

**VALUATION RULES FOR THE FINANCIAL INSTRUMENTS IN THE PORTFOLIO OF ENTITIES
MANAGED BY SAI MUNTENIA INVEST**

CSCAN – R01

valid from 15 September 2021

I. PURPOSE

This document describes the rules used for the valuation of financial instruments in the portfolio of entities managed by the MI for reporting purposes under the F.S.A. regulations.

II. SCOPE

These rules will be used by the Strategy and Net Asset Calculation Division to evaluate the financial instruments in the portfolio of entities managed by MI.

III. DEFINITIONS AND ABBREVIATIONS

MI	S.A.I MUNTENIA S.A.
BoD	Board of Directors
SNACD	Strategy and Net Asset Calculation Division
IOAAPD	Investment Opportunity Analysis and Asset Placement Division
SSMD	Special Situations Management Division
FAD	Financial Accounting Division
ERD	Operations Division - Electronic Registration Division
CD	Compliance Division
RMD	Risk Management Division

IV. APPLICABLE LEGISLATION

- Law 74/2015 on Alternative Investment Fund Managers.
- Delegated Regulation (EU) No. 231/2013 supplementing Directive 2011/61 / EU of the European Parliament and of the Council on exemptions, general conditions of operation, depositary, leverage, transparency and supervision.
- Government Emergency Ordinance no. 32/2012 on undertakings for collective investment in transferable securities and investment management companies and for amending and completing the Law. 297/2004 on the capital market.
- Regulation no. 9/2014 on the authorization and functioning of investment management companies, undertakings for collective investment in transferable securities and depositaries of undertakings for collective investment in transferable securities, as subsequently amended and supplemented.
- Regulation no. 10/2015 on the management of alternative investment funds.
- Regulation no. 7/2020 on the authorization and operation of alternative investment funds.
- Law 243/2019 on the regulation of alternative investment funds and for amending and completing certain normative acts.

V. VALUATION FUNCTION AND PURPOSE OF THE VALUATION

- (1) MI shall establish, maintain, implement and review written procedures and policies to ensure a thorough, transparent, comprehensive and formalized evaluation process. The valuation policy and procedures shall cover all significant aspects of the valuation process and valuation procedures and controls relating to AIF under management. (Art 67 of EU Regulation 231/2013).

According to the relevant legal regulations, the valuation of the assets of the entities managed by MI as well as the calculation of the net asset value (NAV) for SIF Muntenia SA is carried out monthly (art 17 paragraph 3 of Regulation 10/2015), for FDI Plus Invest it is carried out daily (art.71 of GEO 32/2012 and art. 123-132 of the F.S.A. Regulation 9/2014) and the valuation process can be exercised as follows (art 18 paragraph 8 and 9 of Law 74/2015 and art 17 paragraph 1 of the F.S.A. Regulation 10/2015):

- a. internally through a specialized division within MI;
- b. an external valuator; it will be a legal or natural person, who is a member of the National Association of Authorized Valuers in Romania, specialized in business valuation or a member of another international organization recognized by ANEVAR, with an equivalent specialization. The valuator must be authorized by the F.S.A. and registered in the F.S.A. Register. (art 18 of Regulation 10/2015 and art 122 of Regulation 9/2014). The valuator will be independent of the entity requesting the valuation and/or the company being valued and of any other person who has close relationships with it.

The valuation function for financial instruments in the portfolios of MI managed entities is carried out internally, or, by an external corporate/individual valuator, member of the ANEVAR. MI through the internal auditor and the CD ensures that the evaluation function is carried out in compliance with the following rules (art 18 paragraph 8 letter b of Law 74/2015):

- the valuation of the financial securities in the portfolios of the managed entities is functionally independent of portfolio management and remuneration policy; the following rules will be implemented and complied with:
 - there is a specialized department for asset valuation activity in MI’s organizational structure (the job description only includes activities specific to the valuation process);
 - the department is hierarchically and functionally independent of the other operational departments responsible for managing the portfolios of the managed entities;
 - from the logistics point of view, the personnel involved in the valuation process perform their activity in locations that limit the exercise by any other person of inappropriate influence on the way a person in the department performs valuation activities;
- designated persons within the department at whose level the valuation function is carried out have the professional training necessary to carry out such an activity;
- necessary measures are in place to ensure that conflicts of interest are minimized and that undue influence on the personnel involved in the valuation process is prevented.

If MI will delegate the valuation function to an **external valuator**, delegation will be done in compliance with the legal provisions in force specific to such a situation.

The external valuator may not delegate the valuation function to a third party (art 18 paragraph 10 of Law 74/2015).

MI, through the effective Management, the SNACD and the CD, notifies the appointment of the external valuator of the F.S.A. who may request the appointment of another external valuator in its place, if the conditions that were the basis of the appointment as well as those provided by law are not or are no longer fulfilled. (Article 18 paragraph 11 of Law 74/2015).

Any amendment to the appointment of the external valuator must be notified to the F.S.A. 14 days prior to the entry into force of the amendment.

VI. VALUATION OF FINANCIAL INSTRUMENTS

of entities managed by the MI are carried out as follows:

- for SIF Muntenia SA according to the document "REGULATIONS OF THE FINANCIAL INVESTMENT COMPANY MUNTENIA S.A.", part of the documents submitted to the F.S.A. for authorization as Alternative Investment Fund for Retail Investors (A.I.F.R.I) by the F.S.A., according to Authorization no. 151/09.07.2021.
- for FDI PLUS Invest - according to the document "RULES OF THE PLUS INVEST OPEN-END INVESTMENT FUND", as authorized by the F.S.A.

The following rules will be considered by the MI divisions:

- a) Information on transactions in financial instruments admitted to trading and traded during the last 30 trading days (business days) on a regulated market or in trading systems other than regulated markets in a Member State, including in an alternative trading system in Romania, as well as those admitted to official listing on a stock exchange or in an alternative trading system in a third country shall be entered into the system in accordance with procedure ERD-P02.
- b) Information on market prices of the instruments referred to in points a) shall be entered into the system in accordance with procedure SNACD -P01.
- c) Information on resolutions of the G.M.S. affecting the number of financial securities in the portfolio of managed entities (e.g., decreases in share capital with a reduction in the number of shares) shall be entered into the system in accordance with procedure IOAAPD -P01 (Procedure EXDREVO).
- d) The recording in the system of information on the valuation of financial securities in the portfolio of entities managed by the MI of the companies mentioned in points a), g) and i) of this chapter against which bankruptcy / insolvency / reorganization proceedings have been initiated shall be carried out in accordance with the SSMD -P01 procedure.
- e) Relevant information on fixed income financial instruments shall be entered into the system according to the IOAAPD -P02 procedure.
- f) Information on instruments of participation issued by the CIU is entered into the system in accordance with procedure SNACD -P01.
- g) Information on transactions in securities not admitted to trading on a regulated market or in trading systems other than regulated markets, including alternative trading systems in Romania, a Member State or a third country shall be entered into the system in accordance with procedure ERD -P03.
- h) Information required for the valuation of securities issued by an issuer not admitted to trading on a regulated market or in trading systems other than regulated markets shall be entered into the system in accordance with the IOAAPD -P03 procedure.
- i) Data used for the valuation of financial instruments admitted to trading on a regulated market, in an alternative trading system or in systems other than regulated markets in a Member State, including in an alternative trading system in Romania, as well as those admitted to official listing on a stock exchange or in an alternative trading system in a third country, but not traded during the last 30 trading days, shall be entered into the system in accordance with the procedures ERD -P02, SNACD -P01, IOAAPD -P01, IOAAPD -P02, ERD-P03, IOAAPD -P03.
- j) The data used for the valuation of the holdings in the current accounts of the administered entities as well as the amounts existing in the current accounts of the administered entities opened with credit institutions which are in bankruptcy proceedings are entered in the system according to procedure FAD-P01
- k) Data used for the valuation of current accounts (bank deposits and certificates of deposit) are entered into the system according to procedure FAD-P01
- l) The data used for the valuation of interest-bearing deposits in advance shall be entered into the system according to the IOAAPD procedure - P02
- m) Data used for the valuation of shares issued by companies admitted to trading on a regulated market or in trading systems other than regulated markets, **but not traded during the last 30 trading days, in relation to which the F.S.A. or another competent authority has decided to open financial recovery proceedings under special administration shall be entered into the system in accordance with the procedures referred to in points a) to h) of this Chapter.**
- n) Data used for the valuation of shares suspended from trading for a period of at least 30 trading days (business days), following the decision of the market or system operator to bring to the attention of

investors information which may lead to changes in the price of the issuer's shares, shall be entered into the system in accordance with the procedures referred to in points a) to h) of this Chapter.

- o) Data used for the valuation of non-admitted to trading shares, including those issued by credit institutions or admitted to trading and not traded during the last 30 trading days, whose financial statements are not obtained within 90 days of the legal filing dates, shall be entered into the system **in accordance with the procedures referred to in points a) to h) of this Chapter.**
- p) The registration in the system of information on the shares of companies regulated by Law 31/1990 under judicial liquidation or other forms of liquidation and of those in temporary or definitive cessation of activity shall be made according to the SSMD -P01 procedure.
- q) Data used for the valuation of shares in insolvency or reorganization proceedings, that have been readmitted to trading on a regulated market or alternative trading system following the issuance of a final judgement on the confirmation by the appointed syndic judge of the reorganization plan of that issuer and the confirmation from the issuer / market operator or system operator regarding the failure to appeal the sentence regarding the confirmation of the reorganization plan, **shall be entered into the system in accordance with the procedures referred to in points a) to h) of this Chapter.**
- r) Data used for the valuation of shares that are valued in the portfolio of managed entities at zero value (if a company admitted to trading on a regulated market / alternative trading system, which has a negative equity value, is untraded for more than 30 trading days and this period coincides with the period of suspension of trading of that share), **shall be entered into the system in accordance with the procedures referred to in points a) to h) of this Chapter.**
- s) Data used for the valuation of shares in one of the following situations:
 - o In the case of a split / consolidation of the nominal value of shares admitted to trading on a regulated market or in trading systems other than regulated markets;
 - o In the case of transactions to reduce the share capital by reducing the number of shares of companies admitted to trading on a regulated market or in trading systems other than regulated markets, from ex-date to the date of their admission to trading

shall be entered into the system in accordance with the procedures referred to in points a) to h) of this Chapter.

- t) Data on dividends due to managed entities and shares distributed without cash consideration resulting from the participation of managed entities in capital increases are entered in the system according to procedures ERD -P02, SNACD -P01, IOAAPD -P01, IOAAPD -P02, ERD -P03, IOAAPD -P03, completed with procedure FAD -P01 (dividend receipt record).

VII. VALUATION OF FINANCIAL INSTRUMENTS BASED ON THE FAIR VALUE PRINCIPLE IN ACCORDANCE WITH INTERNATIONAL VALUATION STANDARDS

If an AIF managed by the MI owns over 33% of the share capital of an issuer not admitted to trading on a regulated market or in other trading systems than regulated markets where estimates of the value of financial securities based on the fair value principle according to International Valuation Standards are required, the MI shall use an external valuator, member of ANEVAR (art 45 of F.S.A. regulation 7/2020).

Valuation approaches based on the fair value principle are those defined by the International Valuation Standards and are based on economic principles of the equilibrium price, anticipation of benefits or substitution, namely:

- market approach - provides an indication of value by comparing the subject asset with identical or similar assets whose prices are known;
- income approach - provides an indication of value by converting future cash flows into a single current value of equity;
- cost (asset) approach - provides an indication of value by using the economic principle according to which a buyer will not pay more for an asset than the cost of obtaining an asset with the same utility, either by buying or building.

Within each approach, there are a number of evaluation methods, which are specific techniques or models whose selection and use in the valuation process is determined by the characteristics of the asset, the availability, credibility and relevance of the data and information, as well as the professional judgment of the external valuator. Data and/or information will be obtained from independent sources, whenever possible and appropriate.

At the same time, in the evaluation process conducted by the external valuator, ethical/professional conduct requirements regarding prudence, professional diligence, as well as the principles of impartiality, independence and competence will be respected (art 18 paragraph 12 of Law 74/2015). In order to ensure the reasonableness of each estimated value for the financial instruments held in the portfolios of entities managed by the MI, the content of the assessment reports will be verified by SNACD.

VIII. DESCRIPTION OF FINANCIAL INSTRUMENTS VALUATION PROCESS

MI management will nominate for each entity the SNACD employees who will be responsible for assessing the financial instruments in their portfolios and will establish the rules governing these activities

The periodicity for the preparation of an assessment of the financial assets in the portfolios of entities managed by the MI will be established for each managed entity and for each type of asset in accordance with the provisions of the legislation in force and the provisions of the documents of each entity. The identification of financial assets within the portfolio of entities managed by the MI for which the valuation process takes place is based on the data and information corresponding to the valuation date as recorded in the software application/applications for the financial titles management for each of the managed entities.

Based on the data and information available on the valuation date, the main features for each of the financial assets in the portfolios of the managed entities are established and, depending on them, the applicable valuation method is selected and the input data required in the valuation process are established.

The choice of the valuation method used depends on the ownership, the relevance and credibility of the information available, and the professional judgment. The valuation methodology is based on techniques and models specific to the categories of financial assets held.

When valuating the financial instruments in the portfolios of the entities managed by the MI, the rules specified in the internal regulations of the MI will be used.

The input data used in the valuation process are based on credible information obtained from independent sources whenever possible.

Addressing differences or other issues raised in the valuation process involves measures meant to identify, signal, resolve discrepancies / inconsistencies and analyze / eliminate the causes that have led to problem resolution.

In the event of a miscalculation of the net asset value due to the fair value, the differences / inconsistencies will be identified and signaled to the MI management, prioritizing the differences / inconsistencies solving in the valuation process, communicating the corrected values, and analysis / elimination of the causes that led to the occurrence of those problems.

The results of the valuation process are materialized in a document subject to the approval of the directors empowered with the effective management of MI. At the same time, the valuation results for assets in the portfolio of an entity managed by MI will not be disclosed without being certified by its Depositary.

IX. FREQUENCY OF VALUATION

The periodicity for the preparation of a valuation for the financial assets in the portfolios of entities managed by MI will be established for each entity and for each asset type in accordance with the provisions of the legislation in force and the provisions of each entity's documents. At the date of this procedure, the valuation

of instruments within the assets of SIF Muntenia SA is performed monthly and the valuation of instruments within the assets of FDI Plus Invest is performed daily.

X. EXTERNAL VALUATORS

In situations where estimates of the value of financial instruments are required on the basis of the fair value principle in accordance with International Valuation Standards, MI will use the services of external valuers, ANEVAR members. Valuation reports for financial assets in portfolios of entities managed by MI will be drawn up by external assessors appointed by the Board of Directors' decision.

The valuation activity will be carried out on the basis of a framework service agreement concluded between the external valuator (legal entity ANEVAR corporate member or independent individual, ANEVAR full member) as a service provider and MI. The external valuator provides, upon request, professional guarantees demonstrating its ability to perform its assessment function (art 18 paragraph 9 letter b) of Law 74/2015). The external valuator provides these professional guarantees in a written form.

Professional guarantees must include evidence of the external evaluator's qualification and ability to perform the valuation in an appropriate and independent manner. To this end, the external valuator must demonstrate that it meets the following set of mandatory minimum requirements (art 73 of EU Regulation 231/2013)

- a) have qualified personnel and sufficient technical resources;
- b) carry out their work on the basis of adequate procedures to ensure a fair and independent assessment;
- c) have knowledge to provide an adequate understanding of the investment strategy of the entities managed by MI and the assets that the external valuator is designated to assess;
- d) have a sufficiently good reputation and sufficient valuation experience;
- e) to have the necessary accreditations according to the legal regulations in force and also to clearly indicate the regulations or the professional conduct norms they have to observe.

Prior to the signing a service agreement and periodically thereafter, the responsible person within SNACD will review whether the external evaluator meets the minimum requirements outlined above (Article 67 paragraph 3 sentence II of EU Regulation 231/2013). In addition, the responsible person within SNACD will send the request for valuation in writing and will take all necessary steps to schedule the valuation of financial assets.

The documents required to produce the evaluation report will be made available to the evaluator by the IOAAPD in order to ensure that the same set of documents are in the possession of the evaluator as are in the possession of the MI. The valuator must draw up and submit to the MI the list of documents and information required for the valuation (Art. 67 paragraph 3 of EU Regulation 231/2013).

When the valuation is completed, the valuator will provide MI with an original copy of the valuation report in both electronic and paper formats.

The basic structure and content of the valuation report must be in line with the International Valuation Standards, valid at the date of the valuation report.

The responsible person within the SNACD will ensure that valuation methodologies are applied consistently and formalized fully in the valuation reports.

XI. RESPONSIBILITIES

Preparation of valuation models is carried out by the designated personnel within SNACD.

Validation of the assessment models is carried out by MI employees in the Risk Management Division. They may not be selected from the employees of the departments in charge of valuing the assets in the portfolios of the entities managed by the MI, i.e., SNACD, and must have sufficient specialist knowledge.

The conduct of the assessment is carried out by designated persons within SNACD who obtain, verify, process necessary documents, data / information and apply the procedure and methodologies described therein.

Verification of the application of the procedure is carried out by the persons coordinating the work of SNACD.

The certification of the results of the evaluation process is carried out for each individual entity by its Depository.

XII. VALUATION, VERIFICATION AND REVIEW OF THE VALUATION POLICY AND PROCEDURE

The assessment of the policy and the related procedure will take into account at least the following aspects and elements: (Art 67 paragraph 2 of EU Regulation 231/2013):

- the competence and independence of the personnel performing valuation of assets, the level of professional training;
- the correlation between the specific investment strategies in place for each of the entities managed by MI;
- verification of the accuracy in selecting the source of information and the techniques used in the valuation process (verifications will be carried out before using and accessing new data sources in terms of credibility, relevance and independence, adapting methodologies to the purpose of the valuation, applying validated and approved models);
- analyzing differences or other issues raised in the valuation process and identifying measures to resolve the differences and reduce the likelihood of other similar problems arising including escalation channels for resolving differences in asset values;
- verifying corrections relating to size and liquidity adjustments to positions and correlating them with market conditions and other relevant information whenever possible;

Revision of the valuation policy and procedure will be carried out with an annual frequency in the first 60 calendar days of the year. Partial revisions of the valuation policy and procedure will be made before any of the entities managed by MI engage in a new investment strategy or invest in a new type of asset that is not subject to the current valuation policy. (art 70 paragraph 1 of EU Regulation 231/2013 and art 19 paragraph 3 of F.S.A. Regulation 9/2014).

The process of reviewing the valuation policy and procedure will address the following issues:

- new types of assets in which the entities managed by MI intend to invest;
- amendments / updates of the International Valuation Standards, of the legislation, which are no longer in line with the rules in force;
- events that could have an impact on the process and / or valuation models used, which would lead to a risk of inappropriate valuation of financial instruments in the portfolio of entities managed by MI;
- the results/conclusions of the periodic verifications carried out to determine the reasonableness of each estimated value for the financial instruments held in the portfolios of entities managed by MI. Reasonableness is assessed on the basis of an appropriate degree of objectivity.

In order to eliminate or mitigate as far as possible the risk of inappropriate valuation of the financial instruments in the portfolios of the managed entities, MI via SNACD ensures, at each reporting date, that none of the following conditions are met (art 71 paragraph 2 of EU Regulation 231/2013):

- a. the valuation is based on the prices of a single counterparty or a single broker;
- b. the valuation is based on illiquid stock quotes;
- c. valuation is influenced by parties that have relationships with MI;
- d. the valuation is influenced by other entities that may have a financial interest in the managed entities;
- e. the valuation is based on the prices provided by the counterparty that is the originator of the instrument, in particular if the originator also funds the position of the entities managed on that instrument;
- f. the valuation is influenced by one or more persons within MI.

At the same time, in order to ensure the reasonableness of each estimated value for the financial instruments in the portfolio of the managed entities, MI via SNACD will periodically carry out verifications that will include at least the following aspects (art 71 paragraph 2 of EU Regulation 231/2013):

- verifying values by comparing prices between prices emerging from counterparties and price levels over time;
- validation of values by comparing prices achieved with recent accounting values;
- examining the reputation, consistency and quality of the assessment source;
- a comparison with third party generated values;
- an examination and formalization of derogations;
- highlighting and analyzing differences that seem unusual or vary according to the benchmark established for the type of asset concerned;
- identification of obsolete prices and parameters involved;
- comparison with the prices of any related assets or their coverage;
- an analysis of the input data used for price formation based on a model, in particular those for which the price obtained by the model is of significant sensitivity.

Recommendations to change the policy, procedure and / or methodologies resulting from the review and/or application process will be forwarded to the BoD of MI, which will analyze and, if appropriate, approve any modification of the documentation. (art 70 paragraph 2 of EU Regulation 231/2013).

The risk management function reviews and, if necessary, provides adequate assistance with the policy and procedure adopted for asset valuation. (art 70 paragraph 3 of EU Regulation 231/2013).

The Board of Directors shall carry out annually, through the Risk Management Division, a review of the assessment procedures and methods used in order to ensure their continued appropriateness and effective implementation (art 122 paragraph 7 of F.S.A Regulation 9/2014).

XIII. FINAL PROVISIONS

In case of occurrence or identification of any conflict of interest in the valuation activity of the financial instruments in the portfolios of the entities managed by MI, the provisions of the "Procedure for the identification and management of conflicts of interests" shall be applied. (CONFINIT Procedure)

Whenever the situation will require, this procedure will be modified and completed in relation to the dynamics of the current MI activity, the size and scope of the company. The revised form of the procedure will be submitted for approval to the BoD.