Invesco Mutual Fund

INVESTMENT VALUATION POLICY & PROCEDURE

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1. Introduction:

The Securities and Exchange Board of India (SEBI) has outlined investment valuation norms and accounting policies under SEBI (Mutual Funds) Regulations, 1996 (‘**MF Regulations**’) as amended from time to time. The Investment Valuation Norms are prescribed in the Eighth Schedule of the regulations and circulars / guidelines issued by SEBI from time to time. Regulation 25(19) of MF Regulations mandate that AMC shall compute and carry out valuation of investments of its mutual fund schemes in accordance with the investment valuation norms specified in Eighth Schedule of MF Regulations.

SEBI vide its Gazette Notification No. LAD-NRO/GN/2011-12/38/4290 dated February 21, 2012 has introduced overarching ‘**Principles of Fair Valuation**’ in Eighth Schedule of the MF Regulations by amending Investment Valuation norms. SEBI has directed that a Mutual Fund should value its investments in good faith and true and fair manner so as to reflect realizable value of the securities / assets and 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. In the event of conflict of interest between the principles of fair valuation and valuation guidelines prescribed by SEBI, the principles of fair valuation shall prevail.

Further, AMFI has issued best practice circular no.135/BP/29/2012-13 dated May 15, 2012 on valuation methodology for valuing Debt and Money Market instruments thereby providing guiding principle for valuation.

Accordingly, Invesco Asset Management (India) Private Limited (**“AMC”**) has framed a policy on valuation of securities and assets held by Invesco Mutual Fund to ensure fair valuation of all securities and assets as prescribed in **Annexure I** hereunder.

2. Objectives:

The objective of the Valuation Policy and Procedure (**“Policy”**) adopted by the AMC on valuation of securities and assets held by Invesco Mutual Fund is to:

- prescribe the methodology and the manner in which securities and assets held by the schemes of Invesco Mutual Fund should be valued;
- ensure that securities / assets are valued accurately and consistently as per approved methodology;

- ensure appropriateness and accuracy of methodologies used in valuing securities / assets of the schemes and their effective implementation;
- lay down the process to deal with exceptional circumstances / events;
- address the instances of conflict of interest, if any;
- set a process to detect and prevent incorrect valuation;
- ensure transparency through appropriate disclosures.

Thus, the primary objective is to value investments in a manner so as to reflect realizable value of the securities / assets and to ensure fair treatment to all investors including existing investors as well as investors seeking to purchase or redeem units of Invesco Mutual Fund in all schemes.

3. Valuation Methodologies:

i. Detailed methodologies for valuing each and every type of securities and assets held by the various schemes of Invesco Mutual Fund are prescribed in **Annexure I** hereunder.

ii. Investment in new type of security/asset shall be made only after establishment of the valuation methodology for such security/asset with the approval of the Board of the AMC.

4. Exceptional Events:

Following are the illustrative types of events which could be classified as exceptional events where current market information may not be available / reliable / sufficient for valuation of securities and assets held by schemes of Invesco Mutual Fund:

i. Major policy announcements by Reserve Bank of India, the Government or SEBI including the monetary policy, budget or other regulatory related events;

ii. Natural disasters or public disturbances that force the markets to close unexpectedly;

iii. Significant volatility in the capital / currency / debt markets;

iv. Liquidity stress in the system;

v. War;

vi. Valuation Agencies do not provide Valuation for Securities;

viii. Other external factors which may be defined by the Valuation Committee from time to time.

Considering the exceptional nature of events, it is not possible to cover all the potential exceptional events above and to define a standard methodology to be adopted for fair valuation of securities for such events. The Board of AMC and Trustee authorized the Valuation Committee to determine the exceptional events and the process to deal with the same, under guidance of Board of AMC and Trustee, wherever required / possible and get the same ratified subsequently.

5. Deviation from the Policy, if any:

AMC will strictly adhere to the valuation norms stated hereunder. However, the Valuation Committee is authorized to approve deviation from the policy, if any, only for the purpose of ensuring true, fair & correct valuation of referred security / asset. Such deviation shall be reported to the Board of AMC & Trustees with appropriate supporting and disclosed to Investors appropriately on the AMC's website (www.invescomutualfund.com) and / or any other means of communication as may be decided by the AMC.

6. Conflict of Interest:

In case any instance of conflict of interest arises, the same shall be referred to the Valuation Committee. The Valuation Committee shall review the same and address the issue of conflict of interest in such a manner so as to ensure fair treatment to all investors in the schemes of Invesco Mutual Fund and therein recommend changes, if any, in policy/methodology. The same shall be ratified by the Board of AMC & Trustees.

7. Record Maintenance:

The documentation of rationale for valuation including inter scheme transfers shall be maintained and preserved for a period as per regulation 50 of SEBI (Mutual Funds) Regulations, 1996 (i.e. currently eight years) to enable audit trail.

8. Detection & Prevention of Incorrect Valuation:

The Internal Auditor will review the valuation policy and process of valuation of securities in order to detect & prevent incorrect valuation periodically.

9. Periodic review:

- Valuation Policy shall be updated upon changes in the Regulations/ Practices and such changes shall be approved by the Valuation Committee.
- The policy shall be reviewed by the Valuation Committee and the Internal Auditor at

periodic intervals to ensure the appropriateness and accuracy of methodologies used and its effective implementation in valuing securities / assets. The valuation committee of the AMC is constituted of Chief Executive Officer, Head - Equity, Head - Fixed Income, Chief Operating Officer & Chief Financial Officer and Head - Compliance & Risk Management.

- The updated Valuation Policy shall be placed before the Board of AMC and Trustee on annual basis or such other intervals as maybe directed by the Boards.

- The Valuation Policy and Procedures shall be reviewed by the Statutory Auditors at least once in a financial year.

10. Disclosure:

The Valuation Policy shall be disclosed in Statement of Additional Information and shall also be uploaded on the website of AMC / Fund (www.invescomutualfund.com) to ensure transparency of valuation norms to be adopted by AMC.

Annexure I

VALUATION NORMS FOR SECURITIES / ASSETS

A. Equity and Equity Related Securities:

1	**Traded: Equity and Equity Related Securities (Including Redeemable Preference shares and Cumulative Convertible Preference Share (CCPS), Partly Paid-up Equity Shares, Rights & Warrants)**		Traded Securities will be valued at the last quoted closing price on the selected Stock Exchange. Where security is not traded on the selected stock exchange on a particular valuation date, the last quoted closing price on another Stock Exchange may be used. If a security is not traded on any stock exchange on a particular valuation day, the value at which it was traded on the selected stock exchange or any other stock exchange, as the case may be, on the earliest previous day may be used, provided such date is not more than thirty days prior to valuation date. In case preference share and CCPS are not traded for more than 30 days, the same shall be valued in good faith by AMC and appropriate illiquidity discount will be applied. The selected Stock exchange would be the National Stock Exchange of India Limited (NSE). If a security is not traded on NSE, the price on Bombay Stock Exchange (BSE) would be considered. Reasons for change of the stock exchange selected for valuation of security will be recorded in writing by AMC.
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 & Warrants)**		A security will be treated as non-traded if it is not traded on any selected stock exchange for a period of thirty days prior to the valuation date. Thinly traded equity/equity related security is defined as, when trading in an equity/equity related security (such as convertible debentures, equity warrants, etc.) in a month is both less than Rs. 5 lacs and the total volume is less than 50,000 shares. In order to determine whether a security is thinly traded or not, the volumes traded in all recognized stock exchange in India may be taken into account. (SEBI Circular Ref. No. MFD/CIR/14 /088 / 2001 dated March 28, 2001) Non-traded / Thinly traded securities shall be valued in 'good faith' on the basis of appropriate valuation based on principles of fair valuation.

			As per SEBI Circular MFD/CIR/ 8 / 92 / 2000 dated September 18, 2000 non-traded / thinly traded equity is to be valued as follows: a) Based on the latest available Balance Sheet, net worth shall be calculated as follows: b) Net Worth per share = [share capital + reserves (excluding revaluation reserves) – Misc. expenditure and Debit Balance in P&L A/c] Divided by No. of Paid up Shares. c) Average capitalization rate (P/E ratio) for the industry based upon either BSE or NSE data (which should 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 audited annual accounts will be considered for this purpose. d) 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% for illiquidity so as to arrive at the fair value per share. e) In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalized earning. 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 such an individual security accounts for more than 5% of the total assets of the scheme, an independent valuer shall be appointed by Board of Trustee 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 should be valued by the procedure above and the proportion which it bears

			to the total net assets of the scheme to which it belongs would be compared on the date of valuation. Further, partly paid-up equity shares shall be valued at Underlying Equity price as reduced by the balance call money payable. Suitable illiquidity discount, if deemed necessary, may be applied with approval from valuation committee. **<u>Valuation of Thinly Traded / Non – traded Warrants:</u>** i. Warrants are the entitlements to subscribe for the shares at a predetermined price at a later date in future. ii. In respect of warrants to subscribe for shares attached to instruments, the warrants will 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. Accordingly warrants will be valued using following formula: Value of Warrant = [Value of underlying shares - exercise price] iii. An appropriate illiquidity discount will be applied to account for the period which must elapse before the warrant can be exercised. iv. If the amount payable on exercise of the warrants is higher than the value of the share, the value of the warrants should be taken as zero. **<u>Non - traded Preference Shares:</u>** Non-traded preference shares shall be valued in good faith depending upon the type of the preference share and after considering illiquidity discount, if any.
3	**Unlisted shares / preference shares/ warrants (excluding instruments issued by listed Companies and due for listing and primary market issue)**		SEBI vide its Circular MFD/CIR/03/526/2002 dated May 9, 2002 has prescribed the following method of valuation for unlisted equity securities: Computation of Net worth per share as lower of (a) and (b):

			(a) i) Net worth of the company = Paid up share capital + Reserves other than Revaluation reserve - Miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses. ii) Net worth per share = (Net worth of the company / Number of paid up shares). (b) i) Net worth of the company = Paid up capital + Consideration on exercise of Option/Warrants received/receivable by the company + free reserves other than Revaluation reserve – Miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses. ii) Net worth per share = (Net worth of the company / {Number of paid-up shares + number of shares that would be obtained on conversion/exercise of outstanding warrants and options}). If the net worth of the company is negative, the share should be marked down to Zero Computation as per Earnings Capitalization Method (c) Average capitalization rate (P/E ratio) for the industry based upon either BSE or NSE data (which should 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 audited annual accounts will be considered for this purpose. In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalized earning. (d) The value as per the net worth value per share and the capital earning value calculated as above shall be averaged to compute the fair price.

			(e) The fair value per share to be considered for valuation at 15 % discount for illiquidity. [(Net worth per share + Capitalized value of EPS) / 2] * 0.85 In case the latest balance sheet i.e. balance sheet prepared within nine months from the close of the accounting year of the company, is not available (unless the accounting year is changed) the shares should be valued as zero. If the net worth of the company is negative, the share would be marked down to zero. Further in case if EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalised earning. 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 should be valued in accordance with the procedure as mentioned above on the date of valuation. At the discretion of the AMC and with the approval of the trustees, unlisted equity scrip may be valued at a price lower than the value derived using the aforesaid methodology.
4	**Right entitlements**		i. Right entitlements both fully paid and partly paid will be valued as follows: Vr =n/m X (Pex – Pof) Where Vr = Value of rights n = No. of rights offered m = No. of original shares held Pex = Ex-rights price Pof = Rights Offer Price ii. In case the Rights Offer Price is greater than the ex-rights price, the value of the rights share is to be taken as zero.

			iii. If the rights are derived out of non-traded shares or unlisted shares then the rights would be valued at zero market price. If the rights are traded on stock exchange, then the valuation guidelines for listed securities shall be applicable. Further suitable illiquidity discount will be applied on Right entitlement from Ex-date till the date of listing/traded price is available. Where it is decided not to subscribe for the rights but to renounce them and renunciations are being traded, the rights can be valued at the renunciation value.
5	**Derivatives:** **Equity / Index Options & Equity / Index Futures**		The Exchanges give daily settlement prices in respect of all derivatives positions. These settlements prices shall be used for the purpose of valuation of derivatives i.e. futures and options.
6	**ADR / GDR / Offshore Securities**		• If the security is listed in a time zone ahead of ours then the same day price as provided by Reuters would be used for valuation. • If the security is listed in a time zone behind ours then the previous day's price would be used for valuation. • In case the security is not traded on the above mentioned days, price of previous day should be used provided the price is not prior than 30 days. • In case the security is not traded for more than 30 days, the same shall be valued in good faith by AMC and appropriate illiquidity discount will be applied.
7	**Application Money for Primary Market Issue:**		Application money for primary market issue should be valued at cost up to 30 days from the closure of the issue and / or allotment. If the security is not allotted within 30 days from the closure of the issue or listed within 30 days from the date of allotment, application money is to be valued as per the directives of valuation committee.
8	**Equity shares invested as an Anchor Investor:**		At the discretion of the AMC and with the approval of the valuation committee, post listing, equity shares invested on Anchor basis may be valued at a price lower

			than the listed market price available on NSE/BSE by applying a suitable illiquidity discount (If in Lock in).
9	**Shares on De-merger / Merger and Other Corporate Action Events**		**Demerger** 1. In case one entity is demerged into 2 or more entities and the shares of all the resulting entities as well as the demerged entity are traded immediately on de-merger, then the last quoted closing price on the stock exchange will be considered for valuation, provided such closing price is not more than 30 days old prior to valuation date. 2. In case of demerger where the shares of the demerged entity continue to be listed and shares of resulting entity are unlisted, then the value of shares of resulting entity will be calculated as follows: Closing price of shares of demerged entity on immediately preceding trading day before demerger (i.e. cum demerger price) minus Closing price of shares of demerged entity on the trading day immediately after demerger (i.e. ex-demerger price) In case the value derived using above formula is zero or negative then the shares of resulting entity will be valued at zero. In case there are two or more unlisted resulting entities on demerger, then the market value of shares of unlisted entity arrived as above will be allocated to the resulting entities in the ratio of cost of shares till they are listed and traded on a stock exchange. The cost price of new entity/entities would be derived proportionately from the cost price of parent entity. If a company provides any method / ratio for cost allocation as a part of scheme of arrangement, the same will be considered. 3. In case of demerger where shares of all the entities (i.e. demerged entity as well as resulting entities) are unlisted, then the last quoted closing price of demerged entity on the trading day immediately preceding the demerger (i.e cum demerger price) will be considered for valuation of shares of all the

			entities for a period of 30 days from the date of demerger and such value will be allocated over demerged entity and resulting entities in the ratio of cost of shares. If a company provides any method / ratio for cost allocation as a part of scheme of arrangement, the same will be adopted. In case there are no details available for the company, the same will be valued at fair value as determined by the valuation committee. **Merger** Where company 'X' is merged with company 'Y' and company 'Y continues to be listed post the merger, then the shares of company 'Y' allotted against shares of company 'X' (based on merger ratio) will be valued at the last quoted closing price of company 'Y' on the stock exchange. The aggregate cost of shares of company 'X' will be added to the aggregate cost of shares of company 'Y'. In case where company 'X' and company 'Y' which are listed are merged to form company 'Z' and company 'Z' is unlisted, then the value of shares of company 'Z' will be aggregate of last quoted closing price of shares of company 'X' and shares of company 'Y' on immediate preceding trading day (i.e. cum-merger date) adjusted for merger ratio. The aggregate cost of company 'X and company 'Y shares will be added to derive the cost of company 'Z' shares. Further while valuing shares pursuant to corporate action like merger / demerger, appropriate illiquidity discount may be provided with the approval of Valuation Committee. In case of any other corporate action, the AMC shall value the security at fair value in good faith on a case to case basis and approval from valuation committee will be sought for the valuation
10	**Suspended Security**		In case trading in an equity security is suspended upto 30 days, then the last traded price would be considered

			for valuation of that security. If an equity security remains suspended for trading on the stock exchange for more than 30 days, then it would be valued as non-traded security.

B. Debt and Money market instruments rated above investment grade

1	**For securities with residual maturity > 30 days: (including, Government Securities/ State Government Securities (SDL)/ T Bills/ Cash Management Bills)**		Debt securities, including Bills rediscounting will be valued at average of the prices provided by Association of Mutual Funds in India (AMFI) designated agencies viz. presently CRISIL & ICRA. If security level price for New security purchased (primary allotment or secondary market) is not available from AMFI designated agencies viz. presently CRISIL & ICRA, the valuation of such securities shall be done at the weighted average clean price / weighted average yield of all the purchases made by Invesco Mutual Fund on the day of purchase. In case the Put/Call option is exercised, the prices received from the agency(ies) appointed by AMFI (if available) till put/ call date shall be considered during the notice period of the security. In the absence of the same, the price will be amortized from the price prevailing on the date of communication of the exercise of the put or call provided the notice period (period from exercise of put or call option and put or call date) is equal to or less than 30 days. The notice period will begin from the date of communication of the exercise of the option (notice date) till the put or call date. In abnormal situations, market disruptions etc. where current market information may not be obtainable and in case CRISIL and ICRA are unable to provide a security level price for any security on particular day(s), the fund manager(s) will, with the prior approval of Valuation Committee, value the securities appropriately to ensure true and fair valuation.
2	**For securities having residual maturity <= 30 days (including Government Securities/ State Government Securities (SDL)/ T Bills/ Cash Management Bills, Interest rate Swaps)**		Debt Securities, including Bills rediscounting will be amortized on straight line basis to maturity from cost or last valuation price, whichever is more recent. The amortized price can be used for valuation, as long as their valuation remains within ±0.025% band of the reference price. The reference price shall be provided by agency(ies) appointed by AMFI. If the reference price is not available then amortized price (based on the cost or the last valuation price) shall be considered. In case the variance falls outside the above band, the valuation shall be adjusted in order to bring it within ±0.025% band. In case of first purchase or in case of subsequent trades in the same security by the AMC, valuation will reflect the

			amortization using the weighted average purchase price /traded price provided the AMC trade in the same security is of market lot (i.e. Rs. 5 crores and above) and such amortized price arrived is in line with ±0.025% band of the reference price as defined above. Whenever a security moves from 31 days residual maturity to 30 days residual maturity, the price as on 31st day would be used for amortization from 30th day.
3	**Inter-scheme Transfer (IST)**		IST would be at the price derived from the weighted average yield / price of traded securities at the time of the IST: **a) For instruments maturing above 1 year:** The weighted average yield / price of traded securities (excluding inter scheme transfers of others) will be considered if there are at least two trades aggregating to Rs. 25 crores or more for same or similar security on a public platform*; or Trades of the AMC of minimum Rs. 5 crores face value. **b) For instruments maturing below 1 year:** The weighted average yield / price of traded securities (excluding inter scheme transfers of others) will be taken if there are at least three trades, with each trade being of a minimum Rs. 25 crores face value, aggregating to Rs. 100 crores or more for same or similar security on a public platform*; or Trades of the AMC of minimum Rs. 5 crores face value. **Criteria for identifying similar securities in case of securities having residual maturing above 30 days:** Similar security should be identified by the following waterfall logic, provided that the maturity date of the security is within the same calendar quarter: i. Same issuer and same type of asset, with maturity date within ± 15 working days of maturity date of security shall be considered first. If no such instance is available, then Step ii to be followed: Example: For Punjab National Bank CD maturing on March 6, 2019, all secondary market trades of Punjab National Bank CDs maturing within February 12, 2019 to March 28, 2019 will be considered first.

ii. Similar security from a different issuer within the same category (PSU Bank, Private Bank or Financial Institution etc.) and similar long term credit rating**, with maturity date within ± 15 working days of maturity date of security will be considered.

Example: For Punjab National Bank CD maturing on March 6, 2019, all secondary market trades of similar public sector bank CDs maturing within February 12, 2019 to March 28, 2019 will be considered.

**In case of banks CDs -

- Issuer of the Securities having long term rating of AAA and/or AA+ and short term rating of A1+ will be considered as comparable.
- Issuer of the Securities having long term rating of AA and/or AA- and short term rating of A1+ will be considered as comparable.
- Issuer of the Securities having long term rating of A+ and below and short term rating of A1+ will be considered as comparable.

Criteria for identifying similar securities in case of securities having residual maturing below 31 days:

Similar security should be identified by the following waterfall logic, provided that the maturity date of the security is within the same calendar quarter and should have a residual maturity upto 30 days:

i. Same issuer and same type of asset, with maturity date within ±7 calendar days of maturity date of security shall be considered first and should have a residual maturity upto 30 days. If no such instance is available, then Step ii to be followed.

Example: For Punjab National Bank CD maturing on March 6, 2019, all secondary market trades of Punjab National Bank CDs maturing within February 27, 2019 to March 13, 2019 will be considered first.

ii. Similar security from a different issuer within the same category (PSU Bank, Private Bank or Financial Institution etc.) and similar long term credit rating**, with maturity date within ±7 calendar days of maturity date of security will be considered and should have a residual maturity upto 30 days.

Example: For Punjab National Bank CD maturing on March 6, 2019, all secondary market trades of similar public sector bank CDs maturing within February 27, 2019 to March 13, 2019 will be considered first.

** In case of banks CDs -

- Issuer of the Securities having long term rating of AAA and/or AA+ and short term rating of A1+ will be considered as comparable.
- Issuer of the Securities having long term rating of AA and/or AA- and short term rating of A1+ will be considered as comparable.
- Issuer of the Securities having long term rating of A+ and below and short-term rating of A1+ will be considered as comparable.

For the purpose of determining similar security, the data available on ‘Bloomberg’ will be used as a source for ratings.

Further, the classification of the Issuer for similar securities will be into three sectors viz. Banking, Manufacturing and Non-Banking Finance Companies (NBFC). Bank CDs will be compared against bank CDs (within bank CDs, PSU Bank CDs will be compared to PSU Bank CDs and Private / Foreign bank CDs will be compared to Private / Foreign bank CDs), Manufacturing papers will be compared against manufacturing papers and NBFC will be compared against NBFC.

Further, for the purpose of identification of similar securities, in case of security embedded with ‘Put and Call’ option, the maturity date of the security will be considered as of ‘put/call day’, whereas in case of security embedded with ‘Put’ or ‘Call’ option, the final maturity date of the security will be considered.

Note:

Outlier trades, if any, will be ignored after recording suitable justification.

If due to the non-availability of traded securities, at the time of the IST, the above mentioned criteria cannot be

			fulfilled, the IST would be done at the previous day's price/yield.
4	**Interest Rate Swap (IRS)**		In case of IRS contracts, counter parties agree to exchange stream of interest payments on notional value at an agreed date. One party agrees to pay floating and another agrees to pay fixed rate of interest. Floating rate is decided on the basis of a benchmark such as 'Financial Benchmarks India Pvt. Ltd. (FBIL)' MIBOR/3 Day MIBOR. Valuation of IRS involves valuation of streams of interest payments. The underlying security is valued in the same manner as was valued before entering into IRS contract. Value of IRS contract is the present value of the difference between the fixed and floating interest to be received/paid on maturity of the contract. Floating rate interest till maturity is the interest accrued till the valuation date plus the interest on remaining period at reversal rate. Reversal rate for the day is available on Reuters /Bloomberg for different maturities. The relevant rate is taken on the basis of maturity of the contract. However, if the maturity date falls between the two years, the reversal rate is arrived by interpolation on valuation date.
5	**Interest Rate Futures**		The Exchanges give daily settlement prices in respect of all derivatives positions. These settlement prices shall be used for the purpose of valuation.
6	**Bank Fixed Deposits, TREPS (Tri Party Repo), Reverse Repo, Corporate Bond Repo**		Bank Fixed Deposits, securities which form part of a Reverse Repo transaction and Repo in Corporate debt securities will be held at Book Cost and Interest accrual will be done separately. TREPS will be valued at Amortized cost.

C. Debt and Money market instruments rated below investment grade

Debt securities and money market instruments which are downgraded by a rating agency to BB+ or below are defined as sub investment grade (below investment grade). In case of instruments with dual rating the same would be considered below investment grade if any of the rating agencies rating that instrument downgrades it to sub investment grade.

All such debt securities & money market instruments rated below investment grade shall be valued at the average of the prices provided by valuation agencies.

Till such time the valuation agencies compute the valuation of the securities classified as below investment grade, such securities shall be valued on the basis of indicative haircuts provided by the agencies. These indicative haircuts shall be applied on the date of credit event i.e. migration of the security to sub-investment grade and shall continue till the valuation agencies compute the valuation price of such securities. These haircuts shall be updated and refined as and when there is availability of material information which impacts the haircuts.

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.

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 such computed price, such traded price shall be considered for the purpose of valuation and the valuation price may be revised accordingly.

The indicative haircut communicated by AMFI vide its communication dated April 30, 2019 is as follows:

1. Haircuts for senior, secured securities **

Rating / Sector	Infrastructure, Real Estate, Hotels, Loan against shares and Hospitals	Other Manufacturing and Financial Institutions	Trading, Gems & Jewellery and Others
BB	15%	20%	25%
B	25%	40%	50%
C	35%	55%	70%
D	50%	75%	100%

2. Haircuts on subordinated and unsecured (or both) securities **

Rating / Sector	Infrastructure, Real Estate, Hotels, Loan against shares and Hospitals	Other Manufacturing and Financial Institutions	Trading, Gems & Jewellery and Others
BB	25%	25%	25%
B	50%	50%	50%
C	70%	70%	70%
D	100%	100%	100%

The indicative haircuts mentioned in table above are currently recommended by valuation agencies and shall be subject to change from time to time based on the indicative haircuts provided by agencies.

The fund manager(s) may, with the prior approval of Valuation Committee, value the securities rated below investment grade at a price different from the valuation price provided by valuation agencies or may deviate from the indicative haircuts given in the tables above subject to compliance with para 2.1.4 of SEBI circular SEBI/HO/IMD/DF4/CIR/P/2019/41 dated March 22, 2019.

Notes:

1. *Public Platform refers to:

   F-Trac / NSE WDM / BSE WDM / CBRICS ON LINE / ICMD: For corporate bonds / debentures, commercial papers, certificate of deposits and securitized debt. **(**Applicable only for pricing of IST and not for valuation)

   Order of preference for the public platforms for consideration would be as follows:

   - F-Trac (Applicable only for pricing of IST and not for valuation) / CBRICS ON LINE
   - NSE WDM
   - BSE WDM

2. Weighted average yield shall be rounded up to two digits after decimal point.

3. Weighted average yield will be calculated for non-coupon bearing securities. Weighted average price will be calculated for coupon bearing securities.

D. Other securities:

1	**Convertible Debentures**		The non-convertible and convertible components of convertible debentures and bonds shall be valued separately. The non-convertible component would be valued on the same basis as would be applicable to a debt instrument. The convertible component shall 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 later instrument can be adopted after an appropriate discount for the non-tradability of the instrument during the period preceding conversion. While valuing such instruments, the fact whether the conversion is optional will also be factored in.
2	**Valuation of Mutual Fund Unit (MFU)/ Valuation of Exchange Traded Fund (ETF)**		As per the guidelines issued by AMFI vide letter no 1 / Valuation / 16/10-11 dated December 28, 2010 for valuation of mutual fund units: **Listed:** MFU and ETF listed and Traded would be valued at the closing price on the stock exchange as on the valuation date. In case on the valuation date if traded price is not available for listed MFU / ETF, then such MFU / ETF would be valued at applicable NAV of the respective scheme as on the valuation date. **Unlisted:** Unlisted MFU would be valued at the NAV as on the valuation date.
3	**Gold**		Since physical gold and other permitted instruments linked to gold are denominated in gold tonnage, it will be valued based on the market price of gold in the domestic market and will be marked to market on a daily basis. The market price of gold in the domestic market on any business day would be arrived at as under: Domestic price of gold = (London Bullion Market Association AM fixing in US$ / ounce X conversion factor for converting ounce into kg for 0.995 fineness X rate for US$ into INR) + custom duty for import of gold and other taxes/levies and charges, as applicable + notional premium & fixing that may be charged for delivery of gold to the place where it is stored on behalf of mutual fund. 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 price is applied for the purpose of calculating the value of gold.

4	**Valuation of Units of Overseas Mutual Fund:**		Units of Overseas Mutual Fund will be valued at last published Net Asset Value ("NAV") of underlying Overseas Mutual Fund security.
5	**Security Lending & Borrowing (SLB)**		Security Lending & Borrowing (SLB) will be valued on the basis of amortization.

E. Conversion of prices in foreign currency to Indian Rupees ('INR'):

The prices of securities which are denominated in foreign currencies (i.e. ADR/GDR/Offshore securities/units of overseas mutual funds) need to be converted into INR. For conversion, the Bid Rate of foreign currency INR exchange rate available on Reuters at 5.00 p.m. IST would be used.

In case, the Reuters exchange rate is not available, then the following sources will be used for exchange rate in the order of priority:

- Exchange rate (Bid Rate) available on Bloomberg at 5.00 p.m. IST;
- Reference rate issued by Financial Benchmarks India Ltd (FBIL) as at the close of banking hours on the relevant business day in India;
- Any other publicly available source.

If the Exchange rate is not available in any of the above source then previous day exchange rate would be used.