



Valuation Policies & Procedures

Version 2
22nd July 2021

Valuation Policies & Procedures

Version Log

Version Number	Review/ Approval Date	Approved By	Nature of Amendments
1.1	16 th May 2018	Board of Directors	N/A – First version.
1.2	14 th July 2020	Board of Directors	Update of Annex; formatting changes.
2	22 nd July 2021	Valuation Committee and Board of Directors	<ul style="list-style-type: none">- Amendments to reflect Part BIII of the Investment Services Rules;- Checks and generic updates performed in terms of Compliance Monitoring Plan 2021.

1 Scope

1.1 These Valuation Policies and Procedures reflect the requirements on valuations applicable for AIFMs and UCITS Management Companies under:

- (i) Directive 2011/61/EU of 8th June 2011 on Alternative Investment Fund Managers (**'AIFMD'**), particularly Article 19;
- (ii) the Commission Delegated Regulation (EU) No. 231/2013 of 19th December 2012 supplementing the AIFMD (**'CDR'**), particularly Articles 67 to 74;
- (iii) Directive 2009/65 EC of the 13th July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (as amended) (**'UCITS Directive'**);
- (iv) Part BII and Part BIII of the Investment Services Rules for Investment Services Providers; (collectively the **'Applicable Laws'**).

These Valuation Policies and Procedures are also aimed to:

- a. ensure a fair, appropriate and transparent valuation methodology for each type of asset, in accordance with applicable national law, with the rules and instruments of incorporation of the Alternative Investment Fund and UCITS fund (**'Funds'**);
- b. provide for inputs, models and selection criteria for pricing and for market data sources;
- c. provide that prices be obtained from independent sources;
- d. address the competence and independence of personnel carrying out the valuation process; and
- e. identify the obligations, roles and responsibilities of all parties involved in the valuation process.

1.2 The Valuation Committee of Fair Finance Asset Management Limited [C 82093] (hereinafter referred to as the **'Company'**) is to act in accordance with these Valuation Policies and Procedures as well as the Terms of Reference regulating the said Valuation Committee.

1.3 These Valuation Policies and Procedures are to be kept updated and reviewed on an ongoing basis to ensure compliance with the requirements emanating under the Applicable Laws. The review of these Valuation Policies and Procedures by the Valuation Committee shall, in any case, be undertaken at **least yearly** and in any event before an engagement with a new investment strategy or a new type of asset.

2 Policies and Procedures

2.1 General

- The following valuation policies and procedures shall be adopted with respect to the Funds managed by the Company:
 - i. The Valuation Committee is required to undertake reliable, proper and objective asset valuation in respect of the assets of the Funds under management and operate under and within the powers and functions stipulated in Section 2 of the Terms of Reference regulating the said Committee which Terms of Reference also cover the proceedings of the Valuation Committee;
 - ii. All assets of the Funds managed by the Company shall be fairly and appropriately valued. Prices should be obtained from independent reliable sources whenever possible and appropriate;
 - iii. The valuation methodologies, including these policies and procedures, shall be applied consistently by the Valuation Committee including across all the Funds managed by the Company, taking into account the respective investment strategy and type of asset and use of any external valuers.

2.2 Net Asset Value/ Frequency of Valuations

- The Valuation Committee should refer to the rules applicable to the valuation of assets and calculation of Net Asset Value ('NAV') in the jurisdiction where the Fund is established and/or the constitutional documents or rules of the Fund.
- The NAV per unit/share of the respective Fund under management is to be calculated and disclosed to investors in accordance with (as applicable):
 - i. Article 19 of the AIFMD;
 - ii. the applicable national law;
 - iii. the Fund's rules or constitutional documents;
 - iv. Applicable Laws.
- The procedures and methodology for the calculation of NAV are to be fully documented and regularly verified.

- With respect to frequency of valuations, the assets of the Fund are to be valued and the NAV per unit/share calculated at least **once a year** or such more frequent basis as required in terms of Applicable Law.
- For open-ended funds, the valuations and calculations are also to be carried out at a frequency appropriate to the assets held by the Fund and the respective subscription and redemptions frequency. Financial instruments shall be valued every time NAV per unit is calculated whilst for other assets, valuation shall occur at least once a year unless there is evidence that the last value determined by the Valuation Committee is no longer fair or appropriate.
- For closed ended funds, the valuations and calculations are also to be carried out upon a change (increase or decrease) in the capital of the Fund. The frequency of the valuations and calculations shall be reflected in the Fund's rules or constitutional documents.
- The calculation of the net asset value shall be undertaken in terms of the constitutional and offering documents of the respective Fund and under the supervision of the depositary of such Fund. Remedial procedures shall be put in place in case of incorrect calculation of NAV.
- The number of units in issue of the respective Fund shall be regularly verified as least with each calculation of the NAV per unit.

2.3 Competency & Composition of Valuation Committee

- The requirements relating to the composition and procedures applicable for the appointment and removal of Valuation Committee members are provided for in Section 3 of the 'Valuation Committee – Terms of Reference'.
- Any appointed Valuation Committee member should possess the necessary qualifications and experience to occupy the post and fulfil the duties required thereof. The first Valuation Committee members are:
 - i. Mr Markus Zeilinger, bearer of Austrian passport numbered 5922299. Mr Zeilinger is a Director and a Qualifying Shareholder of the Company. Mr Zeilinger possesses vast experience in the field of asset management and valuation as chairman of the board of both BONUS Pensionskassen AG and BONUS Mitarbeitervorsorgekassen AG. Moreover, in his role of director of fair-finance Vorsorgekasse AG, Mr Zeilinger has been responsible for the said company's asset management.

- ii. Mr Stefan Stolzenberg, bearer of Austrian passport numbered CFXR297RJ. Mr Stolzenberg is being seconded from fair-finance Holding AG, where he occupies the role of Finance Manager. Mr Stolzenberg will in turn be supported by other administrative staff in relation to the valuation function.
- Mr Zeilinger and Mr Stolzenberg are not involved in any way in the investment management function and are considered to have the necessary competence and experience, and in a position to carry out the requisite valuation function also in light that the underlying assets of the funds under management shall only involve listed instruments (Level 1) and hardly any Level 2 assets with no Level 3 assets.

2.4 Independence

- The Valuation Committee of the Company shall be functionally independent from the portfolio management and the remuneration policy and the necessary measures are to be taken to mitigate conflicts of interest as indicated in the Terms of Reference of the Valuation Committee. There should also be no undue influence on employees.
- Mr. Zeilinger, as one of the members of the Valuation Committee, shall not vote in Board discussions relating to the remuneration policy, in order to maintain a remuneration policy which is also functionally independent from the remuneration and the portfolio management function.
- The remuneration of the members of the Valuation Committee should not give rise to any conflicts of interest or affect their independence and impartiality to undertake reliable, proper and objective asset valuation.

2.5 External valuations

- The Company may decide, or as may be requested by MFSA, to have its valuation procedures and/or valuations verified by an external valuer or auditor.
- Should the need for the appointment of an external valuer arise, the Company shall consider obtaining the services of a professional external valuer, such as The Value Group or any other external professional valuer as may be approved by the Board on the recommendation of the Valuation Committee, to provide support and research in relation to the valuation of certain underlying assets. The Company shall conduct initial and periodic due diligence on any external valuer appointed. Professional guarantees in writing from the external valuer regarding their ability to perform the valuation function may be duly requested to cover the aspects outlined in Article 73(2) and (3) of the CDR.

- In case where an external valuer is appointed, the terms of appointment of such valuer shall inter alia provide for the timely and seamless exchange of necessary information between the Company and the external valuer for the purpose of performing the valuation function.

2.6 Differences/ disagreements in valuation

- In case of disagreements or differences in values of assets, such matters shall be promptly raised to the Board and Risk Manager by the Valuation Committee or respective Valuation Committee member for due consideration. Relevant, full and comprehensive details shall be provided in a written report to the Board regarding such disagreements or differences including proposed ways for the resolution of the matter, including whether an independent expert report is required in the circumstances, and measures for prompt rectification.

2.7 Controls

- The selection of valuation inputs, sources and methodologies shall be collectively made by all the Valuation Committee members after the necessary due assessments and analysis which need to be duly reflected and documented in the table found in Annex A. Any changes in the selected valuation inputs, sources and methodologies shall likewise be made collectively by the Valuation Committee and not by any one member of such Committee in line with the proceedings outlined in the 'Valuation Committee – Terms of Reference' which as stipulated above also governs matters relating to inter alia the proceedings of the meetings and conflicts.
- The Valuation Committee shall ensure that dual control is exercised in the pricing of assets and shall ensure that relevant records are retained regarding inter alia the sources of the value and prices of the individual asset and verification of such.
- The Valuation Committee shall apply necessary checks and controls such as those outlined in Article 71(3) of the CDR to ensure the reasonableness of the individual value of an asset where there is a material risk of an inappropriate valuation such as in the cases outlined in Article 71(2) of the said Regulations (where for example, the valuation is based on prices which are only available from a single source).
- The Valuation Committee shall avoid conflicts of interest and in case of any such conflict shall follow the procedures outlined in the 'Valuation Committee – Terms of Reference'.
- Before the use of a valuation model, such model should be validated by a person who has sufficient expertise. Such person should not have been involved in building any such model.

2.8 Verification of valuation principles and methods/ Periodic reviews

- The Valuation Committee shall verify the valuation principles and valuation methods on a regular basis, with such verifications occurring at least annually and before the Fund undertakes a new investment strategy or invests in a new asset type not previously covered under this document.
- The Risk Management function shall review and provide the necessary support as appropriate in respect of the valuation policies and procedures.

2.9 Valuation adjustments

- Any adjustments needed in valuations such as those related to the size and liquidity of positions or changes in the market conditions, should be duly and promptly considered by the Valuation Committee in line with these policies and procedures. The Risk Management function should be informed and/or consulted accordingly.

3 Amendments

- 3.1 The Valuation Committee of the Company may submit recommendations in writing to the Board for proposed changes and updates to the Valuation Policies and Procedures including the valuation methodologies for the proper valuation of the assets of the Funds. The rationale for the proposed changes and implications resulting from such changes including any material effect on the Funds managed by the Company should be highlighted accordingly.
- 3.2 These Valuation Policies and Procedures including the valuation methodologies may only be amended subject to the Board's approval by means of a resolution adopted in accordance with the Memorandum and Articles of Association of the Company.

Annex A

NAME OF AIF: (Sub-fund / Scheme)	fair-finance Masterfonds AT0000A14J06	fair-finance bond opportunities AT0000A1Z6M6 AT000A1Z6L8	fair-finance real estate sustainable MT7000017968
Type of fund: i. Closed Or ii. Open ended	<input type="checkbox"/> <input checked="" type="checkbox"/>	<input type="checkbox"/> <input checked="" type="checkbox"/>	<input type="checkbox"/> <input checked="" type="checkbox"/>
Frequency of: (i) Subscriptions (ii) Redemptions (iii) Valuing assets	Daily Daily Daily	Daily Daily Daily	Daily Daily Daily
Nature of assets the AIF might invest in (To also attach with Annex A, a copy of the specific investment strategy of the AIF)	Collective Investment Schemes Bonds Money Market Instruments Listed derivative Instruments for hedging purpose	Collective Investment Schemes Bonds Money Market Instruments Listed derivative Instruments for hedging purpose	Collective Investment Schemes Real estate Money Market Instruments

<p>Assessment of available relevant methodologies for asset in question</p>	<p>All instruments which are used will have a daily market price. Therefore the Valuation Methodology is “Mark to Market” for the Segment Sub2</p>	<p>All instruments which are used will have a daily market price Therefore the Valuation Methodology is “Mark to Market” for all Assets</p>	<p>Valuation of the investment shall occur in accordance with the generally recognised valuation principles and at least once every year, and whenever such assets are purchased, sold or encumbered.</p>
<p>Valuation Methodology/ies (To include inputs/ models/ selection criteria for pricing/ market data sources)</p>	<p>Segment Sub1 “Held to Maturity Bonds” are valued by an internal rate of return approach. This Valuation Methodology is regulated in the BMSVG § 30</p>	<p>“Mark to Market”</p>	<p>The calculations involved in determining the value of the individual investments is based on the arithmetical average of the valuations made on the same cut-off date by two or more experts possessing adequate expertise</p>
<p>Explanation/ justification of the model chosen for the valuation of the asset/s (including any particular assumptions and limitations) & how this ensures fair & appropriate valuation. To also include details by whom model has been validated</p>	<p>The administrator and the custodian are also responsible to prove the daily valuation of the assets</p>	<p>The administrator and the custodian are also responsible to prove the daily valuation of the assets</p>	<p>The valuation of the daily Net Asset Value may be based on estimated value. In case of significant differences between the estimated value and the final value of the underlying investments, the Administrator may, at its discretion, recalculate the previously calculated Net Asset Value.</p>

Appropriate time considered for closing books for valuation purposes	4:30 pm	4:30 pm	N/A
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