Valuation Policy.

Investment Valuation for Securities and Other assets

SEBI vide Gazette Notification no. LAD-NRO/GN/2011- 12/38/4290, dated February 21, 2012 amended Regulation 25, 47 and the Eighth Schedule titled 'Investment Valuation Norms' under SEBI (Mutual Funds) Regulations, 1996 ("the Regulations") to introduce the overarching principles namely 'Principles of Fair Valuation' in order to ensure fair treatment to all investors (including existing as well as new investors) seeking to purchase or redeem the units of the scheme 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.

Based on the said amendment by SEBI, the Board of Directors of PPFAS Asset Management Private Limited and PPFAS Trustee Company Private Limited have adopted a comprehensive policy on investment valuation and procedures. Accordingly the disclosure inter-alia of the security/ asset-wise valuation policy, procedures and methodology of PPFAS Mutual Fund is given below:

1. Policy, Procedure & Methodology for valuation of securities/assets
(i) The detailed security/ asset -wise valuation policy, procedure & methodology for each type of investment made by the scheme of PPFAS Mutual Fund is described in the appended table(s).

(ii) Investments in any new securities/assets (other than those mentioned in the appended table) shall be made only after the establishment of the valuation methodology as approved by the Board of Directors of PPFAS Asset Management Private Limited and PPFAS Trustee Company Private Limited.

(iii) The investments held by scheme(s) of PPFAS 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.

2. Inter scheme Transfers (as and when new scheme(s) of PPFAS Mutual Fund are launched in the future):
Inter-scheme transfers will be done in line with regulatory requirements and applicable internal policies as determined by the Valuation Committee.

3. 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. Board of Directors of PPFAS Asset Management Private Limited and PPFAS Trustee Company Private Limited. Have authorized the Valuation Committee to determine the exceptional events and devise the process to deal with the exceptional events.
The 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.

The above list is illustrative and not exhaustive. The Valuation Committee shall identify and monitor exceptional events and recommend appropriate procedures / methodologies with necessary guidance from the Board of Directors of PPFAS Asset Management Private Limited and PPFAS Trustee Company Private Limited., wherever required, and get the same ratified.

4. Deviation:
Deviation in the valuation policy and procedures as stated above shall be allowed only with the prior approval of the Valuation Committee followed by reporting to the Board of Directors of PPFAS Asset Management Private Limited and PPFAS Trustee Company Private Limited. Such deviations shall be appropriately disclosed to the Investors as may be

decided by the Valuation committee.

5. Record Maintenance:
PPFAS Asset Management Private Limited shall maintain and preserve documentation for valuation (including inter scheme transfers) either in electronic or physical form for a period of 8 years or such period as specified by SEBI from time to time.

6. Disclosure:
In order to ensure transparency of valuation norms adopted by PPFAS Asset Management Private Limited, the investment valuation policy and procedures as adopted by PPFAS Asset Management Private Limited is disclosed on the website, http://amc.ppfas.com

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

I. Equity and equity related instruments:

Security Type	**Valuation Policy**
Listed Shares/ Preference Shares / Warrants/Rights	Valuation will be at the closing price at the Principal stock exchange*. If security is not traded on principal stock exchange on a particular valuation day, the closing price at which it is traded on any other stock exchange will be used. If security is not traded on any stock exchange on a particular valuation day, then 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.
Thinly traded equity shares	Thinly traded securities will be valued at fair value as per procedures determined by the Valuation Committee.
Unlisted Shares/ Preference Shares / Warrants/Rights	Unlisted securities will be valued at fair value as per procedures determined by the Valuation Committee.
Options	In case of Options, premium received/ paid is marked to market based on settlement price on the relevant exchange.
Futures	Outstanding contracts in Futures is valued based on the settlement price on the relevant exchange.

* In case of non-availability of price from the Principal stock exchange for i.e. National Stock Exchange (NSE) on time, prices as quoted on Bombay Stock Exchange (BSE) will be used for valuation purpose.

i) Procedure & Methodology for valuation of unlisted or thinly traded equity/equity related securities

Any security which does not have trading volume of 50,000 scrips and trading amount of Rs. 5,00,000/- during a period of thirty days shall be categorized as thinly traded. Thinly traded / unlisted securities shall be valued in good faith on the basis of fair valuation principles as follows:

Net Worth Value per share of the company will be derived based on the latest available audited balance sheet, not more than 9 months from close of financial year, net worth per share shall be calculated as [share capital plus free reserves (excluding revaluation reserves) minus Miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses] divided by Number of Paid up Shares.

Capital Earning Value per share of the company will be derived by capitalization of Earnings per Share based on the latest available balance sheet, with 25% of Average capitalization rate (P/E ratio) for the industry.

Average of Net Worth Value per share and Capital Earning Value per share thus derived, shall be further discounted to derive fair value of Unlisted securities and by thinly traded securities.

Shares on De-merger and Other Corporate Action Events –
a. Both the shares are traded immediately on de-merger: In this case both the shares to be valued at respective traded prices.
b. Shares of only one company continued to be traded on de-merger: In such a scenario, the shares of Non

Traded/Unlisted would be fairly valued in good faith by AMC on case to case basis. Traded share to be valued at traded price.
c. Both the shares are not traded on de-merger: In such a scenario, the shares of both the companies would be fairly valued in good faith by AMC on case to case basis.

In case of any other type of capital corporate action event, the same to be valued at fair price on case to case basis.

ii) Preference Shares –
Preference share can be convertible or non- convertible. If the non-convertible preference shares are traded then the closing price of the day will be considered for valuation. If the same is non-traded it will be valued at the present value of all the future expected dividend payments and the maturity value, discounted at the bond yield of the issuer.

The value of convertible preference share can be expressed as follows:
Convertible preference shares shall be valued based on the underlying equity. This value shall be further discounted for illiquidity to arrive at fair valuation. Traded convertible preference shares shall be valued based on the closing price.

iii) Warrants –
Warrants will be valued at the value of the share which would be obtained on exercise of the warrant
as reduced by the amount which would be payable on exercise of the warrant. The value arrived will be reduced by appropriate discount. Traded Warrants shall be valued based on the closing price.

iv) Right entitlements –
Right entitlements will be valued as difference between the value of closing price of the underlying equity share and the rights offer price.

II. Debt & Debt Related Instruments

Security Type	Valuation Policy
Government securities (Including Central government securities, State Development Loans, Treasury Bills and Cash Management Bills) with residual maturity more than 60 days.	Valuation will be done at the average prices provided by AMFI approved agencies (CRISIL & ICRA) In case any new securities are purchased and the price of such security is not provided by AMFI approved agencies, then such security will be valued at weighted average price / yield of the trades of that security on that day.
Debt Securities/ Instruments with Residual maturity more than 60 days (Commercial Paper/ Certificate of Deposit /Bonds/ Zero Coupon Bonds / Bills Rediscounting /Floating rate securities /PTC)	Valuation will be done at the average prices provided by AMFI approved agencies (CRISIL & ICRA) In case any new securities are purchased and the price of such security is not provided by AMFI approved agencies, then such security will be valued at weighted average price / yield of the trades of that security on that day.
Government securities (Including Central government securities, State Development Loans, Treasury Bills and Cash Management Bills) with residual maturity less than or equal to 60 days.	Valuation will be done by amortisation on a straight-line basis to maturity from cost or last valuation price whichever is more recent. The resultant price will be compared with the price arrived at by using benchmark yields. The amortised price shall be used for valuation as long as it is within +/- 0.1% of the price derived using the benchmark yields. In case the variance exceeds +/- 0.1% of the price arrived using benchmark yields, the valuation shall be adjusted to bring it within +/- 0.1% of the price computed using the benchmark yields. At the time of first purchase the spread between the purchase yield and the benchmark yield will be fixed. This spread will remain fixed through the life of the instrument & will be changed only if there is a trade in the security. The spread shall be readjusted on the basis of the last trade in the security. If at the time of initial purchase, the residual maturity is more than 60 days and the security comes into the less than 61 days bucket then the price as on 61st day would be used for amortisation from 60th day and the amortised yield as on 60th day would be used for comparing with reference yield as of 60th day and the spread would be fixed based on the difference between amortised yield and reference yield.

Debt Securities/ Instruments with Residual maturity less than or equal to 60 days (Commercial Paper/Certificate of Deposit /Bonds/ Zero Coupon Bonds /Bills Rediscounting /Floating rate securities /PTC)	Valuation will be done by amortisation on a straight-line basis to maturity from cost or last valuation price whichever is more recent. The resultant price will be compared with the price arrived at by using benchmark yields. The amortised price shall be used for valuation as long as it is within +/- 0.1% of the price derived using the benchmark yields. In case the variance exceeds +/- 0.1% of the price arrived using benchmark yields, the valuation shall be adjusted to bring it within +/- 0.1% of the price computed using the benchmark yields else the price of the security shall be adjusted to bring it within this range. At the time of first purchase the spread between the purchase yield and the benchmark yield should be fixed. This spread should remain fixed through the life of the instrument & should be changed only if there is justification for the change, i.e. in case of subsequent trade by the fund house in the same security, such spread shall be adopted as long as the trade is of market lot (face value of Rs. 5 crores or more). Such security should be amortized to maturity using the weighted average traded price, provided, such amortized price is in line with +/- 0.10% of the reference price as defined above. If at the time of initial purchase, the residual maturity is more than 60 days and the security comes into the less than 61 days bucket then the price as on 61st day would be used for amortisation from 60th day and the amortised yield as on 60th day would be used for comparing with reference yield as of 60th day and the spread would be fixed based on the difference between amortised yield and reference yield. However, the spread can be changed in case of a change in credit rating or credit profile of the issuer.
Interest Rate Swaps (IRS)/ Forward Rate Agreements (FRA)	All IRS/ FRA's will be valued at net present value after discounting the future cash flows. Future cash flows for IRS/ FRA contract will be computed daily as per terms of contract and discounted by suitable OIS (Overnight Interest SWAP) rates available on Reuters/ Bloomberg/ any other provider as approved by Valuation Committee.
Overnight Money (CBLO/Reverse Repo/ CROMS)	Overnight money deployed will be valued at cost plus the accrual/ amortisation.

The prices received from CRISIL and ICRA shall be ignored during the notice period of a security which has either a Put or Call option. The notice period will begin from the date of exercise of the option (notice date) till the put or call date and the price will be amortized from the exercise date till the date of put or call.

In case the price of the securities is not provided by any one of the AMFI approved agency, then in such security will be valued at weighted average price/ yield of the trades of that security on that day.

In abnormal situations, market disruptions etc. where current market information may not be obtainable and in case CRISIL and ICRA are unable to provide a security level price for any security on particular day(s), the fund manager(s) will, with the prior approval of Valuation Committee, value the securities appropriately to ensure true and fair valuation.

In case price is not provided by designated agencies, on the date of allotment of security, then:
a. In case of discounted securities, valuation shall be done at price derived by adding one-day amortisation to the allotment price;
b. In case of coupon bearing securities, valuation shall be done at allotment price

Beyond 3 business days from the date of allotment of the security, the valuation price would be determined by the Valuation Committee using principle of fair valuation. Necessary documentation shall be maintained in this regard, including method adopted along with the detailed computation of the fair price.

Brokerage shall be added to the Deal price to compute amortisation.

Others:

Security Type	Valuation Policy
Listed Mutual Funds Units	Valuation will be 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. If units are not traded on any stock exchange on a particular valuation day, then NAV per unit will be used for valuation.
Unlisted Mutual Fund Units	Valuation will be based on Net Asset Value (NAV) of Mutual Fund units.
Fixed Deposits	Fixed deposits will be valued at cost.

* In case of non-availability of price from the Principal stock exchange for i.e. National Stock Exchange (NSE) on time, prices as quoted on Bombay Stock Exchange (BSE) will be used for valuation purpose.

Valuation of Foreign Securities:
The security issued outside India and listed on the stock exchanges outside India shall be valued as follows:
The security 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. 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. Any subsequent change in the reference stock exchange used for valuation will be backed by reasons for such change being recorded in writing by the AMC. Further in case of extreme volatility in the overseas markets, the securities listed in those markets may be valued on a fair value basis.

For valuation of securities registered in USA, NYSE has been selected as principal stock exchange. If any security is not listed on NYSE, security prices as quoted on NASDAQ will be considered. For securities registered in UK, LSE (London Stock Exchange) has been selected as principal stock exchange. Securities prices as quoted on LSE will be used for valuation purposes.

If a significant event has occurred after security prices were established for the computation of NAV of the Scheme, the AMC reserves the right to value the said securities on fair value basis. When on a particular valuation day, a security has not been traded on the selected stock exchange; the security will be valued in accordance with SEBI guidelines applicable for security listed in India.

"If the security is listed in a time zone ahead of India, then the same day's closing price would be used for valuation. If the security is listed in a time zone behind India, then the previous day's price would be used for valuation."

On the Valuation Day, all assets and liabilities denominated in foreign currency will be valued in Indian Rupees at the exchange rate available on Reuters / RBI / Bloomberg. The Trustees reserve the right to change the source for determining the exchange rate.

Valuation of IDR/ADR/ GDR:
IDR/ADR/GDRs are exchange traded securities and hence closing price of the IDR/ADR/ GDR on the exchange where it is listed will be taken for valuation purpose.

If any American Depository Receipt (ADR)/ Global Depository Receipt (GDR) is traded in OTC (Over the Counter) market, in such cases closing price in OTC market will be considered for valuation of ADR/GDR.
If the security is listed/ traded in a time zone ahead of India, then the same day's closing price would be used for valuation. If the security is listed/traded in a time zone behind India, then the previous day's price would be used for valuation.

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY