



CEIBA INVESTMENTS LIMITED

Alternative Investment Fund Managers Directive
Pre-investment Disclosure Document
Article 23 AIFMD/Rule 3.2 FCA FUND Sourcebook

26 April 2023

CEIBA Investments Limited

This document is issued by abrdn Fund Managers Limited, as the alternative investment fund manager of CEIBA Investments Limited (“the Company”) in order to make certain information available to prospective investors prior to such investors’ investment in the Company, in accordance with the requirements of the FCA FUND Sourcebook implementing the EU Alternative Fund Managers Directive (Directive 2011/61/EU) in the United Kingdom and is being made available on the Company’s website: ceibalimited.co.uk

Defined terms used in this pre-investment disclosure document can be found in section 20 below.

1. A description of the investment strategy and objectives of the Company, types of assets the Company may invest in, Investment techniques, Principal risks and Investment restrictions

Information about the Company’s investment strategy, policy and objectives, the types of assets in which the Company may invest, the investment techniques and any investment restrictions are contained in the Prospectus which is available on the Company’s website: www.ceibalimited.co.uk.

Sustainable Financial Disclosure Regulation

abrdn integrates sustainability risks and opportunities into its research, analysis and investment decision-making processes. abrdn believes that the consideration of sustainability risks and opportunities can have a material impact on long-term returns for investors. The Fund is managed using an investment process that considers environmental, social and governance (“ESG”) factors but does not promote ESG characteristics or have specific sustainable investment objectives. This means that whilst ESG factors and risks are considered, they may or may not impact portfolio construction.

Combining the integration of sustainability risks and opportunities with broader monitoring and engagement activities may affect the value of investments and therefore returns.

Furthermore, investments within the Fund does not take into account the EU Taxonomy criteria for environmentally sustainable economic activities.

2. Key risks

Principal Risks and Uncertainties

There are a number of risks which, if realised, could have a material adverse effect on the Company and its financial condition, performance and prospects. The Board has carried out a robust assessment of the principal risks currently facing the Company as set out in the table below and overleaf together with a description of the mitigating actions taken by the Board. The Board reviews the risks and uncertainties faced by the Company regularly.

Type of Risk	Description and Possible Impact	Mitigating Action
Emerging Risks relating to the Cuban Financial System		
Cuban Financial Reforms – Financial Autonomy Rules	During the second half of 2020 and continuing throughout 2021 and 2022, the Cuban government adopted new financial reforms aimed at creating a new objective system for the allocation of limited liquidity reserves within the economy and intending to provide “real financial autonomy” to Cuban entities, including foreign investment vehicles such as the joint venture companies in which the Company invests. However, these measures have not been successfully implemented in full and do not at present apply to all economic sectors or to all joint venture companies. As a result, Monte Barreto (in which the Company has a 49% interest) remains almost fully dependent on centrally assigned liquidity for its international payments. In addition, an exception to the general rules has been adopted for the tourism sector and is presently being implemented. It remains uncertain whether the financial reforms will be fully implemented or whether new measures will be adopted which modify them. They may take time to show the	The Investment Manager has closely followed all developments relating to the adoption and implementation of these new measures and communicates its concerns and interacts regularly at all appropriate levels in order to extend their application to the operations of the joint venture companies in which the Company has a participation. The Investment Manager, together with its Cuban partners, seeks at all times to adapt operations and develop creative solutions to deal with the new circumstances created by the financial reforms being adopted.

	<p>intended effect or may not have the stated positive impact on the liquidity position of the country, or their application may not be fully extended to all of the joint venture companies in which the Company has a participation, all of which may have a negative effect of the affairs of the Company.</p>	
Currency Devaluation Risk	<p>As part of the 2020-2021 economic reform package adopted by the Cuban government in order to continue modernising the Cuban economy, new currency reforms aimed at harmonising exchange rates and eliminating Cuba's dual currency system required all foreign investment vehicles to convert and denominate their assets and legal obligations, and to carry out all transactions previously denominated and carried out in US\$ in Cuban Pesos ("CUP"). The Cuban Peso has a fixed (non-market) exchange rate of US\$1.00:CUP24, which may be subject to further devaluation at the discretion of the Cuban Central Bank. As from the adoption of new rules for the tourism sector presently being implemented, a second exchange rate of US\$1.00:CUP120 has been established, thereby providing a first indication that a more general devaluation may follow. Any future devaluation of the CUP might have a negative impact on the assets and operations of the Cuban joint venture companies in which the Company has an interest.</p>	<p>The currency devaluation risk associated with the imposition of the CUP as sole currency for operations is new and significant. The cash and currency positions of each of the joint venture companies in which the Company has a participation are continuously monitored for the purpose of reducing currency risk to the greatest extent possible.</p> <p>Wherever possible, in order to mitigate devaluation risk, the Investment Manager requires that the joint venture companies in which the Company has an interest declare and distribute dividends, on an interim basis, as frequently as possible.</p> <p>There are presently no hedging mechanisms available to mitigate this new risk.</p>
General Liquidity of the Cuban Financial System and Repatriation Risk	<p>The continued high levels of tension between the United States and Cuba and the maintenance by the Biden administration of harsh U.S. sanctions imposed during the Trump administration, which have resulted in steep reductions in U.S. family remittances and travellers to Cuba, as well as the global fall in international tourism and other economic shocks associated with the Covid-19 pandemic, together with numerous transitional difficulties associated with the implementation of the financial and currency reform measures described above, have had strong negative impacts on the fragile economic and liquidity positions in Cuba. Throughout 2022 there have been significant delays in the timing of international transfers from Cuba. The duration of these negative effects is unknown, and they may in turn have a continuing negative impact on the ability of the joint venture companies in which the Company has an interest to make distributions abroad, which in turn may have a negative impact on the ability of the Company to carry out its investment programme.</p>	<p>The Investment Manager actively monitors and manages the liquidity position of the Company, its subsidiaries and the joint ventures in which it invests to the greatest extent possible so that cashflows of the Company are transferred to bank accounts outside Cuba. The Investment Manager has no control or influence over the execution or timing of payments to be transferred by Cuban banks to the Company's international bank accounts.</p>
Risks relating to war in Ukraine	<p>Cuba maintains strong historical, political and economic ties to Russia and to Ukraine. The Russian-Ukrainian conflict that erupted in February 2022 resulted in an abrupt halt in Russian and Ukrainian tourism to the island. Further aspects of the Russia-Cuba relationship may eventually be affected by the conflict, including Russian investments in Cuba, banking relationships and other areas.</p>	<p>Although the conflict resulted in an abrupt halt of the tourists travelling from Russia and Ukraine to Cuba, the operator of the Company's tourism assets has ensured that the focus of its marketing efforts is on attracting tourists from its historical principal tourist suppliers (Canada and Europe) and other countries.</p>

Public Health Risk

Global Pandemic Risk	Although the Covid-19 pandemic is now fully under control in Cuba, the continued effects of the public health risks associated with the Covid-19 pandemic, including the arrival of new variants, may have a lasting and as yet unquantifiable negative impact on the global tourism industry, the economy of Cuba, and the operations and performance of the assets of the Company. The pandemic may directly or indirectly affect all other risk categories mentioned in this matrix.	The Board discusses current issues with the Investment Manager to limit the impact of the Covid-19 pandemic on the business of the Company and recognises that the tourism sector is particularly affected by the various travel restrictions that have been imposed to fight the Covid-19 pandemic in numerous countries and that such restrictions may re-emerge in the future. The Board's actions are targeted at (i) protecting the welfare of the various teams involved in the affairs of the Company, (ii) ensuring operations are maintained to the extent possible and to protect and support the assets of the Company for the duration of any future crisis, and (iii) to mitigate insofar as possible the longer-term negative impact of economic and operational disruption caused by this and future pandemics.
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Risks Relating to the Company and its Investment Strategy

Investment Strategy and Objective	The setting of an unattractive strategic proposition to the market and the failure to adapt to changes in investor demand may lead to the Company becoming unattractive to investors, a decreased demand for shares and a widening discount.	The Company's investment strategy and objective is subject to regular review to ensure that it remains attractive to investors. The Board considers strategy regularly and receives strategic updates from the Investment Manager, as well as investor relations reports and updates on the market from the Company's Broker. At each Board meeting, the Board reviews the shareholder register and any significant movements. The Board considers shareholder sentiment towards the Company with the Investment Manager and Broker, and the level of discount at which the Company's shares trade. In the event that the Board believes that a majority of shareholders requires a change in strategy, it will modify its investment strategy accordingly.
Investment Restrictions	Investing outside of the investment restrictions and guidelines set by the Board could result in poor performance and inability to meet the Company's objectives, as well as a discount.	The Board sets, and monitors, its investment restrictions and guidelines, and receives regular reports which include performance reporting on the implementation of the investment policy, the investment process and application of the guidelines. The Investment Manager attends all Board meetings. The Board monitors the share price relative to the NAV.

Portfolio and Operational Risks

Joint Venture Risk	The investments of the Group in Cuban real estate assets are made through Cuban joint venture companies in which Cuban government entities hold an equity interest, giving rise to risks relating to the liquidity of investments, government approval, corporate governance and deadlock.	Prior to entering into any agreement to acquire an investment, the Investment Manager will perform or procure the performance of due diligence on the proposed acquisition target. The Group tries to structure its equity investments in Cuban joint venture companies so as to include a viable exit strategy. The Investment Manager, or the members of the on-the-ground team, regularly attend the Board meetings of the joint venture companies through which Group interests are held, and actively manage relations with the management teams of each joint venture company, the relevant Cuban shareholders and relevant third parties to ensure that Group interests are enhanced.
Real Estate Risk	As an indirect investor in real estate assets, the Company is subject to risks relating to property investments, including access to capital and finance, global capital and financial market conditions, acquisition and development risk, competition, tenant risk, environmental risk and others, and the materialisation of these risks could have a negative effect on specific properties, development projects	The Investment Manager regularly monitors the level of real estate risk in the Cuban market and reports to the Board at each meeting regarding recent developments. The Investment Manager works closely with the on-the-ground team, the external hotel managers and the joint venture managers to identify, monitor and actively manage local real estate risk.

	or the Group generally.	In the case of Monte Barreto, tenant risk has been augmented by the new financial autonomy rules, which result amongst others in certain categories of tenants paying their rents with varying degrees of liquidity. The Investment Manager, together with the management team of Monte Barreto, now assesses the impact of the new financial autonomy rules in all new leasing decisions.
Construction Risk	As a developer and investor in new construction as well as refurbishment projects, the Company is subject to risks relating to the planning, execution and cost of construction works, including the availability and transportation of materials and the cost thereof, inclement weather, contractor risk, execution risk and the risk of delay. The materialisation of these risks could have a negative effect on the implementation of development projects of the Group.	The Investment Manager regularly monitors all construction and refurbishment activities carried out within Group companies and works closely with the on-the-ground management team and the joint venture managers to identify, monitor and actively manage all construction risks. The Investment Manager reports to the Board at each meeting regarding recent developments in this respect. In the construction context, the availability and transportation of construction materials have been significantly affected by the Covid-19 pandemic worldwide, thereby increasing construction costs.
Tourism Risk	As an indirect investor in hotel assets, the Company is subject to numerous risks relating to the tourism sector, both in outbound and inbound markets, including the cost and availability of air travel, the imposition of travel restrictions by overseas governments, seasonal variations in cash flow, demand variations, changes in or significant disruptions to travel patterns, risk related to the manager of the hotel properties, and the materialisation of these risks could have a negative impact on specific properties or the Company generally.	The Investment Manager regularly monitors the local and regional tourism markets and meets regularly with the external hotel management to identify, monitor and manage global and local tourism risk and to develop appropriate strategies for dealing with changing conditions. The Company aims to maintain a diversified portfolio of tourism assets spanning various hotel categories (city hotel / beach resort, business / leisure travel, luxury / family) in numerous locations across the island. As the world re-emerges from the Covid-19 pandemic the Investment Manager is working closely with the external hotel management to optimise the resumption of full-scale operations at the hotels in which the Company has an interest.
Insurance Risk	The Company invests in real estate assets in Cuba through Cuban joint venture companies and as a consequence of U.S. sanctions the Cuban joint venture companies have not been successful in obtaining adequate hard currency insurance coverage for their real estate assets, which may in turn have a negative impact on the Company in the case of occurrence of insured events.	The Investment Manager regularly monitors the availability of local and international hard currency insurance coverage for the Cuban joint venture companies in which it has an interest.
Valuation Risk	In the absence of regular market indicators regarding the pricing of real estate assets, the independent third-party RICS valuers of the assets of the Company determine the values of the assets in which the Company holds an interest on the basis of discounted cash flow projections, which under the present circumstances and in an unpredictable future may provide less accurate and highly volatile results	As part of the valuation process, the Investment Manager engages an independent third-party valuer to provide an independent valuation report on each of the indirectly owned real estate assets of the Group. The valuations are also subject to review by the executive management team, the Investment Manager's Alternatives Pricing Committee, the Board and the auditors of the Company.
Dependence on Third Party Service Providers	The Company is dependent on the Investment Manager and other third parties for the provision of all systems and services relating to its operations and investments, and any inadequacies in design or execution thereof, control failures or other gaps in these systems and services could result in a loss or damage to the Company. In addition, the continued high level of aggression of U.S. sanctions may limit the pool of service providers willing or able to work	The Board receives reports from its service providers on internal controls and risk management at each Board meeting. It receives assurance from all its significant service providers as well as back-to-back assurances where activities are themselves sub-delegated to other third-party providers with which the Company has no direct contractual relationship. In the course of its activities, the Management Engagement Committee of the Board reviews the engagements of all third-party service providers on an annual basis. Further details are

	with the Company.	set out in the Annual Report.
Loss of Key Fund Personnel	The loss of key managers contracted by the Investment Manager to manage the portfolio of investments of the Group could impact performance of the Company.	Under the Management Agreement, the Investment Manager has the obligation to provide at all times personnel with adequate knowledge, experience and contacts in the Cuban market. In order to mitigate key manager risk, the Investment Manager makes every effort to spread knowledge and experience of the Cuban market within the organisation so as to reduce reliance on a small team of individuals.
Risks Relating to Investment in Cuba and the U.S. Embargo		
General Economic, Political, Legal and Financial Environment within Cuba	The Group's underlying investments are situated and operate within a unique economic and legal market, with a comparatively high level of uncertainty, and a sensitive political environment.	The Company benefits from the services of its highly experienced on-the-ground management team consisting of eight members. With a well-balanced mix of Cuban and foreign professionals who all have long-standing expertise in the country, the team is one of the most practised investment groups focused exclusively on investment in the Cuban market, which constantly monitors the economic, political and financial environment within Cuba. The subsidiaries of the Company have been structured to benefit from existing investment protection and tax treaties to which Cuba is a party.
U.S. Government Restrictions relating to Cuba	Tensions remain high between the governments of the United States and Cuba and the U.S. government maintains numerous legal restrictions aimed at Cuba, including the inclusion of Cuba on the U.S. list of state sponsors of terrorism. Contrary to preelection campaign statements and widely held initial expectations, the Biden administration has only taken modest steps to soften or ease the restrictions against Cuba, although it is possible that it might accelerate efforts to do so in the future. The rise of further tensions with the United States or the adoption by the U.S. government of further restrictions against Cuba could negatively impact the operations of the Company and its access to third-party service providers, the value of its investments, the liquidity or tradability of its shares, or its access to international capital and financial markets.	The Investment Manager closely follows developments relating to the relationship between the United States and Cuba and monitors all new restrictions adopted by the United States to measure their possible impact on the assets of the Group. The Group has adapted its investment model to the existing sanctions, but the risk remains of further sanctions being adopted in the future.
State Sponsor of Terrorism Designation	As one of its last foreign policy moves, the outgoing Trump administration returned Cuba to the U.S. list of state sponsors of terrorism just prior to the inauguration of President Biden. Contrary to expectation, the Biden administration has not reversed this designation, which entails numerous negative impacts for Cuba and makes it extremely difficult for the country, as well as for the Company and all of its subsidiaries and joint venture companies, to obtain regular financial and other administrative services from international banks, insurance companies and many other service providers. The continued designation of Cuba as a state sponsor of terrorism may make it increasingly difficult for the Company, as well as its subsidiaries and joint venture companies, to receive basic services in the future.	The Investment Manager follows all developments relating to the designation of Cuba as a state sponsor of terrorism and remains moderately optimistic that domestic and international pressure will lead to a reversal of this nakedly political designation in the coming period. The Investment Manager also structures group operations in a manner to minimise the negative impact of the designation to the greatest extent possible.
Helms-Burton Risk	On 2 May 2019, Title III of the Helms-Burton Act was brought fully into force by the Trump administration following 23 years of successive uninterrupted	At the time of acquiring each of its interests in Cuban joint venture companies, the Company carried out extensive due diligence investigations in order to ensure that no claims

	<p>suspensions. Numerous legal claims were subsequently launched before U.S. courts against U.S. and foreign investors in Cuba, which has had and could have a further negative impact on the foreign investment climate in Cuba and may hinder the ability of the Company to access international capital and financial markets in the future. In light of the political nature of the Helms-Burton Act, and the fact that under Title III of the Act, Cuban persons who were not U.S. Persons at the time their property was expropriated but subsequently became U.S. Persons have the right to make claims, there is also a risk that legal claims might be initiated against the Company or its subsidiaries before U.S. courts. The Biden administration has not taken any steps to suspend or repeal Title III of the Helms-Burton Act, although it is possible that it might do so in the future.</p>	<p>existed under applicable U.S. legislation, and in particular that there were no claims certified by the U.S. Foreign Claims Settlement Commission under its Cuba claims program with respect to any of the properties in which the Company acquired an interest. However, given the broad definitions and terms of the Helms-Burton Act and its purpose of creating legal uncertainty on the part of investors in Cuba, as well as the absence of any register of uncertified claims or case law, there is no certain way for the Company to verify beyond doubt whether or not a Helms-Burton action under Title III could be brought in respect to a particular property, or whether the Company may be deemed to indirectly profit or benefit from certain activities carried out by other parties. The Company does not have any property or assets in the United States that could be subject to seizure.</p>
<p>Transfer Risk – U.S. Sanctions</p>	<p>Numerous U.S. legal restrictions contained in the Cuban Assets Control Regulations and other legal provisions target financial transactions, instruments, and other assets in which there is a Cuban connection. As a result, U.S. and international banks, clearing houses, brokers and other financial intermediaries may refuse to deal with the Company or may freeze, block, refuse to honour, reverse or otherwise impede legitimate transactions or assets of the Company, even where no U.S. link is established.</p>	<p>The Investment Manager is conscious of and closely follows developments concerning the U.S. legal restrictions that target financial transactions and assets. The Company does not carry out any international transfers in U.S. Dollars or through U.S. banks or intermediaries. The Investment Manager manages the banking relationships of the Company and generally acts at all times so as to minimise the impact of these legal provisions on the legitimate transactions and assets of the Company.</p>
<p>Currency Risk</p>	<p>As a result of U.S. sanctions prohibiting the use of the U.S. dollar, the Group deals in numerous currencies and fluctuations in exchange rates can have a negative impact on the performance of the Group, as well as the expression of the Company's NAV in Sterling and/ or USD.</p> <p>The risk relating to monetary reforms recently adopted by the Cuban government imposing the use of the CUP are described elsewhere in this table.</p>	<p>The Company does not hedge its foreign currency risks due to difficulties in agreeing hedging arrangements with third parties.</p>
<p>Risks relating to Regulatory and Tax Framework</p>		
<p>Tax Risk</p>	<p>Changes in the Group's tax status or tax treatment in any of the jurisdictions where it has a presence may adversely affect the Company or its shareholders.</p>	<p>The Investment Manager regularly reviews the tax rules that may affect the operations or investments of the Company and seeks to structure the activities of the Company in the most tax efficient manner possible. However, the Company holds investment structures in numerous jurisdictions arising from past acquisitions, and the general direction of change in many jurisdictions is not favourable.</p>

The financial risks associated with the Company include market risk, liquidity risk and credit risk, all of which are described in greater detail in note 19 to the Consolidated Financial Statements within the Annual Report.

3. Risk management systems

The directors of abrdn Fund Managers Limited ("AFML") collectively assume responsibility for AFML's obligations under the AIFMD including monitoring the Company's risk profile during the year.

AFML, as a fully integrated member of the abrdn plc group of companies, receives a variety of services and support in the conduct of its business activities from the resources of the abrdn Group. AFML conducts its risk oversight - including in the conduct of its risk oversight

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function, through the operation of the abrdn Group's risk management processes and systems. Further details of the abrdn Group's risk management programme and systems are set out in the Appendix to this document.

4. Leverage

Leverage limits

The maximum leverage which the Manager is entitled to employ on behalf of the Company (expressed as a ratio to total assets) is:

Commitment Method	120%
Gross Method	120%

Types of leverage

Although leverage is often used as another term for gearing, under the AIFMD regulations leverage is expressed as a ratio of the exposure of debt, non-sterling currency, equity or currency hedging and derivatives exposure against the net asset value. It defines two types of leverage, the gross method and the commitment method. These are essentially the same other than the commitment method allows derivative instruments to be netted off to reflect 'netting' or 'hedging arrangements'. Non-sterling cash is deemed to carry a currency exposure so is considered to be leverage. In accordance with the AIFMD the Company is obliged to disclose the maximum expected leverage levels under both methods and this is disclosed above. In order to comply with the AIFMD the maximum leverage levels have been set in accordance with the maximum gearing allowable by the Company's Articles of Association. However, the day-to-day management of gearing and leverage levels will be conducted within the tighter limits set by the Company's investment policy.

Leverage may be applied to the portfolio by utilising financial gearing (such as bank borrowings and overdrafts) and synthetic gearing (through derivatives and/or other non-fully funded instruments or techniques for efficient portfolio management purposes such as stock-lending). Typically, leverage will arise through the use of index futures, forward foreign exchange contracts or contracts for difference, where cash is paid to the counterparty as a margin against the current mark-to-market value of the derivative contract; as a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may even result in further loss exceeding any margin deposited. The use of leverage therefore creates additional risks and may significantly increase the market and counterparty risk of the Company through non-fully funded exposure to underlying markets or securities. Leverage is considered in terms of the Company's overall 'exposure' to financial or synthetic gearing and includes any method by which the exposure of the Company is increased whether through borrowing of cash or securities, or leverage embedded in derivative positions or by any other means. AFML is required, in accordance with the AIFMD, to calculate and monitor the level of leverage of the Company, expressed as the ratio between the total exposure of the Company and its net asset value with exposure values being calculated by both the gross method and commitment method.

Exposure values under the gross method basis are calculated as the absolute value of all positions in the portfolio; this includes all eligible assets and liabilities, relevant borrowings, derivatives (converted into their equivalent underlying positions) and all other positions, even those held purely for risk reduction purposes, such as forward foreign exchange contracts held for currency hedging.

The gross method of exposure of the Company requires the calculation to:

- Include the sum of all non-derivative assets (if applicable) held at market value, plus the absolute value of all such liabilities
- Exclude cash and cash equivalents which are highly liquid investments held in the base currency of the Company, that are readily convertible to a known amount of cash, which are subject to an insignificant risk of change in value and provide a return no greater than the rate of a three month high quality bond
- Include derivative instruments which are converted into the equivalent position in their underlying assets
- Exclude cash borrowings that remain in cash or cash equivalents and where the amounts payable are known
- Include exposures resulting from the reinvestment of cash borrowings, expressed as the higher of the market value of the investment realised or the total amount of cash borrowed
- Include positions within repurchase or reverse repurchase agreements and securities lending or borrowing or other similar arrangements as applicable

Exposure values under the commitment method basis are calculated on a similar basis but may take into account the effect of netting off instruments to reflect eligible netting and hedging arrangements on eligible assets and different treatment of certain cash and cash equivalent items in line with regulatory requirements.

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The calculation of leverage assumes that a leverage ratio of 1.00:1 equates to zero leverage. A ratio of less than 1.00:1 would mean that the portfolio included uninvested cash whilst a ratio above 1.00:1 would mean that the portfolio had leverage to the ratio amount above 1.00:1.

The Company does not have in place any collateral or asset reuse arrangements.

5. Modification of Investment policy

No material change will be made to the investment policy and investment restrictions without the approval of Shareholders by ordinary resolution. Any change to the investment policy or investment restrictions which does not amount to a material change to the investment policy may be made by the Company without the approval of Shareholders.

6. Contractual relationship between the Company and Investors, applicable law and the enforcement of judgements

The Company is a company limited by shares, incorporated in Guernsey. While investors acquire an interest in the Company on subscribing for or purchasing Shares, the Company is the sole legal and/or beneficial owner of its investments. Consequently, Shareholders have no direct legal or beneficial interest in those investments. The liability of Shareholders for the debts and other obligations of the Company is limited to the amount unpaid, if any, on the shares held by them.

Shareholders' rights in respect of their investment in the Company are governed by the Articles and Guernsey law. Under Guernsey law, the following types of claim may in certain circumstances be brought against a company by its shareholders: contractual claims under its articles of incorporation; claims in misrepresentation in respect of statements made in its prospectus and other marketing documents; unfair prejudice claims; and derivative actions. In the event that a Shareholder considers that it may have a claim against the Company in connection with such investment in the Company, such Shareholder should consult its own legal advisers.

Jurisdiction and applicable law

As noted above, Shareholders' rights are governed principally by the Articles and Guernsey law. By subscribing for Shares, investors agree to be bound by the Articles which are governed by, and construed in accordance with, the laws of Guernsey.

Recognition and enforcement of foreign judgments

Subject to the provisions and requirements of Guernsey's reciprocal enforcement legislation, the Royal Court in Guernsey will recognise as a valid judgment and, without review of its substance, enforce any final and conclusive judgment obtained against the Company in the superior courts of a defined list of jurisdictions. The requirements of such reciprocal enforcement legislation include that the relevant judgment be given by a superior court of competent jurisdiction and that it be: (i) final and conclusive as between the parties thereto; and (ii) in respect of a sum of money not being a sum payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty. The relevant legislation provides further that the registration of any such judgment may be set aside if, *inter alia*, the Royal Court is satisfied that: (i) the judgment is not a judgment to which reciprocal enforcement legislation applies or was registered in contravention of such reciprocal enforcement legislation; (ii) relevant superior courts have no jurisdiction in the circumstances of the case or the judgment debtor, being the defendant in the proceedings in the original court, did not receive notice of proceedings in the original court in sufficient time to enable him to defend the proceedings and did not appear; (iii) the judgment was obtained by fraud; (iv) enforcement would be contrary to public policy in Guernsey; or (v) the rights under the judgment are not vested in the person by whom the application for registration was made. The Royal Court would recognise as a valid judgment any final and conclusive judgment obtained in certain other jurisdictions against the Company and would give a judgment based thereon without reconsideration of the merits, assuming proper service of process and assumption of jurisdiction in accordance with the laws such jurisdictions if: (i) the judgment was for a fixed or ascertainable sum of money; (ii) the judgment was not obtained by fraud or in a manner opposed to the principles of natural justice; (iii) the judgment was not obtained in proceedings of a penal or taxation character; and (iv) recognition of the judgment is not contrary to public policy as applied by the Royal Court.

7. Information on the AIFM, Depositary and Service providers

AIFM/Manager

The Company has appointed abrdn Fund Managers Limited, which is a company limited by shares and incorporated in England, as its alternative investment fund manager. The Manager is a subsidiary of abrdn plc, a company incorporated in Scotland.

The Manager is authorised and regulated by the FCA as an alternative investment fund manager. Pursuant to the Management Agreement, the Manager provides investment management services (including portfolio management), risk management services and general administrative services to the Company.

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The duties of the Manager also include (but are not limited to) the following:

- The proper valuation of the Company's assets and the calculation and publication of the Net Asset Value of the Company
- To review its delegation of the portfolio management function to the Investment Manager on an ongoing basis
- To ensure that appropriate and consistent procedures are established so that a proper and independent valuation of the assets of the Company can be performed
- To implement a risk management system to identify, measure and manage appropriately all risks relevant to the Company's investment strategies and to review this system on an annual basis
- To ensure that a single depositary is appointed to ensure, among other things, the proper monitoring of the Company's cash flows and the safe-keeping of the Company's assets that can be held in custody
- To employ an appropriate liquidity management system
- To adopt procedures enabling it to monitor the liquidity risk of the Company and ensure that the liquidity profile of the Company's investments complies with its underlying obligations
- To use adequate and appropriate human and technical resources necessary for the proper management of the Company
- To make available an annual report for the Company no later than four months following the end of its annual accounting period

The initial term of the Management Agreement is five years commencing on 10 October 2018 (the "Initial Term"). The Company may terminate the Management Agreement by giving the AIFM not less than six months' prior written notice such notice not to be effective prior to the end of the Initial Term. The AIFM may terminate the Management Agreement by giving the Company not less than six months' prior written notice. The Company may also terminate the Management Agreement immediately inter alia if the Manager ceases to maintain its regulatory permission to act as AIFM or if the Investment Manager ceases to maintain its regulatory permissions. In addition, either party may terminate the agreement immediately by notice upon the occurrence of certain events including the insolvency or winding up of the other party and a material breach of contract.

The Manager has delegated the portfolio management of the Company to abrdn Asset Investments Limited ("AAIL"). Further details of the delegation arrangements are set out in paragraph 9 below.

Administrator and Company Secretary

NSM Funds Limited has been appointed as administrator and secretary to the Company pursuant to the Administration Agreement. The Administration Agreement may be terminated by either Party on giving not less than six months' written notice to the other party provided that such notice given shall not expire before the date falling eighteen months after the date of the agreement. The Administrator provides day-to-day administration services to the Company and is also responsible for the Company's general administrative and secretarial functions such as the calculation of the Net Asset Value and the maintenance of the Company's accounting and statutory records.

Depositary

The Company has appointed NSM Funds Limited to act as its depositary. Pursuant to the Depositary Agreement, the Depositary must carry out the duties specified in AIFMD, including:

- Safekeeping of the assets of the Company which are entrusted to it
- Cash monitoring and verifying the Company's cash flows
- Oversight of the Company and the Manager, including
 - Ensuring that the sale, issue, re-purchase, redemption, transfer, buy back and valuation of shares are carried out in accordance with the Company's constitutional documentation and applicable laws, rules and regulations
 - Ensuring that in transactions involving the Company's assets the consideration is remitted to the Company within the usual time limits
 - Ensuring that the Company's income is applied in accordance with the Company's constitutional documentation and applicable laws, rules and regulations
 - Carrying out instructions received from the Manager unless they conflict with the Company's constitutional documentation or any applicable law, rule or regulation, or the provisions of the Depositary Agreement

In carrying out such functions the Depositary must act honestly, fairly, professionally, independently and in the interests of Shareholders.

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The Depositary is liable to the Company and/or Shareholders for the loss of a financial instrument held in custody by the Depositary or a delegate, unless the Depositary is permitted to discharge and has discharged such liability under AIFMD and the Depositary Agreement. The Manager will inform investors of any changes with respect to the Depositary's liability for the loss of a financial instrument held in its custody. The Depositary is also liable to the Company and/or the shareholders for all other losses suffered by them as a result of the Depositary's negligent and/or intentional failure to properly fulfil its duties.

Under the Depositary Agreement, the Company has indemnified the Depositary against certain liabilities suffered by the Depositary arising directly out of the performance of its obligations under the Depositary Agreement, except in the case of any liability arising from the fraud, negligence, intentional failure or breach of contract of the Depositary or any of its affiliates or delegates, or the loss of financial instruments as described above.

The Company, the Manager and the Depositary may terminate the Depositary Agreement at any time by giving six months' notice in writing. The Depositary may only be removed from office when a new depositary is appointed by the Company.

Auditor

Grant Thornton Limited has been appointed as the Company's auditor responsible for auditing the annual financial statements in accordance with auditing standards and, as appropriate, regulations, and for providing its report to the Company's Shareholders in the annual report and financial statements. In addition, applicable law and regulation may require other reports to be prepared for the Company and, as the appointed auditor of the Company, the Auditor will undertake such work under the auditor service agreement between the Company and the Auditor.

Registrar

The registrar of the Company is Link Market Services (Guernsey) Limited which is responsible for maintaining and updating the register of Shareholders, which may be inspected at the Registrar's office at Mont Crevelt House, Bulwer Avenue. St. Sampson, Guernsey GY2 4LH during normal business hours.

Stockbroker

Singer Capital Markets has been appointed as the Company's stockbroker to provide the Company with corporate broking and associated financial advisory services.

Investors' rights against service providers will vary depending on a range of factors. If the relevant service provider is an authorised person under FSMA carrying out a regulated activity with respect to the Company, then a contravention by it of a Rule contained within the FCA Handbook may in certain circumstances give rise to a claim for breach of statutory duty against that service provider by an investor who suffers loss as a result of that contravention. Investors may also be afforded certain rights against service providers by the general law.

8. Protection from professional liability risks

The Manager has effective internal operational risk management policies and procedures in order to appropriately identify measure, manage and monitor operational risks, including professional liability risks, to which it is or could reasonably be exposed. These policies and procedures are subject to regular review and the operational risk management activities are performed independently as part of the risk management policy.

The management of operational risk, through the risk and control self-assessment process, is aimed at identifying risks in existing processes and improving existing controls to reduce their likelihood of failure and the impact of losses. All risks and events are facilitated via the internal risk management system, which provides a platform to facilitate the convergence of governance, risk and compliance.

The Manager is required to cover professional liability risks, such as the risk of loss of documents evidencing title of assets to the Company, and complies with such requirement by maintaining an amount of its own funds in accordance with AIFMD.

9. Delegation arrangements and management of conflicts

Delegation arrangements

From time to time, the AIFM may sub-delegate certain management functions to its affiliated subsidiaries, or third parties. The AIFM has delegated:

- Portfolio management to the Investment Manager, abrdn Asset Investments Limited

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- Certain promotional and distribution services to abrđn Asset Managers Limited.

Portfolio management

The Manager has sub-delegated portfolio management to the Investment Manager, which is authorised to provide fund management and investment advice by the FCA (FCA registration number 00794936) . The Investment Manager is part of the abrđn plc group of companies of which the Manager is also part.

Pursuant to the Investment Management Agreement the Investment Manager will be responsible for advising on the purchase and sale of investments within the categories allowed. The Investment Manager has discretion to take day to day investment decisions and to deal in investments in relation to the investment management of the Company, without prior reference to the Manager. The Manager is entitled to give further instructions to the Investment Manager. Notwithstanding the delegation of portfolio management to the Investment Manager, the Manager will at all times remain responsible for the portfolio management function and the Investment Manager has undertaken to abide by, and be subject to, the Manager's overall supervision, direction and control.

Administration and Company secretarial duties

The Company has delegated fund administration, accounting services and company secretarial duties to the Administrator. Pursuant to the Administration Agreement, the Administrator provides day-to-day administration services to the Company and is also responsible for the Company's general administration and secretarial functions including the calculation of the Net Asset Value, keeping the statutory books and records of the Company, maintaining the Company's register, preparing and delivering company announcements and other company secretarial duties properly or reasonably performed by the secretary of a company.

Depositary delegation

The Depositary will not delegate the performance of its duties without the prior written consent of the Company. The Depositary has not delegated the performance of its duties to any third parties.

Conflicts of interests

The Manager and the Investment Manager are committed to treating clients and shareholders fairly and have implemented procedures and processes to ensure that this is the case. In particular, the Manager and the Investment Manager have approved and adopted the abrđn Group's Conflicts of Interests Policy.

The objective of the Conflicts of Interests Policy is to ensure the fair treatment of clients and shareholders in cases of conflicts of interests or potential conflicts of interests which may arise in the course of providing management, advisory or administrative services to the Company.

To achieve this objective, the Conflicts of Interests Policy seeks to ensure that the Company and its service providers and the Manager and its delegates have adequate organisational and structural measures in place:

- To identify circumstances which constitute or may give rise to a conflict of interests entailing a material risk of damage to the interests of the Company or its shareholders
- To provide procedures, mechanisms and systems to manage or resolve any such conflicts of interests; where such conflict cannot otherwise be avoided, ensuring that the Company, the Manager and the Investment Manager always act in the best interests of shareholders
- To maintain a proper record of any such conflict or potential conflict and to ensure proper reporting to affected shareholders

The following circumstances have been identified as constituting or potentially giving rise to conflicts of interests:

- The Depositary is responsible for the oversight of the Manager's discharge of its duties
- Directors of the Manager are senior executives of, and employed by, the abrđn Group
- The Manager and the Investment Manager are affiliated entities of abrđn plc. The key terms of the Investment Management Agreement are similar to those which might be agreed between independent third parties
- The Investment Manager has discretion to enter into foreign exchange hedging transactions and borrowings on behalf of the Company. The Investment Manager may appoint an affiliate of any existing service provider or any other third party to act as a counterparty in the execution of foreign exchange transactions in connection with the currency hedging activities of the Company and/or to implement the currency hedging strategy

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- abrdn plc and its affiliates may hold or trade in securities and instruments of the same type as the securities and instruments held or traded in by the Company; they may also utilise the same or similar strategies as those adopted by the Investment Manager on behalf of the Company. In addition, the Company may make investments in other funds managed or advised by abrdn plc or its affiliates

In order to ensure that actual and potential conflicts of interests are appropriately identified, managed and monitored, abrdn plc has established a formal committee which operates under documented terms of reference and which meets regularly to maintain oversight of the Conflicts of Interests Policy and the management of live conflicts situations. abrdn plc maintains a documented matrix of known or inherent conflicts of interests, as well as a documented register of live actual or potential conflicts of interests arising in the carrying on of its business operations.

10. Valuation procedures

The Net Asset Value of the Company will be calculated and published on a quarterly basis by the Administrator, together with details of the Portfolio, based on the most recent valuations of the assets of the Company, calculated under IFRS. The Company's functional and reporting currency is U.S. Dollars. The Net Asset Value and the Net Asset Value per Ordinary Share (if relevant) will be presented in U.S. Dollars together with a Sterling conversion which will be based on an applicable U.S. Dollar/Sterling spot exchange rate, details of which will be disclosed in the relevant announcement. The Net Asset Value will be published through a Regulatory Information Service as soon as practicable after the end of the relevant quarter. If the Directors consider that any of the above bases of valuation are inappropriate in any particular case, or generally, they may adopt such other valuation procedures as they consider reasonable in the circumstances.

The Directors may temporarily suspend the calculation, and publication, of the Net Asset Value during a period when, in the opinion of the Directors:

- there are political, economic, military or monetary events or any circumstances outside the control, responsibility or power of the Board, and disposal or valuation of investments of the Company or other transactions in the ordinary course of the Company's business is not reasonably practicable without this being materially detrimental to the interests of Shareholders or if, in the opinion of the Board, the Net Asset Value cannot be fairly calculated;
- there is a breakdown of the means of communication normally employed in determining the calculation of the Net Asset Value; or it is not reasonably practicable to determine the Net Asset Value on an accurate and timely basis. Any suspension in the calculation of the Net Asset Value will be notified through a Regulatory Information Service as soon as practicable after any such suspension occurs.

The principal assets of the Company are equity investments in Cuban joint venture companies which are used as a means of investing in Cuban real estate assets as a foreign investor. The Company has adopted the following valuation methodology so as to provide an accurate valuation of its equity investments in these Cuban joint venture companies:

- The Cuban joint venture companies in which the Company holds an equity interest will be valued by the AIFM every six months – at the Company's financial year end and half-year end – with such valuations being reviewed by the Board of the Company, abrdn's Property Valuation Committee and the auditors of the Company.
- The fair value of the Company's equity investments in the Cuban joint venture companies will be determined by the AIFM on the basis of valuations of the underlying properties held by the Cuban joint venture companies prepared by an independent third party valuation adviser (that is a registered member of the Royal Institution of Chartered Surveyors), as may be appointed by the AIFM from time to time, in accordance with international valuation standards (RICS).
- In line with market practice and international valuation standards (RICS), the valuation of each underlying property will be determined by the independent third party valuation adviser using a discounted cash flow model that discounts the future forecasted cash flows of the property, excluding any impact due to taxes.
- However, given the fact that the Cuban joint venture companies that hold the underlying properties have tax obligations in Cuba, it is necessary to take the impact of such tax obligations into account when valuing the equity investments of the Company in the Cuban joint venture companies. As part of the valuation service, the independent third party valuation adviser will provide the AIFM with both a pre-tax and a post-tax discount rate in respect of each property, and the AIFM, on the basis of the aforementioned discounted cash flow models for the underlying properties, will determine the projected after-tax cash flows of the Cuban joint venture companies and apply the corresponding post-tax discount rates provided by the independent third party valuation adviser to determine the fair values of the joint venture interests.
- In addition, the AIFM will make adjustments for any working capital in excess of operating requirements (primarily cash), held in the Cuban joint venture companies at the valuation date.
- Lastly, the AIFM will calculate the value of the Company's investments in the Cuban joint venture companies proportional to the interest held by the abrdn Group holding company that acts as the foreign shareholder in each case. The value of the abrdn Group holding company's interest shown in the financial statements may include other non-controlling interests which are classified separately within the equity of the Company's balance sheet.

11. Liquidity risk management and redemption rights

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The Manager has a Liquidity Policy in place. Shares in the Company are not redeemable and shareholders do not have the right to require their shares to be purchased by the Company. Accordingly, the Liquidity Policy ensures that the Company's investment portfolio is sufficiently liquid to meet the following principal obligations:

- the Company's operating and financing expenses: in practice, these expenses are typically covered by the rent received from the Company's investments; and
- the possible need to repay borrowings at short notice, which would require to be met by the sale of assets.

For closed ended funds such as the Company, due to the illiquid nature of the underlying assets and the risks to the Company of not being able to realise a sale or acquire a property quickly enough, this policy focuses, primarily, upon the potential issues with regard to the mispricing of illiquid securities and sets out primary and secondary controls, to monitor and manage liquidity in the Company. There are primary controls (diversified portfolio, appropriate prime / secondary emphasis to portfolio, risk limits on development exposure); and secondary controls (e.g. stress tested cash projections, solvency reports, covenant reporting).

The abrdn Valuation and Pricing Committee is responsible for the pricing of illiquid securities. This policy involves an assessment by the AIFM of the values at which it expects to be able to liquidate its assets over varying hypothetical periods in varying market conditions, taking into account the sensitivity of particular assets to particular market risks and other relevant factors. None of the Company's assets are subject to special arrangements arising from their illiquid nature but a significant proportion of the Company's assets are, and are expected to be, invested in property assets which are not highly liquid.

The Liquidity Policy is reviewed and updated, as required, on at least an annual basis.

12. Fees, charges and expenses

The Manager charges an annual fee of 1.5% of the Company's net assets less the annual running costs of the Havana operations of CEIBA Property Corporation Limited (the Company's wholly-owned subsidiary). The management fee is payable monthly in arrears. In addition, the Administrator is entitled to an administration fee of £120,000 per annum, plus £10,000 per subsidiary.

The Company also incurs annual fees, charges and expenses in connection with directors' fees, promotional activities, auditors' fees, lawyers' fees and depositary charges.

13. Fair treatment/preferential treatment of Investors

The Manager is subject to the FCA's rules on treating customers fairly and has adopted a policy regarding treating customers fairly, the operation of which is overseen by a formal committee comprised of senior managers from abrdn plc's various business units and from its risk division. The role of the Conduct Risk Committee, which meets regularly and operates under documented terms of reference, is to ensure, among other matters, that Conduct Risk Policy is implemented and maintained and to consider any actual or potential Conduct Risk Policy issues arising in connection with abrdn plc carrying on its business operations. General awareness training on the Conduct Risk Policy and what it means to abrdn plc and its customers is delivered to all abrdn plc staff.

No investor in the Company obtains preferential treatment or the right to obtain preferential treatment.

14. Availability of the AIF's latest annual report

The Company's Annual Report is available on the Company's website: ceibalimited.co.uk. The latest Annual Report was signed on 26 April 2023.

15. Procedure and conditions for the Issue and sale of shares

The issue of new shares by the Company, either by way of a fresh issue of shares or by way of the sale of shares from treasury, is subject to the requisite shareholder authorities being in place and all FCA listing rule requirements having been met. Shares in the Company can also be bought in the open market through a stockbroker. Further information about how shares in the Company is set out in the section headed 'Investor Information' in the Annual Report.

16. Latest NAV of the AIF

The Company's NAV is published quarterly by way of an announcement on a regulatory information service.

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For internet users, additional data on the Company, including the latest published NAV, the closing price of ordinary shares for the previous day of trading on the London Stock Exchange, performance information and a monthly factsheet, is available on the Company's website: www.ceibalimited.co.uk

17. AIF's historical performance

The Company's historical performance data, including copies of the Company's previous annual report and financial statements, are and will be available on the Company's website: ceibalimited.co.uk

18. Prime brokerage

The Company has not appointed a prime broker.

19. Periodic disclosures

The Manager will, at least as often as the annual report and financial statements are made available to Shareholders, make the following information available to shareholders:

- Any changes to (i) the maximum level of Leverage that the Manager may employ on behalf of the Company and (ii) any right of reuse of collateral or any guarantee granted under any leveraging arrangement
- The total amount of Leverage employed by the Company
- The percentage of the Company's investments which are subject to special arrangements resulting from their illiquid nature
- The current risk profile of the Company outlining (i) measures to assess the sensitivity of the Company to the most relevant risks to which the Company is or could be exposed and (ii) if risk limits set by the Manager have been or are likely to be exceeded and where these risk limits have been exceeded, a description of the circumstances and, the remedial measures taken
- The risk management systems employed by the Manager outlining the main features of the risk management systems employed by the Manager to manage the risks to which the Company is or may be exposed. In the case of a change, information relating to the change and its anticipated impact on the Company and shareholders will be made available.

The Manager will inform Shareholders as soon as practicable after making any material changes to its liquidity management system and procedures. Any material change to the periodic disclosures will be provided to Shareholders by way of an announcement to a regulatory news service.

20. Defined terms

The following defined terms are used in this pre-investment disclosure document:

abrdn Group	abrdn plc and its subsidiaries
Administration Agreement	The administration and company secretarial agreement between the Company, CEIBA Property Corporation Limited, Grandslam Limited and the Administrator dated 1 December 2022
Administrator and Company Secretary	NSM Funds Limited a private company having its registered office at Les Echelons Court, Les Echelons, St Peter Port, Guernsey GY1 1AR
Alternative Investment Fund Managers Directive or AIFM	European Union Directive 2011/61/EU, together with its implementing measures
AIFM	abrdn Fund Managers Limited
Annual Report	the Company's Annual Report and financial statements published for the relevant financial year, the latest such period being the period ended 31 December 2022
Articles	the Company's articles of association, as amended from time to time
Auditor	Grant Thornton LLP
Commitment Method	the commitment method for calculating leverage as prescribed under Article 8 of the AIFMD, which excludes certain hedging instruments from the calculation
Company or AIF	CEIBA Investments Limited
Conduct Risk Committee	abrdn plc's formal committee for overseeing, among other matters, the Conduct Risk Policy
Conduct Risk Policy	abrdn plc's documented policy regarding treating customers fairly
Conflicts of Interests Policy	the abrdn Group's documented conflicts of interests policy

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Depository	NSM Funds Limited a private company having its registered office at Les Echelons Court, Les Echelons, St Peter Port, Guernsey GY1 1AR
Depository Agreement	Depository agreement between the Company, the Manager and the Depository dated 1 December 2022
FCA	the Financial Conduct Authority
FCA Handbook	the FCA's Handbook on rules and guidance
FSMA	Financial Services and Markets Act 2000, as amended
Gross Method	the gross notional method for calculating leverage as prescribed under Article 7 of the AIFMD, which includes certain hedging instruments within the calculation
Group	CEIBA Investments Limited and its subsidiaries
Investment Manager	abrtn Asset Investments Limited
Investment Management Agreement	Investment management agreement between the Manager and the Investment Manager dated 11 September 2018 as amended
Leverage	any method by which the AIFM increases the exposure of the Company whether through borrowing of cash or securities, or leverage embedded in derivative positions or by any other means
Liquidity Policy	abrtn plc's documented policy regarding liquidity risk management
Management Agreement	Management Agreement between the Company and the Manager dated 31 May 2018 as amended
Manager or AFML	abrtn Fund Managers Limited
Net Asset Value or NAV	the net asset value of the Company
Prospectus	the Company's prospectus dated 17 September 2018, as supplemented by supplementary prospectuses dated 11 October 2018, and 10 June 2019 respectively
Registrar	Link Market Services (Guernsey) Limited
Shareholders	Shareholders in the Company
Stockbroker	Singer Capital Markets
Valuation Policy	abrtn plc's documented valuation policy regarding the production and oversight of net assets values of collective funds in the Europe, Middle East and Africa region

Other important information

Issued by abrtn Fund Managers Limited which is authorised and regulated by the Financial Conduct Authority in the United Kingdom. Registered Office: 280 Bishopsgate, London, United Kingdom, EC2M 4AG. Registered in the United Kingdom No. 00740118. An investment trust should be considered only as part of a balanced portfolio. Under no circumstances should this information be considered as an offer or solicitation to deal in investments.



Appendix to Pre-investment Disclosure Document

abrtn Fund Managers Limited: Risk management

Appendix to Pre-investment Disclosure Document

Risk Management function

abrdn plc and its subsidiaries (“the Group”) is committed to building and continuously improving a sound and effective system of internal control and a risk management framework that is embedded within its operations; this is the Group’s first line of defence.

The Group’s Risk Division, as the second line of defence, exists to support management in the identification and mitigation of risks and provides independent monitoring of the business. The Division includes Conduct & Compliance, Operational Risk and investment risk Oversight. The team is headed by the Group’s CRO, who reports to the Chief Executive Officer of the Group. The Risk Division achieves its objective through embedding the Risk Management Framework throughout the organisation using the Group’s operational risk management system.

The Group’s Internal Audit Department is independent of the Risk Division and reports directly to the Group CEO and to the chair of the Audit Committee of the Group’s Board of Directors. The Internal Audit Department is responsible for providing an independent assessment of the Group’s control environment; it is the Group’s third line of defence.

The Group’s corporate governance structure is supported by several committees that bring together Group’s subject matter experts from different departments, to assist the Boards of Directors of abrdn plc, its subsidiaries and the funds to fulfil their roles and responsibilities. The Group’s Risk Division is represented on all committees, with the exception of those that deal with investment recommendations to the Boards. The specific goals and guidelines on the functioning of these committees are described in their respective terms of reference.

Description of the process of identifying, assessing and managing risks

- **Market risk:** Is monitored through factor modelling used to calculate both absolute and relative ex ante quantities such as tracking error (TE) and Value at Risk (VaR). The VaR is computed on a NAV basis as the maximum loss that the portfolio should incur over 20 days, 99% of the time under normal market conditions. The fund’s portfolio risks are decomposed into intuitive components to pinpoint areas of unexpected market risk. The techniques are applied to all relevant asset classes. The market risk is further monitored through the computation of the level of leverage by both the gross and net approach. The leverage is calculated by converting each FDI into the equivalent position in the underlying assets of those derivatives, on a NAV basis. The market risk linked to the concentration risk is mitigated through investment restrictions set according to the basic principle of diversification.
- **Liquidity risk:** The Group has a Liquidity Risk Management Policy in place applicable to the funds and set out in accordance with its overall Risk Management Process, relative to the size, scope and complexity of the funds. Liquidity Risk is monitored on both the asset and liability sides. To measure and monitor asset liquidity risk the Group employs a number of methods specific to the underlying assets. In all cases, the approach is to reference the actual holdings of the sub-fund against a true measure of the market at both an aggregate and a position level. The Group has implemented a Group Pricing Policy which details the operational responsibilities for pricing assets, this policy is owned and overseen by the Group pricing Committee. On the liability side, investor transactions and, beyond this, investor behaviour are the main driver of liquidity within each sub-fund. In this context, the articles and prospectuses contain certain key provisions or limits which provide protection to the funds and ultimately investors, in situations where liquidity might become a concern. In addition, the fund receives and analyses periodic reports in respect of the shareholder concentration within each sub-fund. Any shareholder concentrations and transactional behaviour are identified at sub-fund level and any particular concerns noted are

escalated to the relevant Group Committee and respective Boards, if material.

- **Credit and counterparty risk:** The credit and counterparty risks linked to derivatives transactions are managed through processes outlined in the Group’s Counterparty Credit Risk Policy. This Policy underpins on the following principles: Internal Credit assessments; credit limits; exposure calculation and oversight and Control. Credit research on counterparties is carried out by the Credit Investment Team. Research is conducted on the basis of qualitative and quantitative analysis and is presented for discussion at the Credit Committee on a monthly basis. Each counterparty is reviewed at least once per annum. Furthermore the Risk and Exposure Committee (REC) and/or credit Committee can impose house level restrictions on concentrations. Credit risk exposures are calculated net of collateral received. The methodology for calculating an amount for potential exposure arising from movements in mark to market is approved by the REC. Acceptable collateral and other commercial and credit terms for inclusion in the International Swap and Derivative Association (ISDA) documentation is defined in the Group Derivative Management Policy. Counterparty credit exposures are monitored against internal limits by an investment control team and monitored by the Group Credit Committee and Risk and Exposure Committee.
- **Legal risk:** All key contractual arrangements entered into by the funds are reviewed by the Legal Department and, where required, by external legal counsel. If these contracts refer to delegation arrangements, where applicable, there is an operating memorandum defining information flows between the parties, frequency of services and deadlines, a clear attribution of rights and responsibilities of each party and, when applicable, the key performance indicators to measure performance. Any litigation issues are also handled by the Legal Department.

Each OTC derivatives are framed within the legal provisions of the ISDA Master agreement which defines the rights and obligations of parties engaging in derivatives trading. The ISDA master agreements are negotiated and signed between each umbrella/sub-fund and the counterparty. The Credit Support Annex (CSA) is a legally binding document which is annexed to the ISDA agreement and details the Minimum Transfer Amount (MTA) or collateral required by AAML when engaging in OTC derivatives trading with counterparties. The Group Derivative Management Committee is responsible for approving the commercial terms associated to derivative documentation for the Group.

- **Tax risk:** The Group uses external tax consultants to advise on tax structuring, transactions and tax reporting.
- **ESG risk:** Applying ESG and sustainability criteria in the investment process may result in the exclusion of properties in which the Company might otherwise invest. This may have a positive or negative impact on performance and may mean that the Company’s performance profile differs to that of comparable companies in the market with a similar investment strategy but without applying ESG or sustainability criteria. Furthermore, the lack of common or harmonised definitions and labels regarding ESG and sustainability criteria may result in different approaches by managers when evaluating investments from an ESG aspect. This means that it may be difficult to compare companies with ostensibly similar strategies and that these companies will employ different asset selection and exclusion criteria. Consequently, the performance profile of otherwise similar companies may deviate more substantially than might otherwise be expected. Additionally, in the absence of common or harmonised definitions and labels, a degree of subjectivity is required and this will mean that a Company may invest in a property that another manager or an investor would not
- **Operational risk:** The Operational Risk Management Framework ensures that the operational risks taken and their contribution to the overall risk profile are accurately measured on the basis of sound and

reliable data and that the risk measurement arrangements, processes and techniques are adequately documented. The identification, measurement, management and monitoring of operational risk within the Group are achieved through the use of the Group's Operational Risk Management System. This system provides the following key Risk Management Modules:

- *Event Management*: This module serves as a historical database in which any operational failures (Events) will be recorded. The records include professional liability damages. The process for recording, investigation and mitigation of Events aims to ensure that they are not repeated.
- *Issues and Actions Plan*: The issues and actions module provides a standardised mechanism for identifying, prioritising, classifying, escalating and reporting internal audit findings and other on-going / unresolved matters impacting the Group from a risk or regulatory perspective (Issues).
- *Risk and Control Self Assessment (RCSA)*: The RCSA process is to ensure key risks and key controls are identified and managed effectively in order to satisfy, at a Group level, Internal Capital Adequacy (ICAAP) requirements. The RCSA also provides a systematic and holistic means of identifying risk and control gaps that could impact business or process objectives which are agreed by senior management to complete.

Measuring risk

Where appropriate the Group applies the following measurements for each fund:

- **Leverage**: Has the effect of gearing a fund's expected performance by allowing a fund to gain greater exposure to underlying investment opportunities (gains and losses). The higher the leverage the greater the risk (potential loss).
- **Volatility, Value-at-Risk (VaR) and Conditional VaR (CVaR)**: Volatility measures the size of variation in returns that a fund is likely to expect. The higher the volatility the higher the risk. VaR measures with a degree of confidence the maximum the fund could expect to lose in any one given day, assuming a normal (Gaussian) distribution, this is a function of the volatility of the fund. The higher the volatility, the higher the VaR, the greater the risk. CVaR calculates the expected loss, under the assumption that the VaR has been reached.
- **Tracking error (TE)**: Measures the expected magnitude of divergence of returns between the fund and benchmark over a given time.
- **Systematic and stock specific risk**: Systematic risk represents the proportion of a fund's risk that is attributable to market exposure; and specific risk represents the risk that is intrinsic to individual stocks (i.e. particular to a given stock's attributes).
- **Stress test and scenario analysis**: Captures how much the current portfolio will make or lose if certain market conditions occur.
- **Concentration risk**: By grouping the portfolio through various different exposures: country, sector, issuer, asset etc., to identify where concentration risk exists.

Escalation and reporting

The Group recognises timely and adequate reporting measures as well as escalation channels to be key components of the control process and management of risk.

The Risk team provide regular updates to the Board/senior management on the adequacy and effectiveness of the Risk Management Process indicating, where applicable, actual or anticipated deficiencies and the remedial measures.

In addition, all issues and events impacting any Group entity or the funds are logged in the relevant system, by the relevant area within the prescribed time limits.