POLICY NAME	PRIVATE ASSETS VALUATION POLICY		
EFFECTIVE DATE	August 2023	VERSION NO.	1
POLICY OWNER & CONTACT DETAILS	Investment Team		

APPLIES TO					
BUSINESS UNITS	Investment Team	Ethics and Investment Committee			
TEAMS					

VERSION HISTORY				
VERSION	APPROVED BY	REVISION DATE	DESCRIPTION OF CHANGE	AUTHOR
1.0	Ethics and Investment Committee		New policy	

POLICY REVIEW AND APPROVAL

This policy is to be approved by the Ethics and Investment Committee and reviewed annually.

SCOPE

The Private Assets Valuation Policy applies to unlisted private assets held by the Alvarium and Pathfinder funds and DIMs portfolios.

POLICY STATEMENT

The policy provides guidance as to when private assets should be valued and the preferred valuation methods.

Private assets need to be revalued so that unit pricing reflects the current value of a fund's assets. This is important to existing investors so that they understand the current value of their investment and to new and redeeming investors so that they receive fair value when they enter or exit a fund.

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TERMS AND DEFINITIONS

Define any acronyms, jargon, or terms that might have multiple meanings.

TERM	DEFINITION
Fair Value	an estimation of the price at which an orderly transaction would take place between market participants at the measurement date
EIC	Ethics and Investment Committee
Private assets	Assets that are not listed on a recognized stock exchange including assets in the category named “other securities” in the Apex Asset and Liability Valuation Policy

BACKGROUND

Alvarium Wealth (NZ) Limited and Pathfinder Asset Management Limited adopt the valuation methodologies set out in the Apex Asset & Liability Valuation Policy (**Apex Policy**) to value assets held within products and services offered by us. This policy sets out how private assets will be periodically valued.

The Ethics and Investment Committee is responsible for approving this Policy. The Investment Team is responsible for ensuring the valuation of private assets is carried out in accordance with this Policy. Valuations may be carried out by the Investment Team and/or an independent valuer.

This Policy is intended to provide:

1) Guidance as to when valuations should be undertaken
2) Preferred approaches to undertaking valuations

Individual valuation guidelines for each private asset will be prepared by the Chief Investment Officer and submitted to the Ethics and Investment Committee for approval.

Valuations of private assets will be circulated to the Ethics and Investment Committee:

(a) on a monthly basis; and
(b) sooner if a private asset is revalued in accordance with this Policy and such revaluation has an impact of >5% on the NAV of the relevant Fund.

1. PURPOSE OF VALUATIONS

1.1. Private assets need to be revalued so unit pricing reflects current fair value of a fund's assets. Asset valuations need to be fair to:

1.1.1. Existing members in the fund so they understand the current value of their investment holding.

1.1.2. Members redeeming fund units so they receive fair value on exit of their investment.

1.1.3. New members subscribing for fund units so they pay a closer approximation of fair value for their investment.

2. VALUATION TIMING

2.1. Each private asset will be valued on a monthly basis. In exceptional circumstances, such as a material news release affecting a private asset or other evidence of material impairment in value, the fair value of the asset will be investigated, and a special valuation may be conducted sooner at the Chief Investment Officer's discretion.

3. VALUATION POLICY: EQUITY INVESTMENTS

3.1. EXTERNAL MANAGERS/FUNDS

Private equity assets may be held in an external fund or other third party investment vehicle such as hedge funds and private equity funds, where a price/Net Asset Value ("NAV") is provided by the manager of that fund/investment vehicle. In this case, we have no direct control over pricing, and no ability to conduct our own valuations of underlying assets.

In this case the most recent fund valuation/NAV provided by the manager will be used (which is expected to be updated at least quarterly).

However, prior to investment in the third party vehicle, we will evaluate whether the pricing methodology of the managing entity is acceptable to us, particularly as it relates to International Private Equity and Venture Capital ("IPEV") guidelines and fair value hierarchy set out in IFRS 13. Significant deviation will only be accepted if the size of the investment position means that this deviation is unlikely to create material adverse impacts on our investors and will be reported to the EIC at its regular meeting.

3.2. DIRECT INVESTMENTS

We broadly adhere to the principles defined in the IPEV guidelines. These guidelines are published publicly on the IPEV website and are available for further background reading. In determining fair value, we categorise inputs following the fair value hierarchy set out in IFRS 13.

The following valuation methods may be used to valued unlisted equity investments.

Preferred Method

Market Approach

Our preferred valuation method for private equity investments is the Market Approach. The starting position is that the acquisition price of an investment is deemed fair value at the time of acquisition and valuation techniques applied subsequently should be evaluated using market inputs of a comparable basket of peers.

The Market Approach assumes that any difference in peer multiples at acquisition fully encapsulates the characteristics that differentiate the company from comparable investments. This means that if we invest in a company at 10x enterprise value (“EV”) / earnings before interest, taxes, depreciation and amortsiation (“EBITDA”) but similar listed peers were trading at 15x EBITDA at the same time, our starting point would be to assume the *change* in multiple was relevant, rather than applying the absolute level of the multiple which will be used in scenarios where peer multiples align with the price paid for the investment at acquisition date.

The details of how we will apply the market approach are described below.

1. At the date of acquisition:

   a. Calculate acquisition price to determine fair value.

   b. Select a basket of listed, observable and comparable companies (“**Basket**”).

      Each Basket should have at least three stocks, to be selected based on a range of criteria which may include:
      - Business activities
      - Revenue model
      - Target markets
      - Size

      Where we cannot identify suitable comparable customers, the weighted average metrics of a diversified index or ETF can be used as the Basket. An index should, to the extent practicable, broadly reflect characteristics of the industry, sector, operations and/or country of the relevant company.

      Note that companies may be added or removed from the Basket on revaluation dates where appropriate given the above criteria.

   c. Calibrate the investment by comparing the acquisition price and metrics of the investment with the metrics of the Basket.

      Examples of metrics used could be price to sales ratio, price to earnings ratio and price to market capitalisation ratio.

2. On revaluation dates:

    a. Where the investment was completed within the last six months, the acquisition price will be used as the fair value, unless there has been a material change to the business or industry which warrants an adjustment to the acquisition price.

    b. Where an investment was not completed within the last six months, the market multiple from the Basket will be applied to the appropriate investment metric to calculate the new value (i.e., price to revenue).

    c. Where there was a difference between peer multiples and the price paid at acquisition, we will base the revaluation on the change in market multiples between the revaluation date and the original multiple at investment date and apply the change in multiple to the investment value. Similarly, where we have used a diversified index or ETF in lieu of identifying appropriate comparable multiples, the change in value will be applied to revalue the investment.

    d. The company and Basket fundamental data (i.e., revenues/sales) will be updated as often as is practical. This may be quarterly or ad hoc dependent on materiality. We will also consider whether the companies in the Basket are still appropriate and whether there are any other qualitatively assessed adjustments required.. These adjustments are generally based on considerations like business progress, subsequent transactions etc.

Example of application of Market Approach:

We invest into Company A on 1 January 2023 at a multiple of 5x earnings. At that time, a selection of comparable listed companies (the “Basket”) are trading at 8x earnings.

On 31 January 2023, the Basket is trading at a 12x earnings. Company A is pegged to the valuation change and is then valued at 7.5x earnings, reflecting the 50% increase in market multiples.

On, 15 February 2023 Company A releases a material positive update on business progress suggesting the completion of milestones bringing it closer to the Basket. Company A completes a capital raising at a 10x multiple, equal to that of the Basket at the time. On this basis we reprice the asset to 10x earnings. From this point Company is then priced again on a change in market multiples basis.

Alternative Methods

DCF (Discounted Cash Flow) Method

This is a non-market approach and involves a manual calculation of the value of the company based on its future projected cash flows. This is generally more problematic due to the valuation sensitivity to the Cost of Capital input, and the lack of inferred probabilistic assessment of the company’s ability to execute, and/or general market risk premium.

NTA (Net Tangible Assets) Method

Deriving the value of a business by reference to the value of its net assets. The NTA method may be used in situations where the company's ability to operate as a going concern has come into question, or for companies where cash has been raised for a project but not spent.

Observable Market

Should an observable secondary market emerge for a company outside a traditional exchange, transaction prices can be considered as an input for valuation.

Cost Basis Method

A company will be valued at cost if (a) no other valuation method is suitable, (b) the transaction occurred within the last 12 months, and (c) there has been no evidence of any subsequent change in value (i.e., change in immediate investment environment or in the investment itself).

4. VALUATION POLICY: INCOME INVESTMENTS

4.1 **EXTERNAL MANAGERS/FUNDS**

Private Debt assets may be held in an external fund or other third party investment vehicle, where a price/NAV is provided by the manager of that entity. In this case, we have no direct control over pricing, and no ability to conduct our own valuations of underlying assets.

In this case the most recent fund valuation/NAV provided by the manager will be used (which is expected to be updated at least quarterly).

However, prior to investment in the third party vehicle, we will evaluate whether the pricing methodology of the managing entity is acceptable to us, particularly as it relates to IPEV guidelines. Significant deviation will only be accepted If the size of the investment position means that this deviation is unlikely to create material adverse impacts on our investors and will be reported to the Ethics and Investment Committee at its regular meeting.

4.2 DIRECT INVESTMENTS

The private asset valuations for income assets will be as follows:

Level 2 Fixed Income Assets with no observable/quoted market price

These will be valued monthly (in the following order of hierarchy):

1. At the price determined by an independent valuation obtained by us .

2. Using a method with observable inputs and accepted in the market, such as:
   (a) select a Level 1 fixed income asset with similar duration but of minimal credit risk.
   (b) determine the appropriate spread to be applied to the Level 1 asset to reflect the credit and other specific characteristics. In the case of new bond issues, this can be observed by using the spread upon inception of the bond.
   (c) price the Level 2 asset based on the spread over the Level 1 asset.

Private Loans (Level 3 Fixed Income Assets)

Subject to the applicable requirements of IFRS 9, our starting position is that private loans will be valued at the total of principal value together with interest accrued at the loan lending rate, to the valuation date. For the purposes of IFRS 9, private loans are held for the purpose of collecting principal and interest accruing on the outstanding principal balance. We then use a checklist based approach to assess any impairment of the loans on a monthly basis.

The details of how we apply the checklist based approach are described below:

1. Ask the borrower/arranger of the loan to complete the first five columns of the following checklist. If no new information relating to a loan is made available, the most recent loan impairment checklist will be used. In the case of related party loans, response and supporting materials will be retained and recorded. A copy of the impairment checklist will be sent to the chair of the IC:

	Is the Borrower forecasted to experience any material financial difficulty?	Any instances where the borrower will break terms of contract?	Is the borrower requesting concession on repayments of principal or interest?	Is it possible that the borrower will enter bankruptcy or other financial re-organisation?	Any anticipated changes in the economic / legal / regulatory environment which will affect the ability to repay?	Stage (1, 2, 3)
Loan A						
Loan B						
.						
.						
.						
.						

2. Assess what "Stage" the loan is, based on the responses and using the following guidelines:

   a. **"Stage 1":** If "No" is selected for all columns, the loan is treated as not impaired. For loans in "Stage 1", the probability of default is the same as when the loan was made, and the loss given default is zero provided the LVR is less than 90% (gives a 10% margin of safety on asset valuation). Note, if an expected credit loss (**ECL**) was provisioned against the loan previously, the impairment allowance is written back to the gross carrying amount of the asset.

   b. **"Stage 2":** If "Yes" is selected in any column, the formulas below are completed to estimate the ECL to be applied to that loan using a Probability of Default (**PD**) of less than 25%.

   c. **"Stage 3":** If "Yes" for all questions, the formulas below are completed to estimate the ECL to be applied to that loan using a PD greater than 90%.

Calculating Expected Credit Loss (ECL)

Expected Credit Loss Calculation:

$$ECL = EAD \times PD \times LGD$$

Where:

EAD = Exposure at Default/Value of Investment
PD = Probability of Default
LGD = Loss Given Default

Loss Given Default Calculation (expressed as a %):

$$LGD = \frac{GCA - LV}{GCA}$$

Where:
GCA = Gross Carrying Amount
LV = Liquidation Value

Calculating Loss Given Default (LGD)

When we deem a loan as “Stage 2” or “Stage 3”, we will work with the arranger to estimate LGD. This will require in depth analysis of factors that may impact the borrower’s ability to repay loan payments or meet loan terms. We may treat interest and principal payments separately in calculating LGD for a loan. Note, the security for individual loans can be made up of several assets. For commonly used collateral we will use the assumptions below to estimate a liquidation value (LV):

Land/completed developments held for sale

- List/feasibility price provided similar/surrounding lots had been selling at list price recently, otherwise registered valuation. For entire sites, using last bid where available and all else being equal – for example, changes in the market, economic or regulatory environment haven’t impacted the value of the collateral. Otherwise, last registered valuation (issued within the last 2 years) is used.

Ongoing Development

- For developments that haven’t yet completed or started selling lots, we would use either most recent registered valuation as base, or land value plus capitalised cost on the project – a land development company will use the cost capitalisation method for valuing assets on their balance sheets.

Equipment

- Cost less accumulated depreciated unless there’s a known actual residual value in the case of a fire sale.

Other

- Assets such as forest crop, last bid is used when available otherwise current valuation discounted by 20%.

RELATED POLICIES AND OTHER REFERENCES

- Apex Asset & Liability Valuation Policy
- Related Party Transaction Policy

ROLES AND RESPONSIBILITIES

List the job titles and business offices directly responsible for the policy.

ROLE	RESPONSIBILITY
CIO	Prepare individual valuation guideline for each private asset Conduct special valuation of private asset if warranted by a material change in circumstances intra month
Investment Team	Carry out monthly valuations of private assets in accordance with policy Assess whether pricing methodology used by third party managers is acceptable
EIC	Approve policy and individual asset valuation guidelines Receive monthly asset valuations Monitor adherence to policy
Compliance	Test compliance with policy

CONTACTS

List contacts in the table.

SUBJECT	CONTACT	PHONE	EMAIL