

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 SEBI vide Circular dated September 24, 2019 (Para 9.2.3.c. as per SEBI Master circular for Mutual funds dated June 27, 2024) also mandated that waterfall approach for valuation of debt and money market instruments followed by the Valuation Agencies for arriving at security level pricing shall also form part of valuation policy.

Further, AMFI has issued best practice guidelines 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. AMFI vide its circular dated November 18, 2019 has also prescribed waterfall mechanism to be followed by Valuation Agencies for valuation of money market and debt securities.

Additionally, SEBI vide circulars dated March 10, 2021 and March 22, 2021 prescribed norms for valuation of bonds issued under Basel III framework (i.e. AT-1, Tier 2 bonds) as well as perpetual bonds. Pursuant to SEBI circular dated March 22, 2021, AMFI vide its circular dated March 24, 2021 issued guidelines for valuation of AT-1 & Tier II bonds issued under Basel III framework. (Para 9.4 of SEBI Master circular for Mutual funds dated June 27, 2024, prescribes Valuation of Perpetual Bonds.). SEBI also issued circular dated August 05, 2024, modifying valuation methodology for Additional Tier 1 (AT-1) Bonds.

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.

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.

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 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

- 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, Infrastructure Investment Trust (InvIT) & Real Estate Investment Trust (REIT):	<p>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 (30) days prior to valuation date.</p> <p>In case preference shares, CCPS, REITs and InvITs 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.</p> <p>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.</p> <p>Reasons for change of the stock exchange selected for valuation of security will be recorded in writing by AMC.</p>
1A	Compulsory Convertible Debentures (CCDs)	<p>Until listing, if prices are not available from AMFI approved valuation agencies, it will be valued at cost and appropriate illiquidity discount may be provided.</p> <p>On Listing, Valuation will be at the last quoted closing price on NSE Stock Exchange.</p> <p>Where security is not traded on the NSE on a particular valuation date, the last quoted closing price on BSE may be used.</p> <p>If Security is not traded on NSE or BSE on a particular valuation day and the prices from AMFI approved valuation agencies are available, then the average prices provided by AMFI approved agencies will be used.</p> <p>In case the securities do not get traded for a period of 30 days or prices of AMFI approved agencies are not available, CCDs will be valued at fair value as per</p>

		<p>procedures # determined by the Valuation Committee.</p> <p><u># Procedure & Methodology for valuation of CCDs</u></p> <ol style="list-style-type: none"> i. Each CCD shall be converted into such number of Equity Shares based on the conversion price arrived in accordance with the offer documents. ii. In case the CCD has two components viz. one component having bond carrying a coupon rate and second component having an embedded forward contract for compulsory conversion into equity, at a pre-determine formula, linked to the underlying price of the stock on the exchange, the valuation derived would be a summation of the bond valuation and the Net present value (NPV) of the gain / loss on the embedded forward contract for conversion into equity shares. iii. Valuation of bonds: The same will be valued as per the framework for debt securities/instruments provided by AMFI until the prices are provided by AMFI approved agencies. iv. Valuation of embedded forward contract for equity conversion: The embedded forward contract has three elements – time value, price movement of the underlying stock and illiquidity risk. The time value (NPV) is the discounting factor, as derived from the bond valuations (from AMFI valuation agencies). v. In case the conversion is scheduled after completion of specified period/years as mentioned in the offer documents, the value arrived will be reduced by appropriate illiquidity discount on the gain, if any, as may be specified by SEBI under the applicable guidelines or as may be decided by Valuation Committee. <p>The Valuation Committee may exercise its discretion to value the security at a conservative value i.e. at cost or as per the above methodology whichever is lower to ensure fair valuation.</p>
2	<p>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)</p>	<p>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.</p> <p>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</p>

		<p>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) (Para 9.1.2 of SEBI Master circular of Mutual funds dated June 27, 2024 for Thinly Traded Securities)</p> <p>Non-traded/ Thinly traded securities shall be valued in 'good faith' on the basis of appropriate valuation based on principles of fair valuation.</p> <p>As per SEBI Circular MFD/CIR/ 8 / 92 / 2000 dated September 18, 2000 (Para 9.2.2 of SEBI Master circular for Mutual funds dated June 27, 2024) non-traded / thinly traded equity is to be valued as follows:</p> <ol style="list-style-type: none"> 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.
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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.

Valuation of Thinly Traded / Non – traded Warrants:

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:

$$\text{Value of Warrant} = [\text{Value of underlying shares} - \text{exercise price}]$$

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.

Non - traded Preference Shares:

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.

Valuation of Illiquid Securities:

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.

3	<p>Unlisted shares / preference shares/warrants (excluding instruments issued by listed Companies and due for listing and primary market issue)</p>	<p>Unlisted Equity Shares</p> <p>As per the MF Regulations, schemes of Invesco Mutual Fund will invest only in listed or to be listed equity and equity related instruments. However, if unlisted equity shares are received / allotted pursuant to scheme of arrangement and / or resolution plan approved under insolvency proceedings or any other corporate action / circumstances, then the unlisted equity shares will be valued “in good faith” as per the Methodology of Valuation given in para 9.8 of SEBI master circular for Mutual funds dated June 27, 2024. as follows:</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 capitalisation 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 per cent of the industry average P/E shall be taken as capitalisation rate (P/E ratio). Earnings per share (EPS) of the latest audited annual accounts will be considered for this purpose.</p>
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		<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 discounted by 15 per cent 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> <p>a) All calculations shall be based on audited accounts.</p> <p>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.</p> <p>c) If the Net Worth of the company is negative, the share would be marked down to zero.</p> <p>d) In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalised earning.</p> <p>e) 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 5 per cent 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> <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. 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 & above the illiquidity discount mandated in SEBI circular will be applied, with prior approval of Trustees.</p> <p><u>For Unlisted Preference shares and warrants:</u> The same shall be valued in good faith by AMC and appropriate illiquidity discount will be applied.</p>
4	Right entitlements	<p>i. Right entitlements both fully paid and partly paid will be valued as follows:</p> $V_r = n/m \times (P_{ex} - P_{of})$ <p>Where V_r = Value of rights</p>

		<p>n = No. of rights offered m = No. of original shares held Pex = Ex-rights price Pof = Rights Offer Price</p> <p>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.</p> <p>iii. If the rights are derived out of non-traded shares or unlisted shares then the rights would be valued at zero market price.</p> <p>If the rights are traded on stock exchange, then the valuation guidelines for listed securities shall be applicable.</p> <p>Further suitable illiquidity discount will be applied on Right entitlement from Ex-date till the date of listing/traded price is available.</p> <p>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.</p>
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 [excluding Valuation of Units of Overseas Mutual Fund and Units of Overseas Exchange Trade Fund (ETF)]	<ul style="list-style-type: none"> • ADR / GDR / Offshore Securities will be valued at the last quoted closing price on the Stock Exchange on which the respective security is listed. In case an security is listed on more than one stock exchange, then the AMC shall select the appropriate stock exchange for valuation and record the same in writing. Any subsequent change in the stock exchange selected for valuation of securities will also be recorded in writing by the AMC and approved by the Valuation Committee. • 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 such shares are in lock-in period).
9	Shares on De-merger / Merger and Other Corporate Action Events	<p>Demerger</p> <ol style="list-style-type: none"> 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) <p>In case the value derived using above formula is zero or negative then the shares of resulting entity will be valued at zero.</p> <p>In case there are two or more unlisted entities resulting due to a 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.</p> <p>If a company provides any method / ratio for cost allocation as a part of scheme of arrangement, the same will be considered.</p>

		<p>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.</p> <p>If a company provides any method / ratio for cost allocation as a part of scheme of arrangement, the same will be adopted.</p> <p>In case there are no details available for the company, the same will be valued at fair value as determined by the valuation committee.</p> <p>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'.</p> <p>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.</p> <p>The aggregate cost of company 'X' and company 'Y' shares will be added to derive the cost of company 'Z' shares.</p> <p>Further while valuing shares pursuant to corporate action like merger / demerger, appropriate illiquidity discount may be provided with the approval of Valuation Committee.</p> <p>In case of the demerger or any other corporate action where special price discovery session (pre-open session)</p>
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		<p>is held by the stock exchanges, then price of the resulting company will be the difference in closing price of residual entity on NSE or BSE on day immediately prior to ex-date and closing price determined at the end of special session (pre-open session) on NSE or BSE. Appropriate illiquidity discount may be provided with the approval of Valuation Committee.</p> <p>This is explained by way of example as follows:</p> <ol style="list-style-type: none"> 1. Company X (‘Residual Company’) demerges its financial services business into Company Y (‘Resulting Company’) and ex-date for the said corporate action was July 20, 2023. 2. The closing price of Company X on July 19, 2023 on NSE was Rs.2,841.85. 3. On July 20, 2023, stock exchanges conducted special pre-open session to discover price of Company X after demerger. 4. At the end of Pre-open session on July 20, 2023, the price of Company X was Rs.2,580.00 5. The value of Company Y (‘Resulting Company’) will be arrived as follows: Rs.2,841.85 minus Rs.2,580.00 = Rs. 261.85 <p>Accordingly, the equity shares of Company Y will be valued at Rs 261.85 subject to illiquidity discount as may be approved by the Valuation Committee till the said shares are listed.</p> <p>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</p>
10	Suspended Security	<p>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.</p> <p>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.</p>
11	Listed Equity Shares with lock-in period greater than one month	<p>Will be valued at the last quoted closing price on the NSE. Where a security is not traded on the NSE on a particular valuation date, the last quoted closing price on BSE may be used. If a security is not traded on NSE / BSE on a particular valuation day, the value at which it was traded on the NSE / BSE, as the case may be, on the earliest previous day may be used, provided such</p>

		<p>date is not more than thirty (30) days prior to valuation date.</p> <p>Further, for a lock-in period in excess of one month, an illiquidity discount of 1% per month will be levied for each calendar month.</p> <p>For Example: Equity shares having lock in period of 12 months, illiquidity discount applicable in the first month will be 11%.</p>
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B. Fixed Income and related securities

Security level prices provided by Valuation Agencies will be used for Valuation of Money Market and Debt Securities. For arriving at security level pricing, waterfall approach to be followed by Valuation agencies is annexed as Annexure II and Annexure III of the policy. Currently, AMFI has designated CRISIL Limited (‘CRISIL’) and ICRA Online Limited (‘ICRA’) as “Valuation Agencies”

The detailed guidelines for Valuation of Money Market and Debt Securities are as follows:

i. Valuation of Money Market and Debt Securities rated above investment grade

1	For securities excluding, Government Securities / State Government Securities (SDL) / T Bills/ Cash Management Bills / AT-1 & Tier II bonds issued under the Basel III framework	<p>Money market and Debt securities* will be valued at average of the security level prices provided by Valuation Agencies.</p> <p>If security level price for new security purchased (primary allotment or secondary market) is not available from Valuation Agencies, the valuation of such securities shall be done at the weighted average yield of all the purchases made by Invesco Mutual Fund on the day of allotment /purchase.</p> <p>In case the Put/Call option is exercised, the prices received from the Valuation Agencies (if available) till put/ call date shall be considered during the notice period of the security.</p> <p>* Money market and Debt securities would also include</p> <ul style="list-style-type: none"> • Bills purchased under rediscounting scheme (Bill rediscounting/ BRDS) • Floating rate securities • Securitization / Pass through certificates
2	Government Securities	<p>Government Securities shall mean and include such securities issued by Central government or State Government, Cash Management bills, Treasury bills, State Development Loans etc.</p> <p>Government Securities shall be valued at the average of security level prices provided by Valuation Agencies.</p>
3	Valuation of securities with put/call options	<p>The option embedded securities would be valued as follows:</p> <p>Securities with call option: The securities with call option shall be valued at the lower of the value as obtained by valuing the security to final maturity and valuing the security to call option.</p> <p>In case there are multiple call options, the lowest value obtained by valuing to the various call dates and valuing to the maturity date is to be taken as the value of the instrument.</p> <p>Securities with Put option:</p>

		<p>The securities with put option shall be valued at the higher of the value as obtained by valuing the security to final maturity and valuing the security to put option</p> <p>In case there are multiple put options, the highest value obtained by valuing to the various put dates and valuing to the maturity date is to be taken as the value of the instruments.</p> <p>Securities with both Put and Call option: The securities with both Put and Call option on the same day and having the same Put and Call Option price shall be deemed to mature on the Put/Call day and valued accordingly.</p> <p>In all other cases, the cash flow of each put / call option shall be evaluated and the security shall be valued on the following basis:</p> <ul style="list-style-type: none"> • Identify a ‘Put Trigger Date’, a date on which ‘price to put option’ is the highest when compared with price to other put options and maturity price. • Identify a ‘Call Trigger Date’, a date on which ‘price to call option’ is the lowest when compared with price to other call options and maturity price. • In case no Put Trigger Date or Call Trigger Date (‘Trigger Date’) is available, then valuation would be done to maturity price. In case one Trigger Date is available, then valuation would be done as to the said Trigger Date. In case both Trigger Dates are available, then valuation would be done to the earliest date. <p>If a put option is not exercised by a Mutual Fund when exercising such put option would have been in favour of the scheme, in such cases the justification for not exercising the put option shall be provided to the Board of AMC and Trustees</p> <p>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;</p> <p>1. A justification for not exercising the put option shall be provided by the Mutual Fund to the Valuation Agencies,</p>
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		<p>Board of AMC and Trustees on or before the last date of the notice period.</p> <p>2. The Valuation Agencies shall not take into account the remaining put options for the purpose of valuation of the security.</p> <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> <p>Note: It is clarified that the maturity of perpetual bonds (other than bonds issued under Basel III framework) shall be treated as 100 years from the date of issuance of the bond for the purpose of valuation.</p>
4	Interest Rate Swap (IRS)	<p>Interest Rate Swap (IRS) / OTC derivatives All OTC derivatives including IRS will be valued at the average of security level prices provided by valuation agencies. (Para 9.6.3 of SEBI master circular for Mutual funds dated June 27, 2024).</p>
5	Interest Rate Futures	<p>The Exchanges give daily settlement prices in respect of all derivatives positions. These settlement prices shall be used for the purpose of valuation.</p>
6	Bank Fixed Deposits and Repurchase (repo) transactions including Corporate Bond Repo:	<p>Repurchase (repo) transactions including tri-party repo i.e. TREPS, Clearcorp Repo Order Matching System i.e. CROMS and Repo in Corporate Debt Securities with tenor of up to 30 days and investment in short-term deposits with banks (pending deployment) shall be valued on cost plus accrual basis.</p> <p>Repurchase (repo) transactions including tri-party repo i.e. TREPS, Clearcorp Repo Order Matching System i.e. CROMS and Repo in Corporate Debt Securities of maturity above 30 days will be valued at average of security level prices provided by valuation agencies. In case security level prices given by valuation agencies are not available, then such securities would be valued at purchase yield on the date of purchase. The security shall be amortized from 31st day price to redemption price on straight line basis from the 30th day before maturity.</p>
7	AT-1 and Tier II issued under Basel III framework	<p>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. 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).</p>
8	Partly Paid Debentures	<p>As Per AMFI Best practice guidelines dated July 26, 2024</p>

		<p>following are the guidelines on Investment in Partly Paid debentures:</p> <ol style="list-style-type: none"> 1. 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. 2. 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. 3. 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. 4. All regulatory limits have to be complied with at the time of each such part payment. 5. 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. 6. 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. 7. 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
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		<p>investment of Mutual Fund Scheme at 5% of the AUM of the scheme will not apply.</p> <p><u>8. Methodology for valuation of partly paid debentures</u></p> <p>(a) Price calculation:</p> <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 AMC's 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) Yield Calculation:</p> <p>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>
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ii. Valuation of Money Market and Debt Securities rated below investment grade

A money market or debt security shall be classified as “below investment grade” if the long term rating of the security assigned by a SEBI registered Credit Rating Agency (CRA) is below BBB- or if the short term rating of the security is below A3.

A money market or debt security shall be classified as “Default” if the interest and / or principal amount has not been received, on the day such amount was due or when such security has been downgraded to “Default” grade by a CRA. In this respect, Invesco Mutual Fund shall promptly inform the Valuation Agencies and the CRAs, any instance of non-receipt of payment of interest and / or principal amount (part or full) in any security

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 money market and debt securities rated below investment grade shall be valued at the average of the security level prices provided by Valuation Agencies.

Till such time the Valuation Agencies compute the valuation of securities classified as below investment grade, such securities shall be valued on the basis of indicative haircuts provided by Valuation 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 trades referred above shall be of a minimum size as determined by valuation agencies.

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.

iii. Treatment of accrued interest, future interest accrual and future recovery in case of money

market and debt securities classified as below investment grade or default:

The indicative haircut that has been applied to the principal should be applied to any accrued interest.

In case of securities classified as below investment grade but not default, interest accrual may continue with the same haircut applied to the principal. In case of securities classified as default, no further interest accrual shall be made.

iv. Treatment of any future recovery

Any recovery shall first be adjusted against the outstanding interest recognized in the NAV and any balance shall be adjusted against the value of principal recognized in the NAV.

Any recovery in excess of the carried value (i.e. the value recognized in NAV) should then be applied first towards amount of interest written off and then towards amount of principal written off.

v. Inter-Scheme Transfer (IST)

Inter-scheme Transfer (IST)

- IST of any money market or debt security (irrespective of maturity) will be done using the prices sourced from the Valuation Agencies.
- If prices from the Valuation Agencies are received within the pre-agreed turn-around-time (TAT) an average of the prices so received shall be used for IST pricing. The TAT is currently 30 minutes for CP, CD, T-Bills and 45 minutes for G-Sec, SDL, corporate bonds and may be amended from time to time by AMFI.
- If price from only one valuation agency is received within the agreed TAT, then that price will be used for IST pricing
- If prices are not received from any of the Valuation Agencies within the agreed TAT, the IST would be at the price derived from the weighted average yield / price of traded securities at the time of the IST for which the below mentioned process will be followed

a) For instruments maturing above 1 year:

The weighted average yield / price of traded securities (excluding inter scheme transfers of others and own trades of Invesco Mutual Fund) will be considered if there are at least two trades, with each trade being of a minimum Rs 5 crores face value, aggregating to Rs. 25 crores or more for same or similar security on a public platform*

b) For instruments maturing below 1 year:

The weighted average yield / price of traded securities (excluding inter scheme transfers of others and own trades of Invesco Mutual Fund) 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*

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. will 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. will 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 the source for credit ratings.

Further, the classification of the issuers 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, only those securities with 'Put and Call' option on the same day and the same 'Put and Call' option price shall be deemed to mature on such Put / call date. . All other securities with a "Put and a Call" option not meeting these criteria would have the final maturity date of the security considered for the purpose of identification of similar securities

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.

Notes:

1. *Public Platform refers to:

F-TRAC / Corporate Bond Reporting Platform (CBRICS) / Indian Corporate Debt Market (ICDM) / Negotiated Dealing System - Order Management (NDS-OM) / MSE FIRST: 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 of public platforms for Bonds will be as follows:

- CBRICS
- ICDM
- MSE FIRST

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

Deviations where the prices given by Valuation Agencies are not considered for valuation

In case AMC decides to deviate from the valuation prices or indicative haircut given by the Valuation Agencies, the detailed rationale for each instance of deviation shall be recorded by the AMC. The rationale for deviation along-with details such as information about the security (ISIN, issuer name, rating etc.), price at which the security was valued vis-a-vis the price as per the Valuation Agencies and the impact of such deviation on scheme NAV (in amount and percentage terms) shall be reported to the Board of AMC and Trustees. The rationale for deviation along-with details mentioned above shall be disclosed immediately and prominently, under a separate head on website of AMC. Further, while disclosing the total number of instances of deviation in the monthly and half-yearly portfolio statements, AMC shall also provide the exact link to the website for accessing the information mentioned above.

C. 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 Domestic Mutual Fund Unit (MFU) / 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 +

		<p>notional premium & fixing that may be charged for delivery of gold to the place where it is stored on behalf of mutual fund.</p> <p>Premium / Discount may be reviewed and applied by the fund manager on an ongoing basis to ensure valuation of Gold 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>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.</p>
4.	Valuation of Units of Overseas Mutual Fund including Units of Overseas Exchange Trade Fund (ETF):	<p><u>Units of Overseas Mutual Fund</u> Units of Overseas Mutual Fund will be valued at last published Net Asset Value (“NAV”) of underlying Overseas Mutual Fund security.</p> <p><u>Units of Listed Overseas Exchange Trade Funds (ETF)</u> Units of Overseas Exchange Traded Fund will be valued at the last quoted closing price on the Stock Exchange on which the respective Overseas ETF is listed. In case an Overseas ETF is listed on more than one stock exchange, then the AMC shall select the appropriate stock exchange for valuation and record the same in writing. Any subsequent change in the stock exchange selected for valuation of Overseas ETF will also be recorded in writing by the AMC.</p> <p>In case on the valuation date if the traded price (i.e. last quoted closing price) is not available for units of Overseas ETF on the selected stock exchange, then such units will be valued at available NAV of the respective underlying Exchange Trade Fund on the valuation date.</p>
5.	Security Lending & Borrowing (SLB)	Security Lending & Borrowing (SLB) will be valued on the basis of amortization.
6.	Corporate Debt Market Development Fund (CDMDF)	Units of Corporate Debt Market Development Fund (CDMDF) would be valued at the published NAV as on the valuation day.
7.	Valuation of Silver	<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> <ol style="list-style-type: none"> a) adjustment for conversion to metric measure as per standard conversion rates; 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 c) addition of- <ol style="list-style-type: none"> 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>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> <p>e) Custom duty shall be fixed on per Kg basis.</p> <p>f) GST shall be excluded from the Valuation.</p> <p>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.</p>
8.	Valuation of securities not covered under the current valuation policy	<ol style="list-style-type: none"> 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.
9.	Changes in Terms of Investment	<p>While making any change to terms of an investment, AMC shall adhere to the following conditions:</p> <ol style="list-style-type: none"> 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.
10.	Treatment of Upfront Fees on Trades.	<p>As Per AMFI Best practice guidelines dated November 18, 2019 following are the guidelines on Upfront Fees on Trades:</p> <ol style="list-style-type: none"> 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.

D. 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 refinitiv at 5.00 p.m. IST would be used.

In case, the Refinitiv 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.

ANNEXURE II - WATERFALL MECHANISM

Part A: Valuation of Money Market and Debt Securities other than G-Secs

1. Waterfall Mechanism for valuation of money market and debt securities:

The following shall be the broad sequence of the waterfall for valuation of money market and debt securities:

- i. Volume Weighted Average Yield (VWAY) of primary reissuances of the same ISIN (whether through book building or fixed price) and secondary trades in the same ISIN
- ii. VWAY of primary issuances through book building of same issuer, similar maturity (Refer Note 1 below)
- iii. VWAY of secondary trades of same issuer, similar maturity
- iv. VWAY of primary issuances through fixed price auction of same issuer, similar maturity
- v. VWAY of primary issuances through book building of similar issuer, similar maturity (Refer Note 1 below)
- vi. VWAY of secondary trades of similar issuer, similar maturity.
- vii. VWAY of primary issuance through fixed price auction of similar issuer, similar maturity
- viii. Construction of matrix (polling may also be used for matrix construction)
- ix. In case of exceptional circumstances, polling for security level valuation (Refer Note 2 below)

Note 1

Except for primary issuance through book building, polling shall be conducted to identify outlier trades. However, in case of any issuance through book building which is less than INR 100 Cr, polling shall be conducted to identify outlier trades.

Note 2

Some examples of exceptional circumstance would be stale spreads, any event/news in particular sector/issuer, rating changes, high volatility, corporate action or such other event as may be considered by Valuation Agencies. Here stale spreads are defined as spreads of issuer which were not reviewed/updated through trades/primary/polls in same or similar security/issuers of same/similar maturities in waterfall approach in last 6 months.

Further, the exact details and reasons for the exceptional circumstances which led to polling shall be documented and reported to AMCs. Further, a record of all such instances shall be maintained by AMCs and shall be subject to verification during SEBI inspections.

Note 3

All trades on stock exchanges and trades reported on trade reporting platforms till end of trade reporting time (excluding Inter-scheme transfers) should be considered for valuation on that day.

Note 4

It is understood that there are certain exceptional events, occurrence of which during market hours may lead to significant change in the yield of the debt securities. Hence, such exceptional events need to be factored in while calculating the price of the securities. Thus, for the purpose of calculation of VWAY of trades and identification of outliers, on the day of such exceptional events, rather than considering whole day trades, only those trades shall be considered which have occurred post the event (on the same day).

The following events would be considered exceptional events:

- i. Monetary / Credit Policy
- ii. Union Budget
- iii. Government Borrowing / Auction Days
- iv. Material Statements on Sovereign Rating
- v. Issuer or Sector Specific events which have a material impact on yields
- vi. Central Government Election Days
- vii. Quarter end days

In addition to the above, Valuation Agencies may determine any other event as an exceptional event. All exceptional events along-with valuation carried out on such dates shall be documented with adequate justification.

2. Definition of tenure buckets for Similar Maturity

When a trade in the same ISIN has not taken place, reference should be taken to trades of either the same issuer or a similar issuer, where the residual tenure matches the tenure of the bond to be priced. However, as it may not be possible to match the exact tenure, it is proposed that tenure buckets are created and trades falling within such similar maturity be used as per table below.

Residual Tenure of Bond to be priced	Criteria for similar maturity
Upto 1 month	Calendar Weekly Bucket
Greater than 1 month to 3 months	Calendar Fortnightly Bucket
Greater than 3 months to 1 year	Calendar Monthly Bucket
Greater than 1 year to 3 years	Calendar Quarterly Bucket
Greater than 3 years	Calendar Half Yearly or Greater Bucket

In addition to the above:

- a. In case of market events, or to account for specific market nuances, Valuation Agencies may be permitted to vary the bucket in which the trade is matched or to split buckets to finer time periods as necessary. Such changes shall be auditable. Some examples of market events / nuances include cases where traded yields for securities with residual tenure of less than 90 days and more than 90 days are markedly different even though both may fall within the same maturity bucket, similarly for less than 30 days and more than 30 days or cases where yields for the last week v/s second last week of certain months such as calendar quarter ends can differ.
- b. In the case of illiquid/ semi liquid bonds, it is proposed that traded spreads be permitted to be used for longer maturity buckets (1 year and above). However, the yield should be adjusted to account for steepness of the yield curve across maturities.
- c. The changes / deviations mentioned in clauses a and b, above, should be documented, along with the detailed rationale for the same. Process for making any such deviations shall also be recorded. Such records shall be preserved for verification.

3. Process for determination of similar issuer

Valuation Agencies shall determine similar issuers using one or a combination of the following criteria. Similar issuer do not always refer to issuers which trade at same yields, but may carry spreads amongst themselves & move in tandem or they are sensitive to specific market factor/s hence warrant review of spreads when such factors are triggered.

- i. Issuers within same sector/industry and/or
- ii. Issuers within same rating band and/or
- iii. Issuers with same parent/ within same group and/or

- iv. Issuers with debt securities having same guarantors and/or
- v. Issuers with securities having similar terms like Loan Against Shares (LAS)/ Loan Against Property (LAP)

The above criteria are stated as principles and the final determination on criteria, and whether in combination or isolation shall be determined by the Valuation Agencies. The criteria used for such determination should be documented along with the detailed rationale for the same in each instance. Such records shall be preserved for verification. Similar issuers which trade at same level or replicate each other's movements are used in waterfall approach for valuations. However, similar issuer may also be used just to trigger the review of spreads for other securities in the similar issuer category basis the trade/news/action in any security/ies within the similar issuer group.

4. Recognition of trades and outlier criteria

i. Volume criteria for recognition of trades (marketable lot)

As required under Para 1.1.1.1(a) of SEBI vide circular no. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019, marketable lot is defined as under:

The following volume criteria shall be used for recognition of trades by Valuation Agencies:

Parameter	Minimum Volume Criteria for marketable lot
Primary	INR 25 cr for both Bonds/NCD/CP/ CD and other money market instruments
Secondary	INR 25 cr for CP/ CD, T-Bills and other money market instruments
Secondary	INR 5 Cr for Bonds/NCD/ G-secs

Trades not meeting the minimum volume criteria i.e. the marketable lot criteria as stated above shall be ignored.

ii. Outlier criteria

It is critical to identify and disregard trades which are aberrations, do not reflect market levels and may potentially lead to mispricing of a security or group of securities. Hence, the following broad principles would be followed by Valuation Agencies for determining outlier criteria.

- a. Outlier trades shall be classified on the basis of liquidity buckets (Liquid, Semi-liquid, Illiquid). Price discovery for liquid issuers is generally easier than that of illiquid issuers and hence a tighter pricing band as compared to illiquid issuers would be appropriate.
- b. The outlier trades shall be determined basis the yield movement of the trade, over and above the yield movement of the matrix. Relative movement ensures that general market movements are accounted for in determining trades that are outliers. Hence, relative movement over and above benchmark movement shall be used to identify outlier trades.
- c. Potential outlier trades which are identified through objective criteria defined above will be validated through polling from market participants. Potential outlier trades that are not validated through polling shall be ignored for the purpose of valuation.
- d. The following criteria shall be used by Valuation Agencies in determining Outlier Trades

Liquidity Classification	Bps Criteria (Yield movement over Previous Day yield after accounting for yield movement of matrix)		
	Upto 15 days	15-30 days	Greater than 30 days
Liquid	30 bps	20 bps	10 bps
Semi-liquid	45 bps	35 bps	20 bps
Illiquid	70 bps	50 bps	35 bps

- The above criteria shall be followed consistently and would be subject to review on a periodic basis by Valuation Agencies and any change would be carried in consultation with AMFI.
- e. In order to ensure uniform process in determination of outlier trades the criteria for liquidity classification shall be as detailed below.

Liquidity classification criteria - Liquid, semi-liquid and Illiquid definition

Valuation Agencies shall use standard criteria for classifying trades as Liquid, Semi-Liquid and illiquid basis the following two criteria

- a. Trading Volume
- b. Spread over reference yield

Such criteria shall be reviewed on periodic basis in consultation with AMFI.

Trading Volume (Traded days) based criteria:

Number of unique days an issuer trades in the secondary market or issues a new security in the primary market in a calendar quarter

- Liquid → ≥50% of trade days
- Semi liquid → ≥10% to 50% trade days
- Illiquid → <10 % of trade days

Spread based criteria:

Spread over the matrix shall be computed and based on thresholds defined, issuers shall be classified as liquid, semi liquid and illiquid. For bonds thresholds are defined as upto 15 bps for liquid; >15-75 bps for semi-liquid; > 75 bps for illiquid. (Here, spread is computed as average spread of issuer over AAA Public Sector Undertakings/Financial Institutions/Banks matrix), For CP/ CD- upto 25 bps for liquid; >25-50 bps for semiliquid; > 50 bps for illiquid. (Here, spread is computed as average spread of issuer over A1+/AAA CD Bank matrix).

The thresholds shall be periodically reviewed and updated having regard to the market.

The best classification (liquid being the best) from the above two criteria (trading volume and spread based) shall be considered as the final liquidity classification of the issuer. The above classification shall be carried out separately for money market instruments (CP/ CDs) and bonds.

5. Process for construction of spread matrix

Valuation Agencies shall follow the below process in terms of calculating spreads and constructing the matrix:

Steps	Detailed Process
Step 1	<p>Segmentation of corporates- The entire corporate sector is first categorised across following four sectors i.e. all the corporates will be catalogued under one of the below mentioned bucket:</p> <ol style="list-style-type: none"> 1. Public Sector Undertakings/Financial Institutions/Banks; 2. Non-Banking Finance Companies -except Housing Finance Companies; 3. Housing Finance Companies; 4. Other Corporates
Step 2	<p>Representative issuers - For the aforesaid 4 sectors, representative issuers (Benchmark Issuers) shall be chosen by the Valuation Agencies for only higher rating (I.e. "AAA" or AA+). Benchmark/Representative</p>

	<p>Issuers will be identified basis high liquidity, availability across tenure in AAA/AA+ category and having lower credit/liquidity premium. Benchmark Issuers can be single or multiple for each sector.</p> <p>It may not be possible to find representative issuers in the lower rated segments, however in case of any change in spread in a particular rating segment, the spreads in lower rated segments should be suitably adjusted to reflect the market conditions. In this respect, in case spreads over benchmark are widening at a better rated segment, then adjustments should be made across lower rated segments, such that compression of spreads is not seen at any step. For instance, if there is widening of spread of AA segment over the AAA benchmark, then there should not be any compression in spreads between AA and A rated segment and so on.</p>
Step 3	<p>Calculation of benchmark curve and calculation of spread -</p> <ol style="list-style-type: none"> 1. Yield curve to be calculated for representative issuers for each sector for maturities ranging from 1 month till 20 years and above. 2. Waterfall approach as defined in Part A (1) above will be used for construction of yield curve of each sector. 3. In the event of no data related to trades/primary issuances in the securities of the representative issuer is available, polling shall be conducted from market participants 4. Yield curve for Representative Issuers will be created on daily basis for all 4 sectors. All other issuers will be pegged to the respective benchmark issuers depending on the sector, parentage and characteristics. Spread over the benchmark curve for each security is computed using latest available trades/primaries/polls for respective maturity bucket over the Benchmark Issuer. 5. Spreads will be carried forward in case no data points in terms of trades/primaries/polls are available for any issuer and respective benchmark movement will be given
Step 4	<ol style="list-style-type: none"> 1. The principles of VWAY, outlier trades and exceptional events shall be applicable while constructing the benchmark curve on the basis of trades/primary issuances. 2. In case of rating downgrade/credit event/change in liquidity or any other material event in Representative Issuers, new Representative Issuers will be identified. Also, in case there are two credit ratings, the lower rating to be considered. 3. Residual tenure of the securities of representative issuers shall be used for construction of yield curve.

Part B: Valuation of G-Secs (T-Bill, Cash management bills, G-Sec and SDL)

The following is the waterfall mechanism for valuation of Government securities:

- VWAY of last one hour, subject to outlier validation
- VWAY for the day (including a two quote, not wider than 5 bps on NDSOM), subject to outlier validation
- Two quote, not wider than 5 bps on NDSOM, subject to outlier validation
- Carry forward of spreads over the benchmark
- Polling etc.

Note:

1. VWAY shall be computed from trades which meet the marketable lot criteria stated in Part A of these Guidelines.
2. Outlier criteria: Any trade deviating by more than +/- 5 bps post factoring the movement of benchmark security shall be identified as outlier. Such outlier shall be validated through polling for inclusion in valuations. If the trades are not validated, such trades shall be ignored.

ANNEXURE III - VALUATION OF AT-1 AND TIER II BONDS ISSUED UNDER BASEL III FRAMEWORK

I. Deemed Residual Maturity of Bonds

The Deemed Residual Maturity for the purpose of valuation as well as Macaulay Duration for existing as well as new perpetual bonds issued:

Time Period	Deemed Residual Maturity (Years)
Till March 31, 2022	10
April 01, 2022 - September 31, 2022	20
October 01, 2022 - March 31, 2023	30
March 31, 2023 onwards	100

the residual maturity will always remain above the deemed residual maturity proposed above.

The Macaulay Duration is proposed to be calculated as under for Tier II bonds:

Time Period	Deemed Residual Maturity for all securities (Years)
April 01, 2021 - March 31, 2022	10 years or contractual maturity whichever is earlier
April 01, 2022 onwards	Actual Maturity

1. If the issuer does not exercise call option for any ISIN, then maturity of bonds to be considered as 100 years from the date of issuance of AT-1 bonds and contractual maturity of Tier II Bonds for all the ISINs of the said issuer.
2. If the non-exercise of call option is due to financial stress or in case of adverse news, the same must be reflected in the valuation.

II. Guidelines for Valuation

1. Form two types of ISINs:

- a) Benchmark ISINs (a non-benchmark ISIN can be linked to only one benchmark ISIN. Currently, SBI ISINs happens to be the benchmark ISINs across all maturities for AT-1 Bonds.)
- b) Non-benchmark ISINs (Will be divided into multiple groups based on similar issuer and similar maturity).
- c) The groups will be decided in consultation with valuation agencies. The two main criteria envisaged to be used here would be Tier 1 / Tier 2 ratings of the ISINs / Issuers, and the spread range in which the group of ISINs / Issuer's trade over the benchmark.

2. Take a look back period for trade recognition as under:

- a) 15 working days for benchmark ISINs
- b) 30 working days for non-benchmark ISINs
- c) This will be revised to 7 working days for benchmark ISIN and 15 working days for non-benchmark ISINs from October 01, 2021.

Note 1

- a) If the ISIN gets traded, the traded YTM will be taken for the purpose of valuation.
- b) If 1 ISIN of the issuer trades all other ISINs of issuers will be considered as traded but with necessary adjustment of spread to YTM.
- c) If none of the ISIN of the issuer gets traded, the trade of similar issuer in the group will be taken to valuation however with necessary adjustment of spread to YTM of similar issuer similar maturity. If none of the ISIN in a group gets traded on any particular day, an actual trade in a look back period will be seen.
- d) If there is an actual trade in look back period the security will be considered as traded and valued with necessary adjustment of spread to YTM. According to this valuation will be done based on the trade of issuer, trade of similar issuer and as an additional layer a look back period of is requested. It is confirmed that spread over YTM will be taken without any adjustment of modified duration to call.

Note 2

As the valuation is based on trade during the look back period, it is confirmed that a spread will be adjusted to reflect adverse news, change in credit rating, interest rate etc., which has bearing on the yield of ISIN being valued.

Note 3

If there is no actual trade of any ISIN of the issuer as well as similar issuer during look back period also then valuation will be done by taking spread over matrix and/or polling in line with the waterfall mechanism prescribed by AMFI.

Note 4

AT-1 bonds and Tier 2 bonds being different categories of bonds, the valuation of these bonds will be done separately (i.e.) ISIN of AT-1 bond traded will not mean that ISIN of Tier-2 bonds of the same issuer have also traded. However, if any issuer does not exercise call option for any ISIN, then the valuation and calculation of Macaulay Duration should be done considering maturity of 100 years from the date of issuance for AT-1 Bonds and Contractual Maturity for Tier 2 bonds, for all ISINs of the issuer.