligations, current and future, including

those arising from the binding of guarantees, without affecting its daily operations and without incurring significant losses; and/or (ii) not being able to trade a position at market price, due to its large size in relation to the volume normally traded or due to some discontinuity in the market.

Thus, from this definition we derive two concepts that are related to each other in the liquidity risk management of Investment Vehicles:

- I. Market Liquidity Risk: the risk of incurring losses when liquidating one or more positions due to variations in asset prices. The longer the period required to liquidate a position, the greater the risk; and
- II. Cash Flow Liquidity Risk: is the risk related to the mismatch between the settlement of a Investment Vehicle's investors and assets.

In order to mitigate liquidity risk, the Manager adopts mechanisms to monitor and manage the liquidity of the Investment Vehicles' asset portfolios, as well as their short-term investors, monitoring liquidity on a daily basis using internal tools.

In this sense, the Manager favors investment in liquid assets, in order to mitigate the risk of market liquidity when closing positions and ensure greater agility in adjusting positions, offering greater protection in periods of high volatility.

The quality of the investors is also a preponderant factor in the liquidity risk of the Investment Vehicles. Therefore, weighing up the concentration and history of redemptions of investors of a given profile, which may be made up of institutional clients, insurance companies, companies or individuals through platforms, is crucial to mitigating the risk of a mismatch in the settlement times of the Investment Vehicles' investors and assets.

Therefore, data such as: (i) liquidity characteristics and trading volume of financial assets; (ii) participation and availability of assets in the Investment Vehicles' portfolios; (iii) margin calls, adjustments and guarantees deposited; (iv) asset concentration limits; (v) regulatory deadline for settlement of redemption requests by the Investment Vehicles; (vi) degree of dispersion of share ownership; (vii) historical behavior of the Investment Vehicles' investors and obligations.

The Manager shall ensure that liquidity risk management practices are consistent with its fiduciary duty to act in the best interest of each client, including the duty to provide fair treatment across all investment vehicles managed and to prevent any undue dilution or harm to redeeming and remaining investors.

### **3. LIQUIDITY CONTROL**

The main aspects of the liquidity risk control methodology adopted by the Manager are described below:

#### **3.1. Control of Asset Liquidity**

For some assets traded on the secondary market, such as government bonds, private bonds, shares and futures contracts, where it is possible to measure the number of contracts traded on a daily basis, the liquidity control of these assets that make up the Investment Vehicles' portfolios is carried out by calculating the number of trading sessions required to settle a predetermined minimum portion of the portfolio, based on the median of the amount traded daily in the last 90 (ninety) trading sessions (excluding primary or secondary offers, at the discretion of the Risk area), considering a 20% share in the volume traded.

For other assets, such as exchange-traded options and over-the-counter derivatives, a more conservative assumption is made that these financial assets can only be liquidated and transformed into cash on their respective maturity dates. Exchange-traded options differ in terms of their liquidity, depending on the underlying asset, maturity date and delta (*moneyness*). For over-the-counter derivatives, liquidity is often even lower.

Assets deposited as margin or collateral will be considered available only after the reversal of the position that demanded them, with the deadline for selling the asset counting from the date of release. The number of trading sessions required to liquidate each position individually is also monitored, identifying those positions that contribute most to increasing liquidity risk.

This control is carried out individually for each trading vehicle, and the positions of all trading vehicles that follow the same strategy are also consolidated, making it possible to control liquidity risk conservatively and consistently with the investment process.

In order to keep in line with the predetermined minimum liquidity level, the Investment Vehicles must operate with a sufficient portion of the portfolio in cash or in more liquid assets, preserving their availability.

#### **3.2. Investor Redemption Risk Control**

As required under Brazilian regulation and aligned with the Manager's internal risk governance applicable to all investment vehicles under management, including U.S. separately managed accounts, the Manager adopts procedures to identify and mitigate

liquidity risk arising from the investor redemption profile of each investment vehicle. Although such granular treatment of investor behavior is not expressly required under U.S. regulation, including the Investment Advisers Act of 1940 or Rule 22e-4 under the Investment Company Act, the Manager understands that a proactive and data-based approach to redemption patterns reinforces its fiduciary duties and strengthens its liquidity oversight framework.

To this end, the dispersion of share/unit ownership and the historical and projected redemption behavior of each investment vehicle are continuously monitored. Based on this information, a tailored minimum liquidity threshold is determined for each investment vehicle.

When calculating investors' concentration, the Manager shall consolidate investors that are subject to a common decision-making structure into a single group. This includes, for example, investment vehicles under the same management, related or affiliated companies, individuals and their controlled entities, family groups, or any other situations in which investors are deemed to act in concert. Additionally, in all liquidity risk scenarios and simulations, the Manager excludes any proprietary investments from the shareholder base and assumes no future contributions from current shareholders.

Accordingly, to incorporate investor behavior into liquidity risk management, both on a historical and prospective basis, the Manager considers the following factors when setting minimum liquidity thresholds:

- i.** Redemptions already requested and expected to be paid daily between D+0 and D+5;
- ii.** the minimum liquidity percentage for the Investment Vehicle in its respective subscription period;
- iii.** the percentage of the Investment Vehicle's net assets held by its largest shareholder, provided it is less than 90%, and this data is updated daily. The analysis is carried out by looking at the degree of concentration of investments from the point of view of the individual shareholder, allocator and distributor;
- iv.** the VaR History of the Investment Vehicle's monthly redemptions, with a 95% confidence interval. When the Investment Vehicle has insufficient history, a sample of similarly rated funds is used to calculate the VaR metric mentioned above;
- v.** investor segment, which refers to the holdings, in each vehicle, of each segment (retail, private banking, legal entities, closed supplementary pension entities, institutional (insurance companies, open supplementary pension entities

and capitalization companies) and others. This information is obtained monthly from ANBIMA;

**vi.** the Investment Vehicle's redemption probability matrix presents a market average for the percentage of redemptions within certain timeframes, taking into account the different types of investor segments.

The redemption probability matrix is constructed according to two methodologies:

- ANBIMA-Based Redemption Matrix: A weighted matrix built using the redemption patterns of each investor segment, proportionally adjusted by each segment's participation in the Fund. The liquidity analysis incorporates both the "Average" and "95th Percentile" matrices, sourced monthly from ANBIMA.
- Proprietary Redemption Matrix: A model developed internally using gross monthly redemption data from a peer group of funds with similar characteristics to the Funds managed by the Manager. This proprietary matrix also includes "Average" and "95th Percentile" scenarios.

Additionally, mitigating and aggravating factors affecting investor redemption behavior are regularly reviewed, including the Fund's subscription and redemption terms, applicable exit fees, overall performance, and any temporary closure of the Fund to new subscriptions.

### **3.3. Liquidity test under normal conditions**

Liquidity tests consist of *soft limits* and *hard limits* indicators, based on the criteria described above, in order to assess the adequacy of the Investment Vehicle portfolios' assets to their respective investors.

Likewise, following the same assumptions, the portion of the portfolio that can be liquidated within certain timeframes is estimated, including the regulatory timeframe for liquidating redemption requests. In addition, the time windows should include intermediate windows so that it can be assessed whether the Investment Vehicle has adequate liquidity to meet redemptions that have already been requested and that occur in the very short term, as well as having the capacity to meet unforeseen redemptions and other payment flow mismatches.

The deadlines for which the Investment Vehicle's liquidity is assessed, in working days, are the deadlines of 0 (zero), 1 (one), 2 (two), 3 (three), 4 (four), 5 (five), 10 (ten), 21 (twenty-one), 42 (forty-two) and 63 (sixty-three) days.

Based on the above information, three simultaneous tests are carried out to assess the liquidity sufficiency of each of the Investment Vehicles:

**i) Immediate Liquidity x Expected Redemptions and Settlements**

For all the days between D+0 and D+5, the liquidity conditions of the Investment Vehicles are assessed by simultaneously comparing the liquidity generated (a) through the use of assets with immediate liquidity plus the sale of other assets, in accordance with the methodology described in section 3.1. of this Manual, with (b) the liquidity demand arising from the settlement of redemptions already requested plus other obligations assumed by the Investment Vehicle in this period such as daily adjustments, margin calls and other disbursements already incurred by the vehicle.

**ii) Minimum Liquidity at Quotation Time**

For the Investment Vehicle's subscription period, the liquidity conditions of the Investment Vehicles are assessed by comparing (a) the liquidity that can be generated up to the Investment Vehicle's subscription date, according to the methodology described in section 3.1. of this Manual, with (b) the worst-case scenario for investors among the minimum liquidity limit for the subscription period, the percentage of investors represented by the largest shareholder and the Historical VaR of redemptions, according to the criteria described above for this parameter. This is the indicator considered to be a *hard limit* among all the indicators calculated according to this liquidity methodology.

**iii) Redemption Probability Matrix**

For each of the following deadlines: D+0; D+1; D+2; D+3; D+4; D+5; D+10; D+21; D+42; and D+63 the liquidity conditions of the Investment Vehicle are assessed by comparing (a) the liquidity that can be generated for each of the above periods, according to the methodology described in section 3.1. of this Manual, with (b) the liquidity demand arising from the settlement of redemptions already requested plus the other obligations assumed by the Investment Vehicle in this period such as daily adjustments, margin calls and other disbursements already incurred by the Investment Vehicle, plus the redemptions projected by ANBIMA's redemption probability matrix, in the worst case between the average and the 95% percentile.

The same analysis is carried out for the redemption probability matrix based on the sample collected according to our own methodology.

### **3.4. Stress Liquidity Test**

In addition, the Manager carries out a daily Liquidity Stress Test, verifying each Investment Vehicle's ability to meet its future obligations, according to the following assumptions:

#### **i. Asset**

Drop in the volume traded on the market to 50% of the liquidity metric used under normal conditions, as defined in section 3.1. of this Manual.

#### **ii. Investor Redemption**

The worst value of the two criteria below is adopted:

- a. Redemption request between D+10, D+20 and D+30 of, respectively, 10%, 10% and 15% of the Investment Vehicle's net assets;
- b. The Investment Vehicle three largest investors, on the date of analysis, are simultaneously requesting total redemption.

Thus, the purpose of the Liquidity Stress Test is to simulate a more extreme scenario of a request for early redemption in an amount higher than the historical average of redemptions observed for each Investment Vehicle, which could occur due to an acute crisis in the financial and capital markets, or relevant changes in the national or international micro or macroeconomic scenarios. Within the risk governance established at the Manager, the results of the Liquidity Stress Tests must be an integral part of the daily liquidity risk report. However, the Liquidity Stress Test is not a limiting factor in the Manager's investment process. In any event, should the Investment Vehicle not be able to meet its future obligations within the assumptions of the Liquidity Stress Test, the Compliance and Risk Committee will be convened to assess the results of the test.

### **3.5. Cash Flow Control of Daily Operations**

Considering the total cash available, including government securities, repurchase agreements backed by government securities and quotas of investment funds that invest exclusively in government securities, compared with the required guarantee margins, the forecast of daily adjustments to futures contracts, the financial settlement of stock exchange transactions, the settlement of redemption requests and other obligations of the Investment Vehicle, daily monitoring is carried out of each Investment Vehicle's projected cash availability in the short term, within the horizon of D+ 0 to D+5.

This mitigates the risk of non-compliance with the Investment Vehicles' short-term obligations.

### **3.6. Credit Assets**

There is no provision for Private Credit assets to make up the portfolios of the Investment Vehicles managed by the Manager. Should this situation arise in the future, control will take place in accordance with the wording below.

For the analysis of Private Credit assets, the provisions of the Liquidity Calculation Methodology for Investment Vehicle with Investments in Private Credit Assets, defined by ANBIMA, must be observed, without prejudice to the use of additional, more restrictive methodologies. In order to ensure consistency with the provisions of ANBIMA, the two liquidity factors (Fliq1 and Fliq2) are applied to the analysis of the assets that make up the portfolio, for each term, from which a factor reducing the term of the security (Red) is obtained. Therefore, in order to obtain the security's final maturity adjusted for liquidity, the asset's flow maturity (Fliq1 and Fliq2) must be multiplied by the security's reducer (Red).

In certain cases, private credit assets with reduced liquidity may come to represent a significant portion of the Investment Vehicle's portfolio. In these cases, the Compliance and Risk Committee monitors the liquidity risk of the Investment Vehicle, taking into account the characteristics and factors related to each asset, especially the credit quality of the issuer, a factor which strongly influences the liquidity of this asset class. Therefore, the Manager will additionally adopt the following liquidity management practices for credit assets, where applicable:

- i.** Taking into account expected cash flows, redemption payment terms and the periods in which redemptions can be requested and maintaining sufficient cash for a given period defined according to the characteristics of the investors and the investments in the portfolio;
- ii.** The possibility of using the secondary market to sell assets should also be considered when managing the liquidity of private credit assets;
- iii.** If necessary, establish a minimum cash conversion rate or a percentage of immediate liquidity of credit transactions, to be defined by the Compliance and Risk Committee; and
- iv.** In the case of Investment Vehicle with investors who can redeem a significant amount at any time and investments in assets with an incipient secondary market or low liquidity, assess the advisability of using exclusive or

closed vehicles.

#### **4. PROCEDURES IN CASES OF DISAGREEMENT**

If any divergence is identified in relation to the parameters and limits established in this Manual, the Portfolio Manager will be immediately informed by the Chief Compliance Officer so that he/she can take the necessary measures and the parameters can be re-established. In this case, the Portfolio Manager must promptly propose to the Chief Compliance Officer an action plan for reframing the portfolios, including the timeframe required for this, with the latter's consent being required, without prejudice to the adoption of additional measures to be determined by the Chief Compliance Officer, with the *Compliance* and Risk areas being responsible for monitoring the situation until it is regularized.

In the event of divergences from this Manual or in atypical market situations or situations not covered herein, the Chief Compliance Officer may convene the Compliance and Risk Committee, with the participation of the Portfolio Manager, to decide on an action plan aimed at mitigating the effects of such divergence or situation.

As a last resort, if necessary, the Chief Compliance Officer has full autonomy to enforce the adherence of portfolios to internal policies.

There is no limit that allows for the possibility of the liquidity limits of the Investment Vehicles to be exceeded.

#### **5. SPECIAL SITUATIONS OF ILLIQUIDITY**

Occasionally, liquidity risk may be increased in Special Illiquidity Situations, related to systemic factors or events specific to a given asset. In these situations, the Portfolio Manager will seek to maintain a greater portion of each investment vehicle's portfolio in more liquid assets. In any case, in such situations, the Chief Compliance Officer will extraordinarily convene the Compliance and Risk Committee to define, together with the Portfolio Manager, the action plan best suited to the situation, considering among other options: a) the immediate readjustment of the portfolios; b) the gradual readjustment of the portfolios, within a defined timeframe; or c) the closure of the Investment Vehicle for investment/redemption and the calling of a shareholders' meeting.

The Chief Compliance Officer must also notify the administrators of the respective Investment Vehicles of the occurrence of Special Situations of Illiquidity in the portfolios and the determined action plan, with the administrators having the prerogative to suggest the reframing of the portfolios in order to comply with the requirements related

to the investors of these vehicles.

## **6. GOVERNANCE**

### **6.1. Liquidity Risk Management Structure**

The Manager's Risk area is responsible for liquidity risk management and all associated controls, and has a totally segregated and independent structure, with no subordination to other areas of the Manager. The organizational structure is reinforced by the Compliance and Risk Committee, the internal body responsible for establishing guidelines and supervising the liquidity risk management and control process at the Manager. The composition of the Manager's Compliance and Risk Committee includes the Chief Compliance Officer, the other components of the Compliance and Risk area and the other directors of the Manager, which mitigates potential conflicts of interest with the Investment Team.

### **6.2. Roles and responsibilities**

All employees directly or indirectly involved in investment vehicle management activities must comply with the guidelines of this procedure, the practices and internal controls necessary for liquidity risk management, as well as, where applicable, the specific rules of the regulators and self-regulators of all the jurisdictions affected. As a fundamental part of the investment management and risk control process, this is a shared obligation of the Investment Team and the Chief Compliance Officer.

#### ***i. Investment Team***

- a. Acting as the first line of defense in managing the liquidity risk of all the Investment Vehicles managed by the Manager;
- b. Ensuring that all operations carried out on Investment Vehicles comply with the respective liquidity parameters of each vehicle;
- c. Acting in a timely manner in situations where mismatches occur, as indicated by the Risk area, proposing an action plan to correct the mismatch.

#### ***ii. Risk***

- a. Acting as the 2nd line of defense in managing the liquidity risk of all the Investment Vehicles managed by the Manager;
- b. It is responsible for Liquidity Risk Management at Manager, and its main task

is to identify, measure, monitor and control liquidity risk, verifying and ensuring compliance with this Manual;

- c. It is responsible for the execution, quality of the process and methodology, as well as for keeping the documents that contain the justifications for all the decisions taken;
- d. Submit a liquidity control report for each Investment Vehicle managed by the Manager at the intervals defined in this Manual;
- e. Revise this Manual frequently, at least annually or less, in the event of changes in applicable regulations or market functioning;
- f. The Chief Compliance Officer must notify the Investment Vehicles administrator of events of illiquidity of the financial assets comprising the Investment Vehicle's portfolio, as well as the action plan.

### ***iii. Compliance***

- a. Acting as the 2nd line of defense in managing the liquidity risk of all the Investment Vehicles managed by the Manager;
- b. Ensuring that the Manager's liquidity risk procedures are up-to-date and compliant with the rules of regulatory and self-regulatory bodies;
- c. Define the annual date (at least) for reviewing this Manual and coordinate the areas and tasks required for this review;
- d. Ensuring that this Manual is always registered with ANBIMA in its most up-to-date form and respecting the deadline from its amendment requested by the regulatory and self-regulatory bodies;
- e. Define a process, in conjunction with the Risk area, to ensure that all documents, reports and information covered by this Manual are kept by the Manager for at least five (05) years, in accordance with applicable regulations.

### ***iv. Compliance and Risk Committee***

- a. Meet quarterly or exceptionally to review the liquidity conditions of the Investment Vehicles;
- b. Approve the liquidity risk management methodology proposed by the Risk

area;

- c. Approve and revise this Manual at the defined frequency;
- d. Decide on decisions escalated to the Compliance and Risk Committee on liquidity risk.

**v. Operations**

Providing daily information to the Risk area on each Investment Vehicle's projected cash availability in the short term, from D+0 to D+4, including margin calls, daily adjustments, guarantees and collateral, investments and redemptions and any other type of financial settlement arising from operations on the stock exchange or over-the-counter markets, including any other obligation.

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### Version Log

Date	Version	Approved by
03/10/2023	01	Chief Compliance Officer