

Valuation Policy

Baltic Horizon Capital AS

Operating principle	Valuation Policy
Information security classification	Internal and External Use
Approved by	Supervisory Board on 12Dec2025
Responsible owner	Management Board
Policy/Procedure affects	All Employees of the BHC, BHF
Valid	12Dec2025
Version	1.0.
Distribution	Google Drive and Website
Frequency of the training	Onboarding during 30 days of employment and then annually
Next review date	Dec2026

CONTENT

1. Introduction	3
2. Definitions	3
3. Organization	6
4. Valuation Process	6
4.1. Coordination and Tendering	7
4.2. Appointment of External Valuator	7
4.3. Information Provision	7
4.4. Collection and Review of Valuations	7
4.5. NAV Calculation and Verification	7
4.6. Approval of Valuations	8
4.7. Distribution of Approved Valuations	8
4.8. Final Confirmation	8
5. Roles and Responsibilities in the valuation process	8
5.1. External valuator	8
5.2. Delegation and oversight of Outsourced Valuation Functions	9
5.3. Valuation methodology	10
5.4. Delivery of information	10
5.5. Internal Valuation Controller	10
5.6. A Conflict of Interest Declaration Process	11
5.7. Fund Controller	11
6. Valuation process in exceptional market conditions	11
6.1. Definition and Triggering Criteria	11
6.2. Real estate assets	12
6.3. Disclosure and Investor Communication	12
6.4. Financial assets	13
7. Escalation channels	13
8. Valuation frequency	13
9. Periodic review of valuation policy	14
10. Disclosure	14

1. Introduction

The valuation process of the alternative investment funds (**AIFs**) which Baltic Horizon Capital AS (**AIFM**) manages is described in this document (**Valuation Policy**). One key feature of the valuation process is appointing 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 valuers of Properties chosen and the criteria on the basis of which the valuers 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.

Any material changes in valuation methodology will be promptly notified to the Estonian Financial Supervisory Authority (FSA) and disclosed to investors, as required by AIFMD Recital 79.

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 Baltic 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>Finantsinspektsioon</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 AIFM 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 designated by the AIFM for performing valuation control whereas such person(s) may be employed by the AIFM or another Group company. The Internal Valuation Controller may be the same person(s) as the Fund Controller.
Investor	means unit-holder 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 an investment manager

	to assist the 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	mean the following: <ul style="list-style-type: none"> (a) Investment Funds Act of Estonia; (b) 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"; (c) FSA guidelines; (d) Commission Delegated Regulation No 231/2013 of 19 December 2012; (e) other applicable acts.
Risk Control 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.

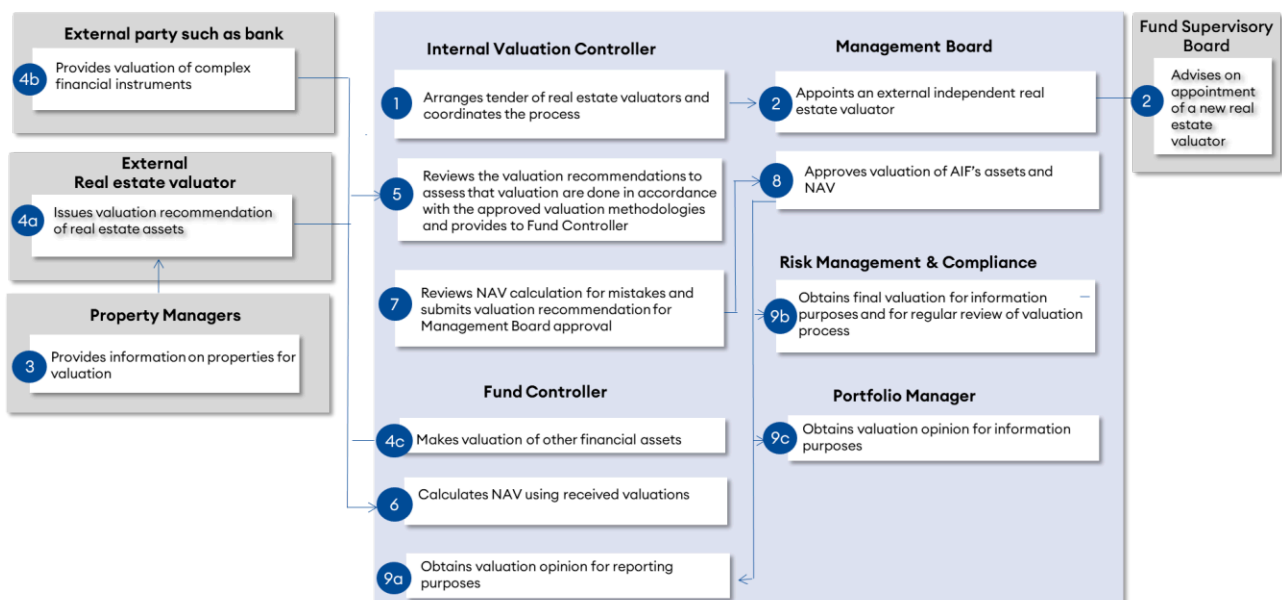
3. Organization

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. Coordination and Tendering

The Fund Controller is responsible for coordinating and implementing the entire valuation process in accordance with this Valuation Policy.

The Fund Controller organizes a tender for real estate valuation services and submits the tender results, together with a recommendation for the selected external real estate valuator, to the Management Board for approval.

4.2. Appointment of External Valuator

The Management Board reviews the tender results and the Fund Controller's recommendation and appoints an independent external real estate valuator to provide valuation services for the AIF's properties, following consultation with the Fund Supervisory Board.

4.3. Information Provision

Once the agreement with the selected valuator is signed, property managers appointed by the AIFM provide all necessary information and documentation about the properties to the external valuator.

4.4. Collection and Review of Valuations

The Internal Valuation Controller collects valuations required for the Net Asset Value (NAV) calculation, including:

- a) Valuations of the AIF's properties from the external real estate valuator;
- b) Valuations of complex financial instruments from counterparties such as banks;
- c) Valuations of other assets and liabilities (e.g., receivables, payables, loans) from the Fund Controller.

Before submission for NAV calculation, the Internal Valuation Controller verifies the accuracy of the valuation data and ensures that valuations are prepared according to approved methodologies and applied consistently.

4.5. NAV Calculation and Verification

The Fund Controller reviews the valuations and calculates the Net Asset Value (NAV) of the AIF based on the received data, and submits the NAV calculation to the Internal Valuation Controller for verification and consolidation.

If the Fund Controller also performs the Internal Valuation Controller function, the NAV is reviewed by the Fund Treasurer (or Head of Fund Controlling) to maintain the four-eye control principle.

4.6. Approval of Valuations

The Internal Valuation Controller (or the Fund Treasurer) reviews and consolidates the NAV calculation and submits the final valuation of the AIF's properties and NAV to the Management Board for approval.

The Management Board approves the NAV and property valuations, after which they become final.

4.7. Distribution of Approved Valuations

Following approval, the Internal Valuation Controller ensures that the approved valuations and NAV are provided to:

- a) The Fund Controller, for investor reporting purposes;
- b) The Risk Control Functions, for information and periodic review; and
- c) The Portfolio Management Function, for portfolio monitoring purposes.

4.8. Final Confirmation

After approval by the Management Board, the Internal Valuation Controller's statement of the valuation of properties and NAV is considered final and binding.

5. Roles and Responsibilities in the valuation process

5.1. External valuator

The Management Board appoints an independent external real estate valuator to provide valuation recommendations for the AIF's properties. Selection is based on the type of assets, experience, qualifications, and professional reputation of the valuator.

The appointed valuator must be registered with the Estonian Chamber of Real Estate Appraisers (or an equivalent EU authority) and possess sufficient knowledge and resources to evaluate the AIF's assets.

For public AIFs, properties must be valued exclusively by an independent external

valuator. For non-public AIFs, the criteria are set out in the respective Fund Rules.

The Internal Valuation Controller continuously reviews the methodologies, assumptions, and documentation provided by the valuator. If adjustments or methodological changes are required, the Internal Valuation Controller submits a recommendation to the Management Board.

If there are material discrepancies, inconsistent inputs, or doubts about methodology, the Internal Valuation Controller may recommend that the Management Board commission a new valuation, following consultation with the Fund Supervisory Board.

The overall process remains internal under AIFMD Article 19(4)(b) – valuation functions must remain independent of portfolio management, and remuneration policies shall ensure no conflict of interest or undue influence.

5.2. Delegation and oversight of Outsourced Valuation Functions

Where the valuation function is outsourced, the AIFM shall:

- 1) Establish a formal delegation agreement defining scope, duties, reporting, confidentiality, and termination conditions;
- 2) Retain full responsibility and oversight in accordance with §18(2) of the *Minister of Finance Regulation No. 12/2017*;
- 3) Require the Internal Valuation Controller and Compliance Function to review performance and policy adherence at least annually; and
- 4) Ensure results of such reviews are documented and submitted to the Management Board.

External valuers shall rotate every 3–5 years to avoid long-term dependency.

Legal ground: The External Valuers must be registered with the Estonian Chamber of Real Estate Appraisers (or equivalent EU body), ensuring alignment with clause 158 (3) of the Investment Funds Act. The External Valuers shall periodically (at least every 3–5 years) rotate to avoid long-term dependency on one valuer.

5.3. Valuation methodology

Valuation methodologies are selected for each asset class according to the Fund Rules. The AIMF and the external valuator agree on the valuation methodology, assumptions, and data sources in advance. Moreover, as a main principle the selected valuation methodology should be applied constantly to the Properties of the AIF over its lifetime.

As a general rule, real estate assets are evaluated by applying 5 or 10 year DCF (Discounted Cash Flow) methodology, with key inputs including:

- a) Projected rental income;
- b) Operating and capital expenses;
- c) Discount rate based on the weighted average cost of capital (WACC);
and
- d) Exit yield.

Each valuation must include a site inspection and supporting market data from public sources.

Valuation methodology of Assets is provided in the **NAV Calculation Policy**.

5.4. Delivery of information

The property or asset manager provides all required property data and documents to the external valuator, including details of current and upcoming lease agreements, material operating expenses, and other factors that may affect value.

The information must be provided according to the timeline set in the valuation service agreement.

5.5. Internal Valuation Controller

The Internal Valuation Controller verifies that valuation methodologies are correctly applied and that all data are accurate, consistent, and transparently used.

The Controller compares external valuations with prior-year reports and verifies supporting data such as rental income, operating expenses, and capital expenditure requirements.

Any discrepancies must be clarified with the relevant property or portfolio manager.

After approval by the Management Board, the Internal Valuation Controller's valuation statement and NAV are considered final.

5.6. A Conflict of Interest Declaration Process

To ensure independence and objectivity, both internal and external valuers must submit a written conflict of interest declaration before each valuation cycle, confirming:

- a) The absence of any personal, financial, or professional relationships conflicts; and
- b) Disclosure and mitigation of any potential conflicts in line with the AIFM's Conflict of Interest Policy.

The Compliance Function maintains and periodically reviews these declarations as part of its monitoring program.

5.7. Fund Controller

Fund Controller prepares:

- 1) Valuation recommendations for non-real estate assets; and
- 2) The NAV calculation based on approved valuations of properties and other assets.

External valuation sources or advisers may be used when necessary.

NAV calculations are prepared in accordance with IFRS and detailed procedures described in the NAV Calculation Policy.

6. Valuation process in exceptional market conditions

6.1. Definition and Triggering Criteria

Exceptional Market Conditions are circumstances under which the market values of the AIF's assets cannot be determined with reasonable certainty using standard valuation inputs or external data sources. Such conditions may arise from, but are not limited to:

- a) Market disruption – when more than 30% of comparable transactions or market quotations for relevant asset types are unavailable, suspended, or deemed unreliable over a consecutive 30-day period;
- b) Regulatory or trading suspension – closure of relevant exchanges or public data platforms that materially impact the ability to determine fair value;

- c) Systemic events – geopolitical instability, pandemic restrictions, or major IT or infrastructure failures affecting access to valuation data;
- d) Liquidity collapse – when transaction volumes fall by more than 50% compared to the same period in the previous year.

The Management Board shall determine the initiation of the exceptional valuation process based on these triggers, following consultation with the Internal Valuation Controller and Risk Management Function.

6.2. Real estate assets

Where reliable market data are unavailable, the Internal Valuation Controller may apply an adjusted methodology consistent with the following order of data reliability:

- a) Recommendation provided by the most recent external valuator, adjusted as necessary;
- b) Verified information on actual property transactions, to the extent available;
- c) Data from recognized industry associations (e.g. the Estonian Association of Real Estate Companies);
- d) Professional judgement based on the Management Board and/or AIFM group employees experience.

6.3. Disclosure and Investor Communication

If an alternative valuation approach is used under Exceptional Market Conditions, the AIFM shall:

- 1) Notify the FSA within five (5) business days;
- 2) Inform investors in accordance with Article 23 of the AIFMD, clearly outlining:
 - a) The reasons for applying an exceptional valuation;
 - b) The methodology used and key assumptions;
 - c) The estimated impact on the Net Asset Value (NAV).

Such disclosures shall be made through the AIFM's official investor communication channels (website or investor circular) and recorded in the valuation documentation.

6.4. 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 Control and Compliance functions and getting required information from Portfolio management.

Explanation

Portfolio Management Function and risk control can provide their input to the person 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 (e.g. 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 Fund.