IGUAKO CAPITAL · Group policy

# Valuation of Investments

This policy governs how IGUAKO Capital values every investment it holds on its proprietary balance sheet of US$610 million and every position it reports to clients within the US$842 million under stewardship. It requires that valuation is performed by a function independent of the people who originate and manage positions, that every position is assigned to a level in the valuation hierarchy with a documented method, that listed prices are independently verified monthly and private positions revalued quarterly, and that every valuation is approved by the Valuation Sub-Committee before it is booked or reported.

| CODE | CATEGORY | VERSION |
|---|---|---|
| IGC-MT-005 | Markets and trading | 2.5 |
| **EFFECTIVE** | **REVIEW** | **OWNER** |
| 2023-09-01 | Annual; last reviewed March 2026, next review due March 2027 | Head of Valuation |

## 1. Purpose and scope

The firm's reported figures, its capital, its client statements, its performance fees and the price at which it admits or redeems investors in its funds all depend on valuation. A valuation error propagates into every one of them. This policy exists to ensure that valuations are produced by people with no interest in the result, by methods fixed before the result is known, and that the result is challenged before it is used.

The policy applies to every investment on the proprietary balance sheet, every position held in a fund or managed account under the firm's management, every position reported to a client under a custody or reporting arrangement, and every collateral valuation used in Commercial Finance lending. At 30 June 2026 the firm valued 47 portfolio companies and positions on its own account and a further 1,930 positions across client portfolios.

The policy does not govern the valuation of a target in an Investment Banking advisory engagement, which is the client's decision and is governed by the engagement letter, nor the pricing of a new transaction before it is entered into, which is governed by the Investment Committee. It governs the valuation of what the firm holds.

## 2. Definitions

Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The valuation hierarchy assigns every position to one of three levels according to the observability of the inputs: Level 1 where a quoted price in an active market for the identical instrument is available; Level 2 where inputs other than quoted prices are observable, directly or indirectly; Level 3 where at least one significant input is unobservable.

Independent price verification is the comparison of the price used for a Level 1 or Level 2 position with prices from sources independent of the person who booked the position and of the counterparty. A valuation model is a Tier 1 model under the Model Risk Management policy when the firm relies on it for a booked or reported valuation; two of the firm's eight Tier 1 models belong to the valuation function. A valuation adjustment is any amount applied to a modelled or quoted price to reflect liquidity, concentration, credit or the cost of closing the position.

The Valuation Sub-Committee is the sub-committee of the Risk & Valuation Committee that approves valuations before they are used. It is chaired by the Chief Financial Officer, and its members are the Head of Valuation, the Chief Risk Officer, the Head of Model Risk Management and the General Counsel; no person with responsibility for originating or managing a position is a member. A stale price is a Level 1 or Level 2 price that has not changed for five business days in an instrument that would ordinarily trade.

- Level 1: a quoted price in an active market for the identical instrument.
- Level 2: observable inputs other than quoted prices, including comparable instruments and market curves.
- Level 3: at least one significant unobservable input; valued by model or by transaction reference.

## 3. Principles

Valuation is independent. The Head of Valuation reports to the Chief Financial Officer, and the valuation function has no role in originating, managing or exiting a position. A deal team or portfolio manager may submit information and a view; it does not set the value and does not approve it.

The method is fixed before the result is known. Each position has a documented valuation method assigned at the time it is booked, and a change of method requires the approval of the Valuation Sub-Committee with the reason and the effect on value stated. A method is not changed because the result under the existing method is unwelcome.

Every valuation is challenged. Listed prices are verified against independent sources, modelled valuations against alternative methods and, for material Level 3 positions, against an external valuer. Where sources disagree beyond the tolerance, the more conservative value is used until the difference is resolved.

## 4. Requirements

Each position is assigned a level and a method in the valuation register on the day it is booked. Level 1 positions are valued at the closing price on the principal market on the measurement date. Level 2 positions are valued using observable inputs from at least two independent sources where available. Level 3 positions are valued using the method recorded in the register: a discounted cash flow, a comparable-company or comparable-transaction multiple, a recent transaction in the same instrument, or net assets, with the choice and the key inputs documented.

Independent price verification of every Level 1 and Level 2 position is performed monthly, and daily for positions in the Quantitative Strategies division. A difference between the booked price and the verified price greater than 5 per cent of the price, or greater than US$500,000 in value, triggers a review by the Head of Valuation and, if unresolved within five business days, referral to the Valuation Sub-Committee. Stale prices are identified daily and reviewed for reclassification to Level 2 or Level 3.

Level 3 positions are revalued quarterly. Any Level 3 position with a carrying value above US$10 million, and every position above US$5 million where the last revaluation moved the value by more than 15 per cent, is valued by an external valuer independent of the firm and of the position's counterparties at least annually. The external valuation is compared with the internal valuation and the difference explained to the Valuation Sub-Committee. At 30 June 2026, 24 of the 47 proprietary positions were Level 3, 14 of which had been externally valued in the preceding twelve months.

Valuation adjustments for liquidity, concentration and close-out cost are calculated under a documented method for every position above US$1 million and reviewed quarterly. Every quarterly valuation, every method change and every adjustment change is approved by the Valuation Sub-Committee before it is booked, reported to a client, used to compute a performance fee or used in a fund subscription or redemption price. The Sub-Committee's minutes record each position discussed, the value approved and any dissent.

- Level and method assigned in the valuation register on the day of booking.
- Independent price verification monthly, and daily for Quantitative Strategies positions.
- Tolerance of 5 per cent of price or US$500,000; unresolved differences to the Sub-Committee in five business days.
- Level 3 revaluation quarterly; external valuation at least annually above US$10 million.
- Stale price threshold of five business days without a change.
- Sub-Committee approval before any valuation is booked, reported or used in a fee or fund price.

## 5. Roles and responsibilities

The Head of Valuation owns this policy, the valuation register and the methods, performs or supervises every valuation, presents to the Valuation Sub-Committee, appoints external valuers under the Third-Party Risk and Outsourcing policy and reports quarterly to the Risk & Valuation Committee. The valuation function has eight people in George Town, Luxembourg and Singapore, none of whom holds a front-office role or is paid by reference to the value of any position.

Deal teams and portfolio managers submit the information the valuation function requests within five business days, including management accounts, forecasts, transaction documents and any event affecting a position, and inform the Head of Valuation on the day of any event that may affect a valuation materially. They may present a view to the Sub-Committee, which is minuted, but they do not vote.

The Chief Financial Officer chairs the Sub-Committee and is accountable to the Audit Committee for the valuations in the financial statements. The Chief Risk Officer is accountable for the consistency of valuations with the risk measures reported to the Board. The Head of Model Risk Management validates every valuation model under the Model Risk Management policy before it is used and every two years thereafter.

## 6. Monitoring and reporting

The valuation function produces a monthly verification report showing every Level 1 and Level 2 difference above tolerance, every stale price and its resolution, and a quarterly Level 3 report showing every position, its method, its key inputs, the change from the prior quarter, the external valuation where obtained and the adjustment applied. Both reports go to the Valuation Sub-Committee and, in summary, to the Risk & Valuation Committee.

In the twelve months to 30 June 2026 the monthly verification identified 37 differences above tolerance, all resolved within five business days, 31 of them in favour of the verified price. Quarterly Level 3 revaluations moved the aggregate value of the proprietary Level 3 book by less than 4 per cent in any quarter. External valuations of the 14 positions obtained in the year differed from the internal valuation by an average of 2.6 per cent, with the largest difference, 8 per cent on a single animal-health position, resolved by adopting the external value.

The Audit Committee receives the year-end valuation report and the external auditor's findings on valuation. Internal Audit reviews the register, a sample of Level 3 files and the Sub-Committee minutes every year. Clients receive, with each valuation, the level of each position and the date of its last independent verification or external valuation.

## 7. Breaches

A breach of this policy is a position booked without a level and method, a valuation booked or reported without Sub-Committee approval, a method changed without approval, a verification or revaluation not performed on its cycle, a difference above tolerance not referred within five business days, an external valuation not obtained where required, or information withheld from the valuation function by a deal team. A breach is recorded on the day it is discovered.

Where a breach has produced a misstated value, the value is corrected, the effect on any client statement, fee or fund price is calculated, and any client or investor disadvantaged is made good with the calculation shown. A misstatement above US$1 million or 1 per cent of the balance sheet is reported to the Audit Committee at its next meeting. In the year to 30 June 2026, three breaches were recorded: two late information submissions by deal teams and one revaluation booked one business day before Sub-Committee approval was minuted. None produced a misstated value.

## 8. Review

The Head of Valuation reviews this policy annually and whenever the firm adds an asset class, a fund vehicle or a jurisdiction whose rules differ, and after any misstatement reported to the Audit Committee. The review is approved by the Risk & Valuation Committee and noted by the Audit Committee with the external auditor present.

The policy was first issued in September 2023 when the Luxembourg fund platform admitted its first external investors. Version 2.5, approved in March 2026, lowered the external valuation threshold from US$25 million to US$10 million and added the 15 per cent movement trigger. The next review is due in March 2027.

## Key controls

- Valuation function independent of origination and portfolio management, reporting to the Chief Financial Officer.
- Valuation register with level and method fixed at booking; method changes approved by the Sub-Committee.
- Monthly independent price verification with a 5 per cent or US$500,000 tolerance.
- Quarterly Level 3 revaluation and annual external valuation above US$10 million.
- Daily stale-price identification at five business days.
- Valuation Sub-Committee approval before booking, client reporting, fee computation or fund pricing.
- Tier 1 validation of valuation models under the Model Risk Management policy.
- Annual Internal Audit review and the external auditor's findings to the Audit Committee.

## Related policies

- Model Risk Management (IGC-DT-004)
- Risk Appetite Framework (IGC-GR-001)
- Conflicts of Interest (IGC-CC-003)
- Fair Treatment of Clients (IGC-CC-006)

**Colophon**