



# Invesco Mutual Fund

## Eighteenth Amendment to Investment Valuation Policy & Procedure (“Valuation Policy”) of Invesco Mutual Fund.

The Valuation Policy of Invesco Mutual Fund is amended to incorporate the following changes effective from **October 10, 2024**

I. Provisions for approval of **Illiquidity discount** by Valuation Committee is added under para 5A in the Valuation Policy.

### **5A Approval of Illiquidity discount:**

Consistent with the spirit of regulations and in keeping with the requirements to ensure ‘fair valuation’, Fund Managers may propose illiquidity discount over & above the value arrived as per valuation method given in the Valuation Policy and such illiquidity discount will be subject to prior approval of Valuation Committee. Approval from Valuation Committee can be obtained over email.

II. Under **Point No 9 - Periodic Review** of Valuation Policy, the revised composition of **Valuation Committee is added:**

The Valuation Committee of the AMC is **reconstituted as follows:**

1. Chief Executive Officer or such other person of equivalent or analogous rank / designation.
2. Chief Investment Officer or such other person of equivalent or analogous rank / designation.
3. Head - Fixed Income or such other person of equivalent or analogous rank / designation.
4. Head - Equities or such other person of equivalent or analogous rank or designation.
5. Head - Compliance / Chief Compliance Officer
6. Senior executive from investment operations department responsible for supervising fund accounting and implementing valuations.\*

\*Currently EVP Operations

III. In Annexure I of the Valuation Policy, the following changes / amendments are carried out:

Sr #	Reference / Para No. of Annexure I of the Valuation Policy	Existing Provisions	Revised / Amended Provisions
1.	<b>Para A.2 - Non-traded / Thinly traded Equity and Equity Related Securities (Including Redeemable Preference shares and Cumulative Convertible Preference Share (CCPS), Partly Paid-up Equity Shares &amp; Warrants)</b>	Nil	<b><u>Valuation of Illiquid Securities:</u></b> Aggregate value of “illiquid securities” under a scheme, which are defined as non-traded, thinly traded and unlisted equity shares, shall not exceed 15 per cent of the total assets of the scheme and any illiquid securities held above 15 per cent of the total assets shall be assigned zero value.
2.	<b>Para A.3 - Unlisted shares / preference shares/ warrants (excluding instruments issued by listed Companies and due for listing and primary market issue)</b>	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.	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. <b>Further, consistent with the spirit of regulations and in keeping with the requirements to ensure ‘fair valuation of unlisted equity shares’, suitable illiquidity discount over &amp; above the illiquidity discount mandated in SEBI circular will be applied, with prior approval of Trustees.</b>

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3.	Heading of Para A.6 - ADR / GDR / Offshore Securities	ADR / GDR / Offshore Securities	ADR / GDR / Offshore Securities [excluding Valuation of Units of Overseas Mutual Fund and Units of Overseas Exchange Trade Fund (ETF)]
4.	<b>Para B.i.1 - For securities excluding, Government Securities / State Government Securities (SDL) / T Bills/ Cash Management Bills / AT-1 &amp; Tier II bonds issued under the Basel III framework</b>	* Money market and Debt securities would also include <ul style="list-style-type: none"> <li>Bills purchased under rediscounting scheme (Bill rediscounting/ BRDS)</li> <li>Floating rate securities</li> </ul>	* Money market and Debt securities would also include <ul style="list-style-type: none"> <li>Bills purchased under rediscounting scheme (Bill rediscounting/ BRDS)</li> <li>Floating rate securities</li> <li>Securitization / Pass through certificates</li> </ul>
5.	<b>Para B.i.3 - Valuation of securities with put/call options</b>	Nil	In respect of valuation of securities with multiple put options present ab-initio wherein put option is factored into valuation of the security by the valuation agency, If the put option is not exercised by a Mutual Fund, while exercising the put option would have been in favour of the scheme; <ol style="list-style-type: none"> <li>A justification for not exercising the put option shall be provided by the Mutual Fund to the Valuation Agencies, Board of AMC and Trustees on or before the last date of the notice period.</li> <li>The Valuation Agencies shall not take into account the remaining put options for the purpose of valuation of the security.</li> </ol> <p>The put option shall be considered as ‘in favour of the scheme’ if the yield of the valuation price ignoring the put option under evaluation is more than the contractual yield/coupon rate by 30 basis points.</p>
6.	<b>Para B.i.7 - AT-1 and Tier II issued under Basel III framework</b>	AT-1 / Tier II bonds will be valued at average of the security level prices provided by Valuation Agencies. For arriving at security level pricing, waterfall approach to be followed by Valuation agencies is annexed as Annexure III.	AT-1 / Tier II bonds will be valued at average of the security level prices provided by Valuation Agencies. For arriving at security level pricing, waterfall approach to be followed by Valuation agencies is annexed as Annexure III. <b>As per latest SEBI circular dated August 05, 2024, valuation of AT-1 bonds by Mutual Funds shall be based on Yield to Call (YTC).</b>
7.	<b>Para B.ii. - Valuation of Money Market and Debt Securities rated below investment grade</b>	In case of trades during the interim period between date of credit event and receipt of valuation price from Valuation Agencies, the AMC shall consider such traded price for valuation if it is lower than the price post standard haircut. The said traded price shall be considered for valuation till the valuation price is determined by the Valuation Agencies <p>In case of trades after the valuation price is computed by the Valuation Agencies as referred above and where the traded price is lower than</p>	In case of trades during the interim period between date of credit event and receipt of valuation price from Valuation Agencies, the AMC shall consider such traded price for valuation if it is lower than the price post standard haircut. The said traded price shall be considered for valuation till the valuation price is determined by the Valuation Agencies <p>In case of trades after the valuation price is computed by the Valuation Agencies as referred above and where the traded price is lower than</p>

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		such computed price, such traded price shall be considered for the purpose of valuation and the valuation price may be revised accordingly.	such computed price, such traded price shall be considered for the purpose of valuation and the valuation price may be revised accordingly.  The trades referred above shall be of a minimum size as determined by valuation agencies.
8.	Heading of Para C.2 - Valuation of Mutual Fund Unit (MFU)/ Valuation of Exchange Traded Fund (ETF)	Valuation of Mutual Fund Unit (MFU)/ Valuation of Exchange Traded Fund (ETF)	Valuation of Domestic Mutual Fund Unit (MFU)/ <del>Valuation of</del> Exchange Traded Fund (ETF)
9.	Para D. Conversion of prices in foreign currency to Indian Rupees ('INR'):	Reuters	Refinitiv

IV. The following new provisions are added in Annexure I of the Valuation Policy

Sr #	Reference / Para No. of Annexure I	Existing Provisions	Newly added Provision
1.	Para B.i.8 - Partly Paid Debentures	Nil	<p>As Per AMFI Best practice guidelines dated July 26, 2024 following are the guidelines on Investment in Partly Paid debentures:</p> <ol style="list-style-type: none"> <li>Mutual Fund schemes shall make investment in partly paid debentures only when payment of the remaining amount is linked to clear, pre-defined events (i.e. is subject to conditions precedent). For avoidance of doubt any event which is purely time based shall not be considered as a pre-defined events. Such conditions precedent should be clearly outlined in the Agreement for subscription of the debentures / Offer Document for the issue, as the case may be. Conditions precedent mean the clearly defined obligations / events that need to be fulfilled before calling upon the investor to make payment for the remaining portion of the subscription. Such obligations/ events, to name a few, could include achievement of certain milestones linked with the object for which the debentures were issued or linked to the enhancement of credit rating of the Issuer or linked to other financial or operating parameters of the Issuer or linked to the happening of an event. AMC's shall not resort to the practice of investing in partly paid debentures without any condition precedent.</li> <li>There should not be any linkages across schemes while investing in partly paid debentures. For example: if the agreement for partly paid debentures also envisages investment in any other type of instrument such as a commercial paper then the AMC should ensure that subscription to the residual part of the issue/ the investment in the other instrument is made by the scheme which made the original investment in partly paid debentures.</li> <li>While investing in partly paid debentures, AMC's shall ensure that interest of one set of unitholders/ schemes is not compromised at the cost of another.</li> <li>All regulatory limits have to be complied with at the time of each such part payment.</li> <li>In order to avoid a situation where a MF scheme is unable to honor future part payments, AMC's should avoid excessive concentration in partly paid debentures.</li> <li>Any investment in partly paid debentures has to be disclosed in the monthly portfolio disclosures of the scheme. This should include, inter-alia, the amount that has been contracted but not yet paid by the scheme, the dates of such future pay-ins, triggers for future pay-ins as well as any other detail that in the fund house's view may be of material interest to its investors.</li> <li>Investment in Partly Paid Debenture is subject to a cap on maximum investment of Mutual Fund Scheme at 5% of the AUM of the scheme. However, once the Partly Paid Debentures are fully paid up, the cap on maximum investment of Mutual Fund Scheme at 5% of the AUM of the scheme will not apply.</li> <li><b><u>Methodology for valuation of partly paid debentures</u></b></li> </ol> <p><b>(a) Price calculation:</b></p>

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			<p>Cash flows are plotted using the details provided in the term sheet. The same is then discounted using YTM derived for that particular ISIN. Prices are sent on face value of Rs 100 (when fully paid), and as per actual paid up value as per valuation date. Cash flows are plotted till actual maturity or deemed maturity (explicit put call option on same date and same value). Two types of securities were available:</p> <p>a. Pay-in dates and pay-in values are clearly defined – In such case future pay-ins are plotted as per details available in term sheet. (Mutual Funds cannot buy these PPDs as per the AMFI Best Practices Guidelines circular no. 83 dt. 18-Nov-2019 which is clarified in point no 1 as AMCs shall not resort to the practice of investing in partly paid debentures without any condition precedent.)</p> <p>b. Pay in dates and pay in values are not clearly defined or are linked to occurrence of some event or is optional linked to on demand from issuer/investor for making such pay-ins – In such case, since pay-in dates/pay-in values can't be estimated, such future pay-ins are factored on actual basis on receipt of information.</p> <p><b>(b) Yield Calculation:</b> Yields for the ISIN are derived on a daily basis using the standard waterfall approach prescribed for corporate bonds. Definitions of similar maturity, similar issuer, outlier security remains same as other normal securities.</p>
2.	<b>C.7 - Valuation of Silver</b>	Nil	<p>The silver held by a silver 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 silver having a fineness of 999.0 parts per thousand, subject to the following:</p> <p>a) adjustment for conversion to metric measure 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 silver 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>Valuation process flow shall be as follows:</p> <p>a) LBMA Silver Fixing: - As per SEBI Guidelines Silver shall be valued at AM fixing price for the day available on the LBMA site.</p> <p>b) Premium / Discount may be reviewed and applied by the fund manager on an ongoing basis to ensure valuation of Silver reflects the fair value in comparison with MCX spot price which reflects domestic price. In case MCX spot price is not available, any other appropriate source may be used as agreed upon by valuation committee to determine the domestic price.</p> <p>c) LBMA Silver price is quoted for USD/Oz for 999 fineness. For conversion of Troy Ounces to Kilogram, the applicable conversion factor of Troy ounces per kilogram shall be used for 999 purity.</p> <p>d) To convert USD into INR, it has to be multiplied by INR reference rate as provided by Financial Benchmarks India Pvt. Ltd. (FBIL)/any other similar agency.</p>

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			e) Custom duty shall be fixed on per Kg basis. f) GST shall be excluded from the Valuation.  If on any day, the LBMA AM fixing or reference rate issued by Financial Benchmarks India Ltd (FBIL) is not available due to a holiday, then the previous day's price is applied for the purpose of calculating the value of silver.
3.	<b>C.8 - Valuation of securities not covered under the current valuation policy</b>	Nil	1. In case of securities purchased by the mutual fund do not fall within the current framework of the valuation of securities then the mutual fund shall report immediately to AMFI regarding the same. Further, at the time of investment AMC shall ensure that the total exposure in such securities does not exceed 5% of the total AUM of the scheme. 2. AMFI has been advised that the valuation agencies should ensure that the valuation of such securities gets covered in the valuation framework within six weeks from the date of receipt of such intimation from mutual fund. 3. In the interim period, till AMFI makes provisions to cover such securities in the valuation of securities framework, the AMC shall value such securities using their proprietary model which has been approved by their independent trustees and the statutory auditors.
4	<b>C.9 - Changes in Terms of Investment</b>	Nil	While making any change to terms of an investment, AMC shall adhere to the following conditions: 1. Any changes to the terms of investment, including extension in the maturity of a money market or debt security, shall be reported to valuation agencies and SEBI registered Credit Rating Agencies (CRAs) immediately, along-with reasons for such changes. 2. Any extension in the maturity of a money market or debt security shall result in the security being treated as "Default", for the purpose of valuation. 3. If the maturity date of a money market or debt security is shortened and then subsequently extended, the security shall be treated as "Default" for the purpose of valuation. 4. Any put option inserted subsequent to the issuance of the security shall not be considered for the purpose of valuation and original terms of the issue will be considered for valuation.
5	<b>C.10 - Treatment of Upfront Fees on Trades</b>	Nil	As Per AMFI Best practice guidelines dated November 18, 2019 following are the guidelines on Upfront Fees on Trades: 1. 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 security. 2. Details of such upfront fees should be shared by the AMC 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. 3. For the purpose of accounting, such upfront fees should be reduced from the cost of the investment in the scheme that made the investment. 4. In case upfront fees are received across multiple schemes, then such upfront fees should be shared on a pro-rata basis across such schemes.

Apart from changes mentioned above, the references of SEBI circulars which have now been rescinded after the issuance of SEBI master circular dated June 27, 2024 have also been suitably modified in Valuation Policy by adding the references of SEBI Master Circular.