

MAHINDRA MANULIFE INVESTMENT MANAGEMENT PVT. LTD.

**(INVESTMENT MANAGER TO MAHINDRA MANULIFE
MUTUAL FUND)**

INVESTMENT VALUATION POLICY AND PROCEDURES

Change Matrix

Title	Investment Valuation Policy and Procedures
Policy Owner	Investment and Operations Department
Policy Administrator	Respective Departments as mentioned in the Policy
Policy Adherence by	Respective Departments as mentioned in the Policy
Last update date	April 23, 2026
Next Date of Review	October, 2026
Version Number	1.10

INDEX

Sr. No:	Particular	Page No(s)
I	Introduction	3
II	Purpose	3
III	Valuation Committee	3
IV	Policy, Procedure & Methodology for valuation of securities/assets	4
V	Exceptional Events	5
VI	Inter scheme transfers	5
VII	Conflict of Interest	5
VIII	Deviation	5
IX	Record Maintenance	6
X	Periodic Review	6
XI	Disclosure	6
XII	Annexure I Detailed security/ asset -wise valuation policy, procedure & methodology	7
XIII	Annexure II Illustrative list of exceptional events	21
XIV	Annexure III – Inter scheme Valuation Policy & Procedure	22
XV	Annexure IV –AMFI guidelines on waterfall approach for valuation of money market and debt securities	23
XVI	Annexure V – AMFI guidelines on valuation of AT-1 Bonds and Tier 2 Bonds issued under Basel III framework	30

I. Introduction

SEBI vide SEBI (Mutual Funds) Regulations, 2026 (“the Regulations”) read with Seventh Schedule of the Regulations and SEBI Master Circular ref. no. HO/24/13/11(1)2026-IMD-POD-1/1/7602/2026 dated March 20, 2026 (‘Master Circular’) lays down investment valuation norms and guidelines to ensure fair treatment to all investors (including existing as well as new investors) seeking to purchase or redeem the units of the scheme(s) at all points of time. In the event of a conflict between the principles of fair valuation and valuation guidelines prescribed by SEBI under the Regulations, the principles of fair valuation shall prevail.

In order to ensure transparency of valuation norms to be adopted by the asset management company for valuing the securities, it is mandated by SEBI for AMC to disclose their valuation policy and procedures as approved by the Board of AMC on the website of the AMC/Mutual Fund, etc. It is in this context that this Investment Valuation Policy & Procedures is prepared and disclosed by Mahindra Manulife Investment Management Private Limited (‘AMC’) for the benefit of investors of the Scheme(s) of Mahindra Manulife Mutual Fund (‘Fund’). This Investment Valuation Policy & Procedures is subject to review and change from time to time.

II. Purpose

The purpose of the Valuation policy and procedures (‘the Policy’) adopted by the Investment Manager for valuation of investments made by the Scheme(s) is primarily to-

- Describe the methodologies used for valuing each type of securities/assets held by the Scheme(s);
- Ensure that the securities/assets are consistently valued as per the approved methodology/is.
- Ensure the appropriateness and accuracy of the methodologies used and its effective implementation in valuing the securities/assets;
- Describe the process to deal with the exceptional events;
- Seek to address the conflict of interest;
- Devise process to detect and prevent incorrect valuation;
- Ensure transparency by making appropriate disclosures.

Therefore, the main purpose of the Policy is to ensure fair treatment to all investors (including existing as well as new investors) seeking to purchase or redeem the units of the Scheme(s) of Mahindra Manulife Mutual Fund at all points of time.

III. Valuation Committee

(i) Valuation Committee shall comprise of the following personnel.

- a. Chief Executive Officer (CEO)
- b. Chief Investment Officer –Equity (CIO -Equity)
- c. Chief Financial Officer (CFO)
- d. Chief Investment Officer –Fixed Income (CIO -Fixed Income)
- e. Fund Managers (Equity and Fixed Income)
- f. Head -Fund Operations
- g. Head – Compliance
- h. Head – Chief Risk Officer

(ii) Following is the scope of the Valuation Committee

- a. Recommendation and drafting of valuation policy for the AMC / Trustees Board approval;
- b. Periodical review of existing valuation policy;
- c. Review the accuracy and appropriateness of methods used in arriving at the fair value of securities and recommend changes if any;
- d. Lay down procedures to detect and prevent incorrect valuation;
- e. Recommend valuation method during exceptional events;
- f. Recommend valuation methodology for new type of security;
- g. Report to the Boards of the AMC and Trustee regarding any deviations or incorrect valuations.

(iii) Quorum

3 members, provided that one among the CIO -Equity, CIO – Fixed Income and the senior most Fund Manager for Equity or Fixed Income, is present along with the CEO of the AMC to complete the quorum. Further provided that for all equity related matters the CIO – Equity / Senior Fund Manager - Equity is present and for all fixed income related matters, the CIO – Fixed Income / Senior Fund Manager -Fixed Income is present.

Resolution by circulation can be considered as approved upon receipt of approval by at least 50% of the Valuation Committee members including (i) the Chief Executive Officer and Managing Director; and (ii) CIO – Equity (for matters pertaining to equity segment) OR CIO – Fixed Income (for matters pertaining to fixed income segment).

(iv) Frequency – As and when required

(v) Effective date

This Policy is applicable with effect from April 23, 2026.

IV. Policy, Procedure & Methodology for valuation of securities/assets

- (i) Detailed security / asset-wise valuation policy, procedure & methodology for each type of investment made by the scheme(s) of Mahindra Manulife Mutual Fund are described in **Annexure I**.
- (ii) The Boards of Mahindra Manulife Investment Management Private Limited (‘AMC’) and Mahindra Manulife Trustee Private Limited (‘Trustee’) shall approve the valuation methodologies for any investments in new securities/assets (other than those mentioned in **Annexure I**).
- (iii) Further, the investments held by schemes of Mahindra Manulife Mutual Fund would normally be valued according to the Valuation Guidelines specified by SEBI from time to time. In case of any conflict between the Principles of Fair Valuation as detailed above and valuation guidelines specified by SEBI, the Principles of Fair Valuation shall prevail.

V. Exceptional events:

The Boards of the AMC and Trustee authorize the Valuation Committee to determine the exceptional events and devise the process to deal with the exceptional events. Given the exceptional nature of the events, it is not possible to define a standard methodology to be adopted for fair valuation of securities/assets for such events.

The illustrative list of exceptional events is provided in **Annexure II**.

The Valuation Committee shall identify and monitor exceptional events and recommend appropriate procedures / methodologies with necessary guidance from the Boards of the AMC and Trustee, wherever required, and get the same ratified.

VI. Inter scheme Transfers:

Inter-scheme transfers will be done in line with regulatory requirements and applicable internal policies as determined by the Valuation Committee. The inter scheme transfers shall be priced as per the policy and procedures mentioned in **Annexure III**.

VII. Conflict of Interest:

The implementation of valuation policy and methodologies as adopted / authorized by the Boards of the AMC and Trustee shall be reviewed by the Valuation Committee. The Valuation Committee will be responsible for addressing areas of conflict of interest and therein recommend changes, if any, in policy/methodology. The same shall be ratified by the Boards of the AMC and Trustee.

VIII. Deviation:

Equity and Other Securities:

Deviation in the valuation policy and procedures in the case of equity and other securities shall be allowed only with the prior approval of the Valuation Committee followed by reporting to the Boards of the AMC and Trustee. Such deviations shall be appropriately disclosed to the investors as may be decided by the Valuation Committee.

Debt and Money Market Securities:

In case of debt and money market securities (including below investment grade or default securities), the AMC may deviate from the indicative haircuts and or the valuation price provided by the valuation agencies, subject to the following:

- a) Such deviation shall be allowed only with the prior approval of the Valuation Committee and the detailed rationale for each instance of deviation shall be recorded by the Valuation Committee.
- b) 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 post haircuts or the average of the price provided by the valuation agencies (as applicable) and the impact of

Annexure I:

Detailed security/asset-wise valuation policy, procedure & methodology for Investments made by the Mahindra Manulife Mutual Fund:

The valuation policy, procedure & methodology adopted by the Investment Manager for investments in securities/assets made by the Scheme(s) are as under:

I. Equity & Equity Related Instruments

Security Type	Valuation Policy
Listed Equity Shares / Warrants / Rights	<p>On a particular valuation day, these securities will be valued at the last quoted closing price on the principal stock exchange i.e. National Stock Exchange (NSE). If a security is not traded on NSE, it will be valued at the last quoted closing price on the BSE Limited (BSE). If a security is not traded on NSE and BSE, it will be valued at the last quoted closing price on other recognised stock exchange where the security is traded. If the security is traded on more than one recognised stock exchanges (other than NSE and BSE), it will be valued at the last quoted closing price on the stock exchange as may be selected by the Valuation Committee, and the reasons for such selection will be recorded in writing.</p> <p>If a security is not traded on any stock exchange on a particular valuation day, the last quoted closing price on NSE or BSE or other recognized stock exchange (in the order of priority as decided by the valuation committee) on the earliest previous day would be used, provided such day is not more than thirty days prior to the valuation day.</p> <p>If the security is not traded even after 30 days, the same would be valued as per the norms prescribed by SEBI for valuation of non-traded (*) securities.</p> <p>The securities held under the portfolio of index scheme(s) will be valued at last quoted closing price on the stock exchange of the underlying index.</p>
Preference Shares (Convertible/Non-Convertible)	<p>Listed Securities:</p> <p>On a particular valuation day, these securities will be valued at the last quoted closing price on the principal stock exchange i.e. National Stock Exchange (NSE).</p> <p>If a security is not traded on NSE, it will be valued at the last quoted closing price on the BSE Limited (BSE). If a security is not traded on NSE and BSE, it will be valued at the last quoted closing price on other recognised stock exchange where the security is traded. If the security is traded on more than one recognised stock exchange (other than NSE and BSE), it will be valued at the last quoted closing price on the stock exchange as may be selected by the Valuation Committee, and the reasons for such selection will be recorded in writing.</p> <p>If a security is not traded on any stock exchange on a particular valuation day and security level prices are provided by AMFI approved agencies, these securities will be valued at the average of security level prices provided by the AMFI approved agencies.</p> <p>If a security is not traded on any stock exchange on a particular valuation day and security level prices are not provided by AMFI approved agencies, the last quoted closing price on NSE or BSE or other recognized stock exchange (in the order of priority as decided by the</p>

Security Type	Valuation Policy
	<p>valuation committee) on the earliest previous day would be used, provided such day is not more than thirty days prior to the valuation day.</p> <p>If the security is not traded even after 30 days, the same would be valued as per the norms prescribed by SEBI for valuation of non-traded (*) securities.</p> <p>Unlisted Securities: If prices are provided by AMFI approved valuation agencies, then the valuation shall be based on the average of prices provided by AMFI approved agencies.</p> <p>In instance where either or both agencies do not provide prices, Securities will be valued at fair value in good faith by the AMC as per appropriate valuation method determined by the Valuation Committee.</p> <p>From ex-date till the date of allotment, preference shares will be valued at face value of the security.</p>
Partly Paid-up Equity Shares	<p>Listed Securities:</p> <p>In case the partly paid-up equity shares are listed separately they would be valued as per the valuation guidelines applicable to any other listed equity shares.</p> <p>Thinly Traded / Non-Traded / Unlisted Securities:</p> <p>The partly paid-up equity shares will be valued at lower of the following two prices:</p> <p>Value of the underlying fully paid-up equity shares as reduced by the amount of balance call money payable.</p> <p>Value of the partly paid-up equity shares, if traded on the valuation day. If not traded on any stock exchange on a particular valuation day, the value at which it was traded on the earliest previous day may be used provided such date is not more than 30 days prior to valuation date</p> <p>Valuation guidelines related to equity shares would be applicable for the valuation of underlying fully paid-up equity shares.</p> <p>In case the trade price of the partly paid-up equity shares was not available for last 30 days or in case of unlisted partly paid-up equity shares, it will be valued at the value of the underlying fully paid-up equity share as reduced by the amount of balance call money payable.</p> <p>Suspended from trading on account of corporate actions:</p> <p>In case the partly paid-up equity shares are suspended from trading on account of corporate actions like call money raised by the Company etc., it will be valued at the value of the underlying fully paid-up equity share as reduced by the amount of balance call money payable.</p>

Security Type	Valuation Policy
Initial Public Offering (IPO) including Anchor Investment	Valuation methodology to be followed would be same as in the case of traded securities from the date of listing of securities on the stock exchange. The securities shall be valued at the allotment/Bid price (i.e. at cost) for the interim period between allotment date and listing date.
Qualified Institutional Placement (QIP) /Follow on Public Offer	Valuation methodology to be followed would be same as in the case of Listed Equity Shares from the date of allotment.
Compulsory Convertible Debentures and Bonds (CCD)	<p>Listed Securities:</p> <p>In case Compulsorily Convertible Debenture (CCD) are qualified as listed then they would be valued as per the valuation guidelines applicable to equity shares i.e. valued on closing traded price similar to equity shares. The value of CCD so derived, shall be treated as dirty price of the CCD and accordingly valuation will be done.</p> <p>Thinly Traded / Non-Traded / Unlisted Securities:</p> <p>The non-convertible and convertible components will be valued separately: Non-convertible component of CCD will be valued on the same basis as would be applicable to debt instrument.</p> <p>Convertible component of CCD would be valued at the value of the equity share which would be obtained on conversion, further appropriate discount for illiquidity should be applied. The illiquidity percentage will be decided by the Valuation Committee on a case to-case basis. Valuation guidelines related to equity shares would be applicable for the valuation of underlying equity shares.</p> <p>If security level valuation (SLV) price of CCD is provided by the valuation agencies, appointed by AMFI, then the average prices provided by AMFI approved agencies will be used.</p> <p>The Valuation Committee may in specific cases decide to use a different method for valuation of CCD by assigning reasons thereof.</p>
Thinly traded Equity Shares (*)	<p>Thinly traded securities will be valued at fair value as per procedures determined by the Valuation Committee. The definition of thinly traded securities is given as under: - An equity and / or equity related securities (such as preference shares, convertible debentures, equity warrants etc.) would be considered as thinly traded if in a previous calendar month:</p> <p>a) the aggregate value of trade in such security is less than Rs. 5,00,000; and b) the total volume of trade in such security is less than 50,000 shares, on recognised stock exchange(s) in India.</p>
Unlisted Equity Shares / - Warrants/ Rights/Demerger (*)	Securities will be valued at fair value in good faith by the AMC as per appropriate valuation method determined by the Valuation Committee.

Security Type	Valuation Policy
Options	In case of Options, premium received / paid is marked to market based on the settlement prices on NSE.
Futures	Outstanding contracts in Futures will be valued at the last quoted settlement price on the NSE.
Valuation of Securities Lent under Securities Lending Scheme	The valuation of securities lent under Securities Lending Scheme shall be valued as per the valuation guideline of the respective security as mentioned in this document. The lending fees received for the securities lent out would be accrued in a proportionate manner till maturity of the contract.

***Current ‘Procedure & Methodology’ for valuation of unlisted, non-traded or thinly traded equity / equity related securities is as under:**

1. Unlisted / Non-traded/ Thinly Traded Equity Shares:

The methodology is given as under: -

- a) Based on the latest available audited Balance Sheet, net worth shall be calculated as follows:

Net Worth per share = [Share Capital + Free Reserves (excluding Revaluation Reserves) – Miscellaneous Expenditure not written off, deferred revenue expenditure, intangible assets and accumulated losses] divided by Number of Paid up Shares.

- b) 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 of the latest audited annual accounts will be considered for this purpose.
- c) The average of the net worth per share and the capital earning value calculated as above shall be further discounted by 10%, in case of thinly traded and non- traded securities and 15% in case of unlisted securities for ill-liquidity, so as to arrive at the fair value per share.
- d) In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalised earning.
- e) 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.
- f) 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 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.

- g) An unlisted equity share may be valued at a price lower than the value derived using the aforesaid methodology, at the discretion of the AMC and with the prior approval of Trustees, the reasons of the same recorded in writing.
2. **Valuation in case of Corporate Action** – The unlisted equity shares allotted as result of corporate action of demerger/amalgamation will be valued at the intrinsic value on the ex-date. The calculation of intrinsic value shall be reviewed by the Valuation Committee periodically is given as under: -

A) Demerger of Shares: -

Scenario I: In case of demerger, where both the demerged and resulting entities are listed and traded after demerger, the valuation methodology adopted would be the same as in the case of listed equity shares.

Scenario II: In case of demerger where the demerged company continues to be listed and traded and the resulting entity is unlisted and gets listed at a later date, the valuation of both the entities shall be done as follows: -

Demerged Entity: Valuation methodology adopted would be the same as in the case of listed equity shares.

Resulting Entity: Intrinsic Value to be derived based on market value of the original traded shares on one trading day prior to the ex-date of demerger minus market value of demerged traded shares on the ex-date. However, in case pre trading / special session closing price is available on the ex-date, the same will be used to arrive at market value of demerged traded shares on the ex-date. In case value of the traded share of the Demerged Company is equal or in excess of the value of pre -demerger share, then the non-traded share is to be valued at zero.

The valuation of shares of these companies would be reviewed by the Valuation committee every thirty days if the security continues to remain unlisted.

Scenario III: Demerger where both the entities i.e. Demerged and Resulting Companies are unlisted and shall get listed at a later date, the valuation shall be done as follows:

Shares of these companies are to be valued equal to the pre demerger value (one trading day prior to the ex-date) up to the date of listing. The market value of the shares to be bifurcated in the ratio of cost of shares as may be obtained by prescribed demerger ratio.

Example: Closing Pre Ex-date Market price* Ratio of Allocation of Assets to Demerged and Resulting Entities

The valuation of shares of these companies would be reviewed by the Valuation committee every thirty days if the security continues to remain unlisted.

B) Amalgamation:-

Scenario I: In case shares are traded on amalgamation, the valuation methodology adopted would be the same as in the case of listed equity shares.

Scenario II: In case where shares are not traded on merger, shares of merged company are to be valued equal to the pre merger value (one trading day prior to the ex-date) upto a period of thirty days from the date of merger. The valuation of shares of these companies would be reviewed by the Valuation committee every thirty days if the security continues to remain unlisted.

3. **Warrants** - Warrants will be valued at the value of the underlying equity share which would be obtained in exercise of the warrant as reduced by the amount which would be payable on the exercise of the warrant. The value arrived will be reduced by appropriate discount as decided by the Valuation Committee. If Warrants are traded on the stock exchange, then the valuation methodology adopted for listed equity shares shall be adopted.

4. **Right entitlements & Right Shares-**

a) **Right Entitlements**

The right entitlements shall be valued using the below mentioned formulae.

Valuation Price = (Closing Ex-Rights Price- Right Offer Price) of Underlying Equity Share.

In case where the closing price falls below the right offer price, right entitlements value shall be considered as becomes zero. In case the right entitlement is traded on the stock exchanges then the traded price shall be considered for valuation of entitlements.

b) **Right Shares**

The listed right shares are to be valued as per methodology adopted for listed equity shares. The cost price considered for the right shares would be the offer price paid for the right shares.

5. **Suspended Shares:**

If a listed security is suspended for a certain period, then up to thirty days the last traded price would be used for valuation and every thirty days the valuation methodology would be decided on a case to case basis and approved by the valuation committee.

II. Investment Grade - Money Market, Debt and Government Securities

Security Type	Valuation Policy
Government Securities (including State Government Securities, Treasury Bills, Separate Trading of Registered Interest and Principal Securities (STRIPS) and Cash Management Bills)	These securities will be valued at the average of security level prices provided by the AMFI approved agencies. If security level price for new security purchased is not available, then such security will be valued at weighted average purchase yield on the date of allotment / purchase.

<p>Money Market and Debt Securities (Commercial Paper/ Certificate of Deposit / Bonds/Zero Coupon Bonds/ Bills purchased under rediscounting scheme (BRDS)/Floating rate securities/Securitization etc.)</p>	<p>These securities will be valued at average of the prices provided by AMFI approved agencies.</p> <p>In case security level prices given by valuation agencies are not available for a new security, then such security may be valued at weighted average purchase yield on the date of allotment / purchase. (Refer Note 3 and 7).</p>
<p>Valuation of Put/Call securities.</p>	<p>Securities with call option: The securities with call option will be valued based on average of prices provided by AMFI approved agencies.</p> <p>The value of the security will be the lower of the value as obtained by valuing the security to final maturity and valuing the security to call option. 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: The securities with put option are valued based on average of prices provided by AMFI approved agencies.</p> <p>The value of the security will be higher of the value as obtained by valuing the security to final maturity and valuing the security to put option. 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 instrument.</p> <p>Securities with both put and call option on the same day: The securities with put and call option will be valued based on average of prices provided by AMFI approved agencies. The methodology used for valuation of these securities is given below:</p> <p>The securities with put / call options on the same day and having the same put and call option price, shall be deemed to mature on such put / call date and shall be valued accordingly. In all other cases, the cash flow of each put / call option shall be evaluated and the security shall be valued as under : -</p> <p>i. 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.</p>

	<p>ii. 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.</p> <p>iii. 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>
Interest Rate SWAP/ Forward Rate Agreements and other OTC derivatives	All OTC derivatives viz. SWAP/ FRA’s will be valued at the average prices provided by AMFI approved agencies.
Interest Rate Futures	The Interest Rate Futures (IRF) would be valued at the daily settlement price of the exchange.
Repurchase (Repo) transactions (Tri-Party Repo (TREPS) / Reverse Repo / Corporate Bond Repo)	<p>Overnight Repos will be valued at cost plus accrual.</p> <p>Repos other than overnight repos will be valued at the average prices provided by AMFI approved agencies..</p> <p>In case security level prices given by valuation agencies are not available for a new security (which is currently not held by any Mutual Fund), then such security may be valued at purchase yield/price on the date of allotment / purchase.</p>
Valuation of Perpetual Bonds	<p>These securities will be valued at the average of security level prices provided by the AMFI approved agencies.</p> <p>If security level price for new security purchased is not available, then such security will be valued at weighted average purchase yield. The valuation of such securities will be based on yield to call.</p>

Notes:-

- 1) AMFI approved agencies (currently CRISIL/ICRA) are considering the trades reported at all public platform viz CCIL/NDS-OM /NSE/BSE, etc. for determining the prices of debt securities.
- 2) As per AMFI Best Practice Circular no 83 dated November 18, 2019, upfront fees on all trades (including primary market trades), by whatever name and manner called, would be considered by the valuation agencies for the purpose of valuation of the security. Details of such upfront fees shall 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. For the purpose of accounting, such upfront fees shall be reduced from the cost of the investment in the scheme that made the investment. In case upfront fees are received across multiple schemes, then such upfront fees shall be shared on a pro-rata basis across such schemes.

- 3) The valuation agencies generally provide the security level prices for a new security (which is currently not held by any Mutual Fund) from next business day preceding the date of allotment or purchase. Till such prices are received from valuation agencies, a new security will be valued on amortization basis / weighted average purchase yield.
- 4) Any changes to the terms of investment, which may have an impact on valuation, shall be reported to the valuation agencies immediately.
- 5) If a put option is not exercised by the Mutual Fund when exercising such put option would have been in favor of the scheme;
 - a. The justification for not exercising the put option shall be provided to the Valuation Agencies, Boards of the AMC and Trustees on or before the last date of the notice period.
 - b. In respect of valuation of securities with multiple put options present ab-initio, the Valuation Agencies shall not take into account the remaining put options for the purpose of valuation of the security
 - c. 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.

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.

- 6) SEBI has advised AMFI to issue detailed guidelines with respect to valuation of bonds issued under Basel III framework. These guidelines have been issued by AMFI vide AMFI Best Practices Guidelines Circular No. 91/ 2020 - 21 dated March 24, 2021, for uniform implementation which are applicable from April 01, 2021. These guidelines are provided in the Annexure V of this Policy.
- 7) The valuation of partly paid debentures shall be in line with scrip level prices and the guidelines mentioned above. However, methodology to be followed by AMFI approved valuation agencies for computation of valuation shall be in line with AMFI Best Practices Guidelines Circular No. 115/2024-25 dated July 26, 2024.

III. Below Investment Grade or Default-Money Market and Debt Securities

Security/ Asset Type	Valuation Policy
Valuation of Below Investment Grade or Default Money Market and Debt Securities- (Commercial Paper/ Certificate of Deposit / Bonds/Zero Coupon Bonds/Bills purchased under rediscounting scheme (BRDS)/Floating rate securities/Securitization etc.)	These securities will be valued at average of security level prices provided by AMFI approved valuation agencies. (Refer Note section provided below)

Note:-

- 1) A money market or debt security shall be classified as “below investment grade” if the long term rating of the security issued by a SEBI registered Credit Rating Agency (CRA) is below BBB- or if the short term rating of the security is below A3. In case multiple ratings are available, most conservative rating will be taken to decide whether a particular security is investment grade or below investment grade.

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. 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. 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.

- 2) The traded price shall be considered (as referred above) if trades are of a minimum size (refer Point 4.i. of Part A of Annexure –IV) as determined by valuation agencies.
- 3) Currently, valuation agencies are deriving valuation prices for valuing the money market and debt securities below investment grade securities on the basis of standard / indicative haircuts matrix and therefore during interim period (till such date the security level prices are provided by these valuation agencies), such securities will be valued on the basis of indicative / standard haircuts provided by these valuation agencies. These indicative haircuts will be applied on the date of credit event (i.e. migration of security from investment to below investment grade) and shall continue till scrip level valuation prices are provided by the valuation agencies of such securities. Further, these haircuts will 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 (if available), and receipt of valuation price from valuation agencies, the traded price will be used for valuation of such security provided it is lower than the average price obtained post standard haircut. The said traded price shall be considered thereafter for valuation till the scrip level valuation price is determined and provided by the valuation agencies.
- 4) 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.
- 5) Treatment of accrued interest, future interest accrual and future recovery: The treatment of accrued interest and future accrual of interest, in case of money market and debt securities classified as below investment grade or default, is detailed below:
 - a) Interest accrual: The indicative haircut provided by valuation agencies that has been applied to the principal will 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.
 - b) 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) will then be applied first towards amount of interest written off and then towards amount of principal written off.

- 6) Segregate Portfolio valuation: Notwithstanding the decision to segregate the debt and money market instrument in accordance with the clause 5.5 of Master Circular , the valuation should consider the credit event and value the portfolio based on the principles of fair valuation. (i.e. realizable value of the assets) in terms of relevant provisions of SEBI (Mutual Funds) Regulation, 2026 and Circular(s) issued thereunder. Irrespective of the above policy, the valuation committee might adopt valuation principles to align with fair valuation norms.

IV. Others

Security/ Asset Type	Valuation Policy
Domestic Mutual Fund Units including Exchange Traded Funds (ETFs)	<p>Listed Mutual Fund units and Exchange Traded Funds will be valued at the closing price at the principal stock exchange. If units are not traded on principal stock exchange on a particular valuation day, the closing price on any other stock exchange where units are traded will be used.</p> <p>If units are not traded on any stock exchange on a particular valuation day, then the end of day NAV per unit of the scheme will be taken for valuation of the Mutual Fund Units.</p> <p>Unlisted Mutual Fund units will be valued based on the end of the day Net Asset Value (NAV) per unit of the scheme for valuation of Mutual Fund units.</p>
Gold	<p>Physical Gold with purity 995.00 shall be valued by using the polled spot prices for 995 purity published by the recognized stock exchange which are used for settlement of physically delivered derivatives contracts.</p> <p>Physical Gold with purity 999.00 shall be valued by using the polled spot prices for contract with 999 purity if available or by adjusting the polled spot prices of contract with 995 purity published by the recognized stock exchange which are used for settlement of physically delivered derivatives contracts.</p> <p>Valuation Committee shall also advice if in case spot price is not available, whether</p> <ol style="list-style-type: none"> 1. any other appropriate source may be used as agreed upon by valuation committee to determine the valuation price. 2. or stale Premium/discount to be used <p>The Valuation Committee may in specific cases decide to use a different method for valuation of Gold by assigning reasons thereof.</p>

<p>Silver</p>	<p>Physical Silver with purity 999.00 shall be valued by using the polled spot prices contract with 999 purity published by the recognized stock exchange which are used for settlement of physically delivered derivatives contracts.</p> <p>Valuation Committee shall also advice if in case spot price is not available, whether</p> <ol style="list-style-type: none"> 1. any other appropriate source may be used as agreed upon by valuation committee to determine the valuation price. 2. Or stale Premium/discount to be used <p>The Valuation Committee may in specific cases decide to use a different method for valuation of Silver by assigning reasons thereof.</p>
<p>Fixed Deposits</p>	<p>Fixed deposits will be valued at cost plus accrual basis.</p>
<p>Units of InvITs / REITs</p>	<p><u>Allotted but listing awaited:</u></p> <p>The units of REITs and InvITs post allotment (awaiting listing) will be valued at allotment price.</p> <p><u>Listed Units:</u></p> <p>The units of InvIT and REIT will be valued at the closing price at the principal stock exchange i.e. National Stock Exchange. If units are not traded on principal stock exchange on a particular valuation day, the closing price on any other stock exchange where units are traded will be used. If units are not traded on any stock exchange on a particular valuation day, then closing price at which it is traded on the principal stock exchange or any other stock exchange, as the case may be, on the earliest previous day will be used provided such date is not more than 30 days prior to valuation date.</p> <p>Where units of InvIT and REIT are not traded on any stock exchange for a continuous period of 30 days then the valuation for such units of InvIT and REIT will be determined based on the procedures determined by Valuation Committee.</p>
<p>Foreign Securities (including ADR/GDR, ETFs and Mutual Fund Units)</p>	<p>(i) Traded Securities</p> <p>Traded foreign securities shall be valued based on the latest available closing price of the stock exchange on which the security is listed. If the security is listed on more than one stock exchange, the AMC shall select the appropriate stock exchange and the reasons for selection of the stock exchange shall be recorded in writing and approved by Valuation Committee.</p> <p>If the security is listed in a time zone ahead of ours than the same day's closing price would be used for Valuation. If the</p>

	<p>security is listed in the time zone behind ours then the previous day's closing price would be used for valuation.</p> <p>When on a particular valuation day, a security has not been traded on the selected stock exchange; the value at which it is traded on another stock exchange or last available price on the selected stock exchange shall be used provided such date is not more than thirty days prior to the valuation date.</p> <p>(ii) Non Traded Securities Non traded foreign security shall be valued by the AMC at fair value after considering relevant factors on case to case basis. Non-traded ADR/ GDR shall be valued after considering prices/issue terms of underlying security. Valuation committee shall decide the appropriate discount for illiquidity.</p> <p>(iii) Overseas Mutual Funds In case of Overseas mutual fund units, last published Net Asset Value (NAV) will be used for valuation.</p> <p>Conversion Rates: - On valuation date, all assets and liabilities in foreign currency shall be valued in Indian Rupees at the FBIL reference rate as at the close of banking hours on the relevant business day in India. If on any day FBIL reference rate is not available due to holiday, then the previous day's prices will be used.</p> <p>If the security is listed in currency for which reference rate is not provided by FBIL, the exchange rates available from Reuters (at 5.00 P.M IST) will be used. In case the direct exchange rates are not available on Reuters, then cross currency rate with USD would be considered and converted as per the INR/USD FBIL reference rate.</p>
Units of Corporate Debt Market Development Fund ('CDMDF')	Units of CDMDF will be valued based on the end of the day Net Asset Value (NAV) per unit released for the business day.
Exchange Traded Commodity Derivatives (ETCDs)	<p>Exchange Traded Commodity Derivatives (ETCDs) shall be valued at the last quoted closing price on the exchange where such ETCD Contracts are listed.</p> <p>In the event the last quoted closing price as referred above is not available on any valuation day, such ETCD contracts shall be valued at the Settlement price of the respective stock exchange.</p> <p>In case necessary details to value ETCDs are not available or if the prices as per above do not represent fair price, the valuation committee, in order to ensure fair valuation, will determine price, based on the available information.</p>
Physical Commodities other than Gold & Silver	Physical stocks/Commodities received from the exchange accredited warehouse in the location (as notified and

	<p>determined by the exchanges) will be valued based on latest spot market price of the respective location as published by the respective commodity exchanges.</p> <p>If on any valuation day the spot market prices as above are not available due to holiday, then the prices of immediately preceding day will be considered for the purpose of valuation of such commodity.</p> <p>In case necessary details to value such commodities are not available or if the prices as per above do not represent fair price, the Valuation Committee, in order to ensure fair valuation, will determine price, based on the available information.</p>
--	--

Annexure II

The illustrative list of exceptional events is provided as under:

Some of the he Exceptional events where current market information may not be available / sufficient for valuation of securities are classified as under:

- a. Policy announcements by the Reserve Bank of India (RBI), the Government or any Regulatory body like SEBI/IRDA/PFRDA.
- b. Natural disasters or public disturbances that may impact the functioning of the Capital markets.
- c. Absence of trading in a specific security or similar securities.
- d. Significant volatility in the capital markets.
- e. Deviation from the indicative haircuts and/or the valuation price.

Note:

1. Any change/modification to the above list of exceptional events shall be updated from time to time.
2. The Valuation Committee shall identify and monitor the exceptional events and recommend appropriate procedures/methodologies with necessary guidance from the Boards of the AMC and Trustee, wherever required, and get the same ratified.

Annexure III – Inter scheme Valuation Policy & Procedure

1. Money Market, Debt and Government Securities (including State Government Securities, Treasury Bills and Cash Management Bills):

Inter-scheme price shall be sourced from the valuation agencies for money market and debt securities, irrespective of maturity. The inter-scheme pricing will be arrived as under:

- a. If prices from the valuation agencies are received within the pre-agreed turnaround time (TAT), an average of the prices so received shall be used for IST pricing.
- b. If price from only one valuation agency is received within the pre-agreed TAT, then such price will be used for IST pricing.
- c. In case prices are not received from any of the valuation agency, inter-scheme price will be arrived on the basis weighted average traded price/yield available on public platform.

Qualification criteria for considering the trades on the public platform

- i. Maturity < 30 days:** at least three trades aggregating to Rs. 100 crores or more.
- ii. Maturity > 30 days and ≤ 365 days:** at least three trades aggregating to Rs. 100 crores or more.
- iii. Maturity > 365 days:** at least two trades aggregating to Rs. 25 crores or more

Order of preference for the public platforms for consideration:

1. CCIL – F-TRAC (CCIL website in case of Government Securities (including State Government Securities, Treasury Bills and Cash Management Bills))
 2. NSE WDM (NDS-OM website in case of Government Securities (including State Government Securities, Treasury Bills and Cash Management Bills))
 3. BSE WDM
- d. If market trades satisfying the above criteria are not available on the public platforms, then the previous day's valuation price will be considered for IST pricing.

Annexure IV – AMFI guidelines on waterfall approach for valuation of money market and debt securities

Background

Clause 10.1 and 10.2 of SEBI Master circular on valuation of money market and debt securities, has laid down the broad principles for considering traded yields for the purpose of valuation of money market and debt securities. Aforesaid circular prescribes that AMFI shall ensure that valuation agencies have a documented waterfall approach for valuation of money market and debt securities. Aforesaid circular also prescribes that the waterfall approach shall form part of the valuation policy of individual AMCs which is uploaded on their respective websites.

AMFI has issued Best Practices Guidelines Circular no 83 dated November 18, 2019 providing guidelines to be followed by valuation agencies (CRISIL and ICRA) to arrive at valuation of money and debt securities. These guidelines cover following broad areas for valuation of money market and debt securities:

1. Waterfall mechanism for valuation of money market and debt securities
2. Definition of tenure buckets for similar maturity
3. Process for determination of similar issuer
4. Recognition of trades and outlier criteria
5. Process for construction of spread matrix

Part A: Valuation of Money Market and Debt Securities other than Government Securities (“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)

Clause 10.1 and 10.2 of SEBI Master Circular on Valuation of money market and debt securities, prescribes that the marketable lots shall be defined by AMFI, in consultation with SEBI. In this regard, 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	15-30 days	Greater than 30
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 - $\geq 50\%$ of trade days
- Semi liquid - $\geq 10\%$ 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	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: <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	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 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. 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.

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 V – AMFI guidelines on valuation of AT-1 Bonds and Tier 2 Bonds issued under Basel III framework

1. Currently a bond is considered traded, if there is at least one trade in market lot in that particular ISIN. If the bond does not get traded there is a defined waterfall mechanism for valuation of that bond as per AMFI Best Practice Guideline circular no. NO.83 / 2019-20 dated November 18, 2019.
2. The said waterfall requires grouping of same issuer with similar maturity and similar issuers with similar maturity. However, in case any ISIN of issuer has not traded, the valuation of AT-1 Bonds is currently done based on adjusting spread directly to the benchmark security.
3. In order to improve existing valuation of these bonds and implement the defined waterfall, following is proposed to be done:
 - i. 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.
 - ii. 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.
4. If the ISIN gets traded, the traded YTM will be taken for the purpose of valuation. Further, 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. 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. 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.
5. Further, 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.
6. However, 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.

Points 4, 5 & 6 have been further elaborated in the detailed illustration provided at the end of these guidelines.

7. AMC's shall adopt maturity of 100 years for perpetual bond issued by banks. There will be a glide path for smooth implementation. The Deemed Residual Maturity for the Purpose of Calculation of 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.

8. Hitherto, Mutual Fund industry used to value Tier II bonds considering first call date as a deemed maturity date. Therefore, a glide path is required for valuation as well as calculation of Macaulay Duration for tier II bonds also. Accordingly, valuation methodology, as mentioned above, for AT-1 Bonds is to be followed for the valuation of tier II bonds also. Further, 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

9. Besides, 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.

10. It is confirmed that the Macaulay Duration of ISINs will be calculated based on the deemed residual maturity proposed in para 7 and 8 above to reflect the duration risk.

11. Further, henceforth mutual funds will disclose both Yield to Call and Yield to Maturity.

Illustration for point 4 to 6

ABC and XYZ are similar issuer and similar maturity:

Maturity of ISIN 1 of ABC is near to maturity of ISIN 1 of XYZ & Maturity of ISIN 2 of ABC is near to maturity to ISIN 2 of XYZ

Issuers	ABC		XYZ		Valuation of ABC
	ISIN 1	ISIN 2	ISIN 1	ISIN 2	
Traded Today	Y	-	-	-	Take price and arrive at YTM
Traded Today	N	Y	-	-	Take price of ISIN 2 of ABC and compute YTM of ISIN 2. Then adjust the YTM spread of ISIN 1 and ISIN 2 and compute value of ISIN 1 of ABC.

Traded Today	N	N	Y	N	From the price of ISIN 1 of XYZ compute YTM. The spread between YTM of ABC ISIN 1 and XYZ ISIN 1 is to be adjusted to derive YTM of ABC ISIN 1. The spread should further be adjusted to reflect adverse news, change in credit rating, interest rate etc., which has bearing on the yield of ISIN being valued and final YTM and price of the security should be computed.
Traded Today	N	N	N	Y	From the price of ISIN 2 of XYZ compute YTM of ISIN 2 of XYZ. Then derive YTM of ISIN 1 of XYZ by adjusting spread of YTM. Then by adjusting difference in spread between ISIN 1 of XYZ and ISIN 1 of ABC trade (which happens to be nearest maturity) arrive at YTM of ISIN 1 of ABC. The spread should be adjusted to reflect adverse news, change in credit rating, interest rate etc., which has bearing on the yield of ISIN being valued.
No trade today. Check for actual trade during look back	Y	-	-	-	Take YTM of traded day and adjust spread to the movement of benchmark ISIN over the period. Also adjust to reflect adverse news, change in credit rating, interest rate etc., which has bearing on the yield of ISIN being valued.
No trade today. Check for actual trade during look back	N	Y	-	-	Arrive at YTM of ISIN 2 by adjusting spread to the movement of benchmark ISIN over the period. Derive YTM of ISIN 1 of ABC from ISIN 2 of ABC by adjusting spread over YTM. Also adjustment should be done to reflect adverse news, change in credit rating, interest rate etc., which has bearing on the yield of ISIN being valued.
No trade today. Check for actual trade during look back	N	N	Y	N	Arrive at YTM of ISIN 1 of XYZ by adjusting spread to the movement of benchmark ISIN over the period. Then the spread of YTM of XYZ ISIN 1 and ABC ISIN 1 is to be adjusted to arrive at YTM of ISIN 1 of ABC. Also, adjustment will be done to reflect adverse news, change in credit rating, interest rate etc., which has bearing on the yield of ISIN being valued.
No trade today. Check for actual trade during look back	N	N	N	Y	Take YTM of ISIN 2 of XYZ by adjusting spread to the movement of benchmark ISIN over the period. Adjust the spread of YTM of ISIN 1 of XYZ and ISIN 2 of XYZ to arrive at YTM of ISIN 1 of XYZ. YTM of ISIN I of ABC will be derived by adjusting spread of YTM of ISIN 1 of XYZ to ISIN 1 of ABC (which appears to be a nearest maturity to ABC ISIN 1). Further, YTM will be adjusted to reflect adverse news, change in credit rating, interest rate etc., which has bearing on the yield of ISIN being valued.
Not Traded During look back	N	N	N	N	Valuation will be done considering spread over matrix and/or polling in line with the waterfall mechanism prescribed by AMFI.

Note: The duration to call shall not be considered/adjusted to spread over YTM. Yield to Call and Yield to Maturity shall be disclosed to investors.