

## **OBJECTIVE VALUATION PRINCIPLES**

**UB Fund Management Company Ltd**

Approved by the Board of Directors of UB Fund Management Company Ltd on March 25, 2025

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# 1. General

## 1.1 Scope of Application

According to Section 4 of Chapter 10 of the Act on Common Funds, the value of a fund's assets is determined based on their market values. If there is no market value available or it cannot be obtained due to circumstances, the value of the investment is determined according to the principles defined in the fund's rules in accordance with the Act on Common Funds.

Additionally, the valuation of the fund follows the guidance from the Financial Supervisory Authority (Guidance MOK 3/2011).

This guidance defines how the value of an individual investment is determined based on objective principles, even when a market value cannot be found, and cannot be valued directly according to the principles specified in the fund's rules. If a reliable/fair market value cannot be established for securities, they are valued according to objective principles.

The purpose of this guidance is to ensure that pricing is accurate, simple, consistent, predictable, and easily verifiable afterward. This guidance applies to all investment, special investment, and alternative funds managed by UB Fund Management Company Ltd.

## 1.2 Responsibilities and Decision-Making

The Board of Directors of UB Fund Management Company Ltd ("UBR" , short for UB Rahastoyhtiö) is responsible for ensuring that the valuation principles of the funds comply with applicable legislation, regulatory requirements, and recommendations. The Board of Directors of UBR approves these principles.

UBR's back office is responsible for ensuring compliance with the fund rules and this guidance as part of the valuation process of the funds managed by UBR. The back office is also responsible for keeping this guidance up to date and sufficient. The activities of the back office are supervised by UBR's risk management function. If there are investments in the funds for which a reliable value cannot be determined based on the fund's rules or current objective valuation principles, the back office must immediately contact the CEO of UBR. The CEO will initiate an investigation into the valuation of the asset in the funds' valuation process. The fund's portfolio manager may also be consulted during this investigation.

The CEO decides on a case-by-case basis regarding the application of objective valuation principles. However, it should be noted that the requirement for continuity and consistency is particularly emphasized in the valuation of fund investments. The previously selected valuation method will be followed unless there is a justified reason to change it. Any deviations in the valuation of investment objects will be documented with justifications as part of the valuation.

The CEO will present any changes to the objective valuation principles to the UBR's Board of Directors immediately upon identifying the need for changes. Only after this can the back office apply objective valuation principles in the valuation process based on the CEO's initiative. The Board of Directors will review the guidance whenever changes occur and at least annually otherwise.

## 1.3 Documentation

UBR must always be able to trace the valuation process and its accuracy for all stages afterward.

There should be a record of the market prices and valuation timestamps in the valuation materials. The valuation materials will be retained to the extent that it is clear how the market values at the time of valuation have led to the valuation used in the calculation.

When deviating from the valuation principles specified in the fund rules, the appropriateness of valuations must always be verifiable afterward. As a minimum requirement, this means documenting the price source, the price used, and their acceptance with justifications. The same applies if a deviant price quote is disregarded.

## 2. General Valuation Principles

### 2.1 Valuation of Fund Investments

Primarily, investments of funds valued daily are valued based on market values obtained from market information sources in accordance with the rules of each fund. The market value may be the most recent executed trade or the average of buy and sell orders published by market participants, depending on the investment object. If the market values are not available, investments may also be valued at their theoretical value or acquisition cost. The input data required for defining the theoretical valuation must be publicly available from the market. The value development of investments is actively monitored both in portfolio management and UBR's back office. The valuation is adjusted immediately when the basis for a value change is identified.

In addition to daily-valued funds, UBR manages significant fund assets invested in physical forest properties or premises, land, and/or residential buildings. These investment objects are primarily valued based on the income valuation method, which relies on projected future cash flows widely used in the real estate market (excluding individual residential units, which are valued using a combination of income and transaction value methods). Real estate investments may also be secondarily valued at acquisition cost or by transaction value methods.

The back office checks the valuation prices daily by comparing the price to other potential price sources, the previous price, and any recent trades. Additionally, unchanged prices and significant price changes are monitored daily. Significant price changes are defined by instrument type in the fund valuation process guidelines. The reasons for price changes deviating from the general level are investigated and documented as part of the valuation materials. For new investments, the back office checks the price of the investment object for the first three valuation days to ensure that market values are appropriately transferred to the valuation systems.

Valuations of real estate properties are provided by an authorized independent real estate appraiser approved by the Central Chamber of Commerce. The COO of UBR, along with a forest investment expert or a real estate analyst, depending on the fund, reviews the valuations of the investment objects during each valuation, focusing on identifying any exceptional valuations.

Justifications must be provided for all deviant valuations for them to be used in the fund's valuation.

## 2.2 Selection of Marketplace

UBR's daily valued funds primarily invest their assets in exchange-listed investment objects, where daily valuation is based on the market prices formed in the securities and derivatives exchanges where the investment objects are traded. If a market price is available from multiple exchanges for an investment object, the primary exchange will be the main six quoting exchanges, and secondarily the exchange where the instrument is most actively traded. The back office documents the decision to use a different exchange in the valuation along with justifications. Forest and real estate fund investments do not have a general marketplace; instead, reputable expert organizations with a longer operational history are used as external valuation partners.

## 2.3 Currency-Denominated Amounts

The currency-denominated receivables and liabilities of each fund are converted into the fund's valuation currency using exchange rates obtained from a public market source in accordance with the fund's rules.

## 2.4 Exceptional Situations

### 2.4.1 Market Place Closed

If a marketplace is occasionally closed, for example, due to a local holiday, the valuation is made based on the most recent available market prices. If the marketplace is closed for a longer period, the principle of materiality must always be considered when using old valuations. For longer periods, the general direction of the markets must always be considered in the valuation of the funds, especially if a significant subscription or redemption order is left in the fund during that time.

### 2.4.2 Price Not Otherwise Available

In the event of a force majeure, such as technical problems, the fund's assets are valued at the most recent available market prices or previous valuation levels. Valuations older than the last valuation day are used in the fund's valuation only when the marketplace is closed.

If the exchange is open and only random quotes are obtained for a security, valuations up to a maximum of two weeks old may be used. However, it must be assessed whether there have been significant changes in economic conditions that could affect the security's value since the last quotation.

If market conditions have changed since the last quotation (e.g., the risk-free interest rate has changed since the last price quote of a corporate bond), the change in conditions is considered in the fair value based on the prices or yields of comparable financial instruments at the time of assessment. Similarly, if it can be demonstrated that the latest quote is not a fair value, that price must be adjusted.

### 2.4.3 Insolvency, Restructuring, or Other Insolvency Situation of the Issuer

In the case of the issuer's insolvency, the market value of the investment object is primarily sought from the market information system. In the absence of trading data or quotes from

market participants, the value of the investment must be based on UBR's assessment of how much can be recovered from the investment in the ongoing process. UBR may use an external expert to prepare the assessment. The calculations made to determine the value, along with their underlying assumptions and possible data sources, must be documented in connection with the valuations. If an assessment cannot be made, the investment is recorded as worthless following the principle of prudence.

## 3. Valuation Principles by Instrument Type

### 3.1 Deposits and Money Market Instruments

Deposits are valued at their nominal value. Any deposit interest is recorded retrospectively on a cash basis.

Discount instruments are valued according to the available market buy quotes or by calculating a theoretical price for each discount instrument based on its maturity and the interest rate curve. The interest rate curve is formed by linearly interpolating the differences between the quoted rates on the valuation date. A spread related to the company or debt instrument on the acquisition date is added to the discount rate of the interest rate curve. This spread is adjusted if it is deemed to have changed significantly since the acquisition.

### 3.2 Shares

#### 3.2.1 Exchange-Traded Shares

Publicly listed shares are valued at the prevailing market price at the time of valuation, using the latest trading price from the respective market. If no trading price is available for that day, the previous day's trading price may be used in the valuation of the investment. In this case, the pricing is adjusted by considering the bid and ask quotes published in the market data service at the time of valuation. The market value used must always be between these quotes; otherwise, the closest quote to the previous trading level is used for pricing.

#### 3.2.2 Unlisted Shares

Unlisted shares are generally valued monthly based on the trading information provided by the marketplace operator. The back office sends a price inquiry for the investment object to the fund's portfolio management, which then forwards it to the market participant facilitating the investment. This price will be used unless there is reason to assume the quote has changed due to news, trades made on the share, or general market movement. Some unlisted shares may also have quotes available from the market participant's website, allowing for more frequent market values if trades are occurring. When inquiring about market values of unlisted shares, UBR assesses the reliability of each participant's information on a case-by-case basis. If a reliable price is not available, unlisted shares are valued at their acquisition cost.

An exception to the above are closed-end funds primarily investing in unlisted shares. The valuation of these funds' investment objects is performed in each valuation according to the generally accepted valuation guidelines for unlisted shares in the financial markets (IPEV Guidelines).

### 3.2.3 Subscription Rights

Subscription rights are valued using the latest trading price. If trading in the subscription rights begins only after the ex-rights date, the subscription right is valued based on the market price of the share, the subscription price, and any theoretical price based on the subscription ratio. This approach is used until a market value based on trading for the subscription rights is obtained from the market data system.

### 3.2.4 Dividends and Other Corporate Events

The back office receives information about corporate events related to investments from custodians, the market data system, portfolio management, or news sources. All corporate events are verified against an alternative information source before being recorded in the valuation. Dividends and other corporate events are recorded on an accrual basis based on the information available on the ex-dividend date. The records account for any applicable taxes or other charges.

If refunds of withholding tax on dividends can be obtained under international agreements, UBR will seek these refunds as efficiently as possible. Withholding tax refunds are recorded as part of the valuation on a cash basis, only when the payment is received in the fund's account. All costs incurred in the collection process are deducted from the refunded amount. If the fund does not receive the payment, no costs associated with the collection efforts will be charged to the fund's assets.

## 3.3 Bonds

### 3.3.1 Exchange-Traded Bonds

Publicly listed bonds are valued at the average of the buy and sell quotes published by market participants in the market data service at the time of valuation ("mid-price") or at the closing price. The primary valuation method used is the calculated BVAL or BGN mid-price as presented by Bloomberg. If these are not available, the bond is valued at the average of all market participants' quotes.

In some situations, the pricing for a bond may be unclear, and the prices may differ significantly from one another. In such cases, at the initiative of the fund's portfolio manager, it may be considered whether to limit the pricing to quotes from certain market participants. However, before accepting this procedure, it must be justified what issues exist with the quotes that are being excluded.

If a market value cannot be obtained for a bond using the methods described above, the investment will be moved to manual pricing until a market value is available again or until the investment matures. In this case, the fund's portfolio manager will inquire weekly with market participants about possible buy and sell quotes for the bond.

Bonds can also be valued at the emission or acquisition price if no quotes are available immediately after issuance. Should market conditions or the issuer's situation change before pricing begins in the market, the valuation price will be adjusted as necessary.

### 3.3.2 Unlisted Bonds

Unlisted bonds are valued in the same manner as exchange-traded bonds. In some cases, the market value may be formed based on information presented on a market participant's website.



The reliability of this information is assessed by UBR on a case-by-case basis, considering each participant individually.

### 3.3.3 Convertible Bonds

Convertible bonds are primarily valued based on their market value using the buy and sell quotes published by market participants. If market values are unavailable for at least two weeks, convertible bonds are valued by separately assessing the values of the bond and the conversion option.

The bond portion is valued like corporate and government bonds. The conversion option is valued at the price potentially indicated by the issuer or, alternatively, estimates may be requested from other market participants. The conversion option is then valued at the average of the received estimates.

### 3.3.4 Structured Bonds

Structured bonds are primarily valued at the average of the indicative buy and sell quotes published by the issuer. If the issuer only publishes a buy quote, the average is determined using a theoretical sell quote calculated based on the required yield obtained from the market. The yield requirement is determined by obtaining estimates from at least three market participants, from which an average is calculated. Some structured products can also be valued at the issuer's indicative buy quote. The same approach is used in situations where the market's yield requirement cannot be determined.

### 3.3.5 Coupon Payments

Coupon payments from bonds and structured bonds are determined based on the issuance terms of each instrument. The amount of all coupon payments is verified by UBR's back office during security transactions and when the coupon is detached. Any corrections to the accrued coupon are made on a cash basis immediately at the time of payment.

Generally, if the issuer is experiencing payment difficulties, coupon payments due from that issuer to the funds are recorded as having no value. Payment difficulties of the issuer are confirmed by UBR's back office when no payment appears in the fund's account upon the coupon's detachment. This can be overridden by the decision of UBR's CEO if there is reasonable cause to believe that the fund will receive the coupon payment or part of it later.

## 3.4 Funds

### 3.4.1 Open Funds

The shares of open funds are valued at the latest available market value. This refers to the most recent net asset value (Net Asset Value, "NAV") published by each fund company for that fund by the valuation date specified in the fund's rules. This applies to all open funds, including those managed by UBR.

If the NAV of the fund is published less frequently, an indicative NAV or NAV estimate that may be obtained from the managing fund company can also be used in the valuation. Before using such an unofficial NAV, UBR must ensure its accuracy by comparing the received preliminary information against the market. If the received preliminary information appears unreliable, it should be disregarded or UBR should request further clarification from the fund company before use.

### 3.4.2 Private Equity Funds

Private equity funds are valued at the latest available NAV reported by the fund management company managing the fund. If the fund management company publishes estimated values for the fund, the most recent available official valuation is adjusted based on these estimates. Similarly, the NAV of a private equity fund is adjusted for any profit distributions if a distribution has been made between the latest valuation and the current valuation date.

## 3.5 Derivative Contracts

### 3.5.1 Exchange-Traded Derivatives

Exchange-traded derivatives are primarily valued at the settlement price published by the exchange on the valuation date or at the most recent trading level executed in the market. Secondly, other closing prices can be used, considering the latest bid and ask quotes, like exchange-traded stocks. If there have been no trades for the derivative for at least two weeks, its market value is determined based on the average bid and ask quotes published by the exchange. If this information is also unavailable, the derivative is priced at a theoretical price using input data available from the market.

### 3.5.2 OTC Derivatives

#### *Options Contracts*

Non-standardized options are valued similarly to exchange-traded options.

#### *Non-standardized Currency Derivatives*

Currency forwards and swaps are valued using the spot rate of the currency pair and the present value of the interest rate differential of those currencies. Forward points can also be used in the valuation. The pricing of non-standardized currency forwards is regularly reviewed against valuation reports received from the counterparty.

#### *Non-standardized Interest Rate Swaps*

The pricing of interest rate swaps is generally based on an accepted multi-curve pricing model: a discount curve for discounting future cash flows and a projection curve for forecasting future interest rates. Each currency has its own estimated curves. Individual points under the curves are collected from market sources. The average of bid and ask quotes is primarily used for valuing interest rate derivatives, with the bid price used secondarily. The pricing of non-standardized interest rate swaps is also regularly reviewed against valuation reports from the counterparty.

#### *Other Non-standardized Derivative Contracts*

Other non-standardized derivative contracts are valued using generally accepted and applicable valuation models and input data available from the market. In practice, this refers to various calculators that can be readily found in market data systems or constructed in, for example, Excel spreadsheets. When opening a derivative contract, UBR's back-office checks whether a similar investment has been previously made. If the product is familiar, existing calculators are used. In the case of a new product, an independent calculator is developed, after which the market values produced by the calculator are compared with the counterparty for the first week to ensure the calculator functions correctly. Any discrepancies must be

clarified in the early stages of the derivative contract's lifecycle. If price discrepancies cannot be resolved or the calculator cannot be constructed, the indicative valuation regularly provided by the counterparty to the back office is used as the market value of the investment.

### 3.6 Securities Lending and Repurchase Agreements

Securities lent out remain on the fund's balance sheet and are valued according to the rules of each fund. Securities borrowed are not valued unless they have been sold.

### 3.7 Real Estate Investments

A fund that primarily invests in real estate must comply with the provisions regarding property appraisers and property valuation as stipulated in Section 18 of the Real Estate Fund Act when valuing real estate investments. According to the fund's rules, the real estate owned by the fund is valued at fair value quarterly (or whenever subscriptions and redemptions are made to the fund) by an appraiser approved by the Central Chamber of Commerce ("AKA"), following good real estate appraisal practices. Real estate and real estate securities are also valued upon purchase, sale, and whenever the fund's subscription is paid in kind or when transferring the fund's investments as consideration for redemption. The fund may, for specific reasons, value real estate at a value other than the fair value defined by AKA. In such cases, the fund must justify its procedure in the management report or in the notes to the financial statements.

#### 3.7.1 Forest Properties

The fair value of forest properties included in the fund is primarily determined by an independent external expert using a discounted cash flow method for valuation. The key input data used in the income approach includes current forest inventory data, stumpage prices, forestry work costs, and the applicable discount rate. If the fair value cannot be reliably determined using the income approach, the purchase price of the forest property may be used as its fair value for a maximum of one year from the transaction date. The value of a forest property valued at purchase price must be determined at income value no later than one year after the transaction date. Additionally, other non-forestry-related values of the forest property may be considered if they are significant to the valuation of the specific forest property. As an exception to the general rule, individual assets of the fund can be valued at purchase price for a longer period. Such assets include, for example, beach lots suitable for recreational use that are transferred to the fund or mineral resources located on the property. Forest properties for which only a deposit has been paid are valued at the amount of the deposit.

#### 3.7.2 Real Estate Securities and Minority Investments in Real Estate

The fair value of the real estate investments owned by the fund is primarily determined by an independent external expert using a discounted cash flow method for valuation. The fair value of the residential properties and lots owned by the fund may also be determined using the sales comparison method or a combination of the income and sales comparison methods. In the valuation of all real estate investment companies, as well as mutual and non-mutual real estate companies, all assets of the property are considered. Construction and development projects are considered in the fund's valuation based on the completion status of the project, considering the fair value of the property when completed.

If the fair value of an investment cannot be reliably determined, its acquisition cost may be used as the fair value for a maximum of three months from the transaction date. After three months,

the value of the asset must generally be determined using the income or sales comparison method, or a combination of these to reach fair value. Exceptionally, individual investments may be valued at acquisition cost, subscription price, or another equivalent value for a longer period if this value accurately reflects the asset's fair value. If there is a purchase offer for the fund's real estate asset that differs from the most recently determined fair value, the purchase offer may be used as the fair value from the moment it is submitted, assuming that the offer is likely to lead to a transaction.

### 3.8 Investments in Energy Infrastructure

Investments related to the production, storage, or transmission of energy are valued on each valuation day according to international valuation standards (IVS) by an independent external appraiser. However, UBR may value these investments at a value other than that defined by the external appraiser for specific reasons. In such cases, UBR must justify its procedure in the management report or in the notes to the financial statements. Investments in energy production, storage, or transmission are also evaluated upon purchase, sale, or when the subscription is paid in kind. The primary fair value of energy investments is based on the income approach, using the discounted present value of future cash flows. The sales comparison method or a combination of the income and sales comparison methods may also be used to determine fair value. In exceptional cases, energy investments may also be valued at their acquisition cost.

Possible energy production, storage, or transmission development projects are valued by an independent external appraiser according to the income approach, adjusted by the probability coefficients corresponding to the development stage of each project, meaning the discounted present value of future cash flows is considered alongside the specific uncertainties defined for that development phase. The probabilities for each project development phase are established in collaboration with portfolio management and the appraiser, ensuring that early-stage investors in project-based businesses receive fair compensation for the uncertainties related to future returns. Progressing through each development phase reduces the overall risk of the development project, which is modeled using the success probabilities of different development stages.

### 3.9 Other Investments

If the fund managed by UBR has investments whose valuation is not specified in this document, an effort will be made to find the most reliable price for these investments in accordance with the fund's rules and the general principles of this guideline. These cases are resolved by UBR's Valuation Committee, which convenes as needed.

The Board of Directors of UBR annually determines the composition of the Valuation Committee and appoints its members. The Valuation Committee consists of at least three members, all of whom are employed within the United Bankers Group. The tasks of the Valuation Committee include:

- Preparing and drafting a proposal for the adoption of an external valuer for approval by the fund management company's board
- Preparing and presenting the valuation principles for a new asset class for approval by the fund management company's board
- Deciding on the implementation of new valuation methods

- Deciding on adjustment coefficients and implementation thresholds to be used in the context of flexible pricing methods
- Acting as an escalation channel in exceptional situations related to the pricing and valuation of investment targets, including market stress situations, market disruptions, sudden changes in the issuer's situation, default events, and large redemption volumes
- Assessing on a case-by-case basis other matters related to valuation and determining whether such matters should be addressed by the fund management company's board