

Valuations Committee: Terms of Reference

July 2022

CONSTITUTION AND REMIT

1. The valuation committee (the "**Committee**") has been established and constituted by resolution of the board of the Company (the "**Board**") and shall consist of a minimum of one member of the Board and at least three independent members who shall be appointed by the Board.
2. The Committee shall ensure that the valuations of the Company's portfolio of investments are calculated impartially and with all due skill, care and diligence and that appropriate and consistent policies and procedures are established to allow for a proper and independent valuation of the Company's investments on the basis of applicable accounting rules and standards.
3. The chair of the Committee (the "**Committee Chair**") shall be an independent member of the Committee and will be appointed by the Board. The Board shall determine the period for which the Committee Chair shall hold office. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall themselves elect one of the independent members to chair the meeting.
4. Appointments to the Committee shall be for a period for up to three years, which may be extended by further three year periods, provided the members continue to be independent of the Company's appointed portfolio manager.
5. Members of the Committee may attend meetings of the Committee in person or through the medium of conference telephone or similar form of communication equipment, provided that all persons participating in the meeting and able to hear and speak to each other throughout such meeting.
6. Only members of the Committee have the right to attend Committee meetings provided that the chair of the Company's audit committee shall have the right to attend all meetings of the Committee as an observer. However, others may be invited to attend meetings of the Committee on a regular basis (for example, the external auditors) and other non-members (including representatives of the appointed portfolio manager) may be invited to attend all or part of any meeting as and when appropriate and necessary.
7. A representative of the company secretary or its nominee shall act as the Secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

8. The quorum for decisions of the Committee shall be any two members provided that at least one non-Board member must be in attendance for the Committee to be quorate.
9. The membership and terms of reference of the Committee may be amended from time to time by resolution of the Board.

ROLE

10. The Committee should carry out the duties below, as applicable and appropriate.

10.1 Valuation policy and methodology

The Committee, shall, subject to approval by the Board from time to time, formulate, maintain and propose policies and procedures relating to the valuation of the Company's investments which cover all material aspects of the valuation process and methodology (the "**Valuation Policy**"). The Valuation Policy will be set out in writing to ensure a sound, transparent, comprehensive and appropriately documented valuation process.

The Valuation Policy shall, amongst other things:

- 10.1.1 ensure that all assets are fairly and appropriately valued;
- 10.1.2 set out the obligations, roles and responsibilities of all parties involved in the valuation process (including the data and inputs to be provided in respect of each quarterly valuation);
- 10.1.3 in relation to the selection process of a particular methodology for an asset; include an assessment of the available relevant methodologies, taking into account their sensitivity to changes in variables and how specific strategies determine the relative value of the assets in the portfolio;
- 10.1.4 record the inputs, models and the selection criteria for pricing and market data sources for each investment in the portfolio;
- 10.1.5 provide that prices shall be obtained from independent sources whenever possible and appropriate;
- 10.1.6 include a review of performance of a particular asset against key performance indicators set at the time of investment and subsequently updated from time to time;
- 10.1.7 include a review of the inputs used in model-based pricing, in particular of those to which the model's price exhibits significant sensitivity;
- 10.1.8 to the extent not already covered above, address at least the following:
 - (a) the competence and independence of personnel who are effectively carrying out the valuation of assets;

- (b) the specific investment strategies of the Company and the assets the Company might invest in;
- (c) the controls over the selection of valuation inputs, sources and methodologies;
- (d) the escalation channels for resolving differences in values for assets;
- (e) the valuation of any adjustments related to the size and liquidity of positions, or to changes in the market conditions, as appropriate;
- (f) the appropriate time for closing the books for valuation purposes; and
- (g) the appropriate frequency for valuing assets;

10.1.9 set out a review process for the individual values of assets, where a material risk of an inappropriate valuation exists, such as in the following cases:

- (a) the valuation is based on prices only available from a single counterparty or broker source;
- (b) the valuation is based on illiquid exchange prices;
- (c) the valuation is influenced by parties related to the Manager;
- (d) the valuation is influenced by other entities that may have a financial interest in the Company's performance;
- (e) the valuation is based on prices supplied by the counterparty who originated an instrument, in particular where the originator is also financing the Company's position in the instrument; and
- (f) the valuation is influenced by one or more individuals within the Manager;

10.1.10 describe the review process including sufficient and appropriate checks and controls on the reasonableness of individual values. Reasonableness shall be assessed in terms of the existence of an appropriate degree of objectivity. Such checks and controls shall include at least:

- (a) verifying values by a comparison amongst counterparty sourced pricings and over time;
- (b) validating values by comparison of realised prices with recent carrying values;
- (c) considering the reputation, consistency and quality of the valuation source;
- (d) a comparison with values generated by a third party;

- (e) an examination and documentation of exemptions;
- (f) highlighting and researching any differences that appear unusual or vary by valuation benchmark established for the type of asset;
- (g) testing for stale prices and implied parameters; and
- (h) a comparison with the prices of any related assets or their hedges;

10.1.10.2 be applied consistently over time and to all assets within the Company taking into account the investment strategy and the type of asset. Valuation sources and rules shall remain consistent over time; and

10.1.11 include appropriate escalation measures to address differences or other problems in the valuation of assets.

The Valuation Policy shall also provide for periodic review of its terms and adequacy, including of the valuation methodologies. The review shall be carried out at least annually and, in any event, before the Company engages with a new investment strategy or a new type of asset that is not covered by the actual valuation policy. The Valuation Policy shall outline how a change to the policy, including a methodology, may be effected and in what circumstances this would be appropriate.

10.2 Review of quarterly valuations

In respect of each quarterly valuation of the Company's portfolio, the Committee, with use of consultants and/or third party service providers as appropriate, shall:

- 11. review and recommend valuation inputs (including applicable market data used in the valuation inputs) for each quarterly net asset value calculation;
- 12. without limitation to the foregoing, review, and challenge where necessary, quarterly asset valuation reports received from the Portfolio Manager;
- 13. initiate further investigation, as deemed necessary, into relevant asset valuation data provided in respect of one or more assets as the Committee deems appropriate; and
- 14. report its recommendations to the Board for approval in respect of the quarterly valuation in accordance with the documented reporting schedule approved by the Board (in agreement with the Company's portfolio manager) from time to time.

14.1 Reporting responsibilities

All recommendations of the Committee shall be reported formally to the Board by the Committee Chair for approval by the Board.

The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed. All recommendations referred to the Board shall take effect only upon approval thereof by resolution of the Board, at a meeting which is properly convened and constituted and in accordance with the Company's articles of incorporation (the "**Articles**").

The Committee Chair shall also formally report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities. This report shall include:

- 14.1.1 the significant issues that the Committee has considered in relation to its duties and how these issues were addressed;
- 14.1.2 if the Committee is not satisfied with any aspect of the Company's Valuation Policy; and
- 14.1.3 any other issues on which the Board has requested the Committee's opinion.

The Committee shall review any statements requiring Board approval which contain information regarding the Company's Valuation Policy (including statements to be included in the annual report), where to carry out a review prior to Board approval would be practicable.

14.2 Other matters

The Committee shall:

- 15. have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required;
- 16. be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members;
- 17. give due consideration to laws and regulations, including the: (i) AIC Code of Corporate Governance; (ii) requirements of the Guidance and Transparency Rules; (iii) the Protection of Investors (Bailiwick of Guernsey) Law, 2020; (iv) the Registered Collective Investment Scheme Rules and Guidance, 2021; (v) the Handbook on Countering Financial Crime and Terrorist Financing (the issued by the Guernsey Financial Services Commission and the National Risk Assessment to the extent applicable to the Company; and (vi) any other applicable rules, as appropriate;
- 18. be responsible for the appointment of, and co-ordination with, external advisors engaged by the Committee (including, without limitation, any appointed third party valuation agents);
- 19. oversee any investigation of activities which are within its terms of reference;
- 20. work and liaise as necessary with all other Board committees; and
- 21. arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board.

PROCEDURE

22. The Committee shall meet at least once per quarter at appropriate intervals and at such other times (having due regard to the level of decision making required in respect of the Committee's role) as the: (i) Committee Chair; (ii) the Board; or (iii) other Committee members require. The chair of the Board (the "**Board Chair**"), the Company's portfolio manager and external advisors may attend and speak at meetings of the Committee at the invitation of the Committee. All meetings of the Committee must be held in compliance with the requirements applicable to the Company, meaning that:
 - 22.1 the Committee must meet (in person or through the medium of conference telephone or similar form of communication equipment) with adequate frequency having regard to the level of decision making required in respect of its role;
 - 22.2 strategic valuation recommendations are made at Committee meetings and minuted to be delivered and approved by the Board; and
 - 22.3 the Committee as a whole has the knowledge and skill to make investment and/or valuation recommendations.
23. At least 5 working days' notice of any meeting of the Committee shall be given, although such notice period may be waived or shortened with the consent in writing of all the members of the Committee for the time being. Notice of the meeting shall confirm the venue, time and date together with an agenda of items to be discussed. Notice shall be sent to each member of the Committee and any other person required to attend. Supporting papers shall be sent to Committee members and to other attendees as appropriate at the same time. Formal meetings of the Committee may be held by telephone or other communication equipment which allows those participating to hear and speak to each other.
24. Outside of the formal meeting programmes, the Committee Chair will maintain a dialogue with key individuals involved in the Company's investment and/or valuation recommendations, including the Board Chair and external advisors as appropriate.
25. The Company Secretary (or its delegate) or such other person as the Board may determine from time to time shall be the secretary of the Committee.
26. The secretary of the Committee (or its delegate) shall attend meetings of the Committee to take minutes.
27. In the absence of the secretary of the Committee, the members present at the meeting of the Committee shall elect another person to act as the secretary for the purposes of that meeting.
28. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
29. The secretary shall minute the proceedings and discussions of all meetings of the Committee, including recording the names of those present and in attendance and any conflicts of interest.

30. Draft minutes of the meeting of the Committee shall be circulated to all members of the Committee and, once agreed, to the Board unless it would be inappropriate to do so in the opinion of the Committee Chair.
31. Once agreed, minutes of the Committee meetings shall be kept by the secretary of the Committee in Guernsey and shall be available for inspection by any member of the Committee or Director at any reasonable time on reasonable notice.
32. The Committee Chair shall attend the Company's Annual General Meeting prepared to respond to any shareholder questions on the Committee and its activities and responsibilities.
33. All members of the Committee shall have access to sufficient resources in order to carry out its duties, including access to the advice and services of the secretary of the Committee with a view to ensuring that procedures of the Committee and all applicable rules and regulations are followed.
34. In the event that the Committee or any member of the Committee requires access to independent professional advice in connection with his/her duties, a request may be made to the Board Chair.
35. Every member of the Committee shall give sufficient time and attention to his/her duties as a member of the Committee. He/she shall give the Company the benefit of his/her skills and expertise through regular attendance and active participation.
36. The Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.
37. Unless varied by these terms of reference, meetings and proceedings of the Committee will be governed by the provisions of the Articles regulating the meetings and proceedings of directors.

AUTHORITY

38. The Committee is authorised to:
39. seek any information it requires from any member of the Board and/or any director or employee of the Portfolio Manager or investment advisor in order to perform its duties;
40. investigate and review any matter within its terms of reference and consider any matter the Committee deems relevant to the discharge of its duties;
41. obtain, at the Company's expense, independent legal or other professional advice on any matter it believes it necessary to do so within its terms of reference;
42. call on the: (i) Company's portfolio manager; or (ii) consultant or third party service provider to be questioned at a meeting of the Committee as and when required;
43. make recommendations to the Board on any matter it believes it necessary to do so within its terms of reference; and

44. delegate any of its powers to one or more of its members or the secretary provided that where the Committee delegates the performance of some or all of the powers, the Committee must demonstrate adequate supervision of the powers so delegated.

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