

Deviation from the Valuation Policy

Date: March 17, 2020

Details of Security:

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| Name | Yes Bank Ltd. |
| ISIN | INE528G01027 |
| Type of Security | Equity Shares |
| Scheme Name | Invesco India Nifty Exchange Traded Fund |
| Quantity held as on March 13, 2020 | 957 Shares |
| Value of shares as on March 13, 2020 | Rs. 24,451.35 |
| % of Net Assets as on March 13, 2020 | 0.14% |

| Facts & Nature of Deviation | Rationale for Deviation |
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| <p>Facts:</p> <p>Ministry of Finance (Department of Financial Services), Government of India issued Gazette Notification reference no. G.S.R.174(E) dated March 13, 2020 thereby notifying Yes Bank Limited Reconstruction Scheme, 2020 (‘Scheme’). The commencement date of the Scheme is March 13, 2020.</p> <p>As per the Clause 3(8)(a) of the Notification, there shall be a lock-in period of 3 years from the commencement of the Scheme to the extent of 75% of equity shares held by existing shareholders on the date of commencement of the Scheme i.e. March 13, 2020. Therefore, as per the Scheme, effective immediately, only 25% of the shares held by existing shareholders would be available for sale. The said restriction is applicable only to all those shareholders holding more than 100 shares in Yes Bank Ltd.</p> <p>To give the effect to the Reconstruction Scheme, based on the request from Yes Bank Limited, the depositories carried out corporate action on March 15, 2020 whereby the shares which are not locked in (i.e. free shares) were transferred to new ISIN INE528G01035 and share held under ISIN INE528G01027 are locked-in for a period of 3 years beginning from March 13, 2020.</p> <p>Invesco India Nifty Exchange Traded Fund, an open-ended scheme replicating Nifty 50 index, was holding 957 equity shares of Yes Bank Ltd. as on March 13, 2020. Accordingly, as per the Scheme, 718 equity shares would be locked - in for a period of three years from March 13, 2020 and only 239 equity shares are available for sale.</p> <p>Though the shares of Yes Bank Ltd. are listed and actively traded on the stock exchanges, the last traded price on stock exchange cannot be considered for valuation of shares which are under lock-in as shares</p> | <p>Even though the shares are actively traded and have a trading price, as per the Scheme 718 shares held by Invesco India Nifty Exchange Traded Fund are locked-in for a period of three years and are not available for sale. Also there is no other exit mechanism for locked-in shares till the lock-in period is over. Hence, to reflect fair/realizable value, the said 718 shares are marked down to ZERO on March 16, 2020. This valuation is in line with the principles of fair valuations.</p> <p>Nifty 50 Index is undergoing change effective from March 19, 2020 and as per the intimation issued by NSE Indices Limited. Yes Bank Ltd. will be moved out of index from the close of March 18, 2020 and as per the mandate of the Scheme Nifty ETF will sell 239 share and continue to hold 718 shares which are under lock-in.</p> <p>As the Scheme is an ETF replicating Nifty 50 Index, valuing the shares under locked-in at any value other than at Zero will also result in tracking error. Further there will be challenges for market makers & authorised participants in pricing the units on the stock exchanges.</p> |

can't be sold and value cannot be realized. Further, the shares of Yes Bank Ltd. do not qualify as Thinly traded/non-traded equity shares as per the definition given in SEBI circulars. Hence, even the valuation methodology mentioned in the Valuation Policy of Invesco Mutual Fund for valuation of Traded, Thinly Traded and Non-Traded shares cannot be applied to shares which are under lock-in.

Considering the fact of lock-in of three years, the shares of Yes Bank Ltd. in excess of 25% holding as on March 13, 2020 (718 shares) are valued at zero valuation to reflect the fair/realizable value.

The impact of above valuation on NAV is Rs.18,344.90 which works out to 0.10%.

This method of valuing listed and traded equity shares other than at last traded closing price is a deviation from Valuation Policy since the scenario where equity shares listed & actively traded but locked-in due to regulatory action is not presently covered in the Valuation Policy.