



# **VALUATION POLICY**

Comprehensive Valuation Framework  
Full Detailed Version

# **1. PURPOSE AND SCOPE**

This Valuation Policy establishes the methodologies, procedures, and governance standards used by Qualiteq Capital LP (“the Fund”) to determine the fair value of its short-term, self-liquidating trade finance assets. It applies to:

- Receivables financing
- Purchase order (PO) financing
- Inventory financing
- Short-term secured working-capital loans
- Accrued interest, deferred fees, and other related receivables
- Any collateral or titled assets obtained through enforcement

The Policy ensures valuations are consistent, transparent, accurate, and aligned with U.S. GAAP (ASC 820, 310, 326) and appropriate for private credit and trade finance operations.

# **2. GUIDING PRINCIPLES**

## **2.1 Short-Term, Self-Liquidating Assets**

Typical tenor: 30–120 days, with repayment via buyer payments, inventory liquidation, or borrower repayment.

## **2.2 Transparent Cash Flow and Collateral Pathways**

The Fund maintains visibility into invoices, POs, bills of lading, warehouse receipts, buyer payment confirmations, and borrower operations.

## **2.3 Conservative Underwriting**

Each transaction undergoes buyer/borrower credit checks, financial diligence, KYC/AML review, legal review, and verification of trade documentation.

## **2.4 Zero Expected Impairment Unless Non-Payment Occurs**

The Fund does not maintain a general loss reserve. Impairment is recognized only when the borrower or buyer fails to pay when due or when payment issues indicate full repayment is uncertain.

### **3. PRIMARY VALUATION METHOD – AMORTIZED COST**

Performing assets are valued at:

Outstanding Principal + Accrued Interest – Specific Impairment (if any)

Accrued interest is calculated linearly. No impairment is recorded unless a non-payment event occurs.

### **4. IMPAIRMENT POLICY (SPECIFIC IMPAIRMENT ONLY)**

#### **4.1 No Impairment Recorded When:**

- Borrower and buyer are current
- No disputes or delays exist
- Collateral intact and verified

#### **4.2 Impairment Triggers**

Impairment is recognized only when:

- Borrower or buyer fails to pay amounts when due
- A payment is delayed beyond normal settlement
- Invoice is disputed
- Partial payment received
- Shipment or delivery issues prevent payment
- Non-payment event suggests repayment uncertainty

#### **4.3 Specific Impairment Calculation**

Impairment = EAD × LGD

EAD = principal + accrued interest.

LGD considers recoverability, collateral liquidation value, dispute resolution, and legal enforceability.

#### 4.4 Reversal of Impairment

Impairment is reversed when payment is received or disputes resolve.

### **5. ALTERNATIVE VALUATION METHODS**

If amortized cost is no longer appropriate:

- Discounted Cash Flow (DCF)
- Net Realizable Value (NRV)
- Market comparable inputs (rare)

### **6. FREQUENCY OF VALUATION**

- Monthly NAV valuation
- Event-driven valuation
- Quarterly committee review
- Annual audit

### **7. VALUATION COMMITTEE**

#### 7.1 Responsibilities

Approve valuations, impairments, reversals, documentation review, and policy consistency.

#### 7.2 Composition

CFO/Controller, Head of Risk, Managing Partner, optional advisor.

#### 7.3 Documentation Standards

Payment evidence, collateral verification, dispute correspondence, accrual calculations, valuation sheets, committee minutes.

### **8. DATA SOURCES**

Invoices, POs, logistics documents, warehouse receipts, buyer payments, bank statements, credit bureaus, KYC/AML, legal reviews.

## **9. METHODOLOGY CHANGES**

Changes require committee approval, auditor consultation, investor notification (if material), and updated policy documentation.

## **10. CONFLICTS OF INTEREST**

Given the Fund's lean team, governance requires:

- Originators cannot unilaterally determine valuation or impairment.
- Valuation decisions require multi-person review.
- Operations/Risk verifies documentation.
- Accounting calculates amortized cost and accruals.
- GP/Management approves impairments.
- Auditors review valuation as external oversight.
- Conflicts must be disclosed and result in recusal.

## **11. INVESTOR REPORTING**

Valuation results drive NAV, LP statements, capital accounts, annual audits, and DDQ responses.

## **12. GAAP COMPLIANCE**

This Policy complies with ASC 820, 310, 326, and 946. Amortized cost is appropriate unless non-payment indicates impairment.

## **13. DEAL-LEVEL ECONOMICS & RETURN CALCULATIONS**

### **13.1 Definitions:**

- Invoice Value (IV)

- Advance Rate (AR)
- Amount Financed ( $AF = IV \times AR$ )
- Gross Repayment ( $GR = IV$ )
- Financing Fee (FF)
- Borrower Remittance ( $BR = GR - AF - FF$ )
- Net Revenue = FF

### 13.2 Example:

$IV = \$100,000$

$AR = 70\% \rightarrow AF = \$70,000$

Fee Rate = 3% per 30 days

Tenor = 45 days

$FF = 70,000 \times 3\% \times 1.5 = \$3,150$

$BR = 100,000 - 70,000 - 3,150 = \$26,850$

Fund Revenue = \$3,150

### 13.3 NAV Impact:

Principal equals AF; interest accrues daily; NAV increases via accrued/realized interest; impairment recorded only upon non-payment.

### 13.4 Return Calculations:

$PR = FF / AF$

$APR = PR \times (365 / \text{Days Outstanding})$

$EAY = (1 + PR)^{(365 / \text{Days})} - 1$

### 13.5 Annual Revenue:

$\text{Annual Revenue} = (\# \text{ Deals}) \times (\text{Per-Deal Fee})$

### 13.6 Portfolio Return:

$$\text{Portfolio Return} = \Sigma FF_i / \Sigma AF_i$$

$$\text{Portfolio APR} = (\Sigma FF_i / \Sigma AF_i) \times (365 / \text{WAD})$$

### 13.7 Fund Net Return:

$$(\text{Total Revenue} - \text{Expenses} - \text{Interest to Lenders}) / \text{Average Investor Capital}$$

### 13.8 Integration Into Valuation:

Return modeling supports valuation but NAV is based solely on amortized cost + accrued interest.