

DANSKE INVEST FUND MANAGEMENT LTD.

Valuation Policy

Funds managed by DIFM

Approved by the Board of Danske Invest Fund Management Ltd. on 9.6.2023

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VALUATION POLICY

The purpose of this document is to describe how different investments are valued within mutual funds managed by Danske Invest Fund Management Ltd. (DIFM) and to define responsibilities and general principles to be applied when carrying out activities related to Net Asset Value calculation.

The policy applies both to UCITS funds and to AIFs managed by DIFM.

It is the responsibility of Senior Management of DIFM to ensure that the Valuation Policy is established, implemented and made available to investors.

Valuation Policy is to be approved and annually reviewed by the Board of Directors of Danske Invest Fund Management. It is supplemented by Objective Pricing Principles, which aims to ensure the fair and equal treatment of unitholders by describing how valuation is conducted in extraordinary circumstances.

1. LEGISLATIVE BACKGROUND

Regulatory framework for this Policy consists mostly of what has been stated in the following legislation:

- “UCITS” Directive 2009/65/EC
- FIN-FSA Regulations and guidelines 3/2011 (“Organisation and code of conduct of investment fund activities”)
- “AIFM” Directive 2011/61/EU
- Commission Delegated Regulation “Level 2” (EU) No 231/2013

2. GENERAL

Documented Valuation Policy and valuation procedures shall be in place to guarantee proper, transparent and independent valuation of assets.

Net asset value shall be calculated at a frequency appropriate to the assets held by the fund and its issuance and redemption schedule, but at least once a year.

General principles for valuation of each fund are included in the relevant articles, the prospectus of each fund and the offering documents.

Same valuation procedures shall be applied consistently over time and across all funds, taking into account differences in investment strategies and possibly in external valuers.

In order to be able to prove that a fund has been properly valued at all times, individual asset valuations shall be documented and archived for at least six years. Should there be exceptions where the normal valuation process is not followed, the reason for deviating should be documented as well.

Only well-known and reliable data sources shall be used. Data sources cannot be changed without a pre-approval from DIFM. Furthermore, there shall be appropriate controls to ensure the validity of the data received.

Investments in a particular type of asset for the first time shall not be made unless an appropriate valuation methodology or methodologies have been identified and documented for that specific type of asset.

Corporate events and other transactions impacting the value of the fund's assets shall generally be included on an accrual basis, but only after there is adequate certainty about the transaction. This shall be described in more detail in relevant process descriptions. Similar events/transactions shall be processed consistently over time.

Potential for conflict of interest shall be minimized via Conflict of Interest and Remuneration Policies and by functionally separating fund valuation activities from those of portfolio management.

Valuation Policy is to be reviewed at least yearly and any time there is an investment into a new asset type. Any changes shall be approved by the Senior Management.

3. ORGANIZATION / ROLES AND RESPONSIBILITIES

Danske Invest Fund Management Ltd ("DIFM") has outsourced Net Asset Value ("NAV") related activities to Fund & Portfolio Calculations, Asset Management Operations, LC&I ("FPC") with a Service Level Agreement. In addition to performing the daily operations, FPC is also responsible for maintaining detailed work instructions, having adequate, competent and experienced resources/personnel and for performing business continuity planning.

However, the responsibility for delegated activities remains within DIFM, including net asset value calculation and the publication of the NAVs. DIFM shall exercise supervision and set up controls to monitor the quality of the services provided. DIFM shall also have full system access to price information.

Board of Directors of DIFM is responsible for reviewing and approving the Valuation Policy at least on an annual basis.

Senior Management of DIFM is responsible for ensuring the implementation of the Policy. Should any investments be valued with a model, Senior Management is to approve the model beforehand. Senior Management is also responsible for making sure that regular due diligence is conducted in case valuation has been outsourced to a third party. It is also the responsibility of Senior Management to ensure that remedial procedures are in place in case of an NAV error.

Risk Management Function of DIFM is responsible for reviewing the Policy and, if needed, for providing appropriate support concerning the policies and procedures adopted for the valuation of assets. Risk Management Function is also responsible for conducting a monthly review process for illiquid assets.

Static Data & Prices, Asset Management Services, LC&I ("SDP") is responsible for making sure all investments are valued according to Valuation Policy and valuation procedures. It is also responsible for setting up and maintaining a sufficient and appropriate control environment in regards to valuation of securities and for screening of illiquid securities to be further analyzed. SDP is also responsible for maintaining detailed work instructions and having adequate, competent and experienced personnel.

4. VALUATION OF INVESTMENTS

As a general rule, valuation of investments shall follow the principles defined in corresponding fund offering documentation.

The procedure for valuation has four general levels:

- First level is to use the price or a pricing input such as an interest rate from an active market. This means using a direct price feed from market data providers such as Bloomberg or Reuters. The great majority of securities are valued using this methodology.
- Second level is to set a price on the basis of the methodology or a model as described in Valuation Policy or procedures. Applicable market information shall be utilized whenever possible.
- Third level is that the price is reached via an illiquid investments review process. A review can be initiated also e.g. in case there is reason to question the reliability of a price source/price quote. Objective Pricing Principles describes the process in more detail.
- Fourth and final level is that the Board of Directors of DIFM sets a price. This shall only take place in extraordinary situations, e.g. when consensus about fair value cannot be reached via normal processes. Fair value refers to a price at which an orderly transaction would take place between market participants at a given moment.

In case the value of the fund cannot be reliably determined the fund may be suspended. This is described in more detail in Objective Pricing Principles.

General valuation methodologies by asset type are described in Appendix I. Valuation procedures, various valuation methods and techniques on a more detailed level shall be maintained by Static Data & Prices, Asset Management Services, LC&I.

4.1 INVESTMENTS VALUED WITH A MODEL

In case an investment is valued with a theoretical model, there shall be comprehensive documentation regarding inputs, validations and assumptions as well as rationale for applying a model.

Prior to implementation, the model shall be properly validated by a party external to the actual building of the model. The model shall also be subject to prior approval by the Senior Management of DIFM.

Once implemented, the model shall be reviewed at least annually, together with an assessment on whether the model is still fit for purpose. This shall be carried out by DIFM's Risk Management Function.

5. CHECKS AND CONTROLS

Static Data & Prices, Asset Management Services, LC&I, is responsible for making sure that adequate price checks and controls are in place. Such as, but not limited to:

Missing prices - there shall be a control for making sure all investments are priced on a daily basis.

Stale/unchanged prices shall be closely monitored and eventually subjected to monthly price review process.

Abnormal deviations between price sources shall be monitored and further investigated.

Daily price changes exceeding a pre-defined threshold shall be investigated manually.

Formulas / methodologies applied in pricing shall be regularly reviewed for accuracy and correctness.

There shall be additional controls on a fund level e.g. comparing the performance of a benchmark in order to minimize any risks related to mispricing.

Finally, in extraordinary market situations DIFM's Risk Management Function shall carry out additional controls to verify that the valuation has been performed as expected.

6. ESCALATION PROCESS

As a first course of action Static Data & Prices, Asset Management Services, LC&I, shall raise any pricing issues to DIFM's attention.

In case DIFM is not able to independently arrive at a conclusion, it may seek consultation from external sources and ultimately has the possibility to raise the issue to the Board of Directors of DIFM.

7. ERRORS IN NAV CALCULATION

In case there has been an error in the net asset value calculation, predefined procedures approved by Senior Management shall be followed.

APPENDICES

APPENDIX I – GENERAL VALUATION METHODOLOGIES BY ASSET TYPE

The descriptions below are on a general level – valuation procedure provides a more detailed description of the valuation process / price sources.

EQUITIES

LISTED

Listed equities shall be valued by using market information from a public price monitoring system such as Bloomberg or Reuters. Valuation shall be based on the latest trade prior to valuation time¹ as defined in Fund Regulations. Should the latest traded price be outside of bid ask spread at the valuation time, bid or ask price shall be applied instead (whichever is closer).

NON-LISTED

Non-listed equities shall be included in the monthly price review process.

FIXED INCOME

BONDS

Bonds shall be valued with Bloomberg's "BVAL" price type, Merrill Lynch benchmark index prices or by using the latest bid quotation from the valuation time as defined in Fund Regulations.

MONEY MARKET

Money market instruments are valued on the basis of their remaining maturity, Euribor yield curve and an instrument specific risk premium.

FUND CERTIFICATES

Fund certificates shall be valued by using the latest available published NAV at the valuation time as defined in Fund Regulations. However, exchange traded funds (ETFs) shall be valued the same way as equities.

FX RATES

Foreign denominated assets are converted into EUR by applying the FX spot rates available from public price monitoring systems at the valuation time as defined in Fund Regulations.

¹ By valuation time is meant the time defined in Fund Regulations for valuing fund's assets. For DIFM funds, typically 07:00 or 14:00 Finnish time.

DERIVATIVES

EXCHANGE-TRADED

Exchange-traded derivatives shall be valued by using the latest traded price from a public price monitoring system such as Bloomberg or Reuters at the valuation time as defined in Fund Regulations. Alternatively a theoretical pricing model can be applied, where market inputs from the valuation time as defined in Fund Regulations shall be used.

OTC

A theoretical pricing model shall be used. Model inputs shall be from the valuation time as defined in the Fund Regulations.