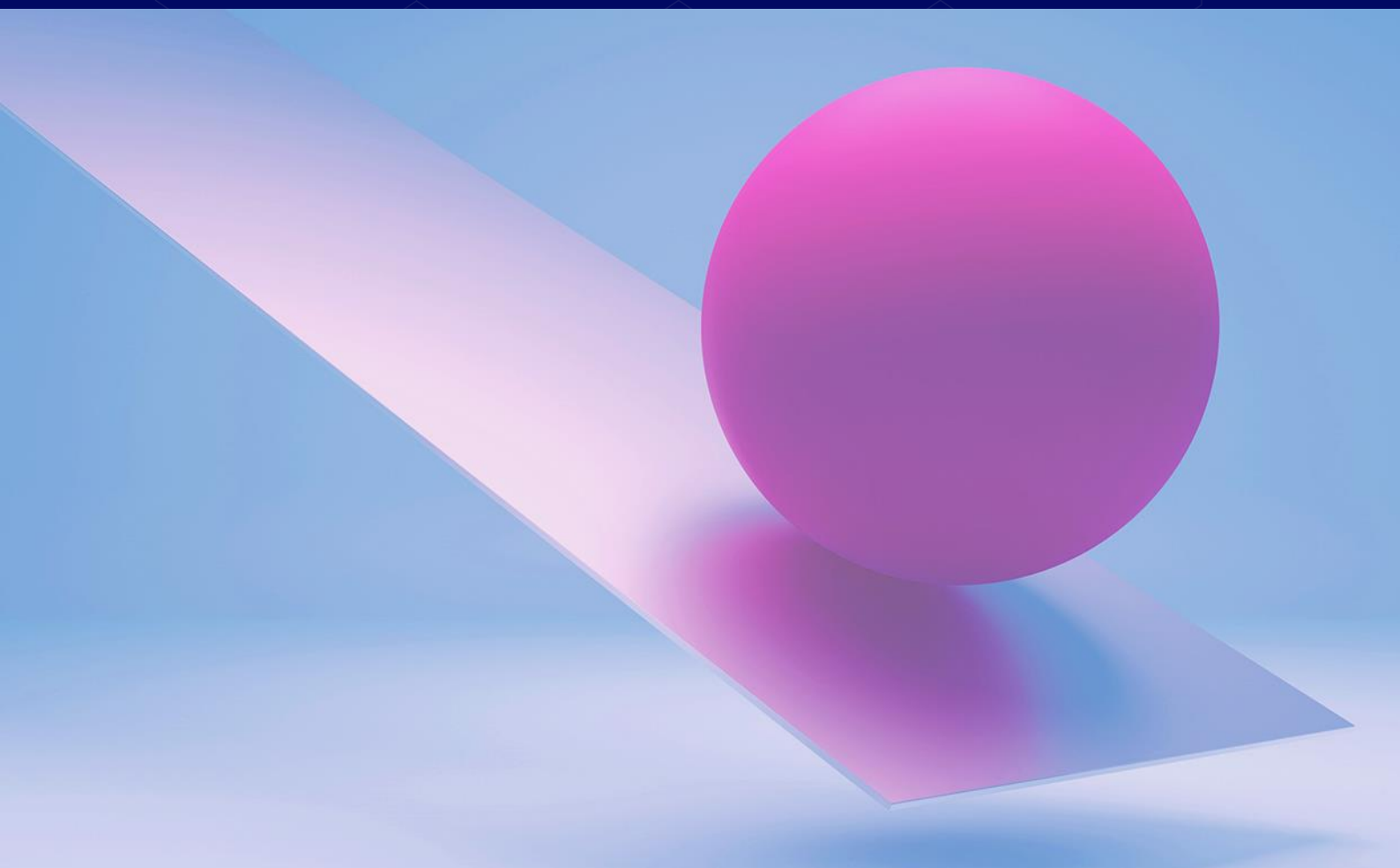


Northern Horizon Capital AS

Valuation Policy

November 2024

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Operating principle/instruction	Northern Horizon Capital AS Valuation Policy
Information security classification	Internal Use
Person(s) responsible for the policy	Management Board
Approved	By the Management Board on 12 November 2024
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Policy affects	Northern Horizon Capital AS personnel and management
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1. Introduction

The valuation process of the alternative investment funds (**AIFs**) which Northern Horizon Capital AS (**AIFM**) manages is described in this document (**Valuation Policy**). One key feature of the valuation process is appointing of an external independent real estate valuator to perform valuation services of AIF's Property investments. The AIFM shall not invest in a particular type of asset for the first time unless an appropriate valuation methodology or methodologies have been identified for that specific type of asset.

The AIFM shall inform the Financial Supervision Authority (**FSA**) of the valutors of Properties chosen and the criteria on the basis of which the valutors were chosen.

The Valuation Policy and the designated valuation methodologies shall be applied consistently across all AIFs managed by the AIFM, taking into account the investment strategies and the types of asset held by the AIFs, and, if applicable, the existence of different external valuers.

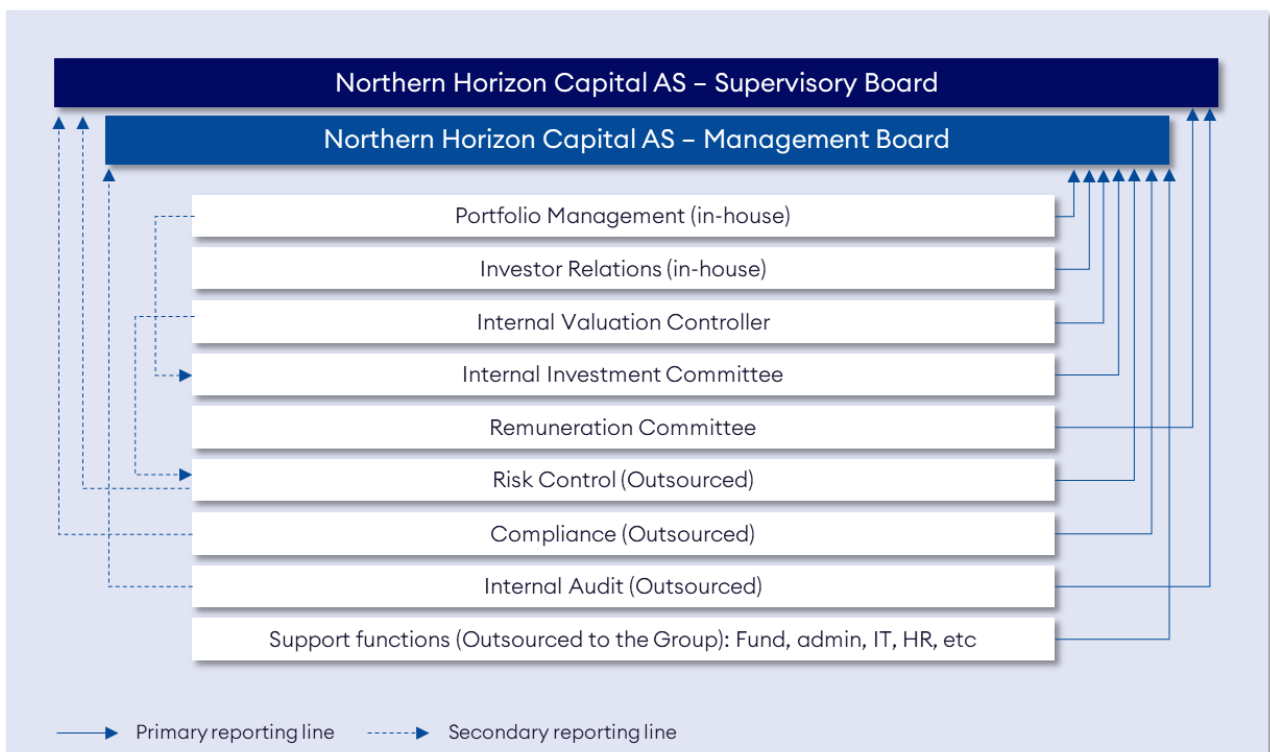
2. Definitions

AIF or Fund	means Alternative Investment Fund (a collective investment undertaking) managed by the AIFM, which (i) raises capital from a number of investors, with a view to investing it in accordance with a defined investment policy for the benefit of those investors; and (ii) which is not subject to UCITS regulation (Directive 2009/65/EC).
Assets	mean Securities, cash and other rights and assets acquired in the name of the AIFM and on the account or for the benefit of the Fund, excluding the Property.
AIFM	means Northern Horizon Capital AS, an alternative investment funds manager whose regular business is managing one or more AIFs, registry code: 11025345.
Compliance Function	means the function of AIFM whose purpose is to detect any risk of failure by the AIFM to comply with its obligations under Regulations, the associated risks and to perform other duties.
FSA	means the Financial Supervision and Resolution Authority of Estonia (in Estonian: <i>Finantsinspeksioon</i>).
Fund Controller	means a person or persons or a unit who perform(s) (i) financial risk control function and (ii) fund administration function whereas such functions may be, fully or partially, be performed at Group level or outsourced.
Fund Manager	shall have the meaning as defined in the Manual.
Fund Rules	means a document which stipulates the requirements for the Fund activities and the relationships between the AIFM and the Investors.
Group	means the AIFM together with all legal persons belonging to the same consolidation group with the AIFM.
Internal Valuation Controller	means a person or persons (eg valuation committee) designated by the AIFM for performing valuation control whereas such person(s) may be employed by the AIFM or another Group company. Internal Valuation Controller may be the same person(s) as the Fund Controller.
Investor	means unit-holder or holder of the Swedish Depository Receipt(s) of the Fund.
Manual	means the Manual of Internal Rules of the AIFM to which the present Valuation Policy is attached to as an Appendix.
Management Board	means the management board of the AIFM.

Exceptional Market Conditions	has a meaning described in Section 6.1.
NAV	means Net Asset Value (in Estonian: <i>vara puhasväärtus</i>), which is the value of Fund's assets minus the value of its liabilities.
Portfolio Management Function	means the function responsible for target selection, submission of proposed investment or divestment for final recommendation, execution of transaction. Portfolio Management Function is performed by the Fund Manager(s) responsible for the portfolio management. AIFM can hire investment manager to assist Fund Manager in implementation of this function.
Property	means real estate and rights related to real estate including right of superficies acquired in the name of the AIFM and on the account or for the benefit of the Fund.
Regulations	<ul style="list-style-type: none"> (a) mean the following: (b) Investment Funds Act of Estonia; (c) Regulation No 12 of the Minister of Finance of 31 January 2017 on the "Requirements for the regular reports, including requirements for own fund reporting of management companies to be submitted to the FSA, their content, the methods of preparation and the procedure for submission thereof"; (d) FSA guidelines; (e) Commission Delegated Regulation No 231/2013 of 19 December 2012; (f) other applicable acts.
Risk Management Function	means AIFM function aimed to identify and manage risks the realisation of which may express itself for Investors in a reduction in the net value of a unit (risks related to Funds) or which may result in the disruption of the orderly functioning of a Fund (operational risks).
Security or Securities	means a financial instrument defined in Article 2 of the Securities Market Act (in Estonian: <i>Väärtpaberituru seadus</i>) as well as shares in private limited companies (e.g. SPVs).
Valuation Policy	means the present document.

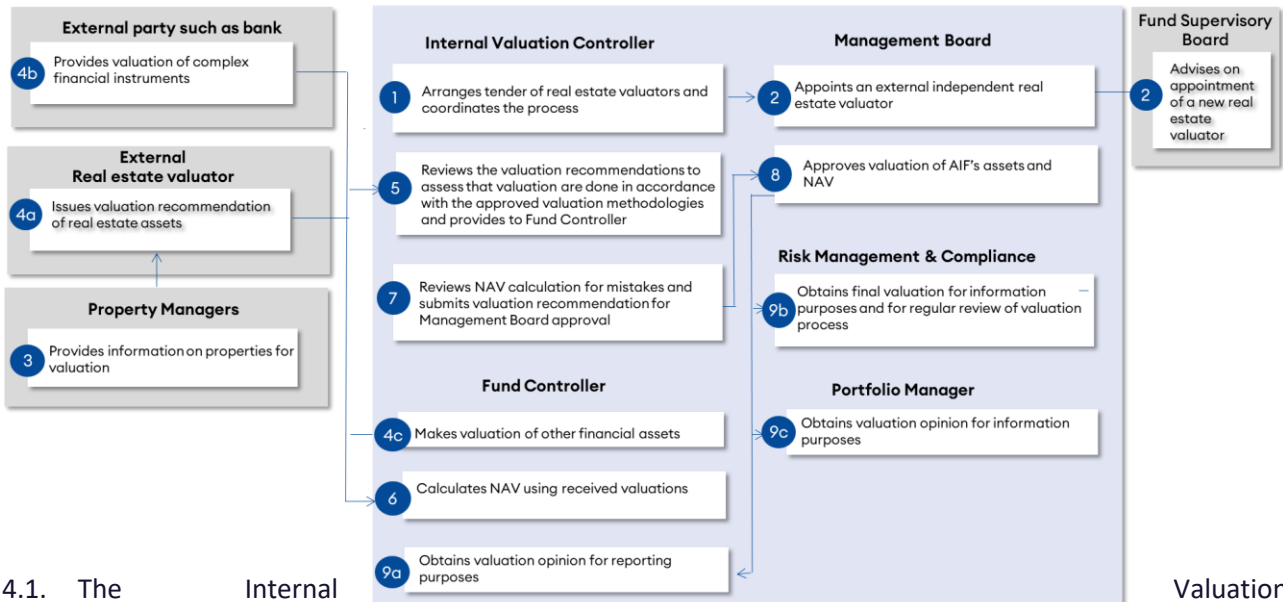
3. Organization

The below graph shows the valuation function in the context of AIFM's structure.



4. Valuation process

The below graph shows the valuation process which is described in more detail below.



- 4.1. The Internal Valuation Controller is responsible for coordination of the whole valuation process and implementation of it according to the Valuation policy. He/she arranges a tender of real estate valuation services. Result of the tender along with recommendation of real estate valuator is submitted for the Management Board approval (1).
- 4.2. The Management Board reviews tender results and recommendation of Internal Valuation Controller and appoints an independent external real estate valuator to provide a recommendation of the valuation of Properties of the AIF after consultation with the Fund Supervisory Board (2).
- 4.3. After agreement with the selected independent real estate valuator is signed, property managers appointed by the AIFM provide necessary information about the properties to external real estate valuator (3).
- 4.4. Internal Valuation Controller collects valuations required for NAV calculation from different parties and submits to the Fund Controller for NAV calculation:
 - (a) Valuation of the Properties held by the AIF from the external real estate valuator (4a);
 - (b) Valuation of complex financial instruments from the banks (4b);
 - (c) Valuation of other assets and liabilities like receivables, payables, loans, etc from Fund Controller (4c). In the case Fund Controller takes position of the Internal Valuation Controller then it makes valuation of other assets him/herself.
- 4.5. Before submitting valuations to the Fund Controller, Internal Valuation Controller reviews the valuation recommendations in order to assess correctness of actual data used and that Properties and Assets of the AIF are valued in accordance with the approved valuation methodologies and in consistent manner (5).

- 4.6. The Fund Controller also reviews valuations and calculates the NAV of the AIF based on the obtained valuation recommendations and delivers the NAV calculation to the Internal Valuation Controller (6). If Fund controller takes position of Internal Valuation Controller, then after reviewing valuations he/she calculates NAV that is also reviewed by Head of Fund Controlling to maintain four-eye principle.
- 4.7. The Internal Valuation Controller (or Head of Fund Controlling) reviews NAV calculations for correctness. Thereafter the Internal Valuation Controller delivers Internal Valuation Controller's recommendation of the valuation of the Properties and NAV as at a certain date to the Management Board for the approval (7).
- 4.8. The Management Board approves the NAV of the AIF delivered by the Internal Valuation Controller as well as the value of AIF's Properties and Assets (8).
- 4.9. Approved valuations of the AIFs' Properties and Assets and NAV of the AIF are delivered to:
 - (a) Fund Controller for reporting to investors purpose (9a);
 - (b) Risk Control Function and Compliance Function for information purposes and regular review of the valuation process (9b); and
 - (c) Portfolio Management Function for information purposes (9c).

After approval made by the Management Board, Internal Valuation Controller's statement of the valuation of the Properties and NAV shall be considered as final.

5. Further to roles of participants to the valuation process

5.1. External valuator

The Management Board shall appoint an independent external real estate valuator to provide a **recommendation of the valuation** of real estate assets (Properties) of the AIF. The selection of an external valuator is made on the basis of several criteria such as, for example, type of assets, experience (including personnel) and reputation of the available valutors. The appointed external valuator must hold a real estate valuator qualification and possess sufficient knowledge, experience and means to evaluate the assets of the AIF. The Properties of a public AIF may be evaluated only by an independent external real estate valuator. The external valuator of the Properties of a non-public AIF must meet the criteria established under the respective Fund Rules.

The valuation methodologies, models, assumptions as well as documentation provided by the outsourcing partner, i.e. the external real estate valuator, are reviewed and constantly evaluated by the Internal Valuation Controller. In the case the Internal Valuation Controller determines the need to change or adjust valuation methodology he/she provides such recommendation to the Management Board.

At the time of appointing the external valuator it is underlined that the valuation methodologies, underlying assumptions, rationale for the assumptions and sources of data used must be clearly written in the valuation recommendation. Also, the external valuator as a valuation professional is constantly evaluated according to the outsourcing rules of the AIFM, and change of external valuator is performed regularly.

If reasonably necessary or upon reasonable doubt (e.g. based on unjustified deviations from external valuator's recommendations from previous years, upon doubt that valuation methodology is not properly selected or applied, upon doubt that input data is not used consistently, transparently or otherwise properly or any data chosen solely by the decision of the external valuator is not used reasonably, consistently or transparently) of the value of Properties or Assets, the Internal Valuation Controller can recommend, or the Management Board can request after consultation with the AIF Supervisory Board to order valuation from another real estate valuator. In any case, the Internal Valuation Controller can use only real estate values provided by external valuator approved by the Management Board for the Internal Valuation Controller's recommendation of the valuation of the Properties, except in the cases of Exceptional Market Conditions described in clause 6.1.

Although Internal Valuation Controller can only use values of the external valuator in the Internal Valuation Controller's recommendation of the valuation of the Properties (final value of Properties and Assets determined in the Internal Valuation Controller's statement of the valuation of the Properties and NAV), the overall valuation process is considered internal in accordance with Article 19(4)(b) of the AIFMD which imposes requirements on the internal valuation function, notably that the valuation task should be functionally independent from the Portfolio Management Function and the remuneration policy and other measures such as employment of external valuations of the assets where it is possible, should be applied to ensure that conflicts of interest are mitigated and that undue influence upon the employees is prevented.

The remuneration payable to the Internal Valuation Controller for performing Internal Valuation Controller's function shall not be interdependent on valuations determined by the Internal Valuation Controller or on the results of the activities of Portfolio Management Function. The Management Board shall see that this principle is adhered to irrespective of whether the Internal Valuation Controller is employed by the AIFM itself (in which case the principle may be addressed e.g. in employment agreement) or by another Group company (in which case the principle may be addressed e.g. in the delegation agreement).

5.1.1. Valuation methodology applied by the external valuator

Valuation methodologies are considered and selected for each type of asset in which the AIF may invest in accordance with the AIF specific rules (investment restrictions are typically set in the Fund Rules, articles of association or other such instruments of incorporation). At the time of appointing the external valuator the valuation methodologies are agreed with the valuator, and it is underlined that the valuation methodologies, underlying assumptions, rationale for the assumptions and sources of data used must be clearly written in the valuation report. Moreover, as a main principle the selected valuation methodology should be applied constantly to the Properties of the AIF over its lifetime.

While the valuation methodology related issues are in detail agreed with the external valuator as described above, following principles shall be adhered to when agreeing upon valuation methodology related issues. Due to this methodology being most appropriate for valuating Properties the AIF may invest in, as a general rule, Properties are evaluated by applying 5 or 10 year DCF (Discounted Cash Flow) methodology. Under the DCF methodology, the value of the Property is estimated by compiling the net present value of the future cash flows which are obtained by applying a discount rate. Discount rate is calculated by the formula of WACC (Weighted Average Cost of Capital) and it is based on valuer's knowledge about the most probable financing conditions and return expectations for similar investment objects at the moment. As a general rule, main inputs for the valuation are projected rental income, holding period, projected operating expenses, capital expenditures requirements, discount rate, exit yield.

The external real estate valuator shall perform visual inspection of the Property and search information regarding the Property from public databases.

Valuation methodology of Assets is provided in the **NAV Calculation Policy** attached as Appendix 5 to the Manual.

5.1.2. Delivery of Property related information to external valuator

The property/asset manager (if any) appointed by AIFM shall deliver all the necessary information and materials to the external valuator on the Property they are responsible for, unless it has separately been agreed that some information is delivered by the Portfolio Management Function of AIFM. The necessary information must include at least the key information on valid lease agreements and such lease agreements which have been agreed but are not in force yet, any material operating expenses of the Properties and other Property specific issues which might have a material impact on the value of the Property.

The valuator will receive the information within the time schedule set out in the agreement between AIFM and the valuator.

5.2. Internal valuation function: Internal Valuation Controller

The Internal Valuation Controller shall assess in all cases whether the valuation methodology is properly selected and applied in accordance with clause 5.1.1 above, and verify that the input data delivered by the property/asset manager (if any) or by the Portfolio Management Function is correct and used consistently, transparently as well as otherwise properly, and to review that any data chosen solely by the decision of the external valuator is used reasonably, consistently and transparently. In assessing the above, the Internal Valuation Controller shall, among other, compare external valuator's recommendation with external valuator's recommendations regarding the same asset from previous years.

In verifying whether data delivered by the property/asset manager (if any) or by the Portfolio Management Function is correct, the Internal Valuation Controller shall, among other, compare provided information regarding rental income and operating expenses (i) with information regarding the same period of previous year(s) and (ii) with information provided in relevant agreements by occasionally checking agreements such as rental agreements and insurance agreements. If Internal Valuation Controller discovers unfounded deviations as a result of such comparison, the Internal Valuation Controller shall require clarification from the property/asset manager or Portfolio Management Function having delivered certain data.

The Internal Valuation Controller shall verify data delivered by the Portfolio Management Function in relation to capital expenditure requirements by requesting relevant clarifications from the Portfolio Management Function (e.g. with the purpose to understand that the Portfolio Management Function has understood correctly the proposal by the property/asset manager on necessary capital expenditures).

After approval by the Management Board, Internal Valuation Controller's **statement of the valuation of the Properties and NAV** shall be considered as final.

5.3. Fund Controller

Fund Controller shall prepare:

- a recommendation of valuation of Assets to the Internal Valuation Controller;
- NAV calculation of the AIF based on the Property and Asset value recommendations.

For determination of the Assets value it may also use external valuation sources or adviser, as needed.

Generally, the NAV calculation is prepared, in other words the value of assets and liabilities of the AIF is determined, in accordance with IFRS. Rules for the NAV calculation are handled in detail in **NAV Calculation Policy** attached as Appendix 5 to the Manual.

6. Valuation process in exceptional market conditions

6.1. Exceptional market conditions

Exceptional market conditions can arise from a variety of factors or their combinations, including geopolitical events, disruptions in information technology, and pandemics. Such conditions may render market values of AIF's assets unreliable or unavailable through conventional information sources (Exceptional Market Conditions).

The Management Board holds the responsibility for determining the initiation of the valuation process determined for Exceptional Market Conditions. The valuation of the assets in Exceptional Market Conditions when reliable external valuations are not available is conducted by the Internal Valuation Controller and reviewed by the Management Board. The Internal Valuation Controller may consult Management Board which consists of experience members, Risk Management & Compliance and get required information from Portfolio management for valuation, if necessary. Further, the following guidelines apply in such circumstances:

6.2 Real estate assets

In Exceptional Market Conditions, the Internal Valuation Controller can employ the valuation recommendation provided by the external real estate valuator to the extent deemed appropriate and compliant with the Valuation Policy. In terms of price sources, the following order of priority shall be followed in valuation:

- a) Recommendation provided by the external valuator, to the extent available
- b) Information on the actual property transactions, to the extent available
- c) Information provided by Association of Real Estate Companies of Estonia or similar information providers
- d) The Internal Valuation Controller's, Management Board and experienced AIFM group employees' own market knowledge

6.3. Financial assets

If the market value of the financial asset is not accessed or not reliable, the Internal Valuation Controller shall determine market value after consulting Risk Management & Compliance and getting required information from Portfolio management.

Explanation

Portfolio Management Function and Financial risk control can provide their input to the person/committee performing the valuation function (Internal Valuation Controller). For example, Portfolio Management Function may participate in the discussion in an advisory capacity but they may not have a vote on, or a decision-making role in, the determination of the final value of the assets. The Internal Valuation Controller should have sufficient seniority and competence to form an independent view on whether the Portfolio Management Function's recommendations are reliable, so that they are not unduly influenced by the views of the Portfolio Management Function.

If reasonably necessary or upon reasonable doubts of the value of Properties or Assets additional external valuation from another valuer or valuers may be initiated to compare the outcome for the final decision or any other reasonable means may be initiated/taken to address differences or other problems in the valuation of Properties or Assets.

7. Escalation channels

The Risk Control Function and Compliance Function shall alert the Management Board of a material risk or irregularity identified in the valuation process.

8. Valuation frequency

The AIF documentation (eg Fund Rules) shall include the frequency of valuation for all material assets and liabilities of the AIF. The AIF documentation shall also disclose the frequency of the NAV calculation. The rules and procedures stipulated in the AIF documentation are followed and shall supersede this Valuation Policy.

The valuation procedures of each AIF shall ensure that the Assets and Properties of the AIF are valued at least once a year as at the end of the financial year and before the audit of the annual report of the AIF is conducted.

9. Periodic review of valuation policy

The review of the valuation policy including valuation methodology applied shall be carried out by the Management Board at least annually and before the AIF invests into a new type of assets that is not covered by the actual valuation policy.

10. Disclosure

The rules for the valuation of Properties shall be disclosed on the website of the AIFM.