

Valuation Policy
Baltic Horizon Capital AS

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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 independent external real estate valuer to perform valuation services for the 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 FSA of the chosen valuers and the criteria on which they were selected.

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 FSA and disclosed to investors, as required by AIFMD Recital 79.

2. Definitions

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 the 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.
External Valuer	means a legal or natural person, independent from the AIF, the AIFM and any other persons with close links to the AIF or the AIFM, appointed by the AIFM to perform the valuation of the Property and/or Assets of the Fund in accordance with Article 19 of the AIFMD.
FSA	means the Financial Supervision and Resolution Authority of Estonia (in Estonian: Finantsinspeksioon).
Fund Rules	means a document that sets out the requirements for the Fund's activities and the relationship between the AIFM and the Investors.
Fund Supervisory Board	means the supervisory board of the Fund.
Investor	means a unit-holder of the Fund.
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: vara puhasväärtus), which is the value of the Fund's assets minus the value of its liabilities.
Outsourcing Rules	means the Outsourcing (Delegation) Rules of the AIFM.
Portfolio Management Function	means the function responsible for target selection, submission of proposed investment or divestment for final recommendation, and execution of transactions.
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	(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 an AIFM function aimed at identifying and managing 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: Väärtpaberituru seadus) as well as shares in private limited companies (e.g. SPVs).
Supervisory Board	means the supervisory board of the AIFM.
Valuation Policy	means the present document.

3. Organisation

Any Property belonging to the Fund shall be appraised by an independent real estate appraiser appointed from time to time by the AIFM after consultation with the Supervisory Board of the Fund.

4. Valuation Process

The Management Board designates the person(s) or function(s) responsible for performing each operational task set out in this Policy. The job titles referred to below are indicative; the Management Board may allocate a task to another person or function, provided that different persons perform the calculation and the verification of the NAV in accordance with the four-eyes principle.

4.1. Coordination and Tendering

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

4.2. Appointment of External Valuer

The Management Board reviews the tender results and appoints an independent external real estate valuer 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 valuer is signed, property managers appointed by the AIFM provide all necessary information and documentation about the properties to the external valuer.

4.4. Collection and Review of Valuations

The designated function collects valuations required for the Net Asset Value (NAV) calculation, including:

- a) Valuations of the AIF's properties from the external real estate valuer;
- 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 designated function.

Before submission for NAV calculation, the designated function verifies the accuracy of the valuation data and ensures that valuations are prepared in accordance with approved methodologies and applied consistently.

4.5. NAV Calculation and Verification

The designated function reviews the valuations, calculates the Net Asset Value (NAV) of the AIF based on the received data, and submits the NAV calculation to another designated function for verification and consolidation.

The NAV is calculated in accordance with IFRS and the detailed procedures set out in the NAV Calculation Policy.

4.6. Approval of Valuations

The designated function 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 designated function ensures that the approved valuations and NAV are provided to:

- d) The Risk Control Functions, for information and periodic review; and
- e) The Portfolio Management Function, for portfolio monitoring purposes.

4.8. Final Confirmation

After approval by the Management Board, the designated function's statement of property valuations and NAV is considered final and binding.

5. Roles and Responsibilities in the valuation process

5.1. External valuer

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

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

The designated function continuously reviews the methodologies, assumptions, and documentation provided by the valuer. If adjustments or methodological changes are required, the designated function submits a recommendation to the Management Board.

If there are material discrepancies, inconsistent inputs, or doubts about methodology, the designated function 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 designated function 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.

5.3. Valuation methodology

Valuation methodologies are selected for each asset class in accordance with the Fund Rules. The AIFM and the external valuer agree on the valuation methodology, assumptions, and data sources in advance. Moreover, as a primary principle, the selected valuation methodology should be applied consistently to the Properties of the AIF throughout its lifetime.

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

- f) Projected rental income;
- g) Operating and capital expenses;
- h) Discount rate based on the weighted average cost of capital (WACC); and
- i) Exit yield.

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

5.4. Delivery of information

The property or asset manager provides all required property data and documents to the external valuer, 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. Valuation control

The designated function verifies that valuation methodologies are applied correctly and that all data are accurate, consistent, and used transparently.

The designated function 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.

5.6. A Conflict of Interest Declaration Process

The valuer's conflicts of interest are assessed at selection and monitored on an ongoing basis in accordance with the Outsourcing Rules (clause 6.3 and ongoing monitoring). They are further addressed in the valuation service agreement (including the Valuer's obligation to notify of any conflict and the Management Board's right to terminate).

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:

- j) 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;
- k) Regulatory or trading suspension - closure of relevant exchanges or public data platforms that materially impact the ability to determine fair value;
- l) Systemic events - geopolitical instability, pandemic restrictions, or major IT or infrastructure failures affecting access to valuation data;
- m) Liquidity collapse - when transaction volumes fall by more than 50% compared to the same period in the previous year.

The Management Board shall determine whether to initiate the exceptional valuation process based on these triggers, following consultation with the designated function and the Risk Control Function.

6.2. Real estate assets

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

- n) Recommendation provided by the most recent external valuer, adjusted as necessary;
- o) Verified information on actual property transactions, to the extent available;
- p) Data from recognised industry associations (e.g. the Estonian Association of Real Estate Companies);
- q) Professional judgement based on the Management Board and/or AIFM employees' experience.

6.3. Disclosure and Investor Communication

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

- 5. Notify the FSA within five (5) business days;
- 6. Inform investors in accordance with Article 23 of the AIFMD, clearly outlining:
 - r) The reasons for applying an exceptional valuation;
 - s) The methodology used and key assumptions;
 - t) 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 assessed or is not reliable, the designated function shall determine the market value after consulting the Risk Control and Compliance functions and obtaining the required information from Portfolio Management.

Explanation
The Portfolio Management Function and Risk Control can provide input to the person/committee performing the valuation function (the designated function or the Management Board in exceptional circumstances). However, such persons should not determine the value of the assets as the valuation function must remain independent from portfolio management.

If reasonably necessary, or upon reasonable doubts about the value of Properties or Assets, an additional external valuation by 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 the Compliance Function shall alert the Management Board to any material risk or irregularity identified during the valuation process.

8. Valuation frequency

The AIF documentation (e.g., Fund Rules) shall include the valuation frequency 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 shall be followed and supersede this Valuation Policy.

The valuation procedures for 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 AIF's annual report is conducted.

9. Periodic review of valuation policy

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

10. Disclosure

The rules for the valuation of Properties shall be disclosed on the Fund's website.