



INVESTMENT POLICY

STATEMENT (I.P.S.)

2020-2024

Reviewed,
in force as of 28.04.2022

Transilvania Investments Alliance (hereinafter referred to as *the Company* or *Transilvania Investments*) is a Romanian legal entity, organized as a joint-stock company (S.A.). The Company is listed on the Bucharest Stock Exchange and the trading of shares is subject to the rules applicable to the regulated market and to the closed-end alternative investment funds.

Transilvania Investments is a self-managed diversified closed-end Retail Investor Alternative Investment Fund (R.I.A.I.F.), set up as an investment company. The Company is also authorized as an Alternative Investment Fund Manager (A.I.F.M.). The Company carries out its activity in compliance with the provisions of the applicable Romanian legislation. The Company is managed in a two-tier system.

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I. REGULATORY FRAMEWORK

The Investment Policy Statement (I.P.S.) is compliant with the legal framework provided for by Law no. 243/2019 *on the regulation of alternative investment funds* and the provisions of Transilvania Investments' Articles of Incorporation.

I.P.S. sets out the investment policy and the prudential rules applicable to Transilvania Investments, in compliance with the investment limitations provided for by the applicable legal regulations in force and by the Fund Rules. The defining of the Investment Policy Statement targets a stage characterized by an optimal capitalization of the investment potential generated by the investments from the managed portfolio, respectively by the improvement of the corporate governance system. This Statement represents a transparent and responsible approach through which the Company communicates to its current and potential investors the principles, objectives and action lines related to the Company's investment policy.

II. I.P.S. PURPOSE

The Investment Policy Statement defines the general framework for action, depending on the long-term investment objectives, establishing the modalities for implementing the strategies appropriate to the economic cycle, in conditions of prudence.

The Investment Policy Statement is drafted by the Company's senior management and approved by the General Meeting of Shareholders, taking into account the following objectives:

- Presentation, in a transparent manner, of the principles underlying the defining of the investment policies and the overall strategy of the Company;
- Description of the responsibilities of the decision-making structures involved in the investment process;
- Presentation of the means of preparation, implementation, monitoring and reviewing of the Company's strategy.

III. ROLES AND RESPONSIBILITIES

The Company's management is based on a hierarchical organization, structured on several decision-making levels, with specific responsibilities, designed to ensure effective internal control mechanisms and decision-making flows:

Level I – **General Meeting of Shareholders** → the supreme body of deliberation and decision-making of the Company.

Level II – **Company's Management** → (i) the Supervisory Board which supervises and controls the management of the Company performed by the Executive Board and represents the Company in relation to the Executive Board, (ii) the Executive Board which ensures the actual management of the Company and its representation in relation with third parties.

Level III – **Heads of departments.**

IV. OBJECTIVES

IV.1 Investment objectives

The investment objective of Transilvania Investments is the maximization of the aggregate returns achieved by the current and potential investors through the investments performed by the company, in compliance with the legislation and the Company's own regulations in force.

At the same time, Transilvania Investments pursues the increase of the net asset value through a performant management carried out by specialists, oriented towards value-added generation, in

conditions of an active and prudent management of assets from the business lines (trading, tourism, real estate, industry and venture capital / private equity).

IV.2. Performance objectives

This Investment Policy Statement represents an evolutionary review of the I.P.S. approved in 2020 towards a stage characterized by an efficient and sustainable capitalization of the investment potential generated and aims at the investment horizon 2020-2024.

During the above-mentioned investment horizon, we aim to align the Transilvania Investments activity with the following performance indicator (K.P.I.):

Increase of the Net Asset by at least 30.00%, increase calculated before any distribution of dividends and/or other forms of shareholder remuneration ¹.

IV.3. Investment principles for achieving the objectives

a. Long-term investment horizon → Transilvania Investments generally pursues an investment policy on a medium/long term horizon. Transilvania Investments will not exclude any investment opportunity that implies a short-term horizon.

b. Classification of the Company as an investment entity → Transilvania Investments aims to maintain the status of investment entity, as a fundamental element of implementing its business model, respectively as a methodology for preparing and presenting the periodical financial reports.

c. Segmentation of the implementation process of the Investment Policy Statement → Transilvania Investments may consider developing and implementing annual investments programs anchored in the Company's I.P.S. and Strategy. They may use the entire range of financial investments permitted by the R.I.A.I.F. applicable legislation, including the potential offered by the niche of private equity/venture capital investments.

d. Asset allocation policy, investment diversification principle → Through the strategic allocation adopted, Transilvania Investments seeks the maximization of the growth potential of the local economy, respectively of the sectors highlighted by the main business lines.

Overall, the structure of the managed portfolio complies with the investment limitations assumed through the risk profile, respectively through the status of R.I.A.I.F. Exposures are selected on the basis of consistent substantiation criteria and are intended to ensure a sustainable aggregate growth. Along with these elements, alternative investment instruments on regulated markets or OTC will also be considered.

e. Active investment risk management → Transilvania Investments implements all measures to monitor investment risks as well as to respond quickly to any unforeseen situations. Throughout the implementation period of the I.P.S. the aim will be to maximize the specific elements of each financial instrument, but with an emphasis on the risk elements accessible to investors pursuing medium / long investment horizons.

I.P.S. creates the premises for the development of medium and long-term action plans and programs that allow the inclusion of sustainability risks and opportunities. Transilvania Investments aims to gradually introduce E.S.G. factors and sustainability risks in the company's risk policies and procedures.

f. Corporate governance → Transilvania Investments applies the provisions of the Corporate Governance Code of the Bucharest Stock Exchange, with a particular emphasis on the observance of the shareholders' rights of being informed.

The Company aims at the gradual implementation of climate governance policies, depending on the nature, size and complexity of the activity, as well as the nature and range of the activities carried out.

¹ The reference level is represented by the net asset value afferent to the financial statements as at 30.06.2020 and covers the period until 30.06.2024.

V. INVESTMENT LIMITS

- ✓ holding limit for securities and/or money market instruments issued by the same issuer/group: max. 10% or 40% in certain conditions / max. 50%;
- ✓ limit for the exposure to the counterparty risk in a transaction with derivatives traded over the counter/OTC: max. 20%;
- ✓ limit for the global exposure to derivatives: cannot exceed the total asset value;
- ✓ limit for the total value of current accounts and cash: max. 20%;
- ✓ limit for bank deposits made and held with the same bank: max. 30%;
- ✓ holding limit for equity securities issued by other AIF/UCITS: max. 20% of Retail Investor AIF, max. 10% of AIF set up based on a Prospectus / max. 50% of open-end AIF / max. 40% of UCITS;
- ✓ holding limit for unlisted securities and money market instruments not admitted to trading: max 40%;
- ✓ holding limit for equity interests issued by limited liability companies: max. 20%;
- ✓ Gross LCR: min. 1.2;
- ✓ limit for the use of temporarily held financial resources: max. 50%.

VI. IMPLEMENTATION OF THE INVESTMENT STRATEGY

VI.1. Asset classes

The Company manages a complex and diversified portfolio that may include any of the following main classes of financial instruments/assets: shares, fixed-income instruments, fund units/ETFs, capital holdings in investment funds/collective investment undertakings, equity interests, alternative investment instruments (including derivatives), without limitation thereof.

VI.2. Use of sensitivity analysis and stress testing

The Company carries out an active portfolio management, based on a permanent monitoring of the investments made under the approved investment programs, respectively based on the continuous analysis of the specific circumstances of the trading environments in which the Company operates, in order to identify investment opportunities, seeking to capitalize on the optimal trading times and to achieve higher aggregate returns.

The use of sensitivity analyses and stress testing, focused on one or more critical scenarios, facilitates the efficient valuation of investments both in terms of the fulfilment of the objectives mentioned in the investment policy statement and the assessment of the actual potential of the strategic deviations from the strategic allocations committed to. The Company will continue to use techniques that facilitate the correct assessment of different hypothetical circumstances, both through specific tools developed through its own resources and by contracting external consultants.

The final objective of the sensitivity analyses and potential stress testing is to estimate the confidence intervals for the relevant indicators in the process of substantiating the investment decisions: the impact of the diversification on the targeted portfolio/sub-portfolio, expected return, VaR etc.

VI.3. Tax considerations

The Company is authorized as a closed-end A.I.F. intended for retail investors, diversified, set up as an investment company, self-managed, being subject to taxation according to the Romanian Fiscal Code.

Both the operations specific to the implementation of investment programs and the other portfolio management operations will also be assessed within the preliminary analyses, in terms of the possible impact of the applicable tax regulations and legislation.

Whenever the senior management of the Company deems necessary, legal due diligence services will be contracted in order to correctly estimate these implications.

VI.4. Risk management

Consistent with the legal regulations in force, the Company has implemented appropriate policies and procedures regarding the ensuring of a permanent risk management function, through the Risk Management Department. The Risk Management Department is hierarchically and functionally independent from the other departments and has responsibilities regarding the identification, assessment, management and permanent monitoring of the risks to which the Company is or may be exposed.

The risk manager examines and identifies the vulnerabilities of the executive management and control systems and the associated risks, having the necessary authority and access to all relevant information necessary to fulfil their duties and responsibilities.

Transilvania Investments is an investment fund whose investment profile is characterized by a medium risk level. The risk management activity is carried out in accordance with the risk management system developed and approved within the Company, which is composed of the Risk Management Policy, the Company Risk Profile and the Procedures on identifying and managing financial and operational risks. The levels of the prudential limits, specific to the investment activity, are established by the specialty department, in accordance with the legal provisions, the established risk profile and the Risk Management Policy, being approved by the Company's management.

VII. TIME HORIZON

This Investment Policy Statement represents an evolutionary review of the I.P.S. approved in 2020 towards a stage characterized by an efficient and sustainable capitalization of the investment potential generated and aims at the investment horizon 2020-2024.

VIII. CONSTRAINTS

The Company will only invest in those asset classes that are expressly provided for by the legislation in force. The use of derivatives is permitted under the conditions provided by the applicable legal provisions. At the time of the approval of the Investment Policy Statement, short selling of shares is not permitted. Share loans are permitted only within the limits provided for by the legal provisions and the applicable regulations.

IX. MONITORING OF THE INVESTMENT STRATEGY IMPLEMENTATION

The Company actively monitors the implementation of the undertaken investment strategies and presents, together with the periodical financial reports, the outcomes of the Investment Programs' execution.

X. REVIEW OF THE INVESTMENT POLICY STATEMENT

Transilvania Investments will review its Investment Policy Statement, whenever, during the regular monitoring process, one or more of the following stand out:

- ✓ an underperformance of the financial instruments' portfolio managed by the Company, due to the investment principles defined within the Company;
- ✓ the entry into force of new legal regulations, contrary to the investment policy and principles defined within the Company;
- ✓ reconsideration of the Company's status as an Investment Entity;
- ✓ reconsideration of the Company's organizational structure.

The reviewed forms of the investment policy statement will be submitted for approval of the General Meeting of Shareholders.