<table>
<tr><td colspan="3">PROCEDURA</td></tr>
<tr><td colspan="2">Quaestio Capital SGR</td><td>Codice interno:
Procedura illiquidi QSF e QAF</td></tr>
<tr><td rowspan="2">AREA PROPONENTE:
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Table of Contents

I. Procedure for the valuation review of illiquid investments

This procedure is dedicated to the valuation of illiquid investments, which are listed in the valuation policy. It details the different tasks to be performed by the AIFM to ensure fair valuation of illiquid assets of Luxembourg Funds. This procedure should be read in addition to the valuation policy ("Valuation and pricing Policy") of the AIF which refers to all Luxembourg Funds.

The individual investments of the AIFs should be valued on a considered basis using a consistent approach across all the funds managed by the AIFM, pursuant to articles 67 to 71 of the Delegated Regulation and 17 of the AIFM Law.

This procedure is addressed to all the participants of valuation process:

1. AIFM Board of Directors ("Board")

2. Pricing Policy Committee ("PPC")

3. Risk Manager ("RM")

1. Management of conflicts of interests in the valuation process

Overview of the valuation process

The valuation process includes the following phases:

1. The Board of Directors appoints a PPC independent from the portfolio management activities. The PPC acting as a valuation committee is responsible for reviewing and approving valuation results prepared under the responsibility of the RM

2. The Board also appoints a RM independent from portfolio management activities to handle the valuation function. The RM is responsible for managing the day to day tasks of the valuation process. He will be assisted by AIFM resources independent from the investment management function. A strict segregation of duties between the valuation function and investment management function will be observed in the course of the valuation process

3. The RM is responsible for collecting information required by the valuation process. He should verify the fairness, accuracy and completeness of information. Then he performs the valuation in accordance with the valuation policy of the sub-funds and submits the valuation in a written report ("Valuation report") to the PPC. If required, the RM can be assisted by third-party independent professionals acting as valuation advisor to the AIFM. In such instance, the RM duly reviews the reports prepared by valuation advisors to conclude on the final value to be used for NAV calculation. The RM valuation conclusion can differ from the conclusions of the valuation of the valuation advisor. In this situation, the RM documents its conclusions

4. Valuation report is reviewed and challenged by the PPC to ensure the valuation methodology and the valuation assumptions are reasonable. The PPC votes to approve valuation. The findings are properly documented and will be communicated to the Board together with the recommendations for final approval from the Board. In case of

disagreement on the valuation, the PPC escalates the issue to independent members of the Board. This can require the intervention of a third party to provide additional valuation

2. Valuation review process

a) Verification of information used in valuation

The RM is in charge of the control of the quality of information received for valuation. The controls will aim at confirming the fairness, accuracy and completeness of information.

The RM receives sufficiently in advance the documents and information to be reviewed from the Investment Management and/or the Investment Advisor.

When information is received, the RM should:

- Verify all information required has been provided,
- Perform some consistency checks on information received,
- Assess the reasonableness compared to previous valuation financials/information (please refer to Appendix for the template to be completed for each investment),
- Question any evolution which goes outside the range defined as acceptable and obtain the rationale for such evolution,
- Focus on particular items where professional judgement has been exercised by professionals not independent from the IM function (i.e. possible existence of bias),
- When possible, ensure the information has been validated by external parties (audited)

In case the RM considers information received is not sufficient to perform the valuation, he should inform the Board of Directors and decide together of an appropriate escalation measure.

b) Valuation exercise

The person in charge of valuation (either the RM or the Independent valuation advisors) uses information received as an input for the valuation exercise. Following recommendations should be gathered to ensure valuation is properly performed:

- The person in charge of valuation should exercise its judgement to select the valuation technique or techniques most appropriate for a particular investment in compliance with all International Valuation Standards and IPEV valuation guidelines. The key criterion in selecting a valuation technique is that it should be appropriate in light of the nature, facts and circumstances of the investment and in the expected view of market participants

- The person in charge of valuation should refer to the valuation policy to obtain some details on the methodology applicable for the different asset classes

- When selecting the appropriate valuation technique each Investment should be considered individually. An appropriate valuation technique will incorporate available information about all factors that are likely to materially affect the fair value of the investment

- The person in charge of valuation should maximize the use of techniques that draw heavily on observable market-based measures of risk and return (if possible)

- When possible, the person in charge of valuation should consider the use of several techniques to check the fair value derived is appropriate

- Techniques should be applied consistently from period to period. In case a valuation technique is not applicable due to a lack of information, another technique could be applied. The replacement methodology should be selected among the applicable valuation techniques for the type of assets. Any change in valuation technique should be properly documented and explained. It is expected that there would not be frequent changes in valuation techniques over the course of the life of an investment

- Valuation methodology should be applied consistently between similar investments

c) Review of the valuation when performed by the RM for valuation

First review of an investment

The PPC should perform additional investigations for a new investment in order to determine if the valuation methodology(ies) retained by the RM for this investment is(are) appropriate.

The controls should at least consist in:

- Ensure valuation methodology is in line with guidelines for the type of asset considered
- Review if similar investments have been realized (investment strategy, type of assets, sector of investment) and control that valuation approach is consistently applied across all AIFs managed by the AIFM. Any difference should be explained and documented

The final decision of the PPC regarding acceptability of a valuation approach and a valuation model for a new investment should be properly documented and will be used as the basis for the following year valuation. In case of disagreement with RM, the issue should be escalated to the Board.

PPC will be entitled with verifying that:

- the calibration process (described in the valuation policy) relies on valuation methodologies based on market data and on investor's forecasts
- the assessed calibration to be included in future models is explained, impact on metrics detailed and documented

Recurring controls:

- Consistency of methodologies across time

Based on initial review of the investments realized by the PPC, the PPC should verify that:

- Valuation methodologies are applied consistently over time,
- Valuation sources and rules remain consistent over time,
- Obtain the rationale for any change in valuation methodologies and control it is appropriate (e.g. change the price of recent investment methodology in case recent transactions are outdated)

The PPC will conclude whether the valuation methodology(ies) are applied on an acceptable manner for each investment.

- Input and model validation

The PPC receives from the RM a summary valuation report concluding on a fair value for each investment. The RM should provide the PPC with the models and the different inputs used to derive the range of values.

The PPC should perform the following checks and controls on the different valuation provided by the RM:

- Analysing whether changes in valuation model have been properly documented. In case of disagreement with the RM, the issue should be escalated to the board

- Analysing values variation from one reporting date to the next. In case valuation has evolved above acceptable threshold determined for each investment, the PPC should obtain the following information:

  - Regarding the change attributable to market evolution, the PPC should ensure market inputs are based on reliable sources, and sources are used consistently versus previous valuations. Any discrepancy should be assessed and validated (e.g. the source previously used is not available; a source with better reputation is favoured; a better peer group is available)

    PPC should notify the Board when it notices a certain abuse in the use of market inputs, which limits year-on-year comparability. The Board will decide, at the light of this information, if valuation is acceptable. The Board could eventually request the support of an external valuer

  - Regarding evolution attributable to specific evolution of the investment:

    i. Confirm evolution is in line with the last financials, or any other reliable information, available to the PPC

    ii. Validate that the change is not incoherent compared to similar investments

    iii. Perform any other specific test which the PPC sees as appropriate to gain confidence on the rationale of the variation in valuation

- Validating values by comparison of realised prices with recent carrying values (if any)

- A comparison with values generated by an independent third party (Valuation advisor) (if any)

- Ensuring the valuation models are developed in a similar manner as describe in Appendix of the Pricing policy

d) <u>Review of the valuation when the RM was assisted by Independent valuation advisors</u>

First review and recurring controls:

The PPC is responsible of:

- Reviewing the documentation prepared with regard to the selection of the Independent valuation advisors. In particular, the PPC will ensure the advisors have proper qualifications, competencies, experience and can be proved to act independently with no conflict of interests

- Ensuring that the last valuation and pricing policies have been provided to the Independent valuation advisors. In particular, the PPC will make sure that the advisors have considered such policies to derive their conclusions

- Ensuring that the scope of work of the Independent valuation advisors has been properly defined and has been covered by the Independent valuation advisors. In particular, the engagement letter defining the terms of the advisors' intervention will be reviewed and alignment of the advisors' report with such engagement letter's scope validated.
- Challenging the results provided by the Independent valuation advisors. In particular, special attention will need to be paid to the following:
    - Ensure valuation results are aligned with valuation and pricing policies
    - Ensure proper documentation of methodologies and input is provided to allow the RM for valuation to conduct a review of the valuation
    - Discuss with the RM for valuation main issues faced and valuation risks identified by him or the advisors
    - Conduct analytical review of valuation results provided. In particular the PPC will compare valuation results with prior year results and challenge the documentation of variations

e) Approval of the valuation

Based on the controls performed in c) and d), the PPC concludes if valuations prepared by the RM are acceptable, approves results and issues recommendations to the Board for final approval. Issues are escalated to independent members of the Board of Directors to take appropriate actions.

3. Documentation of valuation results and record keeping

All the documents which form the basis of valuation (the approval notes & supporting documents) should be maintained in electronic form or physical papers. Above records will be preserved in accordance with the norms prescribed by the laws and regulations.

4. Responsibility for this review procedure

Responsible for interpreting, implementing and regularly updating this document: PPC
Responsible for periodic control and review of this review procedure: PPC and Board of Directors.

5. Valuation review procedure approval

The valuation review procedure is reviewed and approved by the Board.

6. Distribution of this review procedure

This review procedure is available to all the employees of the AIFM, members of the Board, and external auditors. Subject to the decision of the Board, the procedure is also made available to investors, depositary banks and other third parties as the case may be.

II. Periodical review

The PPC and the Board of the AIFM will review the AIFs' valuation procedure periodically (at least once a year) and before the relevant AIFs engages with a new investment strategy or a new type of asset that is not covered by the actual valuation policy to ensure that it remains in line with best practice and that it allows the valuation of the each fund in adherence with market standards.

In case of the relevant AIFs' valuation review procedure is not anymore in line with the investment strategy and/or the type of asset of the AIFs, the valuation procedure has to be adapted. The PPC will propose the amendments it considers which the Board would finally approve.

The risk management function will review and, if needed, provide appropriate support concerning the relevant AIFs' valuation procedure. Any recommendation of change will be documented and submitted to the Board which will review and approve any changes.

III. <u>Appendix</u>

<u>Appendix 1: information summary for investments (template)</u>

For each investment, the PPC should complete the following template. This template will define the conditions under which to perform the valuation review.

Similar investments should refer to similar review conditions. The PPC, when deemed appropriate, should update each investment summary.

Investment name:	
Date of investment:	
Type of investment:	e.g. illiquid invest, bond…
Sector:	e.g. real estate, wind farm…
Periodicity of valuation review:	
Valuation methodology(ies) applicable:	e.g. Multiple, Net Asset, NAV
Review tresholds: • Methodology : - Metric 1 - Metric 2 - Metric 3 • Methodology 2: - Metric 1 - Metric 2 - Metric 3	- Metric 1 – threshold 1 : review if evolution outside [xx% ; xx%]
Other information:	
Signature:	