Old Bridge Asset Management Private Limited

Investment Valuation Policy

Version No. 1.1

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INTRODUCTION

The Securities and Exchange Board of India (SEBI) has established Investment Valuation Norms and Accounting Policies in accordance with the SEBI (Mutual Funds) Regulations, 1996, which have been amended over time. The Eighth Schedule of the regulations (regulation 47) and circulars issued by SEBI describe the norms, methodology, and guiding principles for determining the value of investments held by Mutual Fund schemes. These Valuation Norms must be adhered to when evaluating securities.

As per the SEBI Circular MFD/CIR No.010/024/2000 dated January 17, 2000, all Asset Management Companies (AMCs) must have a Valuation Committee to review their investment valuation processes. The Valuation Committee of an AMC generally includes the Managing Director/Chief Investment Officer, the Head of Investment Operations, the Head of Compliance, the Head of Risk, and the Fund Managers (invited on an ad hoc basis).

Every year, the Valuation Committee will review the investment valuation policies. The Head – Compliance documents the results and conversations of the gathering. If there is a change to the current valuation policies, it should be suggested by the Valuation Committee and approved by the Board of Old Bridge Asset Management Private Limited (OBAMPL) and Old Bridge Mutual Fund Trustee Private Limited (OBMFTPL).

This policy outlines the procedures and manner to be used for determining the value of instruments and investments by OBAMPL. It further sets out the criteria to be utilized for accounting valuation., and it is subject to review and revision as needed.

I. EQUITY AND EQUITY RELATED SECURITIES

A. TRADED SECURITIES

1. Equity and Equity related securities

OBAMPL has selected National Stock Exchange (NSE) will act as the Principal Stock Exchange for all of its equity and equity related securities held by the schemes. The Stock Exchange to be utilized for valuation is specified in the scheme offer document. When it comes to Index Funds, the Principal Stock Exchange will be the Exchange on which the benchmark index has been created.

a) Traded securities shall be valued at the day's closing price on the NSE.
b) When, on a particular day a security is not traded on NSE, the closing price of the security on the Bombay Stock Exchange Limited (BSE). Will be considered for valuation. When a security is not traded on any stock exchange on a particular valuation day, the value at which it was traded on the National Stock Exchange or the Bombay Stock Exchange, as the case may be, on the earliest previous day may be used, provided such date is not more than thirty days prior to the valuation date
c) If the equity securities are not traded on any stock exchange for a period of thirty days prior to the valuation date, the scrip must be treated as 'non-traded' scrip and

should be valued as non-traded security as per the norms given separately by us in Equity Section Non-Traded and also in case of equity securities not listed on any stock exchange, the scrip is to be valued as per the norms given separately in Equity Section Non-Traded.

d) For Index Funds, valuation shall be done at the closing prices of the underlying index.

2. Derivatives – Equity/Index Options and Futures

a) Equity/Index Options

i. Market values of traded option contracts shall be determined with respect to the exchange on which it is contracted originally, i.e., if an option contracted on the NSE would be valued at the closing price on the NSE.

ii. The Exchanges give daily settlement prices in respect of all derivatives positions. These settlements prices would be adopted for valuing the positions, which are not traded.

b) Equity/Index Futures

i. Market values of traded futures contracts shall be determined with respect to the exchange on which contracted originally, i.e., if futures position contracted on the NSE would be valued at the Settlement price on the NSE.

ii. The Exchanges give daily settlement prices in respect of all derivatives positions. These settlements prices would be adopted for valuing the positions, which are not traded.

B. NON-TRADED/THINLY TRADED SECURITIES

1. Application Money for Primary Market Issue

Application money should be valued at cost up to 30 days from the closure of the issue or traded price whichever is earlier. If the security is not allotted / traded within 30 days from the closure of the issue, application money is to be valued as per the directives of valuation committee, which shall be ratified in the next board meeting. Rationale of valuing such application money should also be recorded.

2. Thinly Traded Equity/Non-Traded

Thinly Traded:

When trading in an equity/equity related security (such as convertible debentures, equity warrants, etc.) in a month is both less than ₹ 5,00,000 and the total volume is less than 50,000 shares, it shall be considered as a thinly traded security and valued accordingly. In order to consider a security as a thinly traded security, the volumes traded only on the NSE and the BSE shall be considered.

If the share is not listed on the stock exchanges which provide such information, then it will be obligatory on the part of the Fund to make its own analysis in line with the above criteria to check whether such securities are thinly traded which would then be valued accordingly.

Further, thinly traded securities would be monitored on calendar month basis and not on rolling basis. i.e., If a security in holding has been classified as thinly traded according to the criteria mentioned above, it would be fairly valued ignoring the primary and secondary stock exchange prices. This fair valuation would continue for the entire month even though, the volumes and value might have exceeded the limit in the current month.

In case trading in an equity security is suspended for trading on the stock exchange up to 30 days, then the last traded price would be considered for valuation of that security. If an equity security is suspended for trading for more than 30 days, then it would be considered as non-Traded and valued accordingly.

Non-Traded:
If the equity securities are not traded on NSE and BSE for a period of thirty days prior to the valuation date, the scrip must be treated as `non-traded' scrip.

Equity Shares:
Based on the latest available audited Balance Sheet, net worth shall be calculated as follows:

i. Net Worth per share = [Share Capital + Reserves (excluding Revaluation Reserves) – Misc. expenditure and Debit Balance in P&L A/c] / No. of Paid-up Shares. This shall be computed based on the latest available audited balance sheet.
ii. Average capitalization rate (P/E ratio) for the industry based upon either NSE or BSE 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.
iii. 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 thinly so as to arrive at the fair value per share.
iv. In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalized earning.
v. 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.
vi. 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.
vii. 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.

Convertible Debentures:
In respect of convertible debentures and bonds, the non-convertible and convertible portion would be valued separately. The non-convertible portion would be valued on the same basis as is applicable to a debt instrument. The convertible component would be valued based 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 equity instrument which is traded, the value of the later instrument can be adopted after an appropriate discount for the non-tradability of the instrument during the period preceding the conversion while valuing such instruments, the fact whether conversion is optional should also be factored in. The appropriate discount applied should be approved and factored in.

The value of the optional conversion shall be determined as follows:

- If the option to exercise rests with the issuer, the lower of the value when exercised or value when not exercised shall be taken.
- If the option to exercise rests with the investor, the higher of the value when exercised or value when not exercised shall be taken. The valuation shall be approved by the Valuation Committee.

3. Unlisted Equity

These guidelines are similar to the guidelines issued by SEBI for non-traded / thinly traded securities mentioned above only except the following:
Computation of Net worth per share as lower of (a) and (b):
a)

- Net worth of the company = Paid up share capital + Reserves other than Revaluation reserve – Miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses.
- Net worth per share = (Net worth of the company / Number of paid-up shares).

b)

- Net worth of the company = Paid up capital + Consideration on exercise of Option/Warrants received/receivable by the company + free reserves other than Revaluation reserve – Miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses.
- Net worth per share = (Net worth of the company/{Number of paid-up shares + number of shares that would be obtained on conversion/exercise of outstanding warrants and options}).If the net worth of the company is negative, the share should be marked down to Zero.
    - c. The lower of (1) and (2) above shall be used for calculation of Net Worth per share and for further calculation in (c) below.
    - d. 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.

- Computation of fair value per share to be considered for valuation at 15 % discount for unlisted security
  [(Net worth per share + Capitalised value of EPS) / 2] * 0.85

  All calculations shall be based on audited accounts.

- In case the latest balance sheet i.e., balance sheet prepared within nine months from the close of the accounting year of the company, is not available (unless the accounting year is changed) the shares should be valued as zero.
- If the Net Worth of the company is negative, the share would be marked down to zero
- At the discretion of the AMC/valuation committee and with the approval of the trustees, unlisted equity scrip may be valued at a price lower than the value derived using the aforesaid methodology.

4. Suspended Security

- In case trading in an equity security is suspended for trading on the stock exchange, the last traded price would be considered for valuation of that security upto 30 days.
- If an equity security remains suspended for trading on the stock exchange for more than 30 days, then it would be considered as non-traded and valued accordingly.

5. Non-Traded Rights Entitlements

a) Until they are traded, post the rights renunciation period, the value of the "rights" entitlement would be calculated as per the SEBI prescribed formula stated below:
Vr = n/m * (Pex – Pof)
where
Vr = Value of Rights
n = Number of rights offered
m = Number of original shares held
Pex = Ex-right price
Pof = Rights Offer price
Ratio of Rights i.e. (n/m where n = No. of Rights offered and m = No. of original shares held) will be adjusted in the quantity directly while booking the Rights and hence not considered again for valuation.

b) Where the rights are not treated pari-passu with the existing shares, suitable adjustments would be made to the value of rights. Where it is decided not to subscribe for the rights but to renounce them and renunciations are being traded, the rights would be valued at the renunciation value.

c) In case original shares on which the right entitlement accrues are not traded on the Stock Exchange on an ex-right basis, right entitlement should not be recognised as investments.

d) Where right entitlements are not traded and it was decided not to subscribe the rights, the right entitlements have to be valued at zero.

e) 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.

f) Post Allotment of the rights entitlement, it will be valued in line with the normal valuation methodology for valuation of equities.

6. Non-Traded Warrants

Warrants can be valued at the value of the share which would be obtained on exercise of the Warrant after applying appropriate discount as decided by valuation committee prorated on a monthly basis after reducing the exercise price / issuance price from the closing price of the underlying cash equity security.

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.
Value of warrant = (Value of underlying shares – exercise price).

7. 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 non-traded preference shares would depend on the terms of issue of preference shares. i.e., convertible/non-convertible.

- Convertible preference shares should be valued like convertible debentures
- Non-convertible preference shares should be valued like non-convertible debentures.
- In case, dividend is not received, it would be treated as NPA.

8. Shares on De-merger

On de-merger following possibilities arise which influence valuation

<u>Both the shares are traded immediately on de-merger</u>: In this case, shares of both the Companies are valued at respective traded prices.

<u>Shares of only one company continued to be traded on de-merger</u>: In case one entity is demerged into two or more entities and one of those entities continues to be listed, the value of unlisted entity(ies) will be difference between the closing price of the security on the ex-date (after demerger) and closing price of the security on previous trading day (before demerger) that continues to be listed. The difference in price of two dates will be the valuation price of the unlisted entity(ies) proportionately, 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.

In case the value of the traded security of de-merged entity is equal to or in excess of the value of that entity before de-merger, then the security of the non-traded entity will be valued at zero.

In case an unlisted security is not listed within a period of 30 days from the ex-date, the valuation price derived for the demerged security will be reviewed on expiry of 30 days.

Both the shares are not traded on de-merger: The price of the shares of the Company one day prior to ex-date of de-merger will be bifurcated over the de-merged shares in the ratio of cost of shares of each demerged entity or on the basis of net assets transferred if the same is available from the Company and any other relevant factors.
In case shares of both the companies are not traded for more than 30 days, these are to be treated as unlisted security and valued accordingly.

On merger/demerger, in case the company specifies any regulations/ method for cost bifurcation or valuation the same will be adopted. In case the above methodology does not derive the fair valuation of de-merged entities; the same may be determined by the Valuation Committee on case-to-case basis.

Merger/ Amalgamation:
Valuation of resulting company would be determined by valuation of merging / amalgamating company immediately prior to the ex-date of merger / amalgamation

- In case merging / amalgamating companies being listed, valuation of resulting companies would be summation of valuation of entities immediately prior to merger date. Further if listed company merges into an unlisted surviving company, then the surviving company should be valued at the traded value of merging company immediately before merger.
- Example:
  1. If Company A and Company B merge to form a new Company C then Company C would be valued at the price equals to A+B
  2. If Company A which is a listed company merges into Company B which is an unlisted company would be valued at traded price of A immediately before merger.
- In case, one of the merging / amalgamating companies being unlisted, valuation of resulting companies would be valued on the principles of fair valuation as guided by the valuation committee.
- If the above companies remained unlisted for more than 3 months, illiquidity discount on the derived prices may be applied on the basis of the market capitalization of the issuer viz. at 5% ,10% and 15%, for Large cap, Mid cap, Small cap respectively.
- In case of the above listed, Valuation committee may decide fair value other than guided above, post considering facts on a case to case basis. Further guidance from valuation committee would be sought for any exceptional cases not covered above.

9. Partly Paid-up Equity Shares

Non-traded: Uncalled liability per share shall be reduced from the value of fully paid share, if traded, to derive price of non-traded partly paid shares.

If the fully paid-up shares are not traded, the valuation principles for valuing non-traded equity shares shall be followed for valuing the fully paid up on-traded shares (with suitable illiquidity discounts) and then reduced by the uncalled liability per share to arrive at the value of non-traded partly paid shares

Thinly Traded: Partly paid shares should be valued at the lower of the following two prices:

- Current closing price per share of fully paid-up shares less uncalled amount per share of partly paid shares, and,
- Closing price of the partly paid share if it has not been traded on any particular valuation day (not exceeding the last 30 days).

10. Infrastructure Investment Trust (InvIT) and Real Estate Investment (ReIT)

- When units of InvITs and ReITs are not traded on any stock exchange on a particular valuation day, the value at which these were traded on the selected stock exchange or any other stock exchange, as the case may be, on any day immediately prior to valuation day, shall be considered for valuation provided that such date is not more than thirty days prior to the valuation date.
- Where units of InvITs and ReITs are not traded on any stock exchange for a continuous period of 30 days then the valuation for such units of InvITs and ReITs will be determined by the Valuation Committee in consultation with the Internal Auditors or independent valuation agencies as deemed appropriate by the Valuation Committee from time to time.
- In addition to the above, if the valuation of units of InvITs and REITs is provided by the independent agency as approved by AMFI, AMC may get into an arrangement with such agency to provide security level price for Valuation.

11. To be listed equity shares and equity related instruments (pre-public offering)

Pending listing Such securities shall be valued as below:

- At cost, up to 2 months from the date of allotment.
- Valued as unlisted equity shares after 2 months

12. Security Lending & Borrowing (SLB)

Security Lending & Borrowing (SLB) will be valued on the basis of cost-plus amortization.

13. Other Instruments

In case of any other type of capital corporate action event, the same shall be valued at fair price on case-to-case basis after obtaining necessary approval from board/valuation committee.

II. INVESTMENT GRADE MONEY MARKET AND DEBT SECURITIES

A. MONEY MARKET AND DEBT SECURITIES

Money Market and Debt instruments include CP, CD, Fixed Coupon Bonds, Zero Coupon Bonds and Pass-Through Certificates, Floating rate security (FRN), BRDS, etc.

Money Market and Debt Instruments shall be valued at average of security level prices obtained from valuation agencies.

- 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 on the date of allotment / purchase.
- Abnormal situations and market disruptions where current market information may not be obtainable / adequate for valuation of securities, valuation Committee shall be responsible for monitoring these kinds of events. Abnormal situations and market disruptions cases shall be reported to the board from time to time.
- Any change in the policy on account of clarification or communication from AMFI or internal shall be communicated to the board from time to time.

B. OTHER MONEY MARKET AND DEBT SECURITIES

1. Government Securities

Central Government Securities (CGs), State Development Loans (SDLs), Treasury Bill, Cash Management Bill, etc. shall be valued on the basis of security level prices obtained from valuation agencies.

2. Deposits

Deposits with banks shall be valued at cost plus accrual basis. In case of any prepayment penalty, accrual rate would be the rate applicable for that period less any prepayment penalty.

3. Tri-Party Repo (TREPS)/Reverse Repo/Corporate Bond Repo with Residual Maturity (tenure of repo) of upto 30 days

Securities shall be valued at cost plus accrual basis. Whenever a security moves from 31 days' residual maturity to 30 days' residual maturity, the price as on 31st day shall be used for amortization from 30th day.

4. Tri-Party Repo (TREPS)/Reverse Repo/Corporate Bond Repo with Residual Maturity (tenure of repo) of above 30 days

Securities shall be valued at average of security level prices obtained from valuation agencies.

In case security level prices given by valuation agencies are not available (which is currently not held by any Mutual Fund), then such securities will be valued at purchase yield on the date of purchase.

5. **Securities purchased on Private Placement Basis**
In case of securities purchased on private placement basis, if the security prices are provided by valuation agencies it should be valued or prices accordingly

In case the security is purchased on private placement basis, the same would be valued at Purchase Yield on the date of purchase. Subsequently valuation would be carried out at average of security level prices obtained from valuation agencies.

6. **Securities with Put/Call Options**

The option embedded securities would be valued as follows:

a) *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. 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.

b) *Securities with Put option:*

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. 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.

c) *Securities with multiple put options present ab-initio*

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 put option is not exercised by the Fund, while exercising put option would have been in favour of the scheme:

i. Justification for not exercising put option shall be provided by the MF to valuation agencies, OBAMPL and Trustee Board on or before last date of notice period.

ii. Valuation agencies shall not take into account remaining put options for the purpose of valuation of security.

Put option shall be considered in favour of the scheme if the yield of valuation price ignoring put option is more than contractual yield/coupon rate by 30 bps.

d) *Securities with both Put and Call option on the same day:*

Only 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 on the following basis:

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.
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.
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.

If the put option is not exercised by a Mutual Fund, while exercising the put option would have been in favour of the scheme;

i. A justification for not exercising the put option shall be provided by the Mutual Fund to the Valuation Agencies, Board of OBAMPL and OBMFTPL on or before the last date of the notice period.
ii. The Valuation Agencies shall not take into account the remaining put options for the purpose of valuation of the security.

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.

7. **AT-1 Bonds and Tier-2 Bonds**

SEBI, vide para 2 of SEBI circular No. SEBI/HO/IMD/DF4/CIR/P/2021/034 March 22, 2021, has specified the glide path for the purpose of valuation of existing as well as new bonds issued under Basel III framework w.r.t. implementation of para 8 of SEBI circular No. SEBI/HO/IMD/DF4/CIR/P/2021/032 dated March 10, 2021.

Further, AMFI, vide its letter No. 135/BP/91/2020-21, has issued the detailed guidelines under the directive of SEBI for being uniformly followed and implemented by all Mutual Funds.

III. OTHER SECURITIES

1. **Mutual Fund Units**
   - Mutual Fund Units listed and traded would be valued at the closing traded price as on the valuation date.
   - Unlisted Mutual Fund Units and listed but not traded Mutual Fund Units would be valued at the last declared NAV on AMFI website as on the valuation date

2. **Interest Rate Futures (IRF)**
   - Market values of traded futures contracts shall be determined with respect to the exchange on which contracted originally, i.e., if futures position contracted on the NSE would be valued at the settlement price on the NSE. The price of the same

futures contract on the BSE cannot be considered for the purpose of valuation, unless the futures contract itself has been contracted on the BSE.

- The Exchanges give daily settlement prices in respect of all derivatives positions. These settlements prices would be adopted for valuing the positions, which are not traded.

3. Commodities in case of Exchange Traded Fund

Valuation of Gold as prescribed by SEBI Regulations:

The gold held by a gold 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 gold having a fineness of 995.0 parts per thousand, subject to the following:

i. Adjustment for conversion to metric measures as per standard conversion rates;
ii. Adjustment for conversion of US dollars into Indian rupees as per the RBI reference rate declared by the Financial Benchmarks India Limited (FBIL); and
iii. Addition of –

a. Transportation and other charges that may be normally incurred in bringing such gold from London to the place where it is actually stored on behalf of the mutual fund; and
b. Notional customs duty and other applicable taxes and levies that may be normally incurred to bring the gold from London to the place where it is actually stored on behalf of the mutual fund:

Provided that the adjustment under clause (iii) above may be made on the basis of a notional premium that is usually charged for delivery of gold to the place where it is stored on behalf of the mutual fund:

Provided further that where the gold held by a gold 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.

If the gold acquired by the gold exchange traded fund scheme is not in the form of standard bars, it shall be assayed and converted into standard bars which comply with the good delivery norms of the LBMA and thereafter valued in terms of paragraph (I)

Valuation process flow shall be as below:

i. The process of valuing Gold shall be carried out in accordance with the guidelines set out by SEBI, with the fixing price available on the LBMA site.
ii. The Valuation Committee of the AMC shall review and determine the Premium/Discount and fixing charges for the valuation of Gold on an ongoing basis.
iii. The LBMA Gold price is quoted in USD/Oz for 999 fineness and must be converted to Troy Ounces per kilogram for 995 purity using the NYMEX conversion factor. The fineness quotient must also be adjusted using the factor 0.995996 (0.995/0.999) if the gold is of 999 fineness.
iv. The adjustment or conversion factor for ounce to kg is as below

    *for 995 purtiy it is 31.99

    *for 999 purity it is 32.12

v. To convert USD into INR, it must be multiplied by the INR reference rate provided by Financial Benchmarks India Pvt. Ltd. or a similar agency.
vi. Custom duty is applied per Kg.
vii. GST is excluded from the Valuation.

Valuation of Silver as prescribed by SEBI Regulations:

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:

a. Adjustment for conversion to metric measures 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 –
    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
    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:

Provided that the adjustment under clause (iii) 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:

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.

If the Silver acquired by the Silver exchange traded fund scheme is not in the form of standard bars, it shall be assayed and converted into standard bars which comply with the good delivery norms of the LBMA and thereafter valued in terms of paragraph (I)

Valuation process flow shall be as follows:

i. The LBMA Silver Fixing for the day available on the LBMA site will be used for valuation.
ii. The premium/discount and fixing charges for such valuation shall be reviewed and determined by the Valuation Committee of the AMC.
iii. The quoted LBMA Silver price is in USD/Oz for 999 fineness, and Troy ounces per kilogram shall be used for conversion to Kilograms, the applicable conversion factor of Troy ounces per kilogram shall be used for 999 purity.
iv. The conversion or adjustment of ounce to kg will be as below
*for 999 purity it is 32.1507
v. This USD amount will be multiplied with the INR reference rate provided by Financial Benchmarks India Pvt. Ltd. or any other similar agency.
vi. Custom duty shall be fixed on a per kilogram basis
vii. GST shall be excluded from the valuation.

If the LBMA AM fixing or FBIL reference rate is not published on any given day, the most recently available rate shall be utilized to compute the value of goods such as Silver and Gold.

4. Foreign Equity

Valuation of Investment made in Foreign Equity

On the Valuation Day, the securities issued outside India and listed on the stock exchanges outside India shall be valued at the closing price on the stock exchange at which it is listed or at the last available traded price. However, in case a security is listed on more than one stock exchange, the AMC reserves the right to determine the stock exchange, the price of which would be used for the purpose of valuation of that security. The stock exchange once selected would be used consistently till changed by recording the reasons in writing by Board of AMC.

In case a security is not traded on valuation day, the last traded price/last available price would be used for valuation till T – 30 days. In case security is not traded for more than 30 days, the same would be valued on a fair value basis by the Valuation Committee of the AMC.

On the Valuation Day, all assets and liabilities denominated in foreign currency will be valued. The source for the price will be taken in the following order of preference: (a) FBIL, (b) Reuters, or (c) any other standard reference rate. In case any exchange rate is not available on the valuation day, the last available rate would be used for valuation.

The Trustees reserve the right to change the source for determining the exchange rate. The exchange gain / loss resulting from the aforesaid conversion shall be recognized as unrealized exchange gain / loss in the books of the Scheme on the day of valuation. Further, the exchange gain / loss resulting from the settlement of assets / liabilities denominated in foreign currency shall be recognized as realized exchange gain / loss in the books of the scheme on the settlement of such assets / liabilities.

The procedure for valuing investments in foreign equities is outlined as follows:

1. Select the most appropriate stock exchange for all equity and equity-related securities held by the schemes.
2. The closing prices of securities available will be taken for valuation. If these prices are unavailable, the last traded price will be considered
3. The following will be source for prices (a) Reuters, And for FX rate it will be FBIL / Reuters

   In addition to the above the accounting / valuation for currency rates is given below:

1. When investing a certain portion of the fund overseas, the purchase of foreign currency will be accounted for as the cost of purchase, thus creating an FX position in the portfolio.
2. When investing in or selling securities, the record of the purchase or sale will be logged in the portfolio currency of Indian Rupees (INR). The cost of the purchase or sale, including brokerage and other fees, will be converted to INR at the agreed exchange rate.
3. At the time of settlement, the difference between the FX reference rate on the trade date and the actual FX rate used for settlement will be classified as a gain or loss due to fluctuation in foreign exchange.
4. Every day, when the closing prices and the currency rates are received, they will be applied to the portfolio, and the unrealized capital gain and FX gain will be calculated separately. The closing time for the currency rate will be 5.00 p.m., and the source for the price will be determined in the following order of preference: (a) RBI, (b) Reuters, or (c) any other standard reference rate.

Valuation of ADR/GDR

Mutual Fund can invest in ADRs/GDRs in line with the SEBI Circular dated September 1, 1999 and September 30, 1999. Exchange to be considered for valuation of

ADRs/GDRs is to be approved by the AMC Board. Process of valuation would be as follows:

i. Receiving last quoted price

The closing prices of securities available will be taken for valuation. If these prices are unavailable, the last traded price will be considered

If the security is not traded on those days, the price of the previous day should be used, provided that the price is not more than 30 days old.

Thus,The closing prices of securities available will be taken for valuation. If these prices are unavailable, the last traded price from the following sources will be used: (a) FBIL, (b) Reuters, or (c) any other standard reference rate. In the event that no price is available on the valuation day, the last closing price will be used

ii. Converting the price in Indian Rupees (INR)

Conversion of ADR/GDR prices from foreign currency to Indian Rupees should be undertaken using the closing exchange rate of the date of valuation. The closing price in INR should then be used for valuation. As an alternative, the closing price of the security can be converted to INR at the closing exchange rate of the day on which the prices are considered. The source for the price will be the RBI, Reuters, or any other standard reference rate, in that order of preference.

5. **Market Linked Debenture and all OTC Derivatives including Interest Rate SWAPS (IRS)/Forward Rate Agreements (FRA)**
   Irrespective of the residual maturity, securities shall be valued at average of security level prices obtained from valuation agencies.

6. **Convertible Debentures and Bonds**
   As per Eighth Schedule of SEBI (Mutual Fund) Regulation method of valuation of convertible debentures is prescribed and will be followed by Old Bridge Mutual Fund In respect of convertible debentures and bonds, the non-convertible and convertible components shall be valued separately. The non-convertible component should be valued on the same basis as would be applicable to a debt instrument. The convertible component should 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 the latter instrument can be adopted after an appropriate discount of the non-tradability of the instrument during the period preceding the conversion while valuing such instruments, the fact whether the conversion is optional should also be factored in.

7. **Illiquid Securities**
   - Aggregate value of “illiquid securities” of scheme, which are defined as nontraded, thinly traded and unlisted equity shares, shall not exceed 15% of the total assets of

the scheme and any illiquid securities held above 15% of the total assets shall be assigned zero value.

- All funds shall disclose as on March 31 and September 30 the scheme-wise total illiquid securities in value and percentage of the net assets while making disclosures of half yearly portfolios to the unit holders. In the list of investments, an asterisk mark shall also be given against all such investments, which are recognized as illiquid securities.

8. **Deviation from valuation guidelines**
   - As per the Principles of Fair Valuation specified in Eighth Schedule of SEBI (Mutual Funds) Regulations, 1996, AMCs are responsible for true and fairness of valuation and correct NAV. Considering the same, in case an AMC decides to deviate from the valuation price 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 I 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 shall also be disclosed immediately and prominently, under a separate head on the website of AMC.
   - Further, while disclosing the total number of instances of deviation in the monthly and half-yearly portfolio statements, AMCs shall also provide the exact link to their website for accessing the information.

9. **Money Market and Debt securities rated below Investment Grade/Default**
   - 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.
   - 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, Mutual Funds shall promptly inform to 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.

   Para 2.0 of SEBI Circular No. SEBI/HO/IMD/DF4/CIR/P/2019/41 dated March 22, 2019 provides for valuation of money market and debt securities at prices provided by the valuation agencies notified by AMFI. Till the time scrip level valuation is not available from the agency's securities are to be valued on the basis of indicative haircuts provided by the agencies. These haircuts shall be updated and refined as and when there is availability of material information which impacts the haircuts. During this period if there are trades in the security it may be considered for valuation if it is lower *than the price post standard haircut. The minimum trade size in such cases will be determined by the valuation agencies.*

The current indicative haircuts as determined by the valuation agencies and communicated by AMFI are:

For senior, secured securities

Rating/ sector	***Infrastructure, Regal 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%

For subordinated, unsecured or both

Rating/ sector	***Infrastructure, Regal 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%

In terms of the above circular, the determination of whether the rating is below investment grade will be performed by considering the most conservative rating on the instrument if it is rated by more than one rating agency.

The AMC may deviate from the indicative haircuts and/or the valuation price for money market and debt securities rated below investment grade provided by the valuation agencies subject to the following:

i. The detailed rationale for deviation from the price post haircuts or the price provided by the valuation agencies shall be recorded by the AMC.
ii. 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 I the price post haircuts or the average of the price provided by the valuation agencies (as applicable) and the impact of such deviation on scheme NAV (in amount and percentage terms) shall be reported to the Board of AMC and Trustees.
iii. The rationale for deviation along with details shall also be disclosed to investors under a separate head on the website. Further, the total number of such instances shall also be disclosed in the monthly and half-yearly

portfolio statements for the relevant period along with an exact link to the website wherein the details of all such instances of deviation are available.

10. Changes in terms of Investment

While making any change to terms of an investment, Mutual Funds shall adhere to the following conditions:

- 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.
- 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.
- 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.

11. Approach for traded and non-traded money market and debt securities

SEBI, vide circular no. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019 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. In this regard, the following are the areas identified for issuing standard guidelines.

a. Waterfall mechanism for valuation of money market and debt securities
b. Definition of tenure buckets for similar maturity
c. Process for determination of similar issuer
d. Recognition of trades and outlier criteria
e. Process for construction of spread matrix

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

a) 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. 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.

b) <u>Definition of tenure buckets for Similar Maturity</u>

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 of similar maturity
Upto 1 month	Calendar Weekly Bucket
< 1 month to 3 months	Calendar Fortnightly Bucket
< 3 months to 1 year	Calendar Monthly Bucket
< 1 year to 3 years	Calendar Quarterly Budget
< 3 years	Calendar Half-yearly or Greater Bucket

In addition to the above:

i. 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.
ii. 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.
iii. 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.

c) *Process for determination of similar issuer*

Valuation agencies shall determine similar issuers using one or a combination of the following criteria. Similar issuer does 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.

- Issuers within same sector/industry and/or
- Issuers within same rating band and/or
- Issuers with same parent/ within same group and/or
- Issuers with debt securities having same guarantors and/or
- 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.

d) *Recognition of trades and outlier criteria*

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

The following volume criteria shall be used for recognition of trades by valuation agencies:

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

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	< 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

- Trading Volume
- 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 Al+/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.

e) *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: 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	Calculation of benchmark curve and calculation of spread – 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	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) 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 SOL)

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 quotes, not wider than 5 bps on NDSOM, subject to outlier validation
- Carry forward of spreads over the benchmark
- Polling etc.

<u>Note</u>:

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.

The aforesaid provisions related to Waterfall approach for valuation of debt and money market securities prescribed by SEBI circular dated September 24, 2019 and AMFI circular dated November 18, 2019 shall be effective from the date of implementation of the requirements of the circular by the Valuation agencies.

12. Treatment of upfront fees on trades

- Upfront fees on all trades (including primary market trades), by whatever name and manner called, shall be considered by the valuation agencies for the purpose of valuation of the security.
- Details of such upfront fees shall be shared by the AMCs 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.

13. Investment in partly paid debentures

a) 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 event. 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. AMCs shall not resort to the practice of investing in partly paid debentures without any condition precedent.

   - 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.

- While investing in partly paid debentures, AMCs shall ensure that interest of one set of unitholders/ schemes is not compromised at the cost of another.
- All regulatory limits have to be complied with at the time of each such part payment.
- In order to avoid a situation where a MF scheme is unable to honor future part payments, AMCs should avoid excessive concentration in partly paid debentures.

b) 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.

14. Valuation of stressed issuers and perpetual bonds

Financial stress on the issuer and capability to repay borrowings shall be reflected in valuation of securities from trigger date.

Maturity of all perpetual bonds shall be treated as 100 years from the date of issuance for the purpose of valuation.

15. Securities not covered under the current valuation policy

In case of securities purchased by mutual fund does 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 AMCs shall ensure that the total exposure in such securities does not exceed 5% of the total AUM of the scheme.

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.

In the interim period, till AMFI makes provisions to cover such securities in the valuation of securities framework, the mutual funds shall value such securities using their proprietary model which has been approved by their independent trustees and the statutory auditors.

16. Investment in new type of securities

Investment in new type of securities/assets by the Old Bridge MF scheme shall be made only after establishment of the valuation methodologies for such securities with the approval of the Board of the OBAMPL.

17. Inter-scheme transfers

a) Debt Securities:

- AMCs shall seek prices for IST of any money market or debt security (irrespective of maturity), from the valuation agencies.
- AMFI, in consultation with valuation agencies shall decide a turn-around-time (TAT), within which IST prices shall be provided by the agencies.
- If prices from the valuation agencies are received within the pre-agreed TAT, an average of the prices so received shall be used for IST pricing.
- If price from only one valuation agency is received within the agreed TAT, that price may be used for IST pricing.
- If prices are not received from any of the valuation agencies within the agreed TAT, AMCs may determine the price for the IST, in accordance with Clause 3 (a) of Seventh Schedule of SEBI (Mutual Funds) Regulations, 1996.

Clause 3 (a) - such transfers are done at the prevailing market price for quoted instruments on spot basis.

b) Equity Securities

Inter-scheme transfer of equity securities would be affected at the prevailing spot market price of the security at the time the transfer is affected. For this purpose, at the time of affecting the inter-scheme transfer, a record of the prices for the security quoted in the relative stock exchange (i.e., NSE/BSE) or through the Bloomberg Terminal would be obtained, which would indicate the date, time and the currently quoted price. The price given in the quotation of the stock exchange would be the effective price for the inter-scheme transfer.

18. Review of valuation policies

The implemented valuation policies and procedures shall be regularly reviewed (at least once in a Financial Year) by an independent auditor to seek to ensure their continued appropriateness.

19. Consideration of price of same/similar securities

CRISIL and ICRA shall consider the price of same/similar securities under Scrip Level Valuation as per the methodology discussed and agreed with the AMFI.

20. Inter-day NAV computation methodology in case of debt ETF

SEBI, vide circular no. SEBI/HO/IMD/IMD-I/DOF5/P/CIR/2021/0606 dated 30 July 2021 has clarified that for transactions by Authorised Participants / Large investors, directly with AMCs, intra-day NAV, based on the executed price at which the securities representing the underlying index or underlying commodity(ies) are purchased / sold, shall be applicable.

Refer Annexure-1 for detailed Intra-day NAV computation methodology in case of Debt ETF.

21. Abnormal Events

Following are the illustrative types of events which could be classified as Abnormal situations and market disruptions where current market information may not be obtainable / adequate for valuation of securities: -

- Significant volatility in the capital markets.
- Natural disasters or public disturbances that force the markets to close unexpectedly.
- Major policy announcements by the Central Bank, the Government or the Regulator.
- Large redemptions.

Valuation Committee shall be responsible for monitoring abnormal situations. Under above mentioned abnormal situations and market disruptions, Valuation Committee shall seek the guidance of the OBAMPL Board/committee of the Board of Directors appointed for this purpose in deciding the appropriate methodology for Valuation of affected securities. Any such abnormal situations shall be reported to the board of the AMC at the subsequent meeting.

If the above-mentioned policies and procedures of valuation do not result in fair/ appropriate valuation, the Old Bridge Asset Management Private Limited shall deviate from the above-mentioned policies and procedures in order to value the assets/securities at fair value.

Any deviation from the disclosed valuation policy and procedures may be with appropriate reporting to Board of Trustees and the Board of the Asset Management Company and appropriate disclosures to investors.

ANNEXURE - 1

INTRA-DAY NAV COMPUTATION METHODOLOGY IN CASE OF DEBT ETF

OBAMPL shall follow the following procedure to compute the intra-day NAV of Debt ETF as per aforesaid circular. The same will be applicable for all ongoing subscription/redemption transactions received through Authorized Participants and Large Investors.

1. OBAMPL will execute the trade in index/similar securities (subject to regulatory limits) for valid large investor / Authorised participant transactions.
2. Trade shall be executed for the entire basket subscribed/redeemed by investor.
3. Executed trade value (at clean price) (brokerage and other transaction charges shall be appropriately adjusted) will be considered to compute the Intra-day NAV for the transaction.
4. In case of executed trade settlement at T+1 or more, the interest accrual amount shall be recovered/paid from/to investor from the trade date to settlement date.
5. Cash component will be the difference of number of basket subscribed/redeemed by investor, multiplied by value of per unit creation size as per previous day's NAV and total market value of securities (as per previous day's valuation prices) executed on the date of transaction.
6. The sum of amounts as mentioned in point 3, 4 and 5 will be divided by number of units subscribed/redeemed by investor to arrive at Intra-day NAV applicable for the transaction.
7. Additionally, Old Bridge Mutual Fund shall also recover the statutory levy and incidental charges, if any pertain to transaction from the investor.
8. In case of trade execution in new security (new in Mutual Fund universe) where previous day's SLV prices are not available, shall be obtained from valuation agencies to compute previous day's market value for executed securities. In case price is received from one valuation agency only, such price will be considered. Trade executed price will be used in case if previous day's valuation prices are not received from both the valuation agencies.