

The product design decision sheet

Appendix A. Complete before drafting any documentation. Every row gets a reason, not a comparable: the redemption terms and the strategy decide the wrapper, not the reverse.

Fund		Prepared by	
Approved by		Date	

Decision	Options	Basis	Our choice	Reason, not a comparable
Strategy	Credit / real assets / secondaries / equity / multi	Natural cash generation of the assets		
Wrapper	ELTIF / open-ended AIF / LTAF / interval fund / other	Investor type, eligible assets, leverage needed		
Target investor	Retail / semi-professional / professional	Wrapper and distribution obligations		
Dealing frequency	Monthly / quarterly / annual	Portfolio realisation profile		
Notice period	30 / 60 / 90 / 180 days	The most valuable lever; longer is better		
Redemption cap	% per period and per year	Below the stress-tested capacity		
Unsatisfied portion	Lapse / queue	Behavioural consequences differ		
Pro-rating rule	Straight / small-holder protection	Mechanical and disclosed		
Minimum holding period	None / 12 / 24 months			
Early redemption fee	Rate and taper	Paid to the fund, not the manager		
Liquidity tools	Two from the harmonised list	One price tool, one quantity tool		
Sleeve target / floor / trigger	% of NAV	From stress testing, not convention		
Sleeve composition	Cash / govies / MMF / IG credit / listed	Least correlated with the private portfolio		
Leverage target and maximum	% of NAV; commitment-method exposure	Wrapper cap and the open-ended lending ceiling		
Credit facility	Size, maturity, covenants	Covenants tested against severe stress		
Management fee	% of NAV			
Performance fee	Rate, hurdle, HWM, crystallisation, deferral	Series accounting or equalisation		
Share classes	By channel, currency, minimum	Each one is operational cost		
Matching mechanism	Yes / no	Confirm the TA can do it		
Seeding	None / manager / affiliated fund	Independent valuation if from an affiliate		

The liquidity plan: where each redemption comes from

Chapter 4. For each quarter, base and stressed, how much of the expected redemption is met from each of the four sources. A plan that assumes continued net inflows is not a plan.

Fund		Prepared by	
Approved by		Date	

Base

Quarter	Expected redemptions	Net new subscriptions	Portfolio cash generation	Liquidity sleeve	Asset sales or borrowing	Sleeve after, % of NAV
Q1						
Q2						
Q3						
Q4						

Stressed: subscriptions at zero, cash generation reduced, obligations unchanged

Quarter	Expected redemptions	Net new subscriptions	Portfolio cash generation	Liquidity sleeve	Asset sales or borrowing	Sleeve after, % of NAV
Q1						
Q2						
Q3						
Q4						

Step	Done	Result
Setting the terms honestly, in order		
Model natural cash generation over twelve quarters, base and stress		
Add the liquidity sleeve		
Subtract obligations: undrawn commitments, capex, financing, expenses		
Solve for the redemption level payable without selling a private asset		
Set the cap below it; the difference is the margin for being wrong		
If the stated cap exceeds the stress-supported level: a board decision, recorded		

The sleeve: sizing, composition and the facility

Chapter 6. Size three ways and take the largest. Hold what is least correlated with the private portfolio. Treat the facility as a bridge, not a source.

Fund		Prepared by	
Approved by		Date	

Sizing approach	How	Result, % of NAV
Regulatory or structural minimum	What the wrapper requires: a floor, not a target	
Stress-based	Cap for several quarters, zero subscriptions, reduced cash, obligations continuing	
Obligations	Undrawn commitments, calls, capex, financing, next four quarters	
Target: the largest of the three		

Component	Holds or gains in risk-off?	Share of sleeve	Note
Cash and deposits			
Government securities			
Money market funds (their own terms)			
Investment-grade credit (falls when needed)			
Syndicated loans, high yield: semi-liquid layer, with a haircut, not the sleeve			
Listed proxies (correlate with the portfolio)			

Week	Sleeve, % of NAV	Floor	Soft trigger	Action if below trigger	Owner

Item	Done	Evidence or note
The facility		
Sized as a bridge, not a source		
Maturity beyond any plausible stress, staggered		
Covenants tested against the severe case before signing		
Policy on when it may be drawn for redemptions, who approves, for how long		
Counted towards the leverage limit (50 per cent of NAV for a retail ELTIF)		

The liquidity stress test

Appendix B and Chapter 11. Three outputs: the realisation profile, the scenario results and the reverse stress level. The gap between that level and the gate is the single most informative number a board can be shown.

Fund		Prepared by	
Approved by		Date	

Realisation profile	0-1 month	1-3	3-6	6-12	12+
Normal, % of NAV					
Normal, discount to carrying value					
Stressed, % of NAV					
Stressed, discount					

Scenario	Assumptions	Sleeve at the low point	Quarter it is reached	Assets sold?
Base	Historical redemptions; subscriptions at plan; normal realisation			
Severe	Cap for four quarters; zero subscriptions; cash reduced; prepayments halved; stressed discounts; obligations unchanged			
Largest decision-maker redeems in full				
Credit facility unavailable				
Valuation falls by 15 per cent				
Two largest positions unrealisable				

For the board, quarterly	This quarter	Last quarter	Movement
Reverse stress level, % of NAV a quarter			
Gate threshold			
GAP: reverse stress level less the gate			
Sleeve against floor and trigger			
Projected cash generation, four quarters			
Undrawn commitments, % of NAV			
Largest three decision-makers, % of units			

Case three runs this on two funds inside the book's ranges: a credit fund's severe reverse stress level sits at 4.9 per cent against a 5 per cent gate, a buyout fund's at 3.2. A negative gap is a decision to gate, and belongs in a board paper.

The monthly liquidity dashboard

Appendix C and Chapter 18. Two pages for the board every month; this is the first. Current, prior, trend, against the limit.

Fund		Risk function	
Month		Circulated	

Metric	Target / limit	Current	Prior	Trend
Sleeve, % of NAV (floor / trigger / target)				
Sleeve composition: cash / govies / other				
Undrawn commitments, % of NAV				
Portfolio cash duration, years				
Realisable within 3 months, % of NAV				
Projected cash generation, next 4 quarters				
Subscriptions, period				
Redemption requests, % of NAV (cap)				
Proportion of cap used				
Redemption requests, 4-quarter trend				
Investor concentration, largest 3 decision-makers				
Reverse stress level				
Gap: reverse stress level less gate threshold				
Facility headroom				
Covenant headroom, tightest				
Look-through leverage (limit)				
Valuation: age of inputs at the dealing date				
Conflicts: allocations, exceptions, cross-fund, connected dealing				

Valuation governance

Appendix D and Chapter 9. In an evergreen fund the mark is the price: every judgement moves money between the investor entering, holding and leaving.

Fund		Valuation committee chair	
Quarter		Date	

Item	Done	Evidence or note
Policy		
Methodology documented per asset class		
Roll-forward for interim dealing dates, written and mechanical		
Lagged underlying fund valuations: treatment applied symmetrically		
Trigger events requiring revaluation defined		
Independent input specified		
Process		
Full valuation at least quarterly, with analysis per position		
Interim valuation at each dealing date per the roll-forward		
Committee chaired outside the investment team		
Risk function present, with a mandate to disagree		
Minutes record challenge, not only conclusions		
Departures from model output documented with reasons		
Disclosure		
Methodology by asset class disclosed		
Valuation lag and its treatment disclosed		
Independence arrangements disclosed		

Test that the process works	Result this quarter	Flag?
Dispersion: are marks moving?		
Realisation back-testing: realised against last carrying value		
Write-down timing: first mark-down against first deterioration		
Symmetry: net flows against valuation direction		
Age of inputs used at each dealing date		

The redemption processing runbook

Appendix E and Chapter 16. Test the pro-rating end to end, with the administrator and the transfer agent, on a simulated oversubscribed quarter before launch.

Fund		Dealing date	
Cap this period		Owner	

When	Task	Owner	Done
T-15	Deadline for requests; collected from platforms, nominees, direct		
T-12	Validation: identity, holding, minimum holding period, minimum size		
T-10	Aggregation against the cap; matching run against subscriptions		
T-8	If the cap binds: proration calculated, independently checked, archived reproducibly		
T-7	Distributors notified, with numbers, before investors		
T-5	Confirmations: amount met, proportion, balance, payment date		
T-5 to pay	Liquidity assembled: matching, portfolio cash, sleeve, facility only if policy permits		
Dealing date	NAV struck; anti-dilution applied; units cancelled		
Payment date	Settlement per class and currency; register updated; reconciled		
Post-cycle	Board: requests, proportion met, sources used, sleeve movement, levy collected, next quarter's expectation		

Item	Done	Evidence or note
If the cap binds, also		
Adviser webinar within one week		
Stress test updated with the actual data		
Plan for next quarter's requests higher than this one's		
Review of the redemption terms on the next board agenda		

Proration check	Value
Requests, % of NAV	
Cap, % of NAV	
Proportion met = cap / requests	
One investor's request, and amount met, reproduced	

When the cap binds: the investor letter

Appendix F and Chapter 21. The disclosure determines the outcome. State these, in this order; distributors first, with the numbers.

Fund		Drafted by	
Approved by		Sent	

In this order	Our text
1. Total requests received, as a percentage of the fund	
2. The cap, and where it is disclosed	
3. The proportion met	
4. What happens to the unsatisfied portion, and what the investor should do	
5. How the redemption was funded, and that no assets were sold at a discount, if true	
6. The fund's current liquidity position	
7. Why the mechanism exists, and whose interests it protects	
8. What the manager expects next quarter	
9. The date of the next update	

Item	Check ed	Note
Avoid		
Describing the gate as a technical adjustment		
Blaming market conditions without explaining the mechanism		
Any statement about future redemption capacity that cannot be guaranteed		
Silence between updates		

First activation of a tool: add which tool, the date, the authority, the criteria for lifting it, and whether the competent authority was notified. Every quarter, whether or not anything happened: sleeve, requests received and met against the cap, realisation profile, tools activated, undrawn commitments, leverage and facility headroom.

The allocation record

Appendix G and Chapter 13. The policy is judged by its records. One row per investable opportunity; the pattern, reviewed quarterly, is what reveals a bias.

Manager		Allocation committee	
Quarter		Reviewed by	

Opportunity and size	Vehicles eligible; why any excluded	Allocation made	Rule applied	Exception and reason	Decided by	Date

Question	Ready	Where the answer is
What allocators ask		
Show the policy and four quarters of allocation data		
How many exceptions, and what were they?		
Cross-fund transactions: how priced, how approved, disclosed to whom?		
How were the seed assets valued, and by whom?		
What share of the portfolio was originated by this team, and what share came from another vehicle?		

The operational due diligence question set

Appendix H and Chapter 19. About two hours of the right questions separates a well-built product from a well-marketed one.

Fund		Reviewer	
Meeting date		Verdict	

Question	Asked	Answer as given
Liquidity		
Terms precisely: frequency, notice, cap, pro-rating, balance, holding period, fee, suspension		
Twelve-quarter cash projection, base and stress		
Reverse stress level and gap to the gate		
Share of historical redemptions met from new subscriptions		
Sleeve composition, floor, trigger and breach history; its cost in basis points		
Valuation		
Who values, with what independence		
Underlying valuation lag and the roll-forward, in writing		
Dispersion of marks over eight quarters; realisation back-testing; write-down timing		
Symmetry of flows against valuation direction		
Fairness		
Anti-dilution: mechanism, rate, basis, back-testing		
Matching mechanism, and whether used		
Performance fee equalisation: series, adjustment, or nothing		
Side letters with preferential redemption terms (should be none)		
Connected-party dealing policy and disclosure		
Conflicts and investor base		
Allocation policy with four quarters of data; exceptions		
Cross-fund transactions; seed asset valuation; share originated elsewhere		
Concentration by decision-maker; channel mix and total cost by channel		
Redemption history by quarter, with the cap alongside		
Operations		
Proration tested end to end on a simulated oversubscribed quarter		
Transfer agent: matching, swing pricing, reproducible proration		
Valuation-to-dealing timetable; the late-input procedure		
Transfer agent capacity in a stressed month		

Three answers that should end the process: "we have never modelled redemptions above the cap"; "our valuations are conservative" with no back-testing; "redemptions have never been an issue because inflows always covered them".

Fair treatment and total cost, for the board

Chapters 10 and 14. Five numbers each quarter almost no fund produces as a set, and the cost the investor actually pays, class by class.

Fund		Prepared by	
Approved by		Date	

The five fair-treatment numbers	This quarter	Comment
Net flow, and valuation direction, in the same period		
Anti-dilution collected against realised costs		
Age of valuation inputs used at each dealing date		
Connected-party dealing		
Any instance of pro-rating not applied mechanically		

Total annual cost, % of NAV	Institutional	Retail	Other class
Management fee			
Performance fee: accrual, and estimate at target return			
Distribution and servicing fees			
Ongoing fund expenses			
Financing costs			
Transaction-based fees charged to the fund			
TOTAL			
Sleeve drag (not a fee, economically identical)			
Crystallised and deferred performance fee			
Fees to the manager or affiliates, from the fund or the assets			

Know the asset-weighted average total cost across channels. The same fund can cost an institution 1.3 per cent and a retail client 2.6; only the second is what most investors pay.