

Valuation Policy



Trust Asset Management Private Limited

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I. Background:

SEBI has amended Regulation 47 and the Eighth Schedule relating to valuation of investments on February 21, 2012 to introduce overriding principles in the form of “Principles of Fair Valuation”.

Prior to this amendment, Eighth schedule and various circulars issued from time-to-time provided detailed guidelines on valuation of traded securities, non-traded securities, thinly traded securities, etc.

The amended regulations require that mutual funds shall value their investments in accordance with principles of fair valuation so as to ensure fair treatment to all investors i.e. existing investors as well as investors seeking to subscribe or redeem units.

It further prescribes that the valuation shall be reflective of the realizable value of securities and shall be done in good faith and in a true and fair manner through appropriate valuation policies and procedures approved by the Board of Trust Asset Management Company (TAMC)

The amendment also states that in case of any conflict between the principles of fair valuation and valuation guidelines as per Eighth Schedule and circulars issued by SEBI, the Principles of Fair Valuation shall prevail.

II. Policy Coverage

This policy shall cover the following:

1. Objective of the policy
2. Net Asset Computation
3. Valuation methodologies
4. Inter-scheme transfers.
5. Composition and role of the Valuation Committee.
6. Periodic review
7. Review by Independent Auditor
8. Conflict of interest
9. Exceptional events and escalation procedure
10. Disclosure and Record keeping

III. Objective of the Policy

The objective of this Policy is to set the broad valuation norms to enable TAMC to value the investments of the Schemes of Trust Mutual Fund (Trust MF) in accordance with the overarching principles of ‘fair valuation’ or such other principles / regulations as may be prescribed by SEBI from time to time so as to ensure fair treatment to all investors including existing investors as well as investors seeking to purchase or redeem units of mutual funds in any scheme at all points of time.

IV. Net Asset Computation

The Net Asset Value (NAV) would be determined on each valuation day and for such other purpose as may be required for transaction purposes. The NAV of the Units of the Scheme will be computed by dividing the net assets of the Scheme by the number of Units outstanding on the

valuation date. The NAV shall be computed based on the following formula or such other formula as may be prescribed by SEBI from time to time.

Net Assets = Market or Fair Value of the Scheme's Investments + Receivables + Accrued Income + Other Assets – Accrued Expenses – Payables – Other Liabilities. The value so derived (net assets) is divided by number of outstanding units at the end of the day, which gives the NAV per unit.

V. Valuation Methodologies

The valuation of investments shall be based on the principles of fair valuation i.e. valuation shall be reflective of the realizable value of the securities/assets.

Investment in any new type of security shall be made only after establishment of the valuation methodology for such type of security with the approval of the board of AMC.

Methodologies for valuing each and every type of security held by the Schemes is listed in Annexure I

VI. Inter scheme transfers

Inter-scheme transfers shall be effected as per regulations and internal policy at prevailing market price (essentially fair valuation price).

Annexure I describes the methodology to determine the fair valuation of securities which are intended to be transferred from one scheme to another.

VII. Composition and role of the Valuation Committee:

Valuation committee is constituted by the Board of Directors of Trust Asset Management Private Limited ("TAMPL") in order to oversee the implementation of valuation parameters for the scheme's portfolio.

The said parameters shall be in line with the principle based on fair valuation and in compliance with the SEBI (Mutual Funds) Regulations, 1996.

Composition: (details will be incorporated in this policy after taking the required approvals.)

Duties & Responsibilities of the Committee:

Valuation Committee shall:

1. Evaluate the effectiveness and implementation of the valuation policy in order to ensure the compliance of SEBI (MF) Regulations, 1996;
2. Review any special matter* which presented before the Committee by the management and make recommendations to the board;
3. Report to the Board of Directors in case of any non-compliance / exceptions noticed by the Committee along with the recommendation on the same;
4. Perform any other activity which is consistent with and for the furtherance of the purpose effective discharge of the duties; and
5. Review such other matters as the Board of Director shall deem appropriate

The Committee shall have adequate resources and information in order to discharge the duties and responsibilities including any external reports, industry best practices, industry norms etc.

* **Special Matter** in this case shall be:

- a. Major policy announcements by the Central Bank, the Government, SEBI or other Regulator.
- b. Natural disasters or public disturbances that force the markets to close unexpectedly.
- c. Absence of trading in a specific security or similar securities.
- d. Significant volatility in the capital markets.
- e. Events which lead to lack of availability of accurate/sufficient information to value the securities

Please note that this is just an indicative list and not an exhaustive list.

VIII. Periodic review

The Valuation committee shall meet at least once in a quarter or on need basis. Head-Operations shall prepare and be responsible for the documentation.

- This policy would be reviewed and revised (if needed) by a member of valuation committee in the event of any new guidelines issued by SEBI or any other regulatory organization.

It would be responsibility of the compliance team to update the investment team as well valuation committee of any new regulatory guidelines pertaining to valuations. On an annual basis, the policy would be approved by Board of Directors and Board of Trustees.

- Approved copy of the valuation policy would be provided to the fund accountants, who would then be responsible for carrying the valuations as per the policy. Further, Fund Accountants would be required to certify on a bi-monthly (once in two months) basis that all valuations have been carried out as per the policy.

Deviation: The investments of the Trust schemes shall be valued as per the methodologies mentioned in this Policy, which shall endeavour true and fairness in valuing them. However, if the valuation of any particular asset / security does not result in fair / appropriate valuation or under exceptional circumstances, the Valuation Committee would have the right to deviate from the established policies in order to value the asset / security at fair / appropriate value. Deviations from the valuation policy, if any, will be informed to the Board of AMC and Board of Trustees and will be communicated to the investors vide appropriate disclosures on the Mutual Fund's website.

IX. Review by independent auditor

The Valuation Committee shall at least annually review the Valuation Policy and apprise the AMC & Trustee Boards. The Valuation Policy shall also be reviewed by Independent Auditors at least once a Financial Year to ensure the appropriateness of the valuation methodologies and to suggest alternative methods, if any

X. Conflict of Interest

If any situation arises that leads to conflict of interest, the same shall be raised to the Valuation Committee and committee shall endeavour to resolve the same such that the valuation provides for fair treatment to all investors including existing and prospective investors.

XI. Exceptional Events and escalation procedure

An abnormal / disruptive business situation from a valuation policy point of view will be one, where the existing valuation policy may unduly impact either the existing, incoming and outgoing unit holders. These situations may arise due to operational, geo political, macroeconomic disruptive events either unique to the fund or impacting the market as a whole. The onus for defining / declaring a situation / time period as an abnormal business situation will be on a committee formed. The committees may in light of the prevailing conditions, choose to define such situations with adequate justifications as abnormal. The situation will be revisited at least on a weekly frequency either for deciding to prolong such situation or to justify the end of such period/situation. On decision to end such period/ situation, the valuation would revert to the policy.

Following types of events could be classified as Exceptional events where current market information may not be available / sufficient for valuation of securities:

- a) Major policy announcements by the Central Bank, the Government or the Regulator.
- b) Natural disasters or public disturbances that force the markets to close unexpectedly.
- c) Absence of trading in a specific security or similar securities.
- d) Significant volatility in the capital markets.

In case the Portfolio Managers are of the opinion that the price provided by valuation agencies (currently CRISIL and ICRA) does not reflect the fair value of a security, the same shall be valued on the basis of guidelines provided by the Valuation Committee.

Escalation procedure:

- a. Valuation Committee shall be responsible for monitoring Exceptional events and recommending appropriate valuation methods under the circumstances with due guidance from the AMC board.
- b. Under such circumstances, Valuation committee shall seek the guidance of the AMC board in deciding the appropriate methodology for valuation of affected securities.
- c. Deviations from the valuation policy and principles, if any, will be communicated to the unit holders' through suitable disclosures on the fund website.

XII. Disclosure and Record keeping

Policy document should be updated in SID / SAI, website and other documents as prescribed by the SEBI regulations and guidelines.

All the documents which forms the basis of valuation including inter-scheme transfers (the approval notes & supporting documents) should be maintained in electronic or physical form.

Above records will be preserved in accordance with the norms prescribed by the SEBI regulations and guidelines.





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