



BAITEREK
VENTURE FUND

Annex ____
to the minutes of the meeting
of the Board of Directors
of
Baiterek Venture Fund JSC
dated " ____ " _____ 2025 No. ____

Approved by
the resolution of the Board of Directors
of
Baiterek Venture Fund JSC
dated " ____ " _____ 2025 No. ____

**Development Strategy
of Baiterek Venture Fund Joint Stock Company
for 2024-2033**

Astana, 2024

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Introduction

Baiterek Venture Fund Joint Stock Company (hereinafter referred to as BVF, the Fund) was established on May 24, 2014 by No. 81 decision of the Board of Directors of Kazyna Capital Management Joint Stock Company, which was re-registered on January 10, 2023 as Qazaqstan Investment Corporation (hereinafter referred to as QIC, the Sole Shareholder) and is part of the group of companies of Baiterek National Managing Holding Joint Stock Company (hereinafter – the Holding).

Baiterek Venture Fund Joint Stock Company is a private equity fund that also acts as a general partner (hereinafter referred to as GP), created to search, analyze and finance projects in key sectors of the economy of Kazakhstan.

This "Development Strategy of Baiterek Venture Fund Joint Stock Company" (hereinafter referred to as the Strategy) is a strategic document and is developed once for a ten-year period, serving as the basis for developing a Development Plan for the Fund in accordance with the development strategy of the Sole Shareholder for 2024-2033.

On the basis of this document, in accordance with paragraph 10 of the Rules for the Development, Coordination, Approval, monitoring and Updating of the BVF strategy, key strategic areas of activity, mission, vision, objectives and other sections have been laid down for the implementation of its role in the development of the direct investment market in Kazakhstan.

1. Analysis of the current situation

1.1 External environment analysis

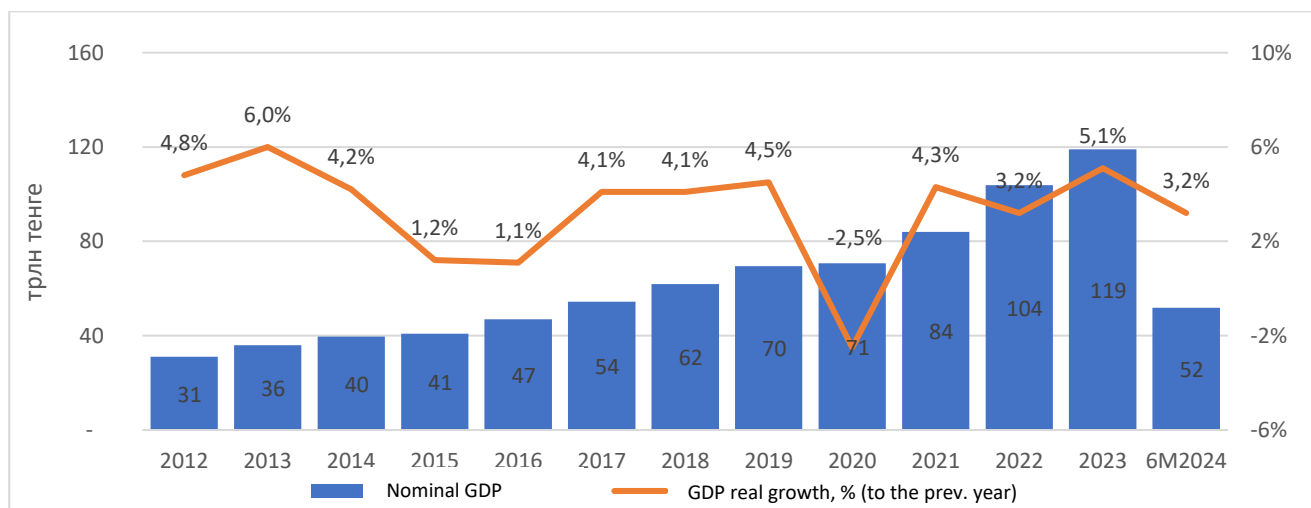
1.1.1 Macroeconomic analysis

The International Monetary Fund (IMF) estimates that global economic growth in 2024 is expected to be around 2.6-3%, which is lower than the annual average over the past two decades¹. The most important factors of the slowdown include a decline in business activity in major economies, including the United States, China and the European Union.

In 2024, the American economy will face recession risks due to the tightening of the monetary policy of the Federal Reserve System (FRS), where high interest rates restrain investment and consumer demand. The European Union (EU) is also experiencing economic difficulties amid the energy crisis and geopolitical instability, which slows down growth and increases inflationary risks. At the same time, China's economic growth is slowing down amid restructuring in the real estate sector and weakening domestic consumption.

The growth rates in the Central Asian countries (ECA) in 2024 demonstrate stable economic growth rates, despite global challenges such as a slowdown in the global economy, inflationary risks and geopolitical instability. The region, which includes Kazakhstan, Uzbekistan, Tajikistan, Kyrgyzstan, and Turkmenistan, benefits from its strategic location and natural resources, and continues to develop economic cooperation with key trading partners, including Russia, China, and the European Union.

Chart 1: Dynamics of GDP growth in Kazakhstan, 2012-6M2024²



The volume of Gross Domestic Product produced in January-December 2023 amounted to 119 trillion tenge.

GDP increased by 5.1% in real terms compared to the corresponding period of the previous year. The largest growth was shown by the Construction (13.3%), Wholesale and retail trade; repair of cars and motorcycles (11.3%), Information and

¹ The World Bank <https://www.vsemirnyjbank.org/ru/publication/global-economic-prospects>

² Bureau of National Statistics of the RK

Communications (7.1%), Transport and Warehousing (7.1%), Accommodation and catering services (6.5%). A significant contribution to this growth was made by a 6% increase in oil production. The current account shifted from surplus to deficit with falling exports and rising imports, although inflows of FDI helped finance this deficit.

According to the forecast of analysts at S&P Capital IQ Pro, Kazakhstan's WFP is expected to grow steadily in nominal terms from 2024 to 2033, with an average annual growth rate of 11%, from 128 to 346 trillion tenge, while real GDP growth will decrease from 3.9% to 2.8%, averaging 3.1%.

According to the estimates of the Ministry of National Economy of the Republic of Kazakhstan, there will be a moderate increase in economic growth in 2023 and 2024, mainly due to the hydrocarbon sector, as oil production may increase due to new projects³.

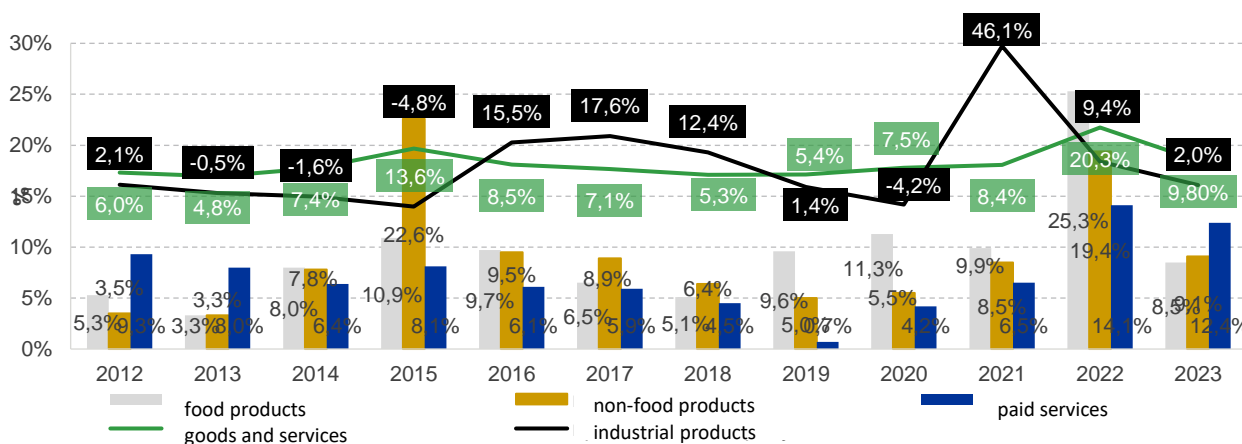
According to the national socio-economic development plan, the average annual growth rate of industries in 2023-2027 will be 4%:

- manufacturing industry – 4.9 %;
- mining industry – 3.1 %;
- The volume of gross agricultural output will be 4.5%;
- The construction industry will average 8.8%;
- The projected turnover growth is 7.4%.

Inflation is expected to decrease but remain high in 2023 due to high food prices. A tight monetary policy will help reduce inflation to the upper limit of the target by 2025.

The budget for 2023 recorded a moderate increase in real spending, especially on social security and wage increases. The Government of the Republic of Kazakhstan plans to reduce transfers from the National Fund and eventually increase revenues from non-commodity oil taxes. Oil prices are projected to decline and affect export earnings and current account balances, but deficits may occur in subsequent years as oil prices continue to fall.⁴

Chart 2: Inflation, 2012-2023⁵



³ Forecast of socio-economic development of Kazakhstan for 2023-2027

⁴ The World Bank: Overview of the economy of Kazakhstan

⁵ Bureau of National Statistics of the RK

Inflation in the Republic of Kazakhstan slowed down in December 2023 over the year and amounted to 9.8% (in November 2023 – 10.3%), for the month – 0.8% (previous month – 1%). Food prices increased by 8.5% over the year (in November 2023 – 9.2%), non-food products – by 9.1% (in November 2023 – 9.9%), paid services - by 12.4% (in November 2023 – 12%). The change in the industrial product price index in 2012-2022 was characterized by significant volatility.

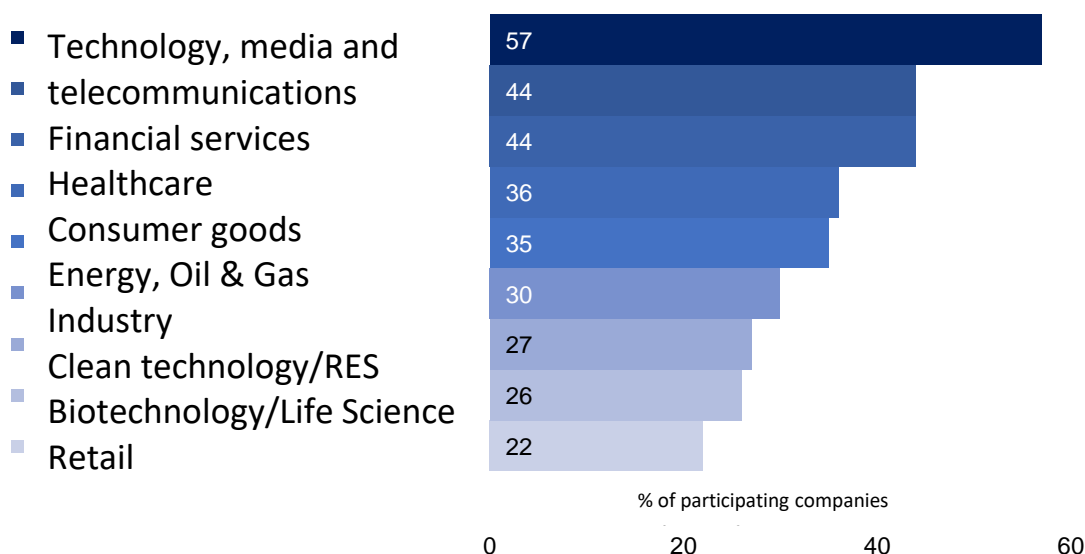
In 2020, this figure fell to -4.2%, but increased to 46.1% the following year. This jump is related to the pandemic, as in 2020, a decrease in industrial production occurred due to the transition to a remote work format and the restriction of the operating mode of enterprises. In 2022, prices for industrial products increased by 9.4%. In August 2023, compared with August 2022, prices for industrial products decreased by 7.7%.

1.1.2 Overview of the global direct investment market

According to the World Bank, in 2024-2025, almost 60 percent of countries with more than 80 percent of the world's population will have lower growth rates than the average in the 2010s. Risk factors prevail, which can lead to a deterioration of the situation in the global economy. These include geopolitical tensions, fragmentation of trade, persistence of elevated interest rates for a longer time, and the threat of natural disasters related to climate change. Stronger international cooperation is needed to protect trade, support green and digital transitions, ease debt burdens, and improve food security. In emerging and developing economies, public investment can boost productivity and stimulate private investment, which will ensure long-term growth.

The growth of the global private capital market in the last 10 years has been unprecedented. At the same time, private equity flows (PE) are a growth driver and an indicator of the state of the economy, playing an important role in business development around the world.

Chart 3: PE investment market in the 1st half of 2023 by sector



Technology, media and telecommunications have historically been the most popular sector for investors.

Investors continue to show greater interest in North America as the most mature market with a well-developed stock exchange infrastructure and investor protection.

Most investors prefer funds with interregional geographical diversification in order to reduce risks and avoid concentration of assets in one region.

The European continent is losing its former attractiveness against the background of the military conflict and the uncertainty associated with it. The decline was also partly due to the currency effect, as the dollar strengthened against most European currencies in 2022. It is possible that the decrease in liabilities is due to the record high level of unused capital at the end of 2021.

Investors are leaving China due to tighter controls by Chinese government agencies, violations of the rights of foreign investors, lobbying for the interests of local businesses, slowing down announced reforms, as well as growing tensions between China and the United States of America.

1.1.3 Central Asian Market Overview

In the regions of Europe and Central Asia (ECA), economic growth is expected to decrease to 3 percent in 2024, to 2.9 percent in 2025, and to 2.8 percent in 2026. The main drivers of growth in most countries are expected to be, firstly, private consumption and investment, stimulated by monetary policy easing and lower inflation, and secondly, the recovery in exports, especially as activity in the euro area revives. The overall decline in growth this year is mainly due to the slowdown in economic growth in Russia and Turkey.

Increased uncertainty about developments related to Russia's conflict with Ukraine continues to play an important role in determining the region's prospects. If we exclude Russia, Turkey and Ukraine, the growth rate in the region is projected to increase to 3.1 percent this year, and to 3.6 percent on average in 2025-2026. At the same time, an increase in growth rates is expected in about half of the countries in the ECA region.

In April 2024, inflation in the ECA countries exceeded the official target levels, however, according to expectations, by 2025, inflation in most countries should approach the target. Despite the need for fiscal consolidation to ensure sustainability, the likelihood of significant budget adjustments in the region seems low, given that many countries are preparing for elections.⁶

1.1.4 Kazakhstan's Direct Investment Market

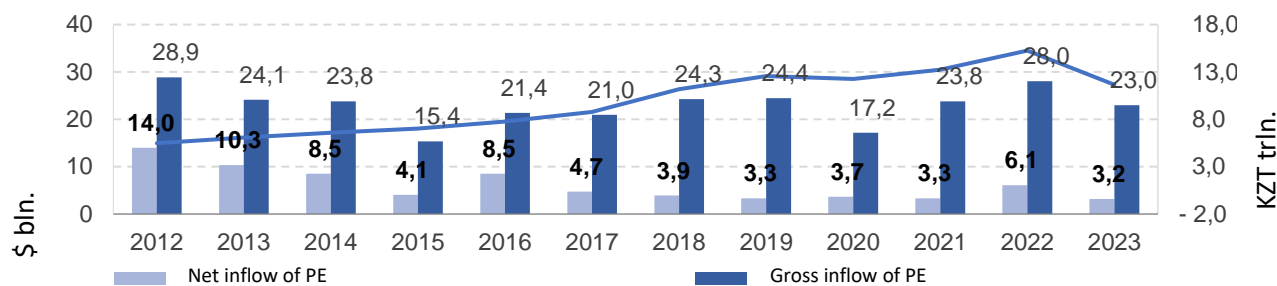
Kazakhstan's economy continues to grow steadily in 2024, with projected growth rates of about 4-4.5%. The main growth drivers include oil and gas production, exports of mineral resources and metals. Kazakhstan benefits from stable oil prices and increased hydrocarbon exports. There is also growth in non-resource sectors of the economy, such as manufacturing, transport and logistics. Cooperation with China within the framework

⁶ Worldbank, Global Economic Prospects, June 2024, Europe and Central Asia highlights, Russian

of the Belt and Road Initiative plays an important role, which promotes investments in infrastructure projects and logistics corridors. However, the country's economy is facing internal challenges, including the need to diversify and reduce dependence on exports of raw materials.

According to the annual FDI Standouts Watchlist study, Kazakhstan ranked sixth in terms of macroeconomic development and attracting foreign direct investment in 2023. Cambodia, the leader of the list, will maintain its pace of achieving the highest investment targets in 2024.

Chart 4: Inflow of foreign direct investment in Kazakhstan and investments in fixed assets, 2012-2023 billion USD



A significant role in the development of the market as donors of capital throughout the period under review was played by Kazakhstani companies (Samruk-Kazyna, Baiterek National Managing Holding JSC, incl. Qazaqstan Investment Corporation, KazAgro JSC) and international (IFC, EBRD, ADB) institutional investors. They acted as limited partners in most of the classic private equity funds that conducted transactions in Kazakhstan in 2012-2023.

In 2018, the Astana International Financial Center (hereinafter referred to as the AIFC) was established in Astana to help attract investment into the economy. It is expected that the AIFC will contribute to the development of the PE market in Kazakhstan.

The activity of family offices and business conglomerates representing individual high-net-worth investors or groups of such investors and their businesses focused primarily on the core business lines of key shareholders, as well as complementary/synergistic to the core business. Many family offices operate according to PE principles, including entry into a project, development, and sale when a certain stage is reached.

The activity of family offices was also influenced by changes in Kazakhstan's domestic policy. According to the survey results, family offices and business conglomerates are the most closed group of the Kazakhstan PE market.

1.2 Analysis of the internal environment

1.2.1 The main activity of BVF JSC

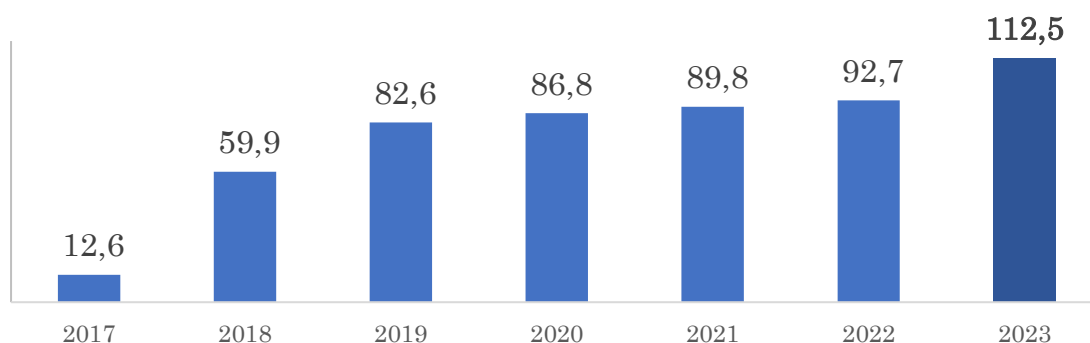
The Fund carries out its activities in accordance with the Law of the Republic of Kazakhstan "On Joint Stock Companies", the Charter and other internal regulatory documents.

BVF's current investment activities are aimed at the search, analysis and financing of investment projects, including within the framework of government programs with approved conditions and criteria.

As part of the implementation of the above-mentioned areas, the Fund provided support to domestic companies through both equity and debt financing instruments. Since its establishment, the Fund has invested in 30 projects worth 109 billion tenge and successfully completed 8 projects worth 21 billion tenge. Thus, the Fund's project portfolio as of 31.12.2023 consists of 22 project companies.

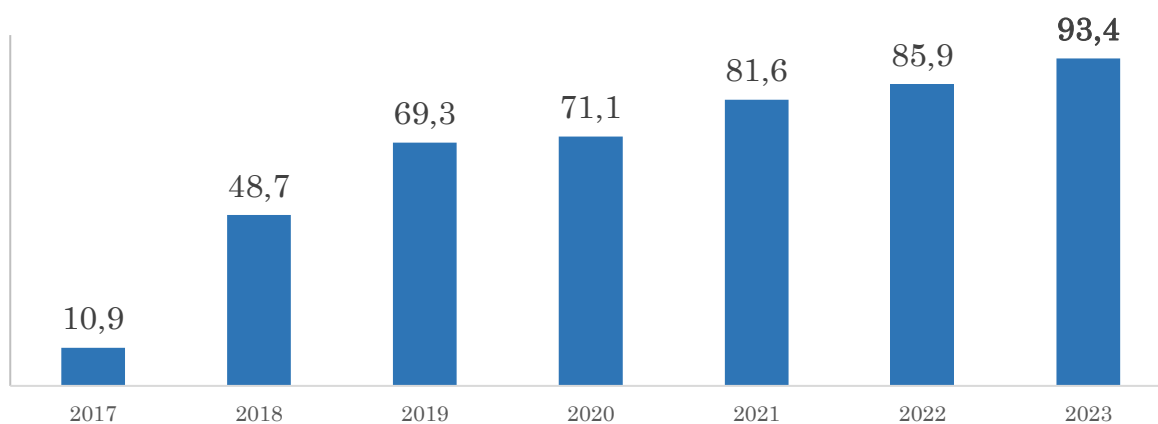
Since 2017, the Fund's assets have increased 9-fold from KZT 12.6 billion to KZT 112.5 billion in 2023.

Dynamics 5: Assets of the Fund, billion tenge



It should be noted that due to effective management in 2017-2023, the Fund's investment portfolio increased 8.5 times from 10.9 billion tenge to 93.4 billion tenge.

Dynamics 6: Investment portfolio of the Fund, billion tenge



As of December 31, 2023, the Fund's investment portfolio includes 22 companies from various sectors of the economy for a total initial investment of 93.4 billion tenge.

BVF investment portfolio as of 31.12.2023 (fair value)

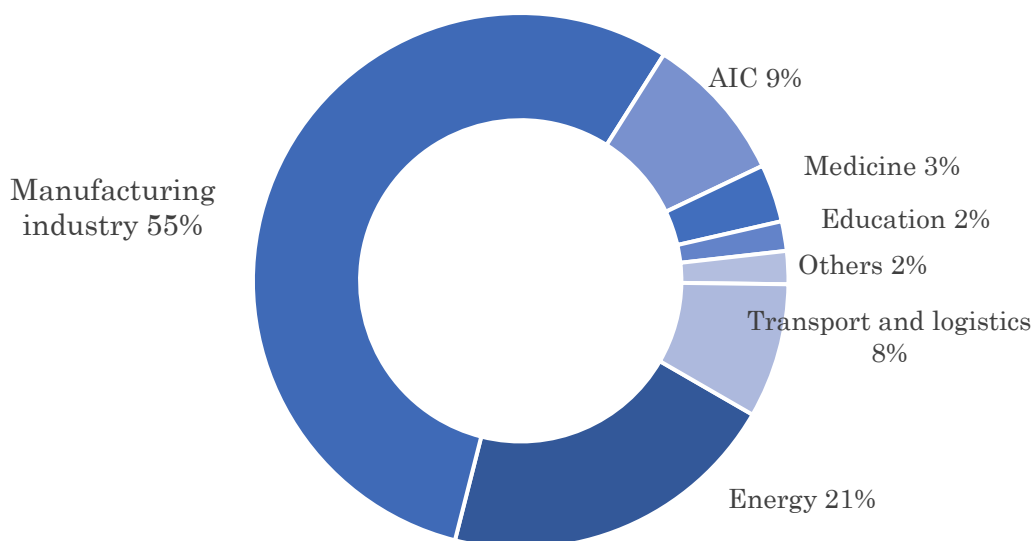
№	Company name (share of participation)	Date of investment	Cost of investment (billion tenge)	Description
1	Aitas Lux S.a.r.l. (3.91%)	December 2019	6,30	The largest company in Kazakhstan for the production, processing and sale of broiler poultry meat with a total capacity of 160 thousand tons per year
2	Astana Gas KMG JSC (50%)	October 2018	40,28	Construction of the Saryarka main gas pipeline, Kyzylorda - Astana section
3	Kazmyaso LLP (49%)	April 2019	3,52	Development of the existing livestock cluster in the Almaty region
4	Baikonur Solar LLP (49%)	February 2019	5,97	Construction of the Baikonur solar power plant with a capacity of 50 MW in the Kyzylorda region
5	Makinsky Thermal Insulation Plant LLP (49%)	June 2019 December 2022	2,24	Launch and operation of a plant for the production of mineral wool slabs and basalt mats with a capacity of 34,000 tons per year
6	Burundai Mineral Waters LLP	August 2019	0,13	Purchase of a wellness complex
7	KazGreenEnergy LLP	September 2019	1,50	"Financing of the Kengir solar power plant construction project with a capacity of 10 MW in the Karaganda region of the Republic of Kazakhstan"
8	Kazpoligraf LLP	October 2019 October 2023	5,15	Expansion of existing packaging production
9	EMC Agro LLP	October 2019 October 2022 December 2023	5,90	Expansion of the pig farm to 200,000 heads for slaughtering a commercial herd per year
10	BRBAPK LLP	December 2019	0,89	Greenhouse complex with an area of 11.8 hectares
11	TTS Astana-2007 K LLP	October 2020	0,21	Debt refinancing and replenishment of working capital
12	KTK Service LLP	June 2021	4,85	Expansion of the oversized and heavy-duty transportation business
13	Arnau Agro LLP	July 2021	1,08	Fruit storage facility construction
14	Kompas Service LLP	December 2021	0,53	Acquisition of real estate with a land plot in the shift settlement "Tengiz" (Republic of Kazakhstan, Atyrau region, Zhylyoy district), as well as replenishment of working capital.

15	KazArmaprom LLP	December 2021	0,94	Export-oriented development production of grinding balls in the West Kazakhstan region
16	Keruen-Medicus LLP	March 2022	1,88	Medical and diagnostic center in Almaty
17	EPG PROMETHEUS SCHOOL LLP	July 2022	2,76	Reconstruction of the building for the educational center "Prometheus school (by Tamos)"
18	"Bekzat" LLP*	December 2022 September 2023	2,32	Construction of Verkhne-Talaptinskaya HPP on the Koxsu river in Zhetysu region
19	Alit Holding LLP	December 2023	3,30	Construction of a workshop for production of dry building mixes with a capacity of 150 thousand tons per year with warehouses raw materials and finished products in Zhambyl region
20	Talas Investment Company LLP	December 2023	3,66	Construction of the second stage of the sodium cyanide production plant with capacity increase to 30 thousand tons per year
21	Alex Astana LLP (loan)	April 2019	0,0	Increasing the capacity of the existing enterprise that produces road signs, carries out their installation and installation
22	Mining Chemical Company LLP (7.18%)	September 2015	0,0	A plant for the production of safe and environmentally friendly emulsion explosives for use in drilling and blasting operations in the mining industry
Total			93,41	

* since April 2024, it has been renamed Verkhne-Talaptinskaya HPP LLP

The Fund's portfolio includes projects in the fields of manufacturing, agriculture, green energy, logistics, healthcare, education and other priority sectors. Among them are such projects as "Construction of the Saryarka main gas pipeline", "Modernization and expansion of the existing packaging production", "Construction of the Makinsk poultry farm" and others.

Отраслевая структура инвестиционного портфеля



It should also be noted that in 2023, the Fund successfully participated in the Program for Financing Manufacturing industry projects within the framework of the "Concept for the Development of the Manufacturing Industry of the Republic of Kazakhstan for 2023-2029".

1.2.2 Financial and economic activities

№	FINANCIAL INDICATORS	2021	2022	2023
1	Authorized capital, million tenge	38 880	38 880	53 880
2	Own capital, million tenge	49 414	52 421	71 813
3	Assets, million tenge	89 753	92 699	112 451
4	Liabilities, million tenge	40 339	40 278	40 639
5	Net income / (loss) million tenge	4 413	3 434	4 392
7	ROA, return on assets, %	5,55	3,76	4,28
8	ROE, return on capital, %	10,91	6,74	7,07

1.2.3 Corporate governance

The BVF corporate governance system is a set of processes that ensure the management and control of the Fund's activities, as well as a system of relationships between the Sole Shareholder, the Board of Directors, the Management Board, other Company bodies and stakeholders in the interests of the Sole Shareholder.

BVF considers corporate governance as a means of increasing the efficiency of the Fund's activities, ensuring transparency and accountability, strengthening its reputation and reducing the cost of raising capital. The Fund considers an appropriate corporate governance system as a contribution to ensuring the rule of law in the Republic of Kazakhstan and a factor determining BVF's place in the modern economy and society as a whole. The corporate governance system provides for a clear separation of powers and responsibilities between the Fund's bodies, officials and employees.

BVF's corporate governance is based on the principles of fairness, honesty, responsibility, transparency, professionalism and competence. An effective corporate governance structure requires respect for the rights and interests of all stakeholders and contributes to the success of the Fund.

1.2.4 Risk management system

The Fund's risk management system is based on the Risk Management Policy of Baiterek Venture Fund Joint Stock Company, approved by the decision of the Board of Directors of Baiterek Venture Fund JSC dated June 21, 2023 No. 02-02/6 and compliance with the break-even principle by ensuring an optimal balance between the fulfillment of strategic objectives, the profitability of the main activities and the level of assumed obligations. risks.

In this regard, the risk management system will be built taking into account the implementation of the following tasks:

when analyzing projects in order to identify, assess and minimize possible risks at the review stage before making a decision on project financing, as well as at the exit from projects;

when managing temporarily available funds in order to ensure the safety of funds and compliance with established procedures;

when managing information flows and databases in order to ensure information security.

Within the framework of risk management, the Fund will apply a strategy of both preventive and subsequent exposure to risks, using the full range of available tools to ensure the target level of risk appetite.

In order to ensure the sustainable and effective functioning of the entire risk management system, actions will be taken to develop a risk culture, including:

- systematic (annual) training of employees on risk management issues;
- formation of skills and continuous methodological support for the correct and timely application of risk management tools by managers and employees in their daily activities;
- open and active communication about the values and principles of risk culture.

1.2.5 Implementation of ESG principles

The concept of responsible investment, which includes consideration of ESG factors (environmental, social and managerial) when investing, is becoming an increasingly important part of the decision-making process in the field of PE.

BVF integrates the principles of sustainable development into the following processes:

- the investment decision-making process;
- development strategy development and planning;
- Corporate governance;
- operational activities;
- Risk management and internal control;
- financial support for project companies and monitoring of the project cycle.

BVF strives to integrate ESG factors into all stages of the investment process, from the search for project proposals to monitoring the environmental and social impacts of funded projects. Since 2023, BVF has normalized approaches to ESG analysis when reviewing projects and the obligations of portfolio companies to implement ESG principles. As a management company, BVF assists portfolio companies in developing appropriate plans for the implementation of ESG principles.

The ESG integration method involves an assessment of risks and opportunities identified as a result of the analysis of factors related to the environment, social sphere and management, which are materially significant for BVF.

In October 2022, BVF's Sole Shareholder joined the UN Principles of Responsible Investments Association, becoming the first quasi-governmental financial institution in the CIS to join a leading international network of institutional investors committed to the concept of implementing ESG standards in their investment activities.

The members of the PRI Association are international private equity funds aimed at introducing and developing the practice of "responsible investment" in the industry.

The members of the PRI Association commit to follow the 6 principles of "responsible investing":

- integration of ESG standards into investment analysis and decision-making processes;
- consideration of ESG factors in policies and practices;
- requirements for investment recipients to properly disclose information about environmental, social, and governance issues;
- promoting the adoption and implementation of ESG principles within the investment industry;
- improving the effectiveness of implementing the principles of responsible investment;
- informing about the activities and progress achieved in the implementation of the principles.

1.3 Comparative analysis of Baiterek Venture Fund JSC activities with its peers

Three companies were selected based on their relevance to BVF: SIFEM (Swiss Investment Fund for Emerging Markets), Russian Direct Investment Fund (Russia), KFW DEG (Germany). Most of these organizations use various tools, taking into account the mandate for economic development, and at the same time strive to be profitable and independent.

As a rule, the above organizations have a wide range of investment and geographical mandates. The investment focus of these organizations is constantly being improved in order to eliminate market imbalances and find additional opportunities for growth. Their activities are carried out taking into account the principles of the ESG.

The Swiss Development Finance Institution (hereinafter referred to as SIFEM) is a Swiss financial development institution. SIFEM is owned by the Swiss Government and is an integral part of the instruments of cooperation in the field of economic development. In general, SIFEM is an independent institution in terms of organizing and managing its business.

SIFEM invests in local or regional risk capital funds and provides credit lines to local banks and other financial institutions, often in collaboration with other financial institutions and private investors. SIFEM cooperates with fund managers and financial institutions not only to provide appropriate financial solutions, but also to add value to local businesses. SIFEM's role goes beyond providing long-term financing and aims to strengthen the capacity of local fund managers and financial institutions to manage environmental, social and managerial risks at the level of their underlying portfolios.

The portfolio consists mainly of PEF investing in growing companies and SMEs (60%), infrastructure (3%) and current income funds (15%). Investments in microfinance account for 8%, and in other financial intermediaries – 14% of the portfolio.

Russian Private Equity Fund (RPEF) - makes direct investments in leading and promising Russian companies together with leading investors. The Foundation was established in 2011 on the initiative of the President of the Russian Federation and the Chairman of the Government of the Russian Federation. In all transactions, RPEF acts as a co-investor with major investors, playing the role of a catalyst in attracting PE investment to Russia.

Russian Private Equity Fund has invested more than 2.2 trillion rubles, of which more than 300 billion rubles are from RPEF and 1.9 trillion rubles are from partners.

Deutsche Investments- und Entwicklungsgesellschaft GmbH (hereinafter – DEG), a subsidiary of KfW, invests in private companies operating in developing and emerging market economies. DEG finances economically and developmentally sustainable, socially and environmentally sound projects of private sector enterprises.

DEG provides companies with long-term investment capital in the form of loans or equity, which is often difficult to obtain in developing and emerging market economies.

The DEG portfolio is represented by client clusters and consists of PEF (28%) and three client clusters (project finance (17%), corporations (28%) and financial institutions (27%)). Each cluster includes both private debt and private equity transactions.

1.4 The main directions of the state economic policy and strategy of Baiterek NMH JSC and QIC

As part of the implementation of the Development Strategy, BVF is guided by the main directions of state policy in the field of industrial and innovative development, attracting investments in non-resource sectors of the economy, developing small and medium-sized businesses, and other tasks set by the President and the Government of the Republic of Kazakhstan, as well as the Development Strategy of the Sole

Shareholder.

As part of the Sole Shareholder's Development Strategy, BVF is actively involved by providing PE tools in the following strategic areas:

1) Development of the manufacturing industry

- *Modernization of production facilities:* BVF will continue to finance projects to modernize and expand production facilities, including the introduction of new technologies, automation and product quality improvement.;

- *Supply chain investments:* BVF will continue to support companies that are working to improve and expand supply chains, as well as to create new production clusters, which contributes to increased production volumes and efficiencies.;

2) Infrastructure development

- *Infrastructure investments:* BVF will continue to provide financial support to investment projects that develop infrastructure and services in areas unrelated to the commodity economy, such as logistics, transport, education, and healthcare. This includes the construction and modernization of facilities and systems that support the development of non-resource industries.;

3) Business development

- *Stimulating the private sector:* BVF will continue to support companies operating in non-resource sectors through long-term investments aimed at developing new products and services, as well as expanding sales markets.;

- *Investments in mature and emerging companies:* BVF will continue to make PE investments in mature companies and emerging businesses that demonstrate potential for growth and innovation;

- *Business Services support:* BVF will continue to invest in companies providing services that contribute to the development of the economy and entrepreneurship.

4) Export support for non-primary products

- *Financing of exporters:* The Fund will continue to provide financing for companies that plan to expand their export potential. At the same time, the financial stability and growth prospects of the companies will be taken into account.;

5) Increase in labor productivity

- *Implementation of advanced technologies:* The Fund will continue to finance companies that implement modern technologies and processes that help optimize business processes and increase labor productivity.;

6) Development of a competitive agro-industrial complex

- *Investments in modern technologies and equipment:* The Fund will continue to support projects in the agro-industrial complex aimed at ensuring the country's food security, as well as the introduction of modern technologies and equipment, which contributes to increased productivity and improved product quality.;

7) Increasing the investment attractiveness of the economy

- *Attracting foreign investment:* In order to improve the business climate and simplify business processes, the Fund is considering investing in projects aimed at attracting foreign investors who are willing to invest in the republic's economy or transfer technology to the country to scale successful foreign projects.

1.5 SWOT analysis

Below is an assessment of the actual position and strategic prospects of BVF based on an analysis of the strengths and weaknesses of the Fund, its market opportunities and risk factors. This analysis shows to what extent the Fund's Strategy corresponds to its internal resources and market opportunities, and also shows what resources and opportunities the Fund will need in the planned period to respond to new environmental conditions and other goals and objectives set by the Sole Shareholder.

Strengths	Weaknesses
<ol style="list-style-type: none"> 1.Support from the Sole Shareholder and the state; 2.The presence of a qualified team capable of meeting the requirements of the investment market; 3.Strategic resources: the resources and expertise of the Baiterek NMH JSC Group of Companies and the Sole Shareholder to raise capital and ensure competitive advantage; 4.Access to financial resources: obtaining financing from government programs, which can ensure the stability and sustainability of finances; 5.Knowledge and understanding of the local market, which provides an advantage when choosing investments. 	<ol style="list-style-type: none"> 1. Limited flexibility: Difficulty in changing the strategy or operating model due to restrictions or regulations of the Sole Shareholder; 2. Limited financial resources: Limited own financial resources may limit opportunities for expansion and diversification; 3. Dependence on market conditions: Sensitivity to changes in market conditions and economic conditions; 4. A limited number of high-quality investment projects.
Opportunities	Threats
<ol style="list-style-type: none"> 1. The need of Kazakhstan's economy for alternative sources of financing for sustainable economic growth; 2. Participation in the implementation of state strategic programs and an increase in the authorized capital for the implementation of priority investment areas; 3. The possibility of obtaining a synergistic effect through cooperation with other companies of the Holding, development institutions, financial organizations and management companies; 4. Investment Portfolio Expansion: The opportunity to use your experience to expand your investment portfolio into new industries or regions, which will diversify your risks.; 	<ol style="list-style-type: none"> 1. The impact of the deterioration of the macroeconomic situation in the country, which may lead to reduce the cost estimate the strategic portfolio; 2. Insufficient current level of development of capital markets; 3.Competition: Growing competition in fund management and private equity; 4. Legislative changes: Possible legislative changes affecting investment conditions.

5. Development of new strategies: The opportunity to develop and implement new investment strategies that match current trends.	
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BVF will continue to use investment opportunities in the field of PE and significant investment experience to increase investment in the non-resource sector of the economy by contributing to the implementation of major government programs and participating in the development of export-oriented projects, thereby developing enterprises with great potential to enter the regional market.

2. Mission and Vision of Baiterek Venture Fund JSC

BVF's mission is to promote sustainable economic growth in Kazakhstan through strategic partnerships and investments in promising companies that contribute to the development of the national economy.

BVF's vision is to become a reliable and leading partner of Kazakhstani business, ensuring the sustainable development of the country's economy through effective investment management and increasing the market value of project companies.

2. Strategic directions of development, goals and objectives

In order to realize the mission and vision, BVF will develop in the following strategic directions:

1. Business support and entrepreneurship development;
2. Effective management of the Fund's strategic portfolio.

Strategic directions	Goals	Tasks
1. Business support and entrepreneurship development	1.1 Development of projects implemented jointly with domestic and foreign investors	1.1.1 Investing in promising projects with the potential for technology development and labor productivity
		1.1.2 Facilitating the successful launch of existing and the creation of new competitive organizations, industries, and infrastructure facilities
		1.1.3 Support for Kazakhstani business through investments in foreign companies
	1.2 Proactive investing	1.2.1 Search and selection of projects with potential positive impact on the economy of the Republic of Kazakhstan
1.2.2 Financing in priority areas of the state economic policy		
2. Effective management of the Fund's strategic portfolio	2.1 Creation of a differentiated project portfolio	2.1.1 Application of the best investment practices in the analysis and financing of projects
		2.1.2 Making investments in promising companies with the greatest potential for market value growth
		2.1.3 Creating additional business value

		2.1.4 Integration of the concept of "responsible investment"
	2.2 Prioritization of equity-funded projects	2.2.1 Building up the portfolio of equity projects
		2.2.2 Conducting comprehensive systematic monitoring of project implementation

3.1. Strategic direction No. 1 "Business support and entrepreneurship development"

In this area, the Fund will continue to provide financial support to projects implemented in the Republic of Kazakhstan by providing various support tools, including equity financing, mezzanine financing, subordinated loans, and others.

Equity financing is a high-risk instrument and differs from traditional debt financing offered by banks in that BVF assumes a significant share of the risks, sharing them with investors and partners on a long-term basis. The advantages of this tool are:

- Improving the financial situation: an increase in capital can improve the financial performance of the company and help in further investments or growth;
- Flexible return on investment: proper project structuring provides an opportunity to adapt the terms of return on investment depending on the development of the company and the market situation;

Thus, the equity financing tool allows initiators to attract the required amount of investment for the implementation of projects in cases where banks are not ready to support them as the sole lender.

Mezzanine financing (or mezzanine equity) is a hybrid form of financing that combines elements of both debt and equity financing. It occupies an intermediate position between senior debt and equity in the company's capital structure. The advantages of this tool are:

- Flexibility of terms: The mezzanine floor offers more flexible terms compared to traditional debt, including the possibility of negotiating the terms and structure of the transaction;
- Balance between equity and debt: mezzanine financing allows the company to improve the equity-debt ratio, which can increase creditworthiness and improve future financing conditions;
- Risk sharing with shareholders: mezzanine investors often assume most of the risk associated with financing, which helps to share risks between different parties.

Thus, BVF instruments strengthen the financial leverage of companies and provide a multiplier effect when attracting additional financing.

This long-term risk sharing makes investments more sustainable and contributes to a significant increase in investment activity in the economy of Kazakhstan.

Purpose: Development of projects implemented jointly with foreign and domestic investors

Domestic as well as foreign investors are of high importance for the economic development of Kazakhstan. In addition to investing in the economy, investments contribute to technology transfer, access to export markets, and the development of

competencies and clusters, respectively, have multiple effects on the development of the country.

In this regard, BVF will implement projects in Kazakhstan, including those involving domestic and foreign investors and financial institutions.

Achieving the project development goal together with investors and various financial institutions will allow us to bring knowledge and experience that will help improve the project's strategy and operational processes, increase trust in the project and improve its reputation, as well as attract not only capital, but also non-financial additional resources such as technology, intellectual property or know-how.

Tasks:

1) Investing in promising projects with the potential for technology development and labor productivity;

As part of this task, BVF will pay special attention to the selection of projects, the implementation of which will contribute to the development of criteria such as technology, labor productivity and a high index of complexity.

Investing in promising projects based on innovative technologies has an important and strategic priority. These projects usually involve developments that can significantly change existing production, management, or service methods. Such investments are aimed at:

Radical improvement in labor productivity: The introduction of artificial intelligence (AI) and machine learning technologies can automate complex tasks that were previously performed manually, which reduces the time and resources needed to complete the work.

Cost reduction and efficiency improvement: through the introduction of new technological solutions, enterprises can reduce production costs and increase profitability.

Stimulating innovation and creating new markets: Technologies that open up new business opportunities can create entire industries or radically change existing ones.

As part of its focus on high technology, BVF's mandate is not limited to equity participation and can be developed using other financing tools. This may be especially true for projects involving disruptive technologies or new business models that have high growth potential.

The synergy between different investments will allow companies to be supported at different stages of their development. This will allow not only to diversify the investment portfolio, but also to gain access to promising technologies and new business models that can significantly affect the increase in labor productivity.

2) Facilitating the successful launch of existing and the creation of new competitive organizations, industries, and infrastructure facilities;

Within the framework of this task, BVF, when considering financing opportunities, will pay special attention to projects that have high growth potential and competitiveness in the domestic and foreign markets.

At the same time, BVF, as part of its investment activities, can act as a GP responsible for strategic and key decisions, including the selection of projects for investment, management of portfolio companies, strategic planning and decision-making on exiting investments. Also, to achieve the goal, BVF can become one of the leading GP investment funds, work on developing competencies and establishing cooperation with leading international management companies will be strengthened.

The need for management companies in the Kazakhstan market is due to the following reasons:

- Active GP's that create added value for their portfolios make a positive contribution to the development of the private capital market, making it more attractive and dynamic for other participants.;
- GP's involvement in the strategic management and development of companies can make these companies more attractive to other investors. If the GP successfully manages the portfolio and increases the value of the companies, it can attract additional investments from other players in the market;
- GP's active involvement in the management and support of companies can build trust among other investors. Stakeholders can see that GP's are investing their efforts and resources to increase the value of their investments, which can encourage additional investments in the market;
- Successful GP cases of active participation can serve as a model for other investors, teaching them effective methods of investment management and increasing the value of companies;
- If GP's demonstrate successful strategies and approaches to managing companies, this can stimulate competition in the market. Other investors and companies may seek to repeat their success and take an active part in the investment management process.;
- Successful GP management examples can help improve the overall climate in the private capital market. Increasing the number of successful investments can attract more investors and stimulate market growth.;
- GPs who are actively involved in the management of companies can also help attract innovation. Their intervention and resources can help companies develop new products and technologies.

BVF will also be able to act as a management company for other private equity funds.

At the same time, as part of the support and development of competitive BVF industries and infrastructure facilities, a management course can be adopted for PEF investing in alternative asset classes with potential for development in the market of Kazakhstan and Central Asia (infrastructure projects, stress assets, and others).

3) Support for Kazakhstani business through investments in foreign companies

Investment of Kazakhstani business by foreign companies can become an effective

tool for stimulating economic growth and development of national enterprises.

At the same time, BVF is considering the possibility of financing foreign companies, provided that such support will have a significant multiplier effect for the economy of Kazakhstan. As part of this approach, BVF will finance foreign companies if they commit to make a significant contribution to the development of Kazakhstani projects. This approach allows local companies to gain access to new technologies, knowledge and markets, which contributes to their global competitiveness. Support can be provided via:

1. Offtake contracts. Financing will be provided subject to the conclusion of offtake contracts, under which a foreign company undertakes to purchase products or services from Kazakhstani manufacturers for an amount not less than the amount of BVF investments.

2. Technology transfer. A foreign company undertakes to transfer to Kazakhstani enterprises the technologies necessary to increase labor productivity, improve product quality and increase export potential.

3. Creation of joint ventures. BVF can finance foreign companies if they plan to establish joint ventures with Kazakhstani partners, where cooperation will contribute to the development of the local economy, knowledge transfer and the creation of new jobs.

4. Support in cluster development. Foreign companies funded by BVF can also participate in the formation and development of production clusters in Kazakhstan. This will ensure integration into international supply chains and increase the added value of manufactured products.

Goal: Proactive investing

In the current global macroeconomic environment affecting domestic economic processes in Kazakhstan, BVF will continue to proactively search for, form and manage a pool of promising domestic projects.

Regular proactive project search activities will include:

- Market monitoring and identification of promising investment areas.
- Establishing and maintaining contacts with key industry players.
- Analysis and evaluation of potential projects for compliance with the strategic objectives of BVF.

BVF is aimed at developing priority areas of state economic policy, which has a positive multiplier effect on all other spheres of society, which ultimately leads to the creation of new jobs and improving the well-being of citizens.

Tasks:

1) *Search and selection of projects with the potential of positive impact on the economy of the Republic of Kazakhstan*

The success of BVF's activities is based, among other things, on determining the criteria for selecting projects that focus on improving investment efficiency and

minimizing risks, as well as focusing on the development of the economy of the Republic of Kazakhstan.

Within the framework of this BVF area, criteria have been defined for the selection of preferred projects. The main focus will be on the presence of at least one or more aspects.:

1. Strong teams. Investments will be directed to projects implemented by teams with successful experience and leading positions in the market.;

2. Export-oriented projects. Preference will be given to export-oriented projects, which will contribute to an increase in foreign exchange earnings and the expansion of Kazakhstan's foreign economic relations.;

3. Cluster formation. Projects aimed at forming a complete production chain and forming a cluster;

4. Evaluation of partners demonstrating significant growth and marginality. Projects of companies with high rates of revenue growth and marginality will be a priority.;

5. Elaboration of projects. BVF will invest in projects with a high degree of elaboration, which minimizes risks and increases the likelihood of successful implementation.;

6. Low sales risks. Investments will be directed to projects with low sales risks, where there is a clear understanding of sales channels and volumes, as well as contractual elaboration.

2) Financing in priority areas of the state economic policy

BVF will strongly support the Government of Kazakhstan in implementing strategic programs aimed at improving the investment climate, supporting business, and developing human capital. These measures are designed to ensure long-term economic growth and higher living standards.

BVF will also promote the development of non-resource sectors of the economy of Kazakhstan, which is one of the main tasks of NMH Baiterek JSC, a key institution of the Government of the Republic of Kazakhstan for financial support of the economy.

The main industry priorities of BVF are defined by the directions according to the "Strategy 2050", "The Concept of development of the manufacturing industry of the Republic of Kazakhstan for 2023-2029" and "The Concept of development of the agro-industrial complex of the Republic of Kazakhstan for 2021-2030", as well as other state economic programs.

The focus will also be on competitive industries, where there is the highest level of impact of project implementation on economic development.:

- metallurgy (medium and high processing projects);
- petrochemistry (medium and high refining projects);
- other types of raw materials (medium and high processing projects (including chemical industry));
- manufacturing industry (projects with above-average productivity);
- agro-industrial complex (projects of processing and/or consolidation (in accordance with the message of the President of the Republic of Kazakhstan dated September 01, 2023));

- infrastructure, energy (stable industries with low commercial risks, low volatility, availability of long-term sales contracts and security of sales) and other priority sectors.

Strategic direction No. 2 "Effective management of the Fund's strategic portfolio"

Effective management of the Fund's strategic portfolio requires an integrated approach, including a clear definition of investment goals and strategies, regular monitoring and adjustment of the portfolio in accordance with changes in market conditions and goals of the Fund. It is also important to take into account long-term trends, maintain a balance between conservative and riskier investments, and use modern financial analysis and risk management tools. Successful portfolio management requires flexibility in decision-making based on expert knowledge and constant analysis of the market situation, which allows maximizing returns while maintaining an acceptable level of risk. The Fund will also act as a GP and create its own joint funds for management.

Goal: To create a differentiated project portfolio

The development of the PE market is one of the key factors contributing to long-term economic growth and sustainable development. PE is a form of financing in which private companies attract investments from professional funds or private investors to implement their business projects.

The PE market plays an important role in financing innovative projects. In modern conditions, many companies, especially startups and high-tech enterprises, face difficulties in raising funds through traditional channels such as bank loans. Private equity funds fill this gap by providing capital at various stages of business development. This gives innovative companies the opportunity to realize their ideas, which ultimately contributes to technological progress and economic growth.

The key factors in the implementation of projects are effective diversification, constant risk analysis, the search for the optimal balance between profitability and security, as well as regular monitoring and adjustment of the portfolio in accordance with changing market conditions and investor goals.

Tasks:

1) Application of the best investment practices in the analysis and financing of projects

This is achieved through an integrated approach that includes the use of advanced financial modeling techniques, due diligence, and regular analysis of key performance indicators and risks. An important aspect is to develop clear exit criteria for projects based on achieving targets or changing market conditions.

In order to ensure the accuracy of the project assessment and minimize potential investment risks, the Fund may also involve external independent experts in relevant fields in the examination of projects.

2 Making investments in promising companies with the greatest potential for market value growth

As part of the development of the PE market, BVF will play a key role in order to increase the level of investment activity in promising companies. As one of the largest private equity funds in the quasi-public sector, BVF will continue to provide financial support to innovative and breakthrough projects, including involving investors and financial institutions with the greatest potential for market value growth. The successful implementation of such projects not only stimulates economic growth, but also attracts the attention of other investors, which contributes to an overall increase in investment activity. Making investments in companies with significant market value growth potential will contribute to the creation of sustainable and strong companies capable of offering products and services that are competitive in domestic and international markets.

3) Creating additional business value

The BVF team will not only manage risks, but also participate in creating additional value aimed at increasing the value of project companies.

To implement these measures, BVF will enhance the competencies of its management teams, review business process requirements, and attract highly qualified professionals with successful project management experience.

BVF will actively participate, as applicable, in ensuring the growth of the companies' business value, supporting their development through the following measures (but not limited to):

1. Cost growth initiatives. Participation in the formation and implementation of measures aimed at increasing the value of companies.
2. Search for sources of financing. Assistance in finding additional sources of funding and co-investment for scaling and other purposes.
3. Access to expert knowledge. Ensuring access to expertise, contacts and synergies with other companies and professional participants in industry markets.
4. ESG principles. Promoting ESG principles, including sustainable development, corporate governance, ethical issues, as well as improving corporate culture and transparency. These principles are aimed at creating long-term value and ensuring responsibility to society and the environment.

4) Integration of the concept of "responsible investment"

BVF strives to integrate ESG factors into all stages of the investment process, from the search for project proposals to monitoring the environmental and social impacts of funded projects. The ESG integration method involves an assessment of risks and opportunities identified as a result of the analysis of factors related to the environment, social sphere and management, which are materially significant for BVF.

In this area, BVF will actively seek and support investment projects that comply with the principles of sustainable development and minimize the negative impact on the environment.

Goal: Prioritization of equity-funded projects

In today's investment landscape, choosing the right financing tools is becoming critical to achieving successful results. Our PE fund strives to offer a variety of investment tools to meet the needs of various projects and entrepreneurs. At the same

time, BVF pays special attention and gives priority to equity financing as part of its strategy. This choice is justified by long-term goals and the desire to maximize the impact and results of investments.

Tasks:

1) Building up a portfolio of equity projects

As part of this task, BVF can focus on projects with high innovation potential. Investments in advanced technologies and innovative ideas create unique competitive advantages that promote long-term growth and development. Innovative projects with the potential for technological breakthroughs play a key role in the investment portfolio, providing significant prospects for growth and creating a sustainable competitive advantage.

Thus, prioritizing the financing of equity projects is an important element of the strategy, which allows achieving significant results and contributing to the development of innovative initiatives. This allows us not only to provide capital for the growth and development of projects, but also to actively participate in their management and strategic development. This approach provides unique opportunities to create a deeper connection between the fund and the project, which contributes to more effective achievement of goals and maximizing the overall value of the investment.

2) Conducting comprehensive systematic monitoring of project implementation

Ensuring timely and accurate monitoring of the progress of projects, identifying problem areas and taking corrective actions to achieve set goals and increase investment efficiency. Conducting a thorough analysis of the fulfillment of obligations assumed by portfolio companies.

5. Strategic key performance indicators

Within each strategic direction, BVF will regularly monitor the achievement of its objectives using efficiency.

No	SKPI	Unit of measurement	Calculation methodology	2033 (forecast)	Data source
1	The volume of new investments per year	billion tenge	The amount of investments of BVF and funds managed by BVF in projects supported by equity/debt financing during the reporting period	15	Development plan/Report on the implementation of the Development Plan for the reporting period/Payment orders
2	Projected IRR for new funded projects	%	<p>IRR is the average internal rate of return on newly funded projects.</p> $-IC + \sum_{t=1}^N \frac{CF_t}{(1 + IRR)^t} = 0$ <p>For the CF payment flow, where CF_t is a payment after t years (t=1,...,N) and an initial investment of IC=-CF₀ internal</p> <p>The average rate of return IRR is calculated from the expression</p>	10%	Forecast calculations according to the terms of return on investment under contracts
3	Investment portfolio volume (excluding treasury operations)	billion tenge	The total size of the investment portfolio (excluding treasury operations) for BVF and funds managed by BVF	117	Financial statements/Development plan/Report on the implementation of the Development Plan for the reporting period
4	The volume of investments in fixed assets in the agricultural sector	billion tenge	The amount of financing for the purchase of fixed assets by agribusiness entities and the implementation of the SMR through PE investments of BVF and funds managed by BVF	1	Financial statements/Report on the implementation of the Development Plan for the reporting period/Payment orders

5	The share of investments with an equity financing instrument	%	The amount of investments financed in capital/Total amount of investments (BVF and funds managed by BVF)	at least 70%	Development plan/Report on the implementation of the Development Plan for the reporting period/Payment orders
6	Development index for projects that have received financial support	scores	The average value of the Development Index indicator for funded projects	4	Investment memoranda on projects
7	Total Value to Paid-in Capital (TVPI)	coefficient.	<p>TVPI* = Total Value / Paid-In Capital</p> <p>Total Value – the sum of total returns on investment portfolio projects and the current book value of the BVF investment portfolio and funds managed by BVF (excluding treasury operations)</p> <p>Paid-In Capital – the total amount of invested investments</p>	at least 1.5	Financial statements/Development plan/Report on the implementation of the Development Plan for the reporting period/Payment orders

