

# Investment Valuation Policy

**NGE Capital Limited**

ABN 31 112 618 238

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# Investment Valuation Policy

## 1 Introduction

NGE Capital Limited (**Company**) is a Listed Investment Company (**LIC**) whose principal activities consist of making investments in listed and unlisted securities, focusing primarily on ASX listed equities. The Company's investment mandate allows the Company to be an active investor in a wide range of assets in accordance with its Investment Policy.

It is important that the Company's investments are valued on a "fair value" basis and in a timely manner so that the Company's Board of Directors and management are able to effectively manage the Company's portfolio and accurately report the Company's investment performance.

This Investment Valuation Policy establishes the methodology for valuing the Company's investments in different asset classes at fair value.

To the extent that any conflict arises between this Policy and the Corporations Act 2001 (Cth), Australian Accounting Standards (particularly AASB 13 (Fair Value Measurement) and AASB 9 (Financial Instruments)) or the ASX Listing Rules then those other documents will prevail.

## 2 Objectives

The fundamental objectives of this Policy are to ensure that the Company:

- applies a consistent approach and process to calculating the fair value of its investments that incorporates an appropriate level of independent input and oversight;
- accurately and consistently reports the fair value of all of its investments, including in the Company's monthly net tangible asset (**NTA**) disclosures to ASX and in its half and full year statutory accounts;
- uses valuation methodologies that comply with Australian Accounting Standards and reflect an approach that is appropriate and commonly accepted for the asset class; and
- satisfies its regulatory obligations.

### **3 Valuation of assets**

#### **3.1 Valuation of listed assets**

- 3.1.1 Listed assets may include equities, listed unit trusts, listed options, traded corporate bonds, government bonds, short-term money market securities, deposits and foreign exchange contracts.
- 3.1.2 Listed assets will be valued at the close price of the last trading session.
- 3.1.3 In the event that a market price or value is unavailable or thought to be unreliable, the Company will consider the use of a fair value price, determined in accordance with the fair value methodology that is relevant to the asset.
- 3.1.4 In the event an asset has been suspended from trading or has not traded for an extended period, the Company will review the particular asset to determine if the last price is appropriate and when this is not the case, then all relevant factors will be considered to determine fair value.
- 3.1.5 In the event that an asset has been delisted, the Company will review the particular asset to determine if the last price is appropriate and when this is not the case, then all relevant factors will be considered to determine fair value.

#### **3.2 Valuation of unlisted assets**

##### Direct investments

- 3.2.1 Directly held unlisted assets may include equity investments in private companies, convertible notes, options, corporate debt securities, property and infrastructure.
- 3.2.2 The fair value of directly held unlisted assets must be estimated internally by the Company. These investments are generally held at cost for the first 12 months of ownership, unless there is an apparent change in circumstances which would indicate the need for a new valuation. Such a circumstance may include observing the price from a recent transaction of an investment, provided the relevant transaction occurred sufficiently close to the measurement date (usually within 12 months).
- 3.2.3 In the absence of a recent transaction providing a reliable estimate, the fair value of unlisted direct investments will be calculated with reference to appropriate valuation methods including, but not limited to, an assessment of the investment's cash flows, comparable transactions, and comparable listed assets.

### Externally managed funds

- 3.2.4 Unlisted externally managed funds may include trusts, partnerships, pooled investments and investment entities that hold listed and unlisted assets.
- 3.2.5 The fair value of the securities held by externally managed funds is undertaken by the external fund manager or responsible entity and reported as a net asset value (**NAV**), unit, security or redemption price, as applicable. The Company will give preference to reported NAV over other valuation methods, unless the Company is considering redeeming its investment in which case the redemption price will be a more appropriate valuation metric.
- 3.2.6 Prior to investment in externally managed funds, the Company will review the pricing and valuation policies of the fund to ensure they follow industry guidelines and market practice.
- 3.2.7 The Company may need to adjust the net asset valuations when for example there is a delay in NAV reporting, the NAV price is thought to be an unreliable representation of fair value, or the latest NAV price does not reflect cash contributions, distributions or other transactions since the last reported NAV.

## **4 Frequency of valuations**

The Company is committed to regular valuations of the assets in the Company's portfolio.

The fair value of listed assets will be updated at least daily for internal management reporting purposes, and updated monthly for the purpose of reporting the Company's NTA disclosures to ASX.

The fair value of unlisted direct investments, as determined by either a recent transaction or an internal valuation, will be updated as frequently as appropriate, depending on the size/significance/materiality of the change and the availability of information, but at least annually to coincide with the Company's financial year.

The fair value of unlisted externally managed funds will be updated based on the most recent statement received from the manager or responsible entity, which is typically received at least quarterly. However, as noted in Paragraph 3.2.7, the Company may need to adjust the reported NAV to coincide with the Company's financial reporting requirements.

## **5 Role of management**

Management is responsible for oversight of the valuation process and to ensure the valuation of assets is in accordance with this policy and the relevant accounting standards.

## **6 Role of external auditor**

The role of the external auditor is to provide an opinion on the fairness and reasonableness of the Company's financial statements. In forming such an opinion, the external auditor will test and review valuations and the process used to determine them.

The Company requires that its external auditor has a comprehensive understanding of the Company's investment approach and as such a significant part of the audit process is devoted to review of the valuation methodologies used.

## **7 Policy review**

This Policy will be reviewed annually and revised by the Board as required.