

SHRIRAM ASSET MANAGEMENT COMPANY LIMITED

INVESTMENT VALUATION POLICY

Propriety:	This document is the sole property of Shriram Asset Management Company Limited (AMC). Any use or duplication of this document without express permission of Shriram AMC is strictly forbidden and illegal.
Note:	This Policy is prepared keeping in mind the industry practices and the business requirements of an AMC as per SEBI Regulation and Circular. It is advised to continuously update the policy in line of the changes happening in due course of time and development in the industry practice.

INTRODUCTION:

The Securities and Exchange Board of India (SEBI) has outlined investment valuation norms and accounting policies under SEBI (Mutual Funds) Regulations, 1996 as amended from time to time. The Investment Valuation Norms are defined in the Eighth Schedule of the SEBI (Mutual Funds) Regulations, 1996 [Regulation 25(19), 47] and circulars issued by SEBI from time to time.

In accordance with the SEBI Circular MFD/CIR No.010/024/2000 dated January 17, 2000 every AMC should formulate valuation committee to review investment valuation practices. Valuation committee of AMC generally consists of Chief Operating Officer/ Head Operations, Chief Investment Officer/ Head Investments, Managing Director, Compliance Officer and by invitation, Fund Managers. This committee shall on a regular basis review the system and practices of valuation of securities.

The objective of this policy is to specify methodology and the manner in which instruments and investments shall be valued by AMC. The objective is also to elaborate on the SEBI valuation norms.

PRINCIPLES OF FAIR VALUATION

Mutual fund shall value its investments in accordance with the following overarching principles so as to ensure fair treatment to all investors including existing investors as well as investors seeking to purchase or redeem units of mutual funds in all schemes at all points of time:

- (a) The valuation of investments shall be based on the principles of fair valuation i.e. valuation shall be reflective of the realisable value of the securities/assets. The valuation shall be done in good faith and in true and fair manner through appropriate valuation policies and procedures.
- (b) The policies and procedures approved by the Board of the asset management company shall identify the methodologies that will be used for valuing each type of securities/assets held by the mutual fund schemes. Investment in new types of securities/assets by the mutual fund scheme shall be made only after establishment of the valuation methodologies for such securities with the approval of the Board of the asset management company.
- (c) The assets held by the mutual funds shall be consistently valued according to the policies and procedures. The policies and procedures shall describe the process of dealing with exceptional events where market quotations are no longer reliable for a particular security.
- (d) The asset management company shall provide for the periodic review of the valuation policies and procedures to ensure the appropriateness and accuracy of the methodologies used and its effective implementation in valuing the securities/assets. The Board of Trustee and the Board of Asset Management Company shall be updated of these developments at appropriate intervals. The valuation policies and procedures shall be regularly reviewed (at least once in a Financial Year) by an independent auditor to seek to ensure their continued appropriateness.
- (e) The valuation policies and procedures approved by the Board of Asset Management Company should seek to address conflicts of interest.
- (f) Disclosure of the valuation policy and procedures (with regard to valuation of each category of securities/assets where the scheme will invest, situation where these methods will be used, process and methodology and impact of implementation of these methods, if any) approved by the Board of the asset management company shall be made in Statement of Additional Information, on the website of the asset management company/mutual fund and at any other place where the Board may specify to ensure transparency of valuation norms to be adopted by asset management company.
- (g) (The responsibility of true and fairness of valuation and correct NAV shall be of the asset management company, irrespective of disclosure of the approved valuation policies and procedures i.e. if the established policies and procedures of valuation do not result in fair/ appropriate valuation, the asset management company shall deviate from the established policies and procedures in order to value the assets/ securities at fair value:

Provided that any deviation from the disclosed valuation policy and procedures may be allowed with appropriate reporting to Board of Trustees and the Board of the asset management company and appropriate disclosures to investors.

- (h) The asset management company shall have policies and procedures to detect and prevent incorrect valuation.

- (i) Documentation of rationale for valuation including inter-scheme transfers shall be maintained and preserved by the asset management company as per regulation 50 of these regulations to enable audit trail.
- (j) In order to have fairness in the valuation of debt and money market Securities, the asset management company shall take in to consideration prices of trades of same security or similar security reported at all available public platforms.
- (k) In addition to the above, a mutual fund may value its investments according to the following Valuation Guidelines. In case of any conflict between the Principles of Fair Valuation as detailed above and Valuation Guidelines issued by SEBI hereunder or elsewhere, the Principles of Fair Valuation detailed above shall prevail.

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VALUATION METHODOLOGY

Assets	Methodology
<p>Traded Securities - equity / equity related securities</p>	<p>On a particular valuation day, these securities will be valued at the last quoted closing price on the principal stock exchange, National Stock Exchange of India Limited (NSE). If a security is not traded on NSE, it will be valued at the last quoted closing price on The Bombay Stock Exchange Limited (BSE).</p> <p>If a security is not traded on NSE and BSE, it will be valued at the last quoted closing price on other recognised stock exchange where the security is traded.</p> <p>When on a particular valuation day, a security has not been traded on the primary stock exchange, the value at which it is traded on another stock exchange will be used.</p> <p>For Index Funds / Exchange Traded Funds, exchange of underlying benchmark index would be the primary stock exchange.</p> <p>If a security is not traded on any stock exchange on a particular valuation day, the last quoted closing price on NSE or BSE or other recognised stock exchange (in the order of priority) on the earliest previous day would be used, provided such day is not more than thirty calendar days prior to the valuation day.</p>
<p>Thinly Traded Securities</p>	<p>a. When trading in an equity and/or equity related security in a month is both less than Rupees 5 lacs and the total volume is less than 50,000 shares, the security shall be considered as thinly traded security and valued accordingly.</p> <p>b. In order to determine whether a security is thinly traded or not, the volumes traded in all recognized Stock Exchanges in India may be taken into account.</p> <p>For example, if the volume of trade is 1,00,000 and value is Rupees 4,00,000, the shares do not qualify as thinly traded. Also if the volume traded is 40,000, but the value of trades is Rupees 600,000, the shares do not qualify as thinly traded.</p> <p>c. Where a Stock Exchange identifies the thinly traded securities by applying the above parameters for the preceding calendar month and publishes or provides the required information along with the daily quotations, the same can be used by the Mutual Funds.</p> <p>d. If the shares are not listed on the Stock Exchanges which provide such information, then AMCs shall make their own analysis in line with the above criteria to check whether such securities are thinly traded or not and then value them accordingly.</p>

<p>Suspended equity securities</p>	<p>In case trading in an equity security is suspended up to thirty days, then the last traded price shall be considered for valuation of that security.</p> <p>If an equity security is suspended for more than thirty days, valuation methodology laid down for Thinly traded / non-traded equity will be used for calculating the fair value.</p>
<p>Non-traded / thinly traded equity securities</p>	<p>Thinly traded / non-traded equity securities shall be valued in “good faith” in accordance with SEBI norms as prescribed below: -</p> <p>Based on the latest available Balance Sheet, Net Worth shall be calculated as follows:</p> <ol style="list-style-type: none"> a. Net Worth per share = [Share Capital+ Reserves (excluding Revaluation Reserves) – Miscellaneous expenditure and Debit Balance in Profit and Loss Account] / Number of Paid up Shares. b. Average Capitalization rate (P/E ratio) for the industry based upon either BSE or NSE data (which shall be followed consistently and changes, if any, noted with proper justification thereof) shall be taken and discounted by 75 per cent i.e. only 25 percent of the industry average P/E shall be taken as Capitalization rate (P/E ratio). Earnings per share (EPS) of the latest annual audited accounts shall be considered for this purpose. c. The value as per the Net Worth value per share and the capital earning value calculated as above shall be averaged and further discounted by 10 per cent. for illiquidity so as to arrive at the fair value per share. d. In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalized earnings. e. If the Net Worth of company is negative, the shares of such companies shall be valued at zero f. In case where the latest Balance Sheet of the company is not available within nine months from the close of the year, unless the accounting year is changed, the shares of such companies shall be valued at zero. g. In case an individual security accounts for more than 5 per cent of the total assets of the scheme, an independent valuer shall be appointed for the valuation of the said security. To determine if a security accounts for more than

	<p>5 per cent of the total assets of the scheme, it shall be valued by the procedure above and the proportion which it bears to the total net assets of the scheme to which it belongs will be compared on the date of valuation.</p> <p>In case an individual security accounts for more than 5 per cent of the total assets of the scheme, an independent valuer shall be appointed for the valuation of the said security.</p>
<p>Unlisted Equity Shares</p>	<p>To ensure uniformity in calculation of NAV the following guidelines are issued:</p> <p>Methodology for Valuation - unlisted equity shares of a company shall be valued "in good faith" as below:</p> <p>a. Based on the latest available audited balance sheet, Net Worth shall be calculated as the lower of item (1) and (2) below:</p> <ol style="list-style-type: none"> 1. Net Worth per share = [Share Capital + Free Reserves (excluding revaluation reserves) - Miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses] / Number of Paid-up Shares. 2. After taking into account the outstanding warrants and options, Net Worth per share shall again be calculated and shall be = [Share Capital + consideration on exercise of Option and/or Warrants received/receivable by the Company + Free Reserves (excluding Revaluation Reserves) - Miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses] / Number of Paid up Shares plus Number of Shares that would be obtained on conversion and/or exercise of Outstanding Warrants and Options. 3. The lower of (1) and (2) above shall be used for calculation of Net Worth per share and for further calculation in (c) below. <p>b. Average capitalization rate (P/E ratio) for the industry based upon either BSE or NSE data (which shall be followed consistently and changes, if any, noted with proper justification thereof) shall be taken and discounted by 75 % i.e. only 25 % of the industry average P/E shall be taken as capitalization rate (P/E ratio). Earnings per share (EPS) of the latest annual audited accounts will be considered for this purpose.</p> <p>c. The value as per the Net Worth value per share and the capital earning value calculated as above shall be averaged and further</p>

	<p>discounted by 15 % for illiquidity so as to arrive at the fair value per share.</p> <p>The above valuation methodology shall be subject to the following conditions:</p> <ol style="list-style-type: none"> a. All calculations shall be based on audited accounts. b. If the latest Balance Sheet of the company is not available within nine months from the close of the year, unless the accounting year is changed, the shares of such companies shall be valued at zero. c. If the Net Worth of the company is negative, the share would be marked down to zero. d. In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalised earnings. e. In case an individual security accounts for more than 5 % of the total assets of the scheme, an independent valuer shall be appointed for the valuation of the said security. To determine if a security accounts for more than 5 % of the total assets of the scheme, it shall be valued in accordance with the procedure as mentioned above on the date of valuation. <p>At the discretion of the AMCs and with the approval of the Trustees, unlisted equity shares may be valued at a price lower than the value derived using the aforesaid methodology.</p>
<p>Equity and Equity related securities under lock in period / pending listing</p>	<p>These shall be valued based on the last quoted closing price of security after applying suitable discount for illiquidity except securities having up to 90 days lock-in period. The Valuation Committee shall decide on the illiquidity discount to be applied, on a case-to-case basis.</p>
<p>Valuation of partly paid-up equity shares</p>	<ol style="list-style-type: none"> a. If partly paid-up equity shares are traded separately, then they would be valued as per the valuation guidelines applicable to any other listed equity shares. If the partly paid-up equity shares are not traded, then the partly paid-up equity shares will be valued at the value of the underlying fully paid-up equity shares as reduced by the amount of balance call money payable. b. Valuation guidelines related to equity shares would be applicable for the valuation of underlying fully paid-up equity shares. c. In case the trade price of the partly paid-up equity shares was not available for last 30 days or in case of unlisted partly paid-up equity shares, it will be valued at the value of the underlying fully paid-up equity share as reduced by the amount of balance call money payable.

<p>Stock Split/ Face value change</p>	<p>In case of stock split, the face value of a stock is reduced and proportionately number of shares is increased. The valuation price will be derived on the basis of the last quoted closing price before the ex-date and adjusted in proportion of stock split, till the new stock split shares are listed and traded on a stock exchange. The cost of one share will be proportionately adjusted in line with stock split change, to derive the new cost of share. On stock split/face value change, in case the company specifies any regulations/ method for cost bifurcation or valuation the same will be adopted.</p>
<p>Preference Shares</p>	<p>If traded, then it would be valued as per the valuation guidelines applicable to equity shares.</p> <p>If not traded, then Intrinsic value will be considered. The non-convertible preference share will be valued at the present value of all the future expected dividend payments and the maturity value, discounted at the expected return on preference shares.</p> <p>Preference dividend to be accounted on receipt basis i.e. no daily accrual of preference dividend.</p> <p>The valuation committee will decide upon variables like expected future dividend, expected rate of return etc. on a case-to-case basis depending on the terms of issue of preference shares.</p> <p>Convertible Preference shares would be valued at the value of the equity share which would be obtained on conversion, further appropriate discount for illiquidity should be applied. The illiquidity percentage will be decided by the Valuation Committee on a case-to-case basis. Valuation guidelines related to equity shares would be applicable for the valuation of underlying equity shares.</p>
<p>Illiquid Securities</p>	<p>Illiquid securities shall be valued in good faith. Aggregate value of "illiquid securities" of scheme, which are defined as non-traded, thinly traded and unlisted equity shares, shall not exceed 15% of the total assets of the scheme and any illiquid securities held above 15% of the total assets shall be assigned zero value.</p>
<p>Valuation of Convertible Debentures and Bonds</p>	<p>In respect of convertible debentures and bonds, the non-convertible and convertible components shall be valued separately. The non-convertible component should be valued on the same basis as would be applicable to a debt instrument. The convertible component should be valued on the same basis as would be applicable to an equity instrument. If, after conversion, the resultant equity instrument would be traded pari passu with an existing instrument which is traded, the value of the latter instrument can be adopted after an appropriate discount of the non-tradability of the instrument during the period preceding the conversion while valuing</p>

	such instruments, the fact whether the conversion is optional should also be factored in.
Valuation of Non-Traded Equity Warrants	In respect of warrants to subscribe for shares attached to instruments, the warrants would be valued at the value of the share which would be obtained on exercise of the warrant as reduced by the amount which would be payable on exercise of the warrant. The value of the latter instrument can be adopted after an appropriate discount of the non-tradability of the instrument during the period preceding the conversion while valuing such instruments. If the warrants exercise price exceeds the underlying equity price, warrants would be valued at zero.
Valuation of “Rights” entitlement	<p>a) Until they are traded, the value of the “rights” entitlement would be calculated as:</p> $V_r = n/m \times (P_{ex} - P_{of})$ <p>where V_r = Value of rights n = no. of rights Offered m = no. of original shares held P_{ex} = Ex-Rights price P_{of} = Rights Offer price</p> <p>b) Ex-right price of underlying security will be considered separately for each valuation day</p> <p>c) In case if the rights offer price is higher than the ex-rights price, value of the rights share is to be taken as zero.</p> <p>d) Where the rights are not treated pari-passu with the existing shares, suitable adjustments would be made to the value of rights.</p> <p>e) Where it is decided not to subscribe for the rights but to renounce them and renunciations are being traded, the rights would be valued at the renunciation value.</p> <p>f) Where it is decided to subscribe the rights, the valuation of rights entitlement will be done as per the guidelines stated in clause (a) to (d) above.</p> <p>a) Valuation guidelines related to equity shares would be applicable from the date Rights are subscribed. From the date of subscription, Right forms will be converted in to underlying equity shares and thus there is no need to wait for actual allotment.</p> <p>b) On the expiry of the trading period and till the time of subscription, rights entitlement will be fairly valued.</p> <p>c)</p>
Foreign Securities (other than units of overseas mutual funds / unit trusts which are not listed), IDR:	American Depository Receipt / Global Depository Receipt and all overseas securities:

	<p>Foreign security shall be valued based on the last quoted closing price available on the overseas stock exchange, where the security is listed on multiple exchanges, price of the primary stock exchange in the respective jurisdiction would be considered for valuation.</p> <p>When a security is not traded on stock exchange on the date of valuation, then the previous closing price will be used for valuation, provided such closing price is not exceeding a period of 30 calendar days.</p> <p>However, in case of an extra ordinary event in other markets during the market hours or post the closure of the markets but before NAV computation, the AMC shall value the security at suitable fair value as determined by the Valuation Committee on a case-to-case basis. Further the valuation committee reserves right to suitably modify the defined priority or valuation methodology by documenting rationale for exception to the above defined policy.</p> <p>On valuation date, all assets and liabilities in foreign currency shall be valued in Indian Rupees at the reference rate available on FBIL.'s (Financial Benchmarks India Pvt Ltd) website as at the close of banking hours on the relevant business day in India. For securities / exposure where RBI / FBIL reference rate is not available, the valuation committee would approve the exchange rate to be used. In case the direct exchange rates are not available, then cross currency rate with USD would be considered. The valuation committee reserves the right to change the source for determining the exchange rate with appropriate rationale in case of exceptional scenarios.</p> <p>Where the security is not traded, on the date of valuation, on any of the exchanges the last quoted closing price on the selected / primary stock exchange shall be used provided such date is not more than thirty days prior to the valuation date. Securities not traded for more than thirty days shall be valued by AMC at fair value after considering relevant factors on case-to-case basis.</p> <p>On valuation date, all assets and liabilities in foreign currency shall be valued in Indian Rupees at the reference rate available on FBIL.'s (Financial Benchmarks India Pvt Ltd) website as at the close of banking hours on the relevant business day in India. For securities / exposure where RBI / FBIL reference rate is not available, the valuation committee would approve the exchange rate to be used. In case the direct exchange rates are not available, then cross currency rate with USD would be considered. The valuation committee reserves the right to change the source for determining the exchange rate with appropriate rationale in case of exceptional scenarios.</p>
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	<p>Indian Depository Receipt: Valuation of IDRs listed in the India Stock Exchange would follow the valuation norms adopted for the listed equity shares. In case the IDRs are classified as thinly traded / nontraded, the criteria, as laid above for listed Indian Equity shares shall be applied taking into consideration the relevant company's balance sheet.</p>
<p>Valuation of Derivative Products:</p>	<p>Futures and Options: Market values of traded open future/option contracts shall be determined with respect to the exchange on which it is contracted originally, i.e., a future/option contracted on the National Stock Exchange (NSE) would be valued at the Settlement price of future/option on the NSE.</p> <p>Interest Rate Futures: The exchange traded Interest Rate Futures would be valued based on the Daily settlement Price or any other derived price provided by the exchange</p> <p>OTC Derivatives: Valuation would be done at average of Price provided by valuation agencies. In absence of Price from valuation agencies, valuation shall be arrived at basis guidance from Investment Committee.</p>
<p>Merger, Demerger, Amalgamation and Scheme of Arrangement</p>	<p>On corporate action, above valuation guidelines may be difficult to adopt due to non-availability of the Balance Sheet of the restructured entities in public domain or the resultant securities come up for listing after few days while the valuation required to be carried out effective on the date of the corporate action itself. Besides, in such case there are generally no comparative parameters readily available for carrying out the valuation exercise. Following broad valuation guidelines would be used for the valuation of securities resulting from the corporate actions:</p> <p>De-Merger In case shares of both the companies (De-merged Company and Resulting Companies) are traded immediately on de-merger, both the shares would be valued at respective traded prices.</p> <p>In case there is only one Resulting Company along with the De-merged Company and such Resulting Company is unlisted / non-traded: - Traded shares of De-merged Company will be valued at traded price and the shares of Resulting Company will be valued by residual price methodology which would be the closing value of the shares of De-merged Company on the day before the de-merger less opening value of the shares of De-merged Company immediately post de-merger.</p>

	<p>- If value of the shares of De-merged Company is equal or more than the value of pre-de- merger shares, then the shares of Resulting Company will be valued at Zero.</p> <p>In case there are more than one Resulting Companies along with the De-merged Company and all or some Resulting Companies are unlisted / non-traded:</p> <ul style="list-style-type: none"> - The shares of Resulting Companies will be valued by residual price methodology as explained in point (ii) above. - The residual value will be allocated into Resulting Companies in the ratio provided as a part of scheme of arrangement or such other ratio as decided by the Valuation Committee. - If one of the Resulting Companies is listed / traded, the residual value of unlisted / non-traded Resulting Companies would be further determined by reducing the traded value of listed Resulting Companies from the residual value computed as above. <p>In case shares of both the companies (De-merged Company and Resulting Companies) are not traded on de- merger:</p> <ul style="list-style-type: none"> - The traded value of the De-merged Company on the day before the de-merger will be allocated between De- merged Company and Resulting Companies in the ratio provided as part of scheme of arrangement or such other ratio as decided by the Valuation Committee. <p>Cost allocation would be done proportionate to the derived value of the resultant scrips or other appropriate basis to be decided on case-to-case basis depending on the terms of de- merger.</p> <p>The Valuation Committee may, in specific cases, decide to use a different method for valuation by assigning reasons, therefore.</p> <p>Merger In case of merger, if the shares of the merged entity are not listed / traded, then valuation of the merged entity will be decided on case-to-case basis depending on the terms of merger and may be valued at previous day closing price of the respective companies prior to merger.</p>
<p>IPO (post allotment, awaiting listing)</p>	<p>Securities will be classified as “to be listed / awaiting listing” and will be valued at allotment price.</p>
<p>Qualified Institutional Placement (QIP)</p>	<p>The equity shares allotted through QIP process, having no lock-in period, should be considered on the same lines as the existing listed equity shares and hence should be valued at the market/traded price of the existing listed equity shares.</p> <p>Further an appropriate discount for illiquidity should be applied for equity shares allotted through QIP process having a lock-in period of one year. The illiquidity percentage will be decided by the Valuation committee on a case-to-case basis.</p>

Inter-scheme transfers (IST):

With respect to Inter-scheme transfers:

Inter-scheme Transfers of Equity and Equity Related Instruments: Any Inter-scheme transfer of Equity and Equity related instruments shall be valued at the prevailing spot market price for the quoted instrument at the time the transfer is affected.

Inter-scheme transfer of all debt and money market securities would be done as per the Price provided by valuation agencies for the said purpose.

If Prices from both the valuation agencies are received within the pre-agreed turnaround time (TAT) plus an additional grace time of 30 minutes, an average of the prices so received shall be used for IST.

If Prices from only one valuation agency are received within the agreed TAT plus an additional grace time of 30 minutes, then that Price will be used for IST. In case prices from any of the valuation agencies are received beyond the additional grace time of 30 minutes and are adopted for IST trade, then the same shall be approved by Investment Committee.

For securities where price is not provided by valuation agencies, the below mentioned approach would be adopted.

For Fixed Income Securities (excluding Government Securities, Treasury Bills, Cash Management Bills, State Development Loans, Ujwal DISCOM Assurance Yojana (UDAY) Bond, etc)

Inter-scheme will be done at the weighted average YTM of all trades for same or similar security on a public platform with minimum traded lot of INR 25 crores of face value at the time of inter-scheme.

If there are eligible trades in the same security, the weighted average YTM of these will be considered. If there are no eligible trades in the same security, then weighted average YTM of similar securities will be considered.

Note: Outlier trades, if any, should be ignored after suitable justification by Valuation Committee.

In case no data point is available for a security, in accordance with above principles: Inter-Scheme valuation will be at previously valued YTM. For Government Securities, Treasury Bills, Cash Management Bills, State Development Loans, Ujwal DISCOM Assurance Yojana (UDAY) Bond, etc.

Inter-scheme done would be at the last traded YTM on NDS-OM at the time of inter-scheme. In case of no trade on NDS-OM at the time of inter-scheme, previous day's YTM will be considered.

Investment in debt or money market securities below investment grade

Treatment and disposal of illiquid securities or securities classified as default at the time of maturity/closure of schemes

In case of close-ended schemes, some of the investments made by Mutual Funds may become default at the time of maturity of schemes. Further, at the time of winding up of a scheme, some of the investments made by Mutual Funds may become default or illiquid. In due course of time i.e. after the maturity or winding up of the schemes, such investments may be realised by the Mutual Funds. It is advised to distribute such amount, if it is substantial, to the concerned investors. In case the amount is not substantial, it may be used for the purpose of investor education. The decision as to the determination of substantial amount shall be taken by the Trustees of Mutual Funds after considering the relevant factors including number of investors, amount recovered, cost of transferring funds to investors, among others.

Assets	Methodology
Short term deposits	Investments in short-term deposits with banks (pending deployment) shall be valued on cost plus accrual basis.
Valuation of TREPS and Repurchase (Repos) (including corporate bond repos)	<p>Investment in TREPS or REPURCHASE (REPOS) except for overnight transactions shall be valued at average of security level prices obtained from valuation agencies appointed by AMFI. In case security level prices given by valuation agencies are not available for a new TREPS or REPOS (which is currently not held by any Mutual Fund), then such may be valued at purchase yield on the date of purchase.</p> <p>For overnight investments in TREPS or REPURCHASE (REPOS) shall Valued at cost plus accrual basis on the date of allotment/purchase.</p> <p>Note: All securities taken under Repurchase (Repos) will not be considered for valuation. Only the interest on Repurchase (Repos) would be considered for NAV calculation.</p>
Mutual Fund Units (Indian)	<p>As per guidelines issued by AMFI, Mutual Fund Units (including ETF's) listed and traded on exchanges would be valued at the last quoted closing price on the National Stock Exchange (NSE)/ Bombay Stock Exchange (BSE) or other stock exchange, where such security is listed. If not traded on the primary stock exchange, the closing price on the other stock exchange will be considered. NSE will be the primary stock exchange.</p> <p>Unlisted Mutual Fund Units and listed but not traded Mutual Fund Units (including ETF's) would be valued at the NAV as on the valuation day In case if on any valuation day the domestic mutual fund is having a non-business day then previous day closing price / NAV would be considered for valuation.</p>
Valuation of Exchange Traded Fund (ETF) Units	ETF Units would be valued at the closing traded price on the National Stock Exchange (NSE)/ Bombay Stock Exchange (BSE) on the valuation day depending on the underlying benchmark of the scheme. If not traded on the primary stock exchange (NSE), the closing price on the other stock exchange will be considered.
Securities not covered under the current valuation policy	In case of securities purchased by mutual funds do not fall within the current framework of the valuation of securities then such mutual fund shall report immediately to AMFI regarding the same. Further, at the time of investment AMCs shall ensure that the total exposure in such securities does not exceed 5% of the total AUM of the scheme.

<p>Valuation of debt and money market instruments other than government securities</p>	<p><u>Classification of Debt and Money market Instruments:</u> Debt instruments are Coupon bearing securities like Non-Convertible Debentures (NCD), Bonds, Zero Coupon Bonds (ZCB) which has maturity more than year, Pass Through Certificate (PTC) / Discounted Securitized Debt etc. Money market Instruments having residual maturity up to 1 year and discounted / amortized income securities like Zero Coupon Bonds (ZCB), Commercial Papers (CP), Certificate of Deposits (CD), Bills Purchased under Rediscounting Scheme (BRDS), Discounted Securitized Debt / Pass Through Certificate (PTC) etc.</p> <p><u>Valuation of Debt and Money market Instruments and Bill Rediscounting</u> At average of the security level prices provided by valuation agencies. In case security level prices are not given by valuation agencies, then such securities will be valued at weighted average purchase yield on the date of allotment / purchase.</p> <p><u>Valuation of securities with put / call options</u> <u>Securities with both Put and Call option on the same day</u> Would be valued as per security level prices provided by the valuation agencies for the said purpose.</p>
<p>Valuation of Government Securities and Treasury Bills</p>	<p>Irrespective of the residual maturity, Government Securities and Treasury Bills shall be valued on the basis of security level prices obtained from valuation agencies.</p>
<p>Money Market & debt securities which are rated below investment grade</p>	<p>All money market and debt securities which are rated below investment grade shall be valued at the average of the security level price provided by valuation agencies.</p> <p>Till such time the valuation agencies compute the valuation of money market and debt securities classified as below investment grade, such Securities shall be valued by the valuation agencies on the basis of indicative haircuts.</p> <p>If security is traded, it will be valued at lower of weighted average traded price available on public platform or average of the security level price provided by valuation agencies. The traded qualification criteria shall be as determined by valuation agencies. In the absence of the information on the traded qualification criteria from the valuation agencies, the qualification criteria shall be as determined by the Investment Committee.</p> <p>In absence of the above information the valuation shall be arrived at basis guidance from Investment Committee.</p> <p>In case of any deviation from the valuation price for money market and debt securities rated below investment grade provided by the valuation agencies, AMC shall follow the procedure as mentioned in SEBI Circular No SEBI/HO/IMD/DF4/CIR/P/2019/41 dated March 22, 2019 and SEBI Circular No SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019</p>
<p><u>Valuation of securities with Put / Call Options:</u></p>	<p>Securities with Put/Call Options – Would be valued as per security level prices provided by the valuation agencies for the said purpose.</p>

Interest Rate Swaps (IRS)	Valuation would be done at average of Price provided by valuation agencies. In absence of Price from valuation agencies, valuation shall be arrived at basis guidance from Investment Committee.
Bills purchased under rediscounted	Bills purchased under rediscount shall be valued at cost plus accrual method (amortization method).
Gold Investments	<p>The gold held by a gold exchange traded fund scheme shall be valued at the AM fixing price of London Bullion Market Association (LBMA) in US dollars per troy ounce for gold having a fineness of 995.0 parts per thousand, subject to the following:</p> <p>(a) adjustment for conversion to metric measures as per standard conversion rates;</p> <p>(b) adjustment for conversion of US dollars into Indian rupees as per the RBI reference rate declared by the Foreign Exchange Dealers Association of India (FEDAI); and</p> <p>(c) Addition of-</p> <p>(i) transportation and other charges that may be normally incurred in bringing such gold from London to the place where it is actually stored on behalf of the mutual fund; and</p> <p>(ii) notional customs duty and other applicable taxes and levies that may normally be incurred to bring the gold from London to the place where it is actually stored on behalf of the mutual fund;</p> <p>Provided that the adjustment under clause (c) above may be made on the basis of a notional premium that is usually charged for delivery of gold to the place where it is stored on behalf of the mutual fund;</p> <p>Provided further that where the gold held by a gold exchange traded fund scheme has a greater fineness, the relevant LBMA prices of AM fixing shall be taken as the reference price under this sub-paragraph.</p> <p>If the gold acquired by the gold exchange traded fund scheme is not in the form of standard bars, it shall be assayed and converted into standard bars which comply with the good delivery norms of the LBMA and thereafter valued in terms of sub-paragraph (1). "If on any day the LBMA AM fixing or RBI reference rate is not available due to holiday, then the immediately previous day's prices are applied for the purpose of calculating the value of gold.</p> <p>GST will not be included for valuation of Gold as the Scheme will be eligible for input credit of GST paid on purchase of Gold.</p> <p>MCX spot price would be considered for determining a suitable notional premium to arrive at the fair valuation reflecting the domestic prices of Gold. Instances where MCX spot price is lower than the price as determined above, a suitable notional discount would be applied. If on any day MCX spot price is not available, any other appropriate source may be used as agreed upon by the Valuation Committee.</p>

	<p>If on any day, LBMA price is not available due to holiday, the last published LBMA price will be considered for valuation by applying last available RBI reference rate.</p>
Valuation of Gold Monetisation Schemes	<p>Principal investment in Gold Monetisation Schemes (G M S) will be valued at the price of physical gold, while interest income will be valued on accrual basis.</p>
Valuation of Silver Investments	<p>The silver held by a scheme shall be valued at the AM fixing price of London Bullion Market Association (LBMA) in US dollars per troy ounce for silver having a fineness of 999.0 parts per thousand, subject to the following:</p> <p>(a) adjustment for conversion to metric measures as per standard conversion rates;</p> <p>(b) adjustment for conversion of US dollars into Indian rupees as per the RBI reference rate declared by the Foreign Exchange Dealers Association of India (FEDAI); and</p> <p>(c) addition of-</p> <p>(i) transportation and other charges that may be normally incurred in bringing such silver from London to the place where it is actually stored on behalf of the mutual fund; and</p> <p>(ii) notional customs duty and other applicable taxes and levies that may be normally incurred to bring the silver from London to the place where it is actually stored on behalf of the mutual fund:</p> <p>Provided that the adjustment under clause (c) above may be made on the basis of a notional premium that is usually charged for delivery of silver to the place where it is stored on behalf of the mutual fund:</p> <p>Provided further that where the silver held by a scheme has a greater fineness, the relevant LBMA prices of AM fixing shall be taken as the reference price under this sub-paragraph.</p> <p>If the Silver acquired by the scheme is not in the form of standard bars, it shall be assayed and converted into standard bars which comply with the good delivery norms of the LBMA and thereafter valued in terms of methodology mentioned above.</p> <p>If on any day the LBMA AM fixing or RBI reference rate is not available due to holiday, then the immediately previous day's prices are applied for the purpose of calculating the value of silver.</p> <p>GST will not be included for valuation of Silver as the Scheme will be eligible for input credit of GST paid on purchase of Silver.</p> <p>MCX spot price would be considered for determining a suitable notional premium to arrive at the fair valuation reflecting the domestic prices of Silver. Instances where MCX spot price is lower than the price as determined above, a suitable notional discount would be applied. If on any</p>

	<p>day MCX spot price is not available, any other appropriate source may be used as agreed upon by the Valuation Committee.</p> <p>If on any day, LBMA price is not available due to holiday, the last published LBMA price will be considered for valuation by applying last available RBI reference rate.</p>
Valuation of Investment In Corporate Debt Market Development Fund (CDMDF):	Units of Corporate Debt Market Development Fund would be valued at Net Asset Value (NAV) as on the valuation date.

Waterfall Mechanism for valuation of money market and debt securities

SEBI, vide its circular no: SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019, prescribed that for arriving at security level pricing, a waterfall approach shall be followed for the valuation of money market and debt securities. In pursuance of the said circular, AMFI has prescribed the following guidelines vide its AMFI Best Practices Guidelines Circular No. 135/BP/83/2019-20 dated November 18, 2019 on valuation approach for traded & non-traded money market and debt securities:

As per SEBI guidelines on valuation of money market and debt securities, a waterfall approach shall be followed by the valuation agencies for arriving at security level pricing.

AMFI, in consultation with SEBI, has issued detailed guidelines on waterfall approach for valuation of money market and debt securities. The broad principles of the said waterfall approach, for arriving at the security level prices are as follows:

- i All traded securities shall be valued on the basis of traded yields, subject to identification of outlier trades by the valuation agencies.
- ii Volume Weighted Average Yield (VWAY) for trades in the last one hour of trading shall be used as the basis for valuation of Government Securities (including T-bills). Valuation of all other money market and debt securities (including Government securities not traded in last one hour) shall be done on the basis of VWAY of all trades during the day.
- iii In case of any exceptional events on a day, only VWAY of trades post such event may be considered for valuation. Further, all exceptional events along with valuation carried out on such dates shall be documented with adequate justification. The following events would be considered as exceptional events:
 - a. Monetary / Credit Policy
 - b. Union Budget
 - c. Government Borrowing / Auction Day
 - d. Material Statements on Sovereign Rating
 - e. Issuer or Sector Specific events which have a material impact on yields
 - f. Central Government Election Days
 - g. Quarter end days
 - h. In addition to the above, valuation agencies may determine any other event as an exceptional event.
- iv. All trades on stock exchanges and trades reported on trade reporting platforms till end of the trade reporting time (Excluding Inter-scheme transfers), should be considered for valuation on that day.
- v. Considering the importance of polling in valuation process, detailed guidelines has also been issued by AMFI on polling by valuation agencies and on the responsibilities of Mutual Funds in polling process, as part of the aforesaid waterfall approach.

Polling Process for Money Market and Debt Securities:

Responsibilities of Mutual Funds in the polling process, as part of the waterfall approach for valuation of money market and debt securities:

- Valuation agencies shall identify the Mutual Funds who shall participate in the polling process on a particular day, taking into account factors such as diversification of poll submitters and portfolio holding of the Mutual Funds. Mutual Funds who are identified by the valuation agencies shall necessarily participate in the polling process. However, in case any Mutual Fund does not participate in the polling process, detailed reason for the same shall be recorded at the time and subsequently made available during SEBI inspections. In this respect, since a Mutual Fund may have investments in similar securities, a security not forming part of investment universe may not be considered as an adequate reason for not participating in the polling process.
- Polling will be carried out by the valuation agencies on a daily basis and in terms of the aforesaid AMFI guidelines on polling process
- Best efforts should be made by poll submitters to provide fair valuation of a security.
- The polling process will be revalidated by external audit of the valuation agencies with at least an annual frequency
- AMCs shall have a written policy, approved by the Board of AMC and Trustees, on governance of the polling process. The aforesaid policy shall include measures for mitigation of potential conflicts of interest in the polling process and shall identify senior officials, with requisite knowledge and expertise, who shall be responsible for polling. Further, the policy should outline the following aspects:
 - a. The process of participating in a polling exercise.
 - b. Identify the roles and responsibilities of persons participating in the polling.
 - c. Include policies and procedures for arriving at the poll submission
 - d. Cover the role of the Board of AMC and Trustees, and the periodic reporting that needs to be submitted to them.
 - e. All polling should be preferably over email. In case for any reason, the polling is done by way of a telephonic call then such a call should be over recorded lines, followed subsequently by an email.
 - f. AMCs should have adequate business continuity arrangements for polling, with the necessary infrastructure / skill to ensure that consistent delivery of poll submissions is made without material interruption due to any failure, human or technical.
- All polling done will have to be documented and preserved in format approved by the Board of AMC, for a period of eight years, along-with details of the basis of polling (such as market transactions, market quotes, expert judgement etc.).
- AMCs shall ensure that participation in the polling process is not mis-used to inappropriately influence the valuation of securities. The officials of the AMC who are responsible for polling shall also be personally liable for any misuse of the polling process.
- AMCs shall maintain an audit trail for all polls submitted to valuation agencies.

Valuation and Disclosure of Upfront Fees:

In pursuance of para 10.1 of the SEBI circular no. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019 on Valuation of money market and debt securities, AMFI, vide its AMFI Best Practices Guidelines Circular No. 135/BP/83/2019-20 dated November 18, 2019, has issued the following guidelines for valuation of any upfront fee (or any other consideration, by whatever name called) received in a Mutual Fund scheme:

- Upfront fees on all trades (including primary market trades), by whatever name and manner called, would be considered by the valuation agencies for the purpose of valuation of the security.
- Details of such upfront fees should be shared by the AMCs on the trade date to the valuation agencies as part of the trade reporting to enable them to arrive at the fair valuation for that date.
- For the purpose of accounting, such upfront fees should be reduced from the cost of the investment in the scheme that made the investment.
- In case upfront fees are received across multiple schemes, then such upfront fees should be shared on a pro-rata basis across such schemes.

Review of Investment Valuation Policy

Investment Valuation Policy shall be reviewed by the Board of AMC and Trustees on a periodic basis (at least annually) or as deemed appropriate or as required.