Comment/ Question	What Does the Comment Refer To	Altum / INVEGA's Response
1) Is it possible to invest in Estonian Companies as well?	1) BCMAF aims at supporting SMEs and Small and Innovate mid-caps in the Baltic States.	1) Yes, it is possible to invest in companies that mainly operate in the Estonian market (both at pre-IPO and at IPO stages) as long as the following conditions are satisfied: a "*minimum amount to be allocated towards investment in SMEs and Small or Innovative mid-cap companies based in Latvia (Lithuania) ought to be equal to the amount of Latvia's (Lithuania's) funding to the BCMAF (excluding the amounts of Latvia's (Lithuania's) funding drawn down for the purpose to finance the BCMAF's management fee and/or expenses)*".
2) How to define a company "operating in the Baltic market"? Does BCMAF plan to invest in a company registered abroad that operates only in Estonia?	2) The BCMAF must provide finance for pre-listing and listing stage SMEs and Small or Innovative mid-cap companies operating in the Baltic market.	2) As defined in the Open Call documentation, an eligible investee is a company, which "at the time of the BCMAF investment has their main activities (i.e., the main portion of their activities based on headcount, assets, or primary focus of the business activities) in the Republic of Latvia and/or the Republic of Lithuania." It is noted, however, that the specific company is not required to be registered in that country.
3) Is there only a plan to invest in newly issued shares? What happens if funding is raised by selling existing shares to existing shareholders or in a combined manner (new shares + sale of existing shares)?	3) BCMAF strategy involves taking a significant allocation of shares or securities, typically at least 25% (but no more than 50%) of newly issued shares during an IPO.	3) The statement that "BCMAF strategy involves taking a significant allocation of shares or securities, typically at least 25% (but no more than 50%) of newly issued shares during an IPO" will now be changed to: "BCMAF strategy involves taking a significant allocation of newly issued shares or bonds, typically at least 25% (but no more than 50% of new issuance) per investee. The Fund will be limited to invest no more than 40% of the total invested amount in initial bond offerings (IBO). Investing in IBOs related to the real estate sector is forbidden. For the avoidance of doubt, replacement capital is not allowed.
4) What is meant by "private investors"? Don't they already fall into the category of "independent private investors"?	4) No less than 100% of the amount invested by the BCMAF must additionally come from Independent Private Investors. Other investors, such as private investors or International Financial Institutions are expected to participate as well.	4) The essential difference between a "private investor" and an "independent private investor" is that an" independent" **means a private investor who is not a shareholder of the eligible undertaking in which it** (or the Fund in this instance) **invests**. Upon the creation of a new company, private investors, including the founders, are considered to be independent from that company. For the avoidance of doubt, neither INVEGA, neither ALTUM, the Fund Manager nor entities directly or indirectly

		associated with the Fund Manager shall be considered an Independent private investor.
5) Is that only about foreign investment? Or would privately raised capital of Latvian origin also be considered as 'Latvia's funding'?	5) Investment in SMEs and Small or Innovative mid-cap companies based in Latvia ought to be equal to the amount of Latvia's funding to the BCMAF (excluding the amounts drawn down for management fees or fund expenses).	5) When it is referred to "Latvia's funding" it is meant the amount contributed by Altum which is EUR 20 million, less the amounts drawn down for the purpose to finance BCMAF's management fee and/or expenses.
6) Is that only about foreign investment? Or would privately raised capital of Lithuanian origin also be considered as 'Lithuania's funding'?	6) Investment in SMEs and Small or Innovative mid-cap companies based in Lithuania ought to be equal to the amount of Lithuania's funding to the BCMAF (excluding the amounts drawn down for management fees or fund expenses).	6) When it is referred to "Lithuania's funding" it is meant the amount contributed by INVEGA which is EUR 18.22 million, less the amounts drawn down for the purpose to finance BCMAF's management fee and/or expenses.
7) Isn't it necessary to mention that the number depends on the amount of privately raised funding?	7) The BCMAF will target to make 13-18 investments aiming at a decent portfolio diversification.	7) The suggested number of investments is indicative and can be combined between investments in share or bond issues subject to conditions listed in the Open Call documentation and assuming requirements for total fund size as well as a diversified portfolio are met.
8) Maybe better to use 'minimum' instead of 'approximately' because it depends on the amount of privately raised capital.	8) BCMAF's estimated size of approximately EUR 50 million.	8) Noted. The aim is to raise no less than 48.22 million EUR. However, a minimum requirement only applies to contributions from independent private investors.
9) Recommendation to generalize, linking it to the competencies indicated in Annex III. The focus should not only be on Investor Relations and corporate access, but on comprehensive competencies necessary for the successful development and preparation for IPO (corporate governance, organizing the company's organizational structure, creating an investment narrative, etc.).	9) The Financial Intermediary would also ensure that the investee company undertakes adequate investor relations and corporate access activities both in the build-up to listing and in the post-listing phase.	9) The Selection Committee will take into consideration any information a potential candidate deems necessary. The Annex III serves to provide guidance on what information should be summitted, however the list is non-exhaustive.
10) Shouldn't one of the 'key tasks' be to indicate 'successful company preparation for IPO'?	10) The key tasks of CMDAF.	10) Whilst a main goal of the fund is to encourage IPO activity within Baltic capital markets, a successful IPO is not the only criteria which defines the profitability of the fund thereof.
11) Suggestion would be increasing the period to 12-36 months just for the pre-IPO investment to have an impact on the business, as it's not possible to achieve that in a shorter period.	11) BCMAF will also invest in private pre-listing stage Baltic companies, with a clear intent to list on the aforementioned markets, in a reasonable period of time (indicatively 12-18 months, and without prejudice to any listing delays caused by unfavourable market conditions).	11) Suggestion accepted. It is generally agreed to increase a pre-listing stage (with a clear intent to list either on the main stock market, or the multilateral trading facility) from 12-18 months to up to 36 months allowing enough time to prepare investees for a successful IPO.
12) Suggestion would be 6-15 investments, because so many investments is difficult to pick and make, and if you look at the number of IPOs in the last 10 years in Lithuania and Latvia, it will only add up to 10. Therefore, the numerical plan seems a bit too ambitious.	12) The BCMAF will target to make 13-18 investments aiming at a decent portfolio diversification.	12) Target for reaching 13-18 investments will remain, however, participation in successful IBOs will also be considered as a suitable investment *per se*. This means, that regardless of the nature of the actual investment both investments in shares and bonds will be counted towards 13-18 target. However, investments in bonds are subject to a 40% cap measured as the total invested amount.
13) Usually between 9 months and a year lock up period for initial investors, unless otherwise agreed with distributors.	13) For BCMAF, the lock-up period will be 180 calendar days from the official IPO date.	13) Suggestion accepted. To assure price stability and deliver on the Fund's promise to act as an "anchor investor" the lock-up period will be increased from 180 to 360 days after IPO.

14) This point is not entirely clear, and it is doubtfully necessary. It should be more explicitly stated that a decision is sought with the majority shareholder(s) to exit the fund if the IPO is not fulfilled, and this is covered in more detail in the fund's investment/shareholder agreement.	14) Scenario of an unsuccessful IPO.	14) Agreed. This is a superfluous requirement and will be removed in the final version of the document.
15) In general, we feel that the fund design is a little bit challenging to manage and generate attractive performance for private investors. When it comes to exit planning, we think that the sole public route might become too restrictive.	15) General observation made by a market participant (general observation from now on).	15) The Fund's design allows exit from non-listed companies too. It might happen that investments in companies will not lead to 100% of successful IPOs. Some companies might not reach an IPO stage, this is acknowledged. However, the aim of BCMAF is to fundamentally encourage IPO potential and create an alternative access to capital for SMEs and innovative mid-caps within the Baltic market.
16) It is suggested to allow fund participation in secondary public offerings as this would further drive liquidity and contribute to market development.	16) General observation.	16) The Fund is allowed to invest in secondary market offerings, but it will be limited to only investing in those companies that the Fund is already a shareholder or a bondholder of at a pre-IPO stage.
17) Pre-listing stage shall be extended to duration of 18-24 months rather than 12-18 months. Most probably preparation for IPO would also include significant structural changes that require more time to be implemented. In case we extend pre-IPO investments to 3-5 years, then the fund should be designed to allow alternative private exit track in some situations (our preferred setup). For example, exit via IPO must account for at least 50% of fund investments.	17) General observation.	17) The expected timeframe which is needed for the Fund to lead the investee to an IPO, will be increased to up to 36 months.
18) Management fee cap rather 16%-18% vs 14% due to long duration of the fund.	18) General observation.	18) Suggestion rejected. By allowing investments in IBOs, the Fund has lowered its risk profile as well as simplified the scope of work for the potential Fund Manager.
19) Carried interest opportunity for GP should be clearly expressed, as well as wording for calculation of private investor should be clarified to avoid ambiguity what amount of such investments is needed to fully leverage commitments by LV and LT development institutions.	19) General observation.	19) Whilst the idea is to set a carry interest strategy during negotiations with the potential candidates, we propose to follow standard market practice – 20% carry above a hurdle rate. This is, however, indicative. The applicant can suggest some additional incentives tied to their performance (for example carry percentage tied with the number of successful IPOs or ESG goals).
20) 13-18 investment tickets might be too high in the context of EUR 50m fund. It means the average ticket is 2.7 -3.8m. Around 10 investments (average EUR 5 mil.) would sound more reasonable.	20) General observation.	20) Please see answer No. 12.
21) When selecting a team, consider including a track record of business management rather than just a track record in deal making, investment banking and investment management.	21) General observation.	21) Qualitative Criterion Assessment. All candidates' experience presented in the application will be taken into consideration when selecting a team. If there is any other relevant information potential candidate deems necessary, they are welcome to share with the Selection Committee which will form part of the evaluation criteria.

22) The Fund will compete for Private Investor Investments with real estate, energy and private equity funds operating in the Baltic States, foreign funds traded on capital markets with lower geopolitical risk, and the lowest-risk index funds that have recently generated record high returns. To make the Fund competitive and to successfully attract at least EUR 10 million from Private Investors, we propose to give Private Investors the opportunity to earn higher returns than ALTUM and INVEGA, which are controlled by the Latvian and Lithuanian governments.	22) A market participant's proposal to adjust BCMAF's Annex V Term Sheet and to include the following definition: ***Investment Return*** – "Altum and INVEGA investment return is capped at the hurdle rate of BCMAF. BCMAF carried interest profits above the hurdle rate are split between all BCMAF investors, excluding Altum and INVEGA**".**	22) Capping returns for certain investors is not the aim of this fund and would constitute State aid. Investments are carried out according to *Pari passu* principle and returns will not be capped.
23) Chief concern relates to the requirement of a return-driven fund so that money may be raised from the private sector. In other words, it would be most challenging to raise private capital for the Fund if it is not return driven. Most private investors target a return on their invested capital of around 15-20%. The Fund should therefore consider the IPO (or private placement etc) valuation of each company when making the investment decisions. The alternative scenario indirectly suggests that it is expected that the Fund will support almost all IPOs if certain flagged size and other criteria are met, and valuation is less of an important metric.	23) General observation.	23) The fund is return-driven, and the Fund Manager aims to maximise returns to Fund's investors. The valuation of the company would be of the utmost importance in both of two scenarios – the fund without private investors or the fund with the private investors, because in both cases the fund should co-invest with other investors (at least 50% of shares in an IPO or in pre-IPO should be financed by other investors) and these investors in any case would be return-driven and would consider the valuation of the company.
24) If indeed the valuation is important, and the Fund is targeting a certain return on investments (entered prior to the entity being admitted to trading) then it cannot be an official IPO adviser for the companies. This is because it automatically creates a conflict-of-interest situation where the Fund must look out for the interest of its investors to earn a certain return and at the same time the company and its shareholders want to raise capital (or sell their shares in the case of using the IPO as a partial or full exit mechanism) at maximum value given the prevailing market conditions.	24) General observation.	24) It is expected that the Fund manager will follow market principles and perform according to expectations set by fund's Limited Partners.
25) It is proposed that if the Fund can give any advice, it should only be technical and not be an official IPO/transaction adviser nor produce any valuation report apart from the Fund's own *internal* valuation expectation that the Fund targets from their investors' perspective. This may or may not be matching the general opinion or IPO adviser's opinion on the company valuation.	25) General observation.	25) The Fund does not act as an IPO adviser.
26) Should the period prior to admission to trading be less than a couple of years we think there may be difficulties in managing expectations of the investors potentially participating in a public/private offering when it comes to the valuation used. That is, the market participants will claim little if any value-added activity by virtue of the Fund's entry into the corporate and that therefore the valuation should be the same for them (*ceteris*	26) General observation.	26) The proposed scenario assumes a fund that is NOT a positive return driven. In case of BCMAF, it will act as a commercial investor looking to maximise the outcome of its investments.

paribus – all other variables remaining constant, including market multiples and so forth).		
27) The requirement calling for private equity experience as a prerequisite may be more efficient by requiring the professionals involved to have some IPO experience, as so far there have not been any Baltic private equity funds using IPO as an exit besides Amber trust (Tallink and Premia). Private equity experience is therefore not deemed very relevant in the Baltic context, although we cannot rule this out in the case of a potential manager from outside of the Baltic region.	27) General observation.	27) Previous IPO experience is not the major criterion which determines the selection of FM for this fund. INVEGA and Altum understand that IPO experience in the Baltic market is extremely rare, however, other factors play an essential role in selecting the candidates.
28) The Fund should treat the two different private to public approaches used independently of each other: The sale of existing shares (i.e. using IPO as an exit for existing shareholders) i.e. 'secondary' and the raising of new capital into the company for growth or other longer-term shareholder value adding purposes i.e. 'primary'. If the transaction is structured as a combination of the two then a combined approach to valuation should be used. A relatively undeveloped nature of the Baltic market at this juncture has shown that transactions carrying a heavy weighting of a secondary nature have been of limited success due to the perceived 'overhang' of shares held by the owners. Lock-ups address this only to a limited extent. In addition to this, we believe that the Fund should primarily focus on facilitating access to growth/development capital (i.e. 'Primary transactions') rather than existing shareholder exits.	28) General observation.	28) It is not within the Fund's scope to be involved in secondary market liquidity. However, the Fund is allowed to invest in already listed companies subject to already being a shareholder in that specific company at a pre-IPO stage.
29) How would it apply in the pre-IPO stage? For example – the fund wants to buy a 30% share in a company at the pre-IPO stage for EUR 3 million. In such a case, should at least another EUR 3 million be attracted from other private investors investing at the same time at pre-IPO stage?	29) According to the Investment terms of Open call documentation: "Regardless of the total investment amount, no less than 100% of the amount invested by the BCMAF must additionally come from Independent Private Investors. Other investors, such as private investors or International Financial Institutions are expected to participate in the IPO as well. The average gross proceeds sought to be attracted by companies seeking an investment is estimated circa EUR 1-10 million, with the BCMAF then investing 25-50% of that."	29) To avoid any doubt the requirement has been changed to the following: At any given stage, BCMAF may not invest in more than 50% of newly issued shares or bonds per investee. The remaining amount must additionally come from either Independent Private Investors or other investors, such as private investors or International Financial Institutions. The average gross proceeds sought to be attracted by companies seeking an investment is estimated circa EUR 1-10 million.
30) This is an area of substantial market failure, particularly for less liquid, small-cap Baltic equities, which the Fund could successfully address.	30) **Proposal to adjust the following**: "BCMAF aims to provide financing to pre-IPO, Small or Innovative mid-cap companies and SMEs in accordance with the Guidelines for Investment Strategy (Annex I), thus enhancing secondary market liquidity, increasing market capitalization, and boosting the availability of investment products in the Baltic capital markets" **to** "expansion / growth capital to unlisted Small and Innovative mid-cap companies, (ii) invest in private placements/ pre-IPO transactions, IPOs by Baltic SMEs aiming to list in junior or	30) Noted. The following statement: "BCMAF aims to provide financing to pre-IPO, Small or Innovative mid-cap companies and SMEs in accordance with the Guidelines for Investment Strategy (Annex I), thus enhancing secondary market liquidity, increasing market capitalization, and boosting the availability of investment products in the Baltic capital markets" **will be changed to** "expansion / growth capital to unlisted Small and Innovative mid-cap companies, (ii) invest in private placements/ pre-IPO transactions, IPOs by Baltic SMEs

	main markets and (iii) participate in secondary/ follow-on offerings by listed SMEs.	aiming to list in junior or main markets and (iii) participate in secondary/ follow-on offerings by listed SMEs.
31) This range should serve as a guidance rather than strictly defined limits of participation. BCMAF should be able to occasionally invest outside of those boundaries in either direction, should this activity compellingly support its main goals, particularly when it comes to anchoring IPOs or follow-on offerings.	31) The BCMAF targets already established and commercially viable companies with enterprise values between EUR 5-100 million.	31) The enterprise value is given as an indication only. It is important to note, however, that the Fund is limited to invest in SMEs and innovative mid-cap companies (as defined in in Communication from the Commission Guidelines on State Aid to promote risk finance investments (2021/C 508/01) operating in the Baltic markets only.
32) It should be considered rephrasing “provide finance” as growth capital (with an intention to eventually list), pre-listing and listing stage”. In case the investee company is not ready to list yet, providing growth capital several years prior to listing gives an opportunity to make necessary changes, maximise the exit / IPO value and, hence, increase fund’s returns.	32) The BCMAF must provide finance for pre-listing and listing stage SMEs and Small or Innovative mid-cap companies operating in the Baltic market.	32) The proposed definition does not interfere in the main objectives set to the Fund Manager and will be replaced as proposed.
33) Also, BCMAF should be able to participate in secondary and follow-on offerings of already listed companies if conditions are met to satisfy main goals set for the Fund. We argue that limited institutional participation in listed Baltic micro and small-cap equities represents a significant market failure and listed entities often struggle raising additional capital.	33) Engagement of the BCMAF.	33) Please see answer No. 17.
34) It is proposed to extend this period to indicatively up to 3-4 years, given the market volatility on the one hand, and the fund’s returns maximisation on the other hand. Giving the investee company time to grow before listing and proactively coaching the investee company on growth strategies and their implementation will contribute to return generation.	34) BCMAF will also invest in private pre-listing stage Baltic companies, with a clear intent to list on the aforementioned markets, in a reasonable period of time (indicatively 12-18 months).	34) Please see answer No. 11.
35) Suggestion to rephrase: “without prejudice to any listing delays or another exit route caused by unfavourable market conditions.” Considering alternative exit routes if listing is impossible will create a considerable upside for the fund’s returns. This will in no way defeat the strategic objectives of the fund, as the fund will still provide needed financing for such investee company. At the same time an impact of any single exit from the fund on the capital market liquidity and development is negligible.	35) And without prejudice to any listing delays caused by unfavourable market conditions.	35) Agreed. To avoid any doubt, the fund is allowed to use alternative exit strategies other than IPOs. Potential candidates are welcomed to express their ideas on best exit strategies for the Fund.
36) The term "cornerstone investor" has a distinct meaning in equity capital markets business. We suggest using the term “anchor investor” instead. Anchoring is a somewhat more flexible way of committing to subscribing to an IPO ahead of the launch, which involves slightly less risk and provides more flexibility vs. acting as a cornerstone investor.	36) BCMAF acts as a “Cornerstone Investor”.	36) Agreed. BCMAF will be referred to as an “anchor investor” as opposed to a “cornerstone investor”.
37) Often, IPOs feature a large secondary component, so we recommend limiting the involvement to primary shares only.	37) **Proposal to adjust the following**: “This involves taking a significant allocation of shares or securities, typically at least 25% (but no more than 50%) of newly issued shares during an IPO”, **to** “This involves taking a	37) Majority of market participants have requested permission for the Fund to invest in secondary market opportunities (both for bonds and shares) which have

	significant allocation of shares or securities, typically at least 25% (but no more than 50%) of shares in an IPO or in pre-IPO.	been agreed by INVEGA and Altum. Please see answer No. 16.
38) The market participant does not advocate for mandating this in writing, the GP will negotiate appropriate terms for each transaction.	38) BCMAF would require a predetermined minimum share allocation specified in the fundraising documents.	38) The Fund manager will be responsible for negotiating the appropriate terms for each transaction, but in any case, the minimum requirement for the fund shall be to invest in at least 25% of the newly issued shares during an IPO or pre-IPO. It stems from its duty to act as an anchor investor and the need to inject liquidity in the market. Also, larger share ownership enables the Fund to deliver on its profit maximization strategies and act according to expectations of investors.
39) Is 100% meant to be pro-rata for each investment or can be aggregate across all investment, i.e. for the total invested amount? This may not be feasible in every case or indeed desirable, e.g. in the case of providing growth equity. Suggest making an exception for growth equity and using the term “substantial co-investment” for other types of financing, defining it as up to 100% of the amount invested, rather than "no less". The Fund’s aim is to be the lead investor in most of its investments.	39) No less than 100% of the amount invested by the BCMAF must additionally come from Independent Private Investors.	39) Please see answer No. 29.
40) This fine if this is indicative. The fund actual size/total commitments and the fund’s diversification threshold in % should determine ticket size range. In our view, the EUR 1 - 10m range is appropriate for expansion stage and pre-IPO stage opportunities targeting junior markets, but for main market IPOs and follow-on offerings, the Fund should be able to participate in larger transactions and deploy more than EUR 5m into a single investment. The market participant strongly recommends not limiting this to EUR 10 million in the case of main market IPOs. The average private sector IPO candidate is looking to raise substantially larger amounts than EUR 10m. The most difficult Baltic IPOs to execute are those targeting above EUR 20m in proceeds and less than EUR 100 million, as there is limited institutional demand for sub-100m offerings, especially among international investors. This is a significant market failure and an opportunity for the Fund.	40) The average gross proceeds sought to be attracted by companies seeking an investment is estimated circa EUR 1-10 million.	40) These are Guidelines for Investment strategy. Potential FM is invited to propose and justify the fund’s ticket size range. The current structure allows investing up to 20 million EUR per investee. Assuming the fund invests 5 million EUR, which constitutes only 25% of the newly issued share capital, the remainder to be invested by private investors amounts to 15 million EUR.
41) Lock-ups are transaction specific, determined by the issuer and the underwriters and are driven by structuring considerations. The Fund’s residual holdings following the IPO should be subject to the same lock-up provisions as other selling/ non-selling shareholders/ insiders. There is no need to regulate this technical detail at the BCMAF level.	41) BCMAF’s IPO lockup period.	41) Essentially the lock-up period serves as a liquidity guarantee for investors who have participated in the IPO. Since BCMAF is tasked with the anchor investor’s role, allowing it to sell all existing stock during an IPO could send wrong signals to the market participants and create a liquidity crunch. Please also see the answer to Question No. 13.
42) This is a technical aspect which should not be regulated at the BCMAF level. Undersubscribed IPOs hardly ever trade well	42) BCMAF’s Unsuccessful IPO.	42) Agreed. For the avoidance of doubt the paragraph “Unsuccessful IPO” has been removed.

and often such deals are terminated or postponed until circumstances improve.		
43) Consider allowing re-investing strategy either as in an evergreen fund or via capital recycling for e.g. 18 months. This will create a considerable upside in fund's returns.	43) **Proposal to adjust the following**: *Role of the Financial Intermediary* – "(iv) Actively manage the funds received from the BCMAF and use accrued interest and other gains in line with the terms of the agreement, entered with ALTUM and INVEGA. (v) Recommend and manage appropriate exit strategies from the investments" **to** "(iv) Actively manage the funds received by the BCMAF from its investee companies, such as share sale proceeds, dividends, accrued interest and other gains in line with the terms of the agreement, entered with ALTUM and INVEGA. (v) Recommend and manage appropriate exit strategies from the investments with an objective to maximise the proceeds for the Fund.	43) Potential candidates to a Fund Manager's position are kindly invited to provide their views on applying re-investing strategies to CMDAF.
44) The Fund should be sector agnostic and sector expertise should not be seen as evaluation criteria.	44) <u>Sectorial insight.</u> The Applicant should describe its experience and knowledge on certain sectors of the real economy and indicate its preferred sectors, if any. Assessment based on relative strengths and weaknesses of the Applicant.	44) Potential Fund Managers are kindly invited to propose their investment strategy vis-à-vis sectors and share (if any) the Applicant's experience confirming such a strategy.
45) Unclear what is meant here, please can you clarify?	45) Internal control system: the Applicant should have adequate internal control system. Key Executives (and their team if necessary) without a legal entity should provide the ability to introduce and implement an internal control system.	45) It is expected from a potential Fund Manager and other Key Executives (or their team members, whenever it is required), to demonstrate their organisational capacity and provide reasonable assurances to investors that GP applies best industry practices when managing the Fund. Implementing an internal control system is one of the examples.
46) Given that the Fund is currently expected to realise all its investments in equity capital markets, in market participant's view also team members should demonstrate meaningful experience in equities and equity capital markets, incl. investing in equities, participating in IPOs and secondary offers, and/ or managing ECM transactions in senior capacity as advisers.	46) Participation in investment opportunities more appropriate to the BCMAF's purpose (private equity - early stage, expansion, or pre-IPO stage investments) will be given preference. Greater number of deals is one of the aspects considered during the selection, however, it is not the sole criteria as elements such as value and complexity of the deals is also important.	46) Understanding equity capital markets as well as possessing insights on the Baltic capital markets is a key criterion when it comes to evaluating potential candidates.
47) It is unclear how the applicant is required to demonstrate some of this required knowledge in practice.	47) Annex III – Guidelines of Information to be Submitted by the applicants. Specifically, IPO experience or capacity to launch an IPO.	47) Due to the nature of IPOs within the Baltic market, INVEGA and Altum understand that it is feasible for potential candidates not to possess any experience in an IPO. However, IPO experience or capacities to launch an IPO are not the only criteria that will be evaluated. We propose sharing practical examples of engagement in an IPO. This could be preparatory actions, investor search, dealing with financial regulatory bodies (e.g. Bank of Lithuania), investment banks, etc.
48) If the Applicant is a newly created entity without a formal track record, can the Applicant describe its envisaged investment process, incl. due diligence aspects, instead? This	48) The Applicant shall produce one case-study of an investment case as such.	48) Potential candidates who are not able to present a case study of an actual investment case, will be expected

specific requirement seems to favour existing fund managers with a track record.		to explain how they are planning to implement a successful strategy for the Fund.
49) Market participant is asking to clarify how will this be evaluated as it seems rather ambiguous.	49) The Selection Committee should aim to determine whether the decision-making practices, including deal origination methods, development of financing structures and assumptions are coherent, reasonable, sustainable, and adequate to the investment thesis, and whether due diligence is appropriate. Where due diligence appears to be unproportionate to the number of idiosyncratic qualities or materiality of idiosyncratic risks of the deal or does not disclose enough detail to mitigate standard risks explanation should be requested.	49) As described in the Open Call documentation, the Selection Committee, using their expertise, will be evaluating potential candidates based on already established criteria. The Open Call emphasizes what information is needed for the Selection Committee to objectively select the best candidate. It is noted, however, that potential candidates have a freedom on deciding themselves what kind of information they are willing to share.
50) This is too vague. Typically, GPs commit around 2% of the fund's target size. Please clarify what should be the "adequate minimum".	50) General Partner shall contribute an adequate minimum percentage of the total size of the BCMAF.	50) The potential FM is invited to propose in the Application the General Partner's share in the fund. This is a matter of negotiations between the potential candidate and Altum/INVEGA. The exact amounts are intentionally left blank and will be determined during these negotiations.
51) Consider allowing re-investing strategy either as in an evergreen fund or via capital recycling for e.g. 18 months. This will create a considerable upside in fund's returns.	51) *Term of the BCMAF* **-** [*Ten*] years from the Initial Closing Date, subject to [*two one-year*] extensions by the Financial Intermediary and with the prior consent of the Advisory Committee.	51) Please see answer No. 43.
52) The geographical restriction contradicts Investment Terms (pages 6 and 7), that state minimum investment amounts to be invested into Latvian and Lithuanian companies equal to the investments from Altum and Invega (net of management fees), respectively, implying that any investments exceeding such amounts (and raised from the private LPs) can be invested outside Latvia and Lithuania. We recommend rephrasing language here in Eligible Investees to align it to Investment Terms as marked up. Expanding geography will lead to higher returns from the fund.	52) **Proposal to adjust the following**: *Eligible Investees* – "The BCMAF shall invest in such Investee companies that at the time of the BCMAF investment have their main activities (i.e., the main portion of their activities based on headcount, assets, or primary focus of the business activities) in the Republic of Latvia and/or the Republic of Lithuania" **to** "The BCMAF shall invest in such Investee companies that at the time of the BCMAF investment have their main activities (i.e., the main portion of their activities based on headcount, assets, or primary focus of the business activities) in the Republic of Latvia, the Republic of Lithuania or other European countries. To encourage the development of the capital market in Latvia, a minimum amount to be allocated towards investment in SMEs and Small or Innovative mid-cap companies based in Latvia ought to be equal to the amount of Latvia's funding to the BCMAF (excluding the amounts of Latvia's funding drawn down for the purpose to finance the BCMAF's management fee and/or expenses). To encourage the development of the capital market in Lithuania, a minimum amount to be allocated towards investment in SMEs and Small or Innovative mid-cap companies based in Lithuania ought to be equal to the amount of Lithuania's funding to the BCMAF (excluding the amounts of Lithuania's funding	52) It is generally agreed to allow the Fund to invest outside the Baltic region as long as conditions set for investment in Lithuanian or Latvian SMEs as well as small and innovative mid-caps are satisfied. The proposed adjustment is accepted and will be stated as follows: "The BCMAF shall invest in such Investee companies that at the time of the BCMAF investment have their main activities (i.e., the main portion of their activities based on headcount, assets, or primary focus of the business activities) in the Republic of Latvia, the Republic of Lithuania or other European Union countries. To encourage the development of the capital market in Latvia, a minimum amount to be allocated towards investment in SMEs and Small or Innovative mid-cap companies based in Latvia ought to be equal to the amount of Latvia's funding to the BCMAF (excluding the amounts of Latvia's funding drawn down for the purpose to finance the BCMAF's management fee and/or expenses). To encourage the development of the capital market in Lithuania, a minimum amount to be allocated towards investment in SMEs and Small or Innovative mid-cap companies based in Lithuania ought to be equal to the amount of Lithuania's funding to the BCMAF (excluding

	drawn down for the purpose to finance the BCMAF's management fee and/or expenses).	the amounts of Lithuania's funding drawn down for the purpose to finance the BCMAF's management fee and/or expenses).
53) It is an established market practice that legal, accounting, audit, external consultants, etc., fees that are related to operating the fund are covered by the fund, not the General Partner.	53) General observation.	53) This is a matter of negotiations between the potential candidate and Altum/INVEGA and will form part of the Partnership Agreement.
54) It is an established market practice that third-party fees related to evaluating and executing investments (such as legal, due diligence, etc.) are covered by the Fund, unless those are covered by the investee company. In the event of a pre-IPO investment, which will be a private transaction of acquiring a minority stake, it is impossible to charge such deal costs to the company, given other shareholder interests. Hence, such costs should be charged to the Fund.	54) General observation.	54) Please see answer No. 53.
55) In private equity market practice, it is a minimum of 17%. Given the Fund's broad scope, we are of the opinion that the cap should be in line with industry standard, hence 17%.	55) BCMAF's *Management Fee Cap*: may not exceed 14% of the Total Capital Commitments for the entire lifetime of the BCMAF.	55) Please see answer No. 18.
56) Typically, alternative funds provide the GP with a performance fee/ carried interest arrangement. LPs require that the GP is motivated to perform. It would be highly unusual for this fund not to have performance-based remuneration for the GP.	56) General observation and suggestion to define carry arrangements.	56) Please see answer No. 19.
57) In practice, 90 days may be too challenging a timeline.	57) Within 120 days of the end of the fiscal year the General Partner shall provide to the Limited Partners a financial report audited by the auditor	57) In the Open Call documentation, it is stated, that "Within 80 days of the end of the fiscal year the General Partner shall provide to the Limited Partners a financial report audited by the auditor, prepared in compliance with [GAAP, IFRS]." Since standard market practice is 90 days after the end of the fiscal year, we are changing the requirement from 80 to 90 days.
58) It is recommended to allow to invest up to 15% (not 10%) of the Total Capital Commitments of the BCMAF in a single investee (with a possibility to increase the invested amount up to 20% (not 15%) of the Total Capital Commitments subject to approval of the Advisory Committee). This is prevalent market practice.	58) General observation.	58) We believe that the investing no more that 10% of total Capital commitments per investee (and 15% with the approval of the Advisory Committee) is substantial and complies with market practice.
59) Bonds: During the meeting between Altum and Latvian market participants on 2 February 2024 it was explained that this mandate envisages covering not only equities, but also bonds. Could you please clarify this in the document.	59) Enquiry.	59) Fund is allowed to invest both in newly issued shares and bonds. However, the Fund is also limited to investing no more than 40% of the total invested amount in IBOs at any given stage.

		Fund is prohibited from investing in bonds related to real estate sector.
60) Requirement for co-investment from third party investors on a deal-by-deal basis: the requirement that no less than 100% of the amount invested by the BCMAF must additionally come from Independent Private Investors should apply only to fund's investments via IPOs. Such a requirement is counterproductive for the pre-IPO investments and is likely to significantly reduce the viability of making such investment at all.	60) General observation.	60) Please see answer No 29.
61) There are not many IPOs in the local market, and it is difficult to find pre-IPOs, not everyone wants to advertise and promote themselves. Allocating a lot of capital to such a project takes time, it is difficult to set up the timeline in a smart way and avoid cash drag. It is especially difficult when we are talking about a typical closed-end fund structure. Moreover, not only is it difficult to find those who go to market in 12-18 months, but most of the time they are already fully prepared and do not need much capital for the issue. With only exception being to support the market and liquidity at the start of an IPO.	61) General observation.	61) In principle, the Fund's involvement in the local IPO or IBO markets aims to alleviate majority of problems companies are facing when deciding on whether to go public or remain private. Please also see answer to Question No. 11 regarding a minimum time frame required for an IPO.
62) For the time being, what is more needed is an anchor investor at the time of the IPO to hold the shares for a few years after the IPO and to be able to sell off with cliffs to help support the market and liquidity. But even in this case, additional options would need to be put in place for the allocation of excess liquidity to other instruments. It would be interesting for issuers to have a guaranteed anchor investor who will not run away for a long time and who will also help with market making. Then the retail industry would be more relaxed because real liquidity would exist.	62) General observation.	62) The fund will be acting as an anchor investor with an intention to support local market liquidity. Main intention in to stimulate and not speculate when it comes to investing in Baltic IPOs or IBOs.