

# **VALUATION RULES FOR THE FINANCIAL INSTRUMENTS HELD BY THE FUNDS MANAGED BY SAI MUNTENIA INVEST**

## **SCOPE**

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.

## **FIELD OF APPLICATION**

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.

## **DEFINITIONS AND ABBREVIATIONS**

MI	S.A.I. MUNTENIA INVEST S.A.
SNACD	Strategy and Net Asset Calculation Division
IOAAPD	Investment Opportunity Analysis and Asset Placement Division
SSMD	Special Situations Management Division
FAD	Financial Accounting Division

## **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.

## **VALUATION FUNCTION AND PURPOSE OF THE VALUATION**

Under the applicable legal regulations, the valuation process can be exercised by:

- a. Internal Valuator (s);
- 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 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 ensures that the valuation function is performed in accordance with the following rules:

- 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.

**MI values the financial securities on the basis of the rules provided by the regulations issued by the F.S.A. on the valuation of financial instruments. MI's use of valuations in accordance with the International Valuation Standards (in accordance with the fair value principle) will be made only in the cases indicated by the regulations issued by the F.S.A., being carried out by an external evaluator.**

**The scope of the valuation** is estimating

- a) the value of the financial securities according to the valuation rules provided by the regulations issued by the F.S.A. and, where appropriate,
- b) the value based on the fair value principle in accordance with the International Valuation Standards in force at the time of the valuation.

When valuing based on the fair value principle, the valuation approaches are those defined by the International Valuation Standards and are based on the economic principles of the equilibrium price, the anticipation of the benefits or the substitution, namely: the market approach; income approach; asset approach.

This procedure provides for valuation rules and methods for each class of financial instruments in the portfolios of entities managed by MI. Also, the company will issue the decision on the investment for the first time in an asset type only if, for the asset type in question, the appropriate valuation methodology / methodologies have been identified.

## **VALUATION OF FINANCIAL INSTRUMENTS ACCORDING TO THE VALUATION RULES STIPULATED BY THE REGULATIONS ISSUED BY THE FSA**

The financial securities in the portfolios of entities managed by MI will be valued as follows:

1. 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 the regulated markets in a Member State, including an alternative trading system in Romania, as well as those admitted to the official listing of a stock exchange or an alternative trading system from a third country, are valued as follows:
  - 1.1. shares and any other negotiable securities giving the right to acquire such securities by subscription or exchange are valued as follows:
    - 1.1.1. at the closing price of the market section considered as the primary market for the day for which the calculation is made, in the case of shares admitted to trading on that regulated market in the Member State/Stock Exchange in the non-Member State, or
    - 1.1.2. at the reference price of the day for which the calculation is made, in the case of shares traded on trading systems other than regulated markets, including other alternative trading systems, provided by the operator of that trading system for each of the segments of that system. The price used as the reference price is calculated based on the trading day activity of the day for which the asset calculation is performed, used as a benchmark at the opening of the trading session on the following day;
  - 1.2. fixed income financial instruments are measured as follows:
    - 1.2.1. at the closing price of the market section considered as the primary market for the day for which the calculation is made, for fixed income financial instruments admitted to trading on that regulated market in the Member State / Stock Exchange in the Non-Member State or at the reference price for the day on which it is calculated in the case of shares traded in trading systems other than regulated markets, including other alternative trading systems, provided by the operator of that trading system for each of the segments of that system. The price used as the reference price is calculated based on the trading day activity of the day for which the asset calculation is performed, used as a benchmark at the opening of the trading session on the following day;or
    - 1.2.2. using the method based on daily interest recognition and amortization of discount / premium for the period elapsed since the placement took place;
  - 1.3. money market instruments, similar to the provisions of point 1.2.2,
  - 1.4. securities issued by U.C.I., similar to the provisions of point 1.1.;
  - 1.5. structured products will be valued at the reference price (for an individual issue of structured products, for a trading session, respectively) calculated by the market operator on which the instruments are traded as follows:
    - 1.5.1. the arithmetic average, calculated on the best ask and best bid quotation introduced / managed by the liquidity provider (s) or by the market maker / market makers, as appropriate, existing in the market after the end of the current trading session, in the event of quotations of the liquidity provider / providers or market maker / market makers, and the symbol was available for trading. That value shall be rounded to the nearest price step corresponding to that symbol;
    - 1.5.2. the closing price recorded in the principal market of the symbol in the current trading session if it was available for trading, if there are no available quotes of the liquidity provider

/ liquidity providers or market maker / market makers in accordance with point 1.5.1 and transactions have been recorded on that trading session;

1.5.3. the most recent reference price of the symbol (the reference price remains unchanged), if the following requirements are met cumulatively:

1.5.3.1. no transactions were recorded on the most recent trading session in which that symbol was available for trading;

1.5.3.2. there were no quotes of the liquidity provider / providers or market maker / market makers, as the case may be, on the closing of the most recent trading session in which that symbol was available for trading

In addition to the valuation rules specified for the types of securities referred to under points 1.1 to 1.5, the following general rules shall be taken into account:

- a) The financial instruments mentioned in points 1.1-1.5 admitted to trading on several regulated markets and / or in several trading systems, other than regulated markets, in a Member State, including alternative trading systems in Romania, traded in the last 30 trading days (business days) shall be valued at the closing price of the market section considered as the main market or at the reference price provided under the alternative systems having the highest liquidity and frequency of trading of that financial instrument determined on basis of the volume and number of transactions recorded in the previous calendar year.
- b) If the financial instruments referred to under points 1 to 5 are also admitted to stock exchanges or alternative trading systems in a third country, the market price with the highest degree of liquidity and frequency of trading shall be considered.
- c) In the case of financial instruments admitted to trading exclusively on a number of stock exchanges and / or alternative trading systems from third countries, they will be valued at the closing price of the stock exchange or at the reference price provided under the alternative systems having the highest liquidity and frequency of trading of that financial instrument determined on the basis of the volume and number of transactions recorded in the past 365 days as of the day for which the calculation is made. The calculation shall be made at an annual frequency at the beginning of each calendar year.

The data used for the valuation of the financial instruments specified under point 1 are entered into the system as follows:

- Transactions in securities are entered into the system according to ERD-P02;
- Market price information is entered into the system according to the SNACD-P01.1 procedure;
- The information on the decisions of the S.G.A. which influence the number of financial titles in the portfolio of the managed entities (eg share capital decrease with the reduction in the number of shares) are entered into the system according to the IOAAPD -P01 procedure;
- The relevant information on fixed income financial instruments is entered into the system according to the IOAAPD -P02 procedure.

2. Financial instruments not admitted to trading on a regulated market or in trading systems other than regulated markets, including alternative trading systems in Romania, in a Member State or a third party one shall be valued as follows:

2.1. Share - by one of the following methods:

2.1.1. the carrying amount per share, as evidenced by the entity's last annual financial statement. In the case of operations for increase/decrease of the share capital (by increasing / decreasing the number of shares under circulation) of companies, which are registered with the Trade

Registry (in the case of a company not admitted to trading on a trading venue) or which are registered in the system of a central depository (for issuers) during the same financial year and for which the new number of shares under circulation is not actually reflected in the latest approved annual financial statements for the purposes of calculating the carrying amount referred to in this point shall use the information provided by the company / issuer on the basis of supporting documents (the Trade Registry registration certificate or the monthly trial balance - in the case of unlisted companies); of the Securities Registration Certificate, hereinafter referred to as CIVM, issued by the FSA - in the case of issuers - as well as, if available, a report prepared by an independent auditor certifying the new amount of equity of the company); in the case of credit institutions, the carrying amount per share may be based on the calculation of the amount of equity included in the monthly reports transmitted to N.B.R. if such disclosures are available; or

2.1.2.the value determined by applying valuation methods in line with international valuation standards (using the fair value principle), approved by the Board of Directors of the Ministry of Finance, updated at least annually;

If an UCITS administered by MI owns more than 33% of the share capital of an issuer not admitted to trading on a regulated market or in trading systems other than the regulated markets, the valuation of the value of the financial securities issued by that issuer shall be made exclusively by the method specified under point 2.

- 2.2. the fixed income financial instruments will be valued using the method based on daily interest recognition and amortization of the discount / premium for the period elapsed since the placement took place;
- 2.3. money market instruments will be valued using the method based on daily interest recognition and amortization of discount / premium for the period elapsed since the placement took place;
- 2.4. participation titles issued by UCI will be valued at the latest unit value of the net asset calculated and published by their administrator or published by internationally recognized private companies (eg Bloomberg, Reuters).

The data used for the valuation of the financial instruments specified under point 2 are entered into the system as follows:

- Information on non-tradable securities transactions is entered into the system under ERD-P03;
- The information required for the valuation of the financial securities specified under point 2.1. of this procedure is entered into the system according to the IOAAPD -P03 procedure;
- The information on the decisions of the S.G.A. which influence the number of financial titles in the portfolio of the managed entities (eg share capital decrease with the reduction in the number of shares) are entered into the system according to the IOAAPD -P01 procedure;
- The relevant information on fixed income financial instruments is entered into the system according to the IOAAPD -P02 procedure.

3. Financial instruments admitted to trading on a regulated market, under an alternative trading system or in systems other than regulated markets in a Member State, including an alternative trading system in Romania, and those admitted to official listing on a third-party State stock exchange or trading system but not traded during the last 30 trading days (business days) will be valued from the 31st non-trading day as follows:

- 3.1. shares and any other negotiable securities giving the right to acquire such securities by subscription or exchange are valued by the methods specified under point 2.1;

- 3.2. fixed income financial instruments and money market instruments shall be valued according to the method specified under point 2.2.; daily interest recognition and amortization of the related discount/premium will be made from that price level as of the date of the change in the valuation method

Financial instruments mentioned under 3.1 and 3.2 above, issued by the same entity but acquired in different tranches will not be valued using different valuation methods for the same type of securities and issuer.

The data used for the valuation of the financial securities specified in under point 3 shall be entered into the system in accordance with the procedures referred to in points 1 and 2 of these Rules.

4. Holdings in current accounts shall be valued by taking into account the available balance at the date for which the calculation is made. The amounts in the current accounts of the managed entities opened with credit institutions under bankruptcy proceedings will be included in the net asset value at zero.

The data used for the valuation of the current accounts specified under point 4 are entered into the system according to the FAD-P01 procedure.

The registration in the system of the information on the opening of the bankruptcy procedure to the issuers whose financial titles are in the portfolio of the entities managed by MI is done according to the SSMD - P01 procedure.

5. Bank deposits and certificates of deposit are valued using the method based on daily interest recognition for the period elapsed from the date of the placement.

The data used for the valuation of the current accounts specified under point 5 are entered into the system according to the FAD-P01 procedure.

6. Deposits with interest-payment in advance, irrespective of the duration of the deposit, shall be valued at the value of the original amount deposited for the entire period of the deposit.
7. If for the deposits referred to under point 5 interest has been accrued before maturity, the amounts thus received shall be deducted from the calculated amount.

The data used for the valuation of the deposits specified under point 6 are entered into the system according to the IOAAPD - P02 procedure.

8. Money market instruments such as trade effects are valued similar to the calculation method for fixed income financial instruments referred to under point 1.2.2.

The data used for the valuation of the money market instruments specified under point 8 are entered into the system according to the IOAAPD - P02 procedure.

9. Shares issued by companies admitted to trading on a regulated market or in trading systems other than the regulated markets but not traded during the last 30 trading days in respect of which the FSA or another competent authority has decided to open the financial recovery procedure through special administration, will be valued according to the methods specified under point 2.1.

The data used for the valuation of the financial titles specified under point 9 are entered into the system according to the procedures mentioned under points 1 and 2 of these Rules.

10. Shares suspended from trading for a period of at least 30 trading days (business days) as a result of a market or system operator's decision to disclose information to investors that may lead to changes in the price of the issuer's shares will be valued as follows:

- 10.1. at the weighted average price of the last 30 trading days (business days) calculated up to the date of occurrence of such an event as an arithmetic average of weighted average prices in each of the 30 trading days, or

- 10.2. at the value determined by using valuation methods that comply with international valuation standards (using the fair value principle) and approved by the Board of Directors of MI.
- 10.3. if the suspension from trading takes place during the trading session, for calculating the value of the respective day's assets, the shares are valued at the closing / benchmark price, as the case may be, for the purpose of counting the 30 trading days the first day is considered the next business day following the suspension. If the suspension takes place right from the start of the trading session, the first day is considered as the day of suspension. Where the weighted average prices of each of the 30 trading days are not available for calculating the arithmetic average, MI shall use the valuation of the suspended shares only for the value determined using the valuation methods in accordance with international valuation standards (where the fair value principle is used).

The data used to evaluate the shares in the situation specified under point 10 are entered into the system according to the procedures mentioned under points 1 and 2 of these Rules.

11. Shares not admitted to trading, including those issued by credit institutions or admitted to trading and not traded during the last 30 trading days (business days) whose financial statements are not obtained within 90 days as of the legal submission, are included in the asset as follows:

- 11.1. at zero value, or
- 11.2. at the value determined by using valuation methods in line with international valuation standards (where the fair value principle is used) and approved by the Board of Directors of MI;

In the case of shares admitted to trading and not traded during the last 30 trading days (business days), as well as in the case of non-traded shares, it will be considered that the methods indicated in 11.1 and 11.2 apply only under the conditions in which the website of the regulated market, the alternative trading system, the Ministry of Public Finance or the issuer are not available quarterly / half-yearly financial reports on the basis of which the value of the respective shares could be determined. For the purpose of counting the 30 days of non-trading, the first non-trading day will be deemed to be the first business day in which the respective share has not been traded.

The data used to evaluate the shares in the situation specified in point 11 are entered into the system according to the procedures mentioned in points 1 and 2 of these Rules and the SNACD-P01 procedure.

12. The shares of the companies regulated by Law no. 31/1990 under insolvency or reorganization proceedings are included in the net assets of the managed entities as follows:

- 12.1. at zero value, or
- 12.2. at the value determined by an independent valuer using valuation methods in line with International Valuation Standards (consistent with the fair value principle).

Valuation of financial instruments in the situation referred to in paragraph 12 using one of the methods specified in paragraph 12.1. respectively 12.2. will be made from the date on which the notice was made public on the regulated market website, the alternative trading system where it is being traded, or the date of publication of the notice in the Insolvency Bulletin.

Directors empowered with the effective management of S.A.I. Muntenia Invest S.A. will determine the valuation method for each issuer in the situation referred to in point 12.

If the MI chooses to use valuation methods in line with the International Valuation Standards (consistent with the fair value principle), the calculation of the net assets of the managed entities will necessarily take into account the value stated in the Independent Valuer's Valuation Report.

The registration in the system of the information regarding the valuation of the financial titles issued by the companies under insolvency / reorganization proceedings is done according to SSMD-P01 procedure.

13. The shares of the companies regulated by Law no. 31/1990 under judicial winding-up proceedings or in other forms of liquidation and of temporary or permanent cessation of activity are included in the net assets of the managed entities at zero value from the date on which the notice was made public on the website of the regulated market, the alternative trading system on which it is traded, or the date of publication of the notice in the Insolvency Bulletin or from the date of registration with the Trade Registry (in case of temporary or permanent cessation of activity), any of conditions comes first.

Registration in the system of the information on the valuation of the financial securities referred to in point 13 of these Rules is done according to the SSMD-P01 procedure.

14. Shares of companies under insolvency or reorganization proceedings that have been readmitted to trading on a regulated market or an alternative trading system following the issuance of a final judgment 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, the valuation of the respective shares will be done as follows:

14.1. if transactions were recorded between the date of the readmission to trading and the date when the net asset of the managed entity is calculated, the shares will be valued using the method set out under point 1.1.

14.2. otherwise, the shares will be valued in accordance with the method set out under point 2.1. until the date when a reference price will be available.

The data used to evaluate the shares specified under paragraph 14 shall be entered into the system in accordance with the procedures referred to under points 1 and 2 of these Rules and the SSMD -P01 procedure.

15. The shares of the companies regulated by Law no. 31/1990 or the applicable law in Member States or third countries in the portfolio of the managed entities, not admitted to trading or admitted to trading on a regulated market under an alternative trading system or under other trading venues in a Member State, an alternative trading system in Romania, as well as those admitted to the official listing of a third-party stock exchange or trading system, but not traded in the last 30 trading days (business days), with negative values of equity are included in the calculation of the net asset at zero value.

16. If a company admitted to trading on a regulated market / alternative trading system that has the negative equity value is not traded over a period of more than 30 trading days and this period coincides with the period of suspension from trading of that share, then the respective share is valued in the portfolio of the managed entities at zero value.

The data used to value the shares specified under point 16 are entered into the system in accordance with the procedures referred to in points 1 and 2 and the SSMD -P01 procedure.

17. In the case of dividing / consolidating the nominal value of shares admitted to trading on a regulated market or in trading systems other than the regulated markets, shares resulting from the division shall be valued from the ex-date to the date of trading by dividing the price before the division into the division coefficient, respectively by multiplying it by the consolidation coefficient.

18. In the case of operations for decreasing 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 the ex-date to the date of their entering into trading , the shares are valued by dividing the last market price available prior to the operation of the change of the share capital to the share capital decrease coefficient.

The data used to value the shares specified under points 17 and 18 shall be entered into the system in accordance with the procedures referred to under points 1 and 2 of these Rules.

19. Dividends and shares distributed without any cash consideration as a result of participation in the capital increases are recorded in the assets of the managed entities on the first day when the investors who buy the shares no longer receive a dividend or the first day when the investors who buy the shares can no longer participate in the capital increase.

If, due to lack of information, the asset registration of the shares held in foreign markets can not be achieved in accordance with the provisions of paragraph 19, the value of such dividends must be recorded in the asset at the date when M.I. or the depository of the managed entities are in possession of the information on the ex-dividend date for the securities in their portfolio, proven by documents / extracts / publications.

Dividends distributed by companies not admitted to trading on a trading venue in a Member State or on a third-party stock exchange are recorded in the accounts of closed-ended investment companies as receivables on the basis of the SGA's decisions approving the balance sheet of that company.

Dividends distributed by companies not admitted to trading on a trading venue in a Member State or on a third-country stock exchange are recorded in the asset of the managed entities at the time of their collection.

Data on dividend receivable of the managed entities and shares distributed without cash consideration resulting from the participation of the managed entities in share capital increases are entered into the system according to the IOAAPD - P01 procedure.

The data used to value the shares specified under point 19 are entered into the system in accordance with the procedures mentioned under paragraph 1 of these Rules, supplemented by the FAD P01 procedure (Dividend Receipts Record).

20. In the case of share capital increases involving a cash consideration from investors, without the issue of preference rights, M.I. will take into account the value of shares due to them and the amount owed for newly issued shares only if M.I. decides that the entities / one of the entities they manage will participate in the share capital increase of the issuer. The value of due shares determined under these rules and the amount due as a result of the participation in the share capital increase are recorded in the assets of the entities / managed entities as follows:

- 20.1. starting with the first day when investors who buy shares can no longer participate in the capital increase if the market price is higher than the subscription price
- 20.2. upon the actual payment of the shares subscribed within the share capital increase, if the market price is lower than the subscription price

In the event that the operation for increasing the share capital with cash consideration from the investors is not performed within the legal term established by Law no. 31/1990 from the date of the adoption of the SGA decision, the MI will exclude from the portfolio of the managed entities the subscribed shares and record the amounts paid for the non-operated share capital increase under "Other assets - Receivable amounts". MI will use all legal remedies for the recovery of the cash consideration paid to the issuer for the shares that have not been subscribed for objective reasons imputable to the issuer.

21. In case of share capital increases involving a cash consideration from investors, with the issue of preference rights, entitled shares are recorded in the assets of the managed entities in accordance with the following rules:

- 21.1. The date on which the shares entitled to are recorded is the date of effective payment of the shares subscribed to the share capital increase;
- 21.2. Until the admission to trading, the shares subscribed by the managed entities under an initial public offering of shares are considered "newly issued securities" and are valued on the basis of the purchase price of the shares subscribed under the public offer. This way of recording

and valuating the respective shares subscribed by the managed entities is maintained until the date of the first stock exchange transaction.

- 21.3. If the admission to trading of such shares is not executed within 12 months from the date of initiation of the bidding period, the shares mentioned under point 21.2. will be valued similar to shares not admitted to trading, according to the methods specified under point 2.1.
- 21.4. If the public offer of securities indicated under point 21.2. involves the issue of marketable allocation rights, the allocation rights of the managed entities which subscribed and fully paid in the offering referred to under point 21.2 respectively during the exercise of the pre-emption right are assessed as follows:
  - 21.4.1. between the date of issue and the date of possible admission to trading of the allocation rights based on the purchase price of the shares subscribed under the public offering;
  - 21.4.2. between the date of possible admission to trading of the allocation rights and the effective date of admission to trading on the basis of the valuation of those allocation rights in accordance with the rule set out under point 1.1:
- 21.5. If the managed entities that subscribed and fully paid in the offering referred to under point 21.2 hold shares of that issuer acquired before the public offering and the admission to trading of the shares in question, they are valued as follows:
  - 21.5.1. between the date of issue and the date of possible admission to trading of the allocation rights, according to the methods specified under point 2.1
  - 21.5.2. between the date of possible admission to trading of the allocation rights and the effective date of admission to trading on the basis of the valuation of those allocation rights in accordance with the methods set out under point 1.1.
- 21.6. Allocation rights stipulated in section 21.4. will be presented in the reporting forms of the managed entities as follows:
  - 21.6.1. until the time of admission to trading within the sections dedicated to holdings of other securities and money market instruments not admitted to trading;
  - 21.6.2. from the moment of admission to trading until the issue of the shares subscribed in the public offer, within the sections related to the holdings of other securities assimilated to shares and money market instruments admitted to trading or traded.
22. Newly issued bonds that include a listing commitment shall be valued up to the date of admission to trading in accordance with the rules set out under point 2.2.
23. Shares of companies non-admitted to trading resulting from increases in share capital without cash consideration are recorded in the assets of the managed entities from the date of the operation of the share capital increase to the Trade Registry, based on evidence provided by the company confirming the new value of equity corresponding to the new share capital
24. Shares of companies non-admitted to trading resulting from the share capital increases with cash consideration will be valued as follows:
  - 24.1. until the date of the registration of the share capital increase with the Trade Registry at the subscribed amount;
  - 24.2. from the date of the registration of the share capital increase with the Trade Registry, similar to the provisions of paragraph 2, corroborated with the provisions of points 11, 12, 13 and 15.
25. The valuation of the shares held by the managed entities as a result of the participation in the share capital increase without cash consideration, as well as those with cash consideration registered in the

asset according to the provisions of point 21, shall be made at the closing price of the market segment considered as the primary market or reference price provided under systems other than regulated markets, including alternative trading systems by the Operator of that trading system for the day for which the calculation is made.

The amount due as a result of the participation in the share capital increase with cash consideration registered in the asset is valued at the subscription value. In the event that the FSA does not approve the prospectus for the issuance of new shares as decided by the SGEA of an issuer, the newly issued shares previously recorded in the asset of the entity being managed under the provisions of these Rules are removed from the asset of the managed entity.

## 26. Preference rights

26.1. If the share capital increase is made by issuing preference rights, they will be recorded in the asset of the managed entity on the first day when the investors who buy the shares can no longer participate in the share capital increase.

26.2. Until the first day of trading, the preference rights valuation is made at the theoretical value. The theoretical value of the preference right is calculated according to the formula:

$$\begin{aligned} & \text{Theoretical value of the preference rights} = \\ & = (\text{market price of the old shares} - \text{subscription price of the new shares based on the preference rights}) * \\ & \quad * [\text{number of new shares}/(\text{number of old shares} + \text{number of new shares})] / \\ & \quad / [\text{number of old shares}/\text{number of issued preference rights}] \end{aligned}$$

where

market price of the old shares is the price valued according to point 1.1, from the last day when these who buy shares are entitled to participate to the share capital increase

26.3. Subsequent to admission to trading, preference rights will be valued at the price valued under point 1.1. of the day for which the calculation is made. If no transactions are recorded, the valuation will be maintained at the theoretical value.

26.4. Subsequent to the trading period of the preference rights until their exercise, the preference rights will be valued at the last closing price of the trading period and registered under a distinct item "Dividends or other receivables."

26.5. At the time of exercising the preference rights, the appropriate shares will be duly recorded in the assets of the managed entities.

## 27. Dividends and shares distributed without cash consideration

27.1. Dividends and shares distributed without cash consideration as well as those distributed with cash consideration and amounts due to the managed entities are registered in a separate item "Dividends or other receivables" within the assets of the managed entities.

27.2. If the dividends and shares distributed without cash consideration are not paid / allocated within the legal term / term set forth in the SGA, they will be included in the asset at zero value. If the legal term / term set forth in the SGA for payment / allocation of dividend falls on a non-business day, it is extended until the end of the first business day.

28. If the principal and coupons of fixed income instruments are not paid within 10 business days as of the deadline set in the prospectus, they will be included in the asset at zero value. In monitoring the 10 business days, the timetable to be considered is the corresponding calendar of the country of residence of the fixed income instruments, where there may be differences between the business days in Romania and the business days related to other states. If the payment deadline coincides with a non-business day, it is automatically extended until the end of the first business day.

29. For fixed income financial instruments not admitted to trading on a regulated market or an alternative trading system in the portfolio of the managed entities, for prudential purposes, if the MI finds, according to the issuer's periodic financial statements, that there is a significant risk that it will not meet the payment obligations of the periodic coupons and the principal, MI shall make graduated exposure value adjustments on that instrument on the basis of an internal review or a valuation report drawn up by an authorized valuer. Such value adjustments shall be notified to the FSA with the triggering of this procedure.

Depreciation in the value of fixed income financial instruments also applies in case of delays in coupon payments, changes to the payment date after maturity, as well as changes in the maturity date.

MI will publish in the half-yearly and annual activity report sent to the FSA based on the provisions of art. 53 of the FSA Regulation no. 9/2014, complete information on the substantiation, the causes that led to the value adjustment, and the detailed methodology used for the gradual adjustment of value for the financial assets of the managed entities portfolio.

If, after the value adjustment has been applied, the issuer of fixed income financial instruments not admitted to trading on a regulated market or an alternative trading system does not actually fulfill its payment obligation for periodic coupons and the principal, then they will be included in the asset at zero value.

If, after being included in the assets of the managed entities at zero value in accordance with the provisions of the above paragraph, the issuer of fixed income financial instruments not admitted to trading on a regulated market or an alternative trading system fulfills all outstanding payment obligations according to the tender documents, then those instruments are revalued in the assets of the managed entities in accordance with the provisions of these Rules.

30. Monetary market operations, ie reverse purchase / reverse repo transactions, are shown in the portfolio of managed entities as follows:

30.1. reverse repurchases where the managed entities buy assets eligible for trading, with the counterparty's firm commitment to redeem those assets at a later date and at a price set at the date of conclusion of the transaction, are valued through the daily recognition of the receivable that is added to the acquisition value;

30.2. reverse repo transactions where the managed entities sell assets eligible for trading are not allowed.

31. In the case of share capital decrease operations of a company whose shares are admitted to trading on a regulated market or under an alternative trading system without distribution of money as a result of the decrease in the number of shares, the asset of the managed entities from the ex-date will reflect the new number of decreased shares, and the valuation will be carried out according to the provisions of these rules. In the event that the FSA does not approve the operation of decreasing the share capital, the amounts previously recorded in the assets of the managed entities according to the provisions of these rules will be eliminated from the assets of the managed entities from the date of the individual rejection act.

32. Registration in the assets of managed entities cash available resulting from cash distribution to shareholders during operations of share capital decreases by decreasing the nominal value of the share or as a result of reducing the number of shares and the distribution to shareholders existing on the record date of an amount of money corresponding the reduction of the nominal value or number of shares approved by the Resolution of the SGA is performed in the same manner as the one used for recording dividends distributed to shareholders, provided at point 26, respectively reflected in the asset of the managed entities as amounts received as a result of the decrease of the share capital under the item "Dividends and other receivables", as a counterpart to the reduction in the number of shares related to the decrease of the share capital.

33. MI records the financial instruments in the portfolios of the managed entities from the date of the transaction.

### **VALUATION OF FINANCIAL INSTRUMENTS BASED ON THE FAIR VALUE PRINCIPLE IN ACCORDANCE WITH INTERNATIONAL VALUATION STANDARDS**

In the circumstances set out in paragraphs 2.1.2, 10.2, 10.3, 11.2, 12.2 of this Procedure, where estimates of the value of financial instruments are required based on the fair value principle according to the International Valuation Standards, MI will use an external valuator, ANEVAR member.

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.

Also, 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. 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 outcome of the assessment reports will be verified by SNACD.

### **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 regulations issued by the FSA and where a value estimation is required based on the fair value principle according to the International Valuation Standards, an external rated corporate/individual member of A.N.E.V.A.R. 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.

## **FREQUENCY OF EVALUATION**

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.

## **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 service contract concluded between the external valuator (corporate/individual member of the ANEVAR) as a service provider and MI. The external valuator provides, upon request, professional guarantees demonstrating its ability to perform its assessment function. 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:

- 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 signing a service contract, the SNACD responsible person will consider whether the external valuator meets the minimum requirements outlined above. Also, the SNACD responsible person will submit the valuation request in writing and will take all necessary steps to schedule the valuation of the financial assets.

The documents necessary for the evaluation report will be made available to the Valuator by MI, so that the Valuator's possession of the same set of documents is also in the possession of MI. The valuator must prepare and present MI with the documents and information necessary for the valuation.

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.

## **RESPONSIBILITIES**

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

**Validation** of valuation models is ensured by MI employees, which have attributions in these regard. They can not be selected from the employees of the departments responsible for the valuation of assets in the portfolios of the entities managed by MI, they must have sufficient specialized knowledge. **Performing** the

valuation - the designated SNACD persons who obtain, verify, process documents, necessary data / information and apply the procedure and methodologies described therein.

**Verification** of the application of the procedure - the persons who coordinate the activity of SNACD.

**Certification** of the results of the valuation process is carried out for each entity by its Depository.

## **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:

- 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 reduce the likelihood of other similar issues;
- checking corrections for adjustments to the size and liquidity of positions and their correlation with market conditions and other relevant information wherever 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.

**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 ensures at each reporting date that none of the following conditions are fulfilled:

- 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 will periodically carry out verifications that will include at least the following aspects:

- 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;
- a 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.

The **risk management function reviews** and, if necessary, provides adequate assistance with the policy and procedure adopted for asset valuation.

### **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.

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.