YES ASSET MANAGEMENT (INDIA) LTD

INVESTMENT VALUATION POLICY
Version 1.6

YES ASSET MANAGEMENT (INDIA) LTD

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I. Introduction

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(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 (AMC) it is mandated by SEBI for AMCs 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 for the benefit of investors. This Investment Valuation Policy & Procedures is subject to review and change from time to time with the approval of the Board of YES Asset Management (India) Limited (AMIL).

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/ies.
- 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 primary objective of the Policy is to

(a) 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 YES Mutual Fund at all points of time.

(b) value the investments in a manner so as to reflect realizable value of the securities / assets and to ensure fair treatment to all investors.

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

(i) AMIL shall adopt the principle of fair valuation i.e. valuation shall be done in good faith and in true and fair manner to reflect the net realizable value of the securities /asset as determined by Valuation Committee. This principle shall be adopted by AMIL even during exceptional events specified in **Annexure II**.

(ii) Detailed security/ asset -wise valuation policy, procedure & methodology for each type of investment made by the scheme(s) of YES Mutual Fund is described in **Annexure I**.

(iii) The Board of YES Asset Management (India) Limited ('AMIL') and YES Trustee Company Limited ('Trustee') shall approve the valuation methodologies for any investments in new security/assets types (other than those mentioned in **Annexure I**).

(iv) Further, the investments held by schemes of YES 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.

IV. Inter scheme Transfers

Inter-scheme transfers will be done in line with regulatory requirements and applicable internal policies as determined by the Valuation Committee.

Incase of debt securities inter scheme transfers shall be valued basis average of prices received from independent agencies i.e. CRISIL and ICRA.

If the Inter-scheme price is not available from any one of the agencies, it will be valued at the price provided by the agency from which the price is received.

V. Exceptional events

The Valuation Committee is authorized by the Board of YES AMIL and Trustee 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 Board of YES AMIL and Trustee, wherever required, and get the same ratified.

VI. Conflict of Interest

The implementation of valuation policy and methodologies as adopted / authorised by the Board of YES AMIL and Trustee shall be subject to review by Valuation Committee. The Valuation Committee shall be responsible for addressing areas of conflict of interest and therein recommend changes, if any, in policy/methodology. The same shall be ratified with the Board of YES AMIL and Trustee.

VII. Deviation from Valuation guidelines

(a) 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, a detailed rationale for each instance of deviation shall be recorded by the AMC.

(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 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.

(c) The rationale for deviation along-with details as mentioned under paragraph (b) above shall be disclosed immediately and prominently, under a separate head on the website of AMIL.

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 mentioned at paragraph (c) above.

VIII. Record Maintenance

YES AMIL 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.

IX. Periodic Review

In order to ensure the appropriateness and accuracy of the methodologies as mentioned above, and its effective implementation, at regular intervals as specified by the Valuation Committee shall be carried out annually by the Independent Auditors. The said report shall be placed before the Board of YES AMIL and Trustee.

X. Disclosure

In order to ensure transparency of valuation norms adopted by YES AMIL, the valuation policy and procedures shall be disclosed in the Statement of Additional Information (SAI), on the website, viz. www.Yesamc.in and at any other place as may be specified by SEBI.

The valuation committee shall be constituted by the AMIL. It shall have the following members:

1. Chief Executive Officer (CEO)
2. Chief Operating Officer (COO)
3. Head - Compliance
4. Chief Investments Officer – Fixed Income
5. Chief Investments Officer – Equity
6. Head - Risk

Invitee (Optional)

1. Fund Manager – Debt
2. Fund Manager - Equity
3. Head – Operations

The committee shall be chaired by the CEO. In his absence the chair shall with CIO Fixed Income.

The terms of reference of the said Valuation Committee shall be as under:

i. Review and approve the system and practices of valuation of securities
ii. Review valuation related circulars of SEBI/AMFI
iii. Approve change in approved methodology or process
iv. Approve valuation of new (non-standard) instruments introduced in the Portfolio
v. Such other matter incidental to above referred items

The meetings of the Valuation Committee shall be held at least 4 times a year, with 1 meeting being necessarily held each quarter on commencement of asset management business.

The quorum of the Valuation Committee shall be three Members. The CEO may invite anyone to attend the Committee meeting as deemed necessary on a periodic or regular basis. Any vacant position shall be represented by the next in line.

Annexure 1

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

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

I. Equity & Equity Related Instruments

Security Type	**Valuation Policy**
Listed Securities (Equity Shares / Preference Shares/ Warrants/ Convertible Debentures/Rights)	Valuation shall be at the closing price at the principal stock exchange. National Stock Exchange (NSE) shall be the principal exchange for valuation except in case of schemes passively tracking an index published by Bombay Stock Exchange (BSE). For schemes passively tracking a BSE Index, the principal stock exchange for valuation shall be BSE. 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 shall be used. If security is not traded on any stock exchange, on a particular valuation day, then the price at which it traded on the principal stock exchange or any other stock exchange, as the case may be, on the earliest previous day shall be used, provided such date is not more than 30 days prior to valuation date.
Thinly Traded Equity Shares/ Non Traded/ Preference Shares/ Warrants/ Rights	They shall be valued at fair value as per procedures determined by the Valuation Committee #.
Unlisted Equity Shares	Unlisted equity shares of a company shall be valued "in good faith" on the basis of the valuation principles laid down by the Valuation Committee ##.
Non-traded Convertible Debentures	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 for 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.
Shares tendered for Buy Back	The shares tendered for buyback would be valued at the price of buyback on tendering of such shares, ignoring the market price provided the company has provided the confirmed buy back ratio. Else the market price of the security shall be considered for valuation till the date of receipt of formal communication of acceptance of shares tendered under buy back.
Qualified Institutional Placement (QIP)/Initial Public Offer (IPO)/ Follow on Public Offer (FPO)	Recognition and valuation would start from date of allotment/ listing.
Futures and Options	Valuation shall be done at the respective day end settlement price.
Lock in shares	Equity shares under lock-in for more than 3 months from the date of purchase / allotment, which are traded on the stock exchanges, the Valuation Committee may apply appropriate discount to the closing price quoted on the stock exchange as may be decided by the committee on a case to case basis.

 # Procedure for valuation of Non Traded and Thinly Traded equity/equity related securities

1. When a security is not traded on any stock exchange, on the date of valuation, then the previous closing price on NSE / any other SE will be used, provided such closing price is not exceeding a period of 30 calendar days.

2. Equity Shares:
   Based on the latest available 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) Divided by No. of Paid up Shares.

ii. Average capitalisation 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 capitalisation rate (P/E ratio). Earnings per share 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 ill-liquidity 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 capitalised 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. 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. The intrinsic value so arrived shall be periodically reviewed by Valuation Committee till listing of such shares.

vii. Thinly Traded: Definition of thinly traded equity/equity related security: When trading in an equity/equity related security in a calendar month is both less than INR 5 lacs and the total volume is less than 50,000 shares, it shall be considered as a thinly traded security.

Preference Shares – Preference shares can be convertible or non- convertible. The value of convertible preference shares would be arrived based on the intrinsic value of the preference shares considering the conversion ratio as adjusted for illiquidity discount and other relevant factors as applicable as on the valuation date with the approval of Valuation Committee.

Non- convertible preference shares are more akin to debt and to be valued as debt securities.

Warrants - Warrants shall 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 shall be reduced by appropriate discount.

Right entitlements

(a) Until they are traded, the value of the ―rights shares should be calculated as:

Vr = n/m x (Pex - Pof)

Where Vr = Value of rights n = No. of rights offered m = No. of original shares held Pex = Ex-rights price Pof = Rights Offer Price

(b) Where the rights are not treated *pari passu* with the existing shares, suitable adjustment should 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 can be valued at the renunciation value.

(c) If the rights are traded, then the traded price will be considered for valuation

Procedure for valuation of Unlisted Equity /equity related securities

a. Based on the latest available audited balance sheet, net worth shall be calculated as lower of (i) and (ii) below:

   i. Net worth per share = [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.

   ii. After taking into account the outstanding warrants and options, Net worth per share shall again be calculated and shall be = [share capital plus consideration on exercise of Option/Warrants received/receivable by the Company 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 plus Number of Shares that would be obtained on conversion/exercise of Outstanding Warrants and Options}

   The lower of (i) and (ii) above shall be used for calculation of net worth per share and for further calculation in (c) below.

b. Average capitalisation 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 capitalisation rate (P/E ratio).

c. The value as per the net worth value per share and the capital earning value calculated as above shall be averaged and further discounted by 15% for illiquidity so as to arrive at the fair value per share.

The above methodology for valuation shall be subject to the following conditions:

i. All calculations as aforesaid shall be based on audited accounts.
ii. 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.
iii. If the net worth of the company is negative, the share would be marked down to zero.
iv. In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalised earning.
v. 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 in accordance with the procedure as mentioned above on the date of valuation.

At the discretion of AMIL and with the approval of trustees, an unlisted equity share may be valued at a price lower than the value derived using the aforesaid methodology.

Where the unlisted equity shares are acquired as result of corporate actions like demerger / amalgamation, the unlisted equity shares shall be valued at the intrinsic value on the ex-date as follows:

A. The intrinsic value for new entity resulting out of corporate actions where financial details are available shall be valued as the valuation procedure stated in para I above.

B. The intrinsic value for new entity resulting out of corporate action where financial details are not available shall be valued as per differential pricing method after applying appropriate illiquidity discount as determined by valuation committee.

Example: If AB Company gets demerged in to A Company & B Company and the new company B is not a listed company. The value of B Company is arrived as follows:

Market Value of AB Company (Pre Merger closing price) (X)	Rs.250/-
Market Value of A Company (Post Merger closing Price) (Y)	Rs.150/-
Valuation of B Company as per differential pricing method (X – Y)	Rs.100/-
Illiquidity Discount (20%)	Rs.20/-
Valuation of B Company (After illiquidity discount)	Rs.80/-

All SEBI guidelines for valuation of Thinly Traded Securities as laid down in various circulars shall be adhered to.

The above methodology for valuation shall be subject to the following conditions:

i. All calculations as aforesaid shall be based on audited accounts.

ii. 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.

iii. If the net worth of the company is negative, the share would be marked down to zero.

iv. In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalised earning.

v. 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 in accordance with the procedure as mentioned above on the date of valuation. At the discretion of the AMC and with the approval of the trustees, an unlisted equity share may be valued at a price lower than the value derived using the aforesaid methodology.

If the above companies remain unlisted for more than 3 months, the Valuation Committee to decide on application of illiquidity discount as deemed appropriate, on case to case basis. 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.

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.

II. Debt & Debt Related Instruments

Security Type	**Procedure**
For securities with residual maturity <= 30 days: (excluding Government Securities, Treasury Bills, Cash Management Bills, State Development Loans, Ujwal DISCOM Assurance Yojana (UDAY) Bond, etc.)	Shall be valued on amortization basis. The amortized price shall be compared with the reference price as provided by valuation agencies. The amortized price shall be used for valuation only if it is within the threshold of ±0.025% of the reference price. In case of deviation beyond this threshold, the price shall be adjusted to bring it within the threshold of ±0.025% of the reference price. With effect from 1st April 2020, such securities shall be valued at valuation prices provided by AMFI appointed valuation agencies. For new security purchased, where the reference price is not available, then such security will be valued on amortization basis on the date of allotment / purchase.

For securities with residual maturity > 30 days: excluding Government Securities, Treasury Bills, Cash Management Bills, State Development Loans, Ujwal DISCOM Assurance Yojana (UDAY) Bond, etc.	At valuation prices provided by AMFI appointed valuation agencies. Incase 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 shall be valued on amortization based on purchase yield on the date of allotment/ purchase.
Government Securities, Treasury Bills, Cash Management Bills, State Development Loans, Ujwal DISCOM Assurance Yojana (UDAY) Bond, etc.	At valuation prices provided by AMFI appointed agencies
Interest Rate SWAP/ Forward Rate Agreements (FRA's)	All SWAP/ FRA's shall be valued at net present value after discounting the future cash flows. Future cash flows for SWAP/FRA contract shall be computed daily as per terms of contract and discounted by suitable Overnight Interest Swap rates (OIS). From 30th day ## to maturity, the unrealised gain / loss accounted for IRS/FRA shall be amortized. With effect from 1st April 2020, SWAPS and FRAs shall be valued at valuation prices provided by AMFI appointed valuation agencies.
Short term deposits with banks and Repo (incl TREPS) with tenor up to 30 days	At cost plus accrual.

Securities below investment grade and 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 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.

III. Others

Security/ Asset Type	Valuation Policy
Units of Infrastructure Investment Trust (InvIT) and Real Estate Investment Trust (REIT)	Units of InvIT and REIT shall be valued at the closing price on the principal stock exchange (i.e. NSE). If no trade is reported on the principal stock exchange on valuation date, it shall be valued at the last quoted closing price on other recognized stock exchange. If units of InvIT and REIT are not traded on any stock exchange on a valuation day, the value at which it was traded on the selected stock exchange or any other stock exchange, as the case may be, on 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. If units of InvIT and REIT are not traded on any stock exchange for a continuous period of 30 days than the valuation will be determined by the Valuation Committee based on the principles of fair valuation.
Listed Mutual Fund Units	Valuation shall 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 shall be used. If units are not traded on any stock exchange on a particular valuation day, then closing price at which it traded on the principal stock exchange or any other stock exchange, as the case may be, on the earliest previous day shall be used provided such date is not more than 30 days prior to valuation date.
Unlisted Mutual Fund Units	Valuation shall be based on latest available Net Asset Value (NAV) of Mutual Fund units.

Waterfall approach for valuation of Money Market and Debt Securities

As per SEBI guidelines on valuation of money market and debt securities, a waterfall approach shall be followed by the valuation agencies for arriving at security level pricing. AMFI, in consultation with SEBI, has issued detailed guidelines on waterfall approach for valuation of money market and debt securities.

The broad principles of the said waterfall approach, for arriving at the security level prices are as follows:

a) All traded securities shall be valued based on traded yields, subject to identification of outlier trades by the valuation agencies.

b) Volume Weighted Average Yield (VWAY) for trades in the last one hour of trading shall be used as the basis for valuation of Government Securities (including T-bills). Valuation of all other money market and debt securities (including Government securities not traded in last one hour) shall be done based on VWAY of all trades during the day.

c) In case of any exceptional events on a day, only VWAY of trades post such event may be considered for valuation. Further, all exceptional events along-with valuation carried out on such dates shall be documented with adequate justification.

The following events would be considered as 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.

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

e) Considering the importance of polling in valuation process, detailed guidelines have also been issued by AMFI on polling by valuation agencies and on the responsibilities of Mutual Funds in polling process, as part of the aforesaid waterfall approach.

Annexure II

The illustrative list of exceptional events is provided as under:

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. Sufficient market information may not be available for the Valuation of Securities.
e. Valuation Agencies do not provide Valuation for Securities.
f. Significant volatility in the capital markets.

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 Board of YES AMIL and Trustee, wherever required, and get the same ratified.

Disclaimer for Security Level Pricing provided by CRISIL/ICRA: By using the valuation prices provided by CRISIL/ICRA (together referred to as service providers), AMIL acknowledges and accepts that the valuations are provided severally (and not jointly) by the service providers and are subject to the following disclaimers and exclusion of liability which operate severally to the benefit of the relevant service provider and AMFI. The valuation uses the methodology discussed by the service providers with the Association of Mutual Funds of India (AMFI) and reflects the service provider's assessment as to the value of the relevant securities as at the date of the valuation. This is an indicative value of the relevant securities on the valuation date and can be different from the actual realizable value of the securities. The valuation is based on the information provided or arranged by or on behalf of AMIL or obtained by the service providers from sources they consider reliable. Neither AMFI nor the service providers guarantee the completeness or accuracy of the information on which the valuation is based. AMIL takes the full responsibility for any decisions made on the basis of the valuations. Neither AMFI nor the service providers accept any liability (and each of them expressly excludes all liability) for any such decision or use. All the other terms and conditions of the Statement of Additional Information of YES Mutual Fund, read with the addenda issued from time to time, remain unchanged.