Investment Valuation Norms for Securities held by Schemes of Sundaram Mutual Fund

SEBI vide gazette notification LAD-NRO/GN/2011-12/38/4290 dated February 21, 2012 has amended Regulation 25, 47 and the Eight Schedule of SEBI (Mutual Funds) Regulations, 1996 pertaining to valuation of investments and introduced overriding principles in the form of "Principles of Fair Valuation".

The guiding principles of fair valuation is to minimize the difference in valuation of mutual fund assets relative to market value to enable fair treatment across all classes of investors (including existing as well as new investors) seeking to purchase or redeem units of mutual funds in all schemes at all points of time. In case of any conflict between the principles of fair valuation and valuation guidelines issued by SEBI, the Principles of Fair Valuation shall prevail.

SEBI's notification 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 model and procedures approved by the Board of the Asset Management Company (AMC).

Further to SEBI's amendment of the valuation policy, the Board of Sundaram AMC has adopted a comprehensive policy on investment valuation and procedures effective from July 02, 2012. Accordingly, the disclosure inter alia of the valuation procedure and policy for each type of investment made by the scheme(s) of Sundaram Mutual Fund is given below:

1. **Valuation Methodologies**
   a. The methodology for valuing each and every type of security held by the schemes is given in the appended table;
   b. Investment in any new type of security shall be made only after establishment of the valuation methodology for such security with approval of the Board of AMC or any committee constituted in this behalf. If required, the new type of securities may be referred to CRISIL/ICRA for providing daily yield/price.
2. **Inter Scheme Transfers**
   a. Inter scheme transfers shall be effected as per the regulations and internal policy at prevailing market price (essentially fair valuation price);
   b. The methodology to determine the fair valuation of securities which are intended to be transferred from one scheme to another is set out in appended table.
3. **Exceptional Events**

   Following types of the events, inter alia, could be classified as exceptional events where current market information may not be available / sufficient for valuation of securities or the market quotations are no longer reliable for valuation a particular security:
   i. Major policy announcements by the Reserve Bank, The Government or the Regulator;
   ii. Natural disasters or public disturbances that force the markets to close unexpectedly;
   iii. Absence of trading in a specific security or similar securities;
   iv. Breakdown in the information systems / software
   v. Significant volatility in the capital markets.
4. **Escalation Procedure**
   i. Valuation Committee shall be responsible for monitoring exceptional events and recommending appropriate valuation methods under the circumstances with due guidance from the AMC Audit Committee / Board;
   ii. Deviation from the valuation policy and principles, if any in order to value the assets/ securities at fair value, will be communicated to the AMC Board, Trustee Board and to the unitholders with suitable disclosures on the website;
5. **Conflict of Interest**

   The valuation committee shall review any differences arising out of valuation, methodology or price adopted and report to the AMC Audit Committee / Board after resolution of conflict.
6. **Periodic Review**

   The Valuation Committee shall be responsible for periodic review of the valuation methodologies in terms of its appropriateness and accuracy in determining the fair value of each security. The Valuation Committee shall report to the AMC Audit Committee / Board on any important issues and changes in the valuation methodology. The Board of Trustees shall also be updated of any significant developments.

   The valuation policies and procedures shall be reviewed at least once in a Financial Year by an Independent Auditor.
7. **Record Keeping and Disclosure of Policy**

   Valuation Policy would be disclosed in the AMC 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 (approval notes and supporting documents) shall be maintained by Sundaram AMC in electronic form or physical papers.

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

Valuation Policy updated on 17th September 2020

A. Equity and Related Securities

Asset Class	Category	Basis of Valuation
Equity Shares, Preference Shares and Equity Warrants	Traded	On the valuation day, at the last quoted closing price on the National Stock Exchange (NSE) or Bombay Stock Exchange, where such security is listed. NSE is the Principal Stock Exchange for the purpose of our valuation. If the stock is not traded / quoted on NSE, then the last quoted closing price of BSE or any other stock exchange will be considered.
	Non Traded	1. When a security is not traded on any stock exchange on a particular valuation day, the value at which it was traded on NSE or BSE or any other 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. 2. Securities not traded for more than 30 days: **a. Equity Shares** – Valuation price will be in accordance with the SEBI norms i.e. valuation will be computed on the basis of average of book value and the price computed on the basis of PE ratio (25% of the Industry PE Ratio) and further discount of 10% for illiquidity. **b. Preference Shares:** Intrinsic Value will be considered; **c. Equity Warrants/Rights Entitlement/Partly paid up rights shares:** For Equity Warrants / Partly Paid up rights shares: Valuation price will be arrived, after applying appropriate discount (valuation committee delegated power to decide the discounting factor) after reducing the exercise price/issuance price from the closing of the underlying cash equity security. For Rights Entitlement: Until they are traded, the value of the rights shares shall be calculated as Vr = n/m * (Pex-Pof) Where Vr = Value of Rights; n= no. of rights; m=no. of original shares held; Pex=Ex-rights price; Pof = Rights Offer Price. **d. Demerger:** Where at least one resultant company is not immediately listed, valuation price will be worked out by using cum-price before demerger reduced for quoted price of the listed demerged and/or resultant company(ies) or in case of demerger pending listing, the resultant company/ies shall be valued at the intrinsic value arrived at on the date of corporate action. Alternatively, an independent valuation of the security by any Market Participant, (a repute brokers) shall be obtained. If the resultant companies remained unlisted for more than 3 months, the Valuation Committee to decide on application of illiquidity discount as deemed appropriate on case to case basis." **Merger:** "Valuation of a resulting company would be determined by valuation of merging or amalgamating company immediately prior to the ex-date of merger or amalgamation. (a) In case, merging or amalgamating compnies being listed, the 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 would be valued at the traded value of merging company immediately before merger; For example: 1. If company A and B merged to form a new company C, then company C would be value at the price equals to A+B; 2. If company A which is a listed company merges into Company B which is unlisted, would be valued at traded price of A immediately before merger;

Equity Shares, Preference Shares and Equity Warrants		(b) In case one of the merging or 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 are unlisted for more than 3 months, valuation committee shall decide on application of illiquidity discount on case to case basis."
	Thinly Traded	**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.** Valuation will be computed on the basis of average of book value and the price computed on the basis of the PE Ratio with appropriate discount to Industry PE) further discounted for illiquidity.
	Unlisted	Refer note (e)
	Initial Public Offer (IPO)	In case of IPO the security would be valued at cost from the date of allotment till a day prior to listing and on last quoted closing price (as mentioned above under Traded criteria) from the day of listing.
Derivatives - Equity Futures and options	Non-traded / thinly traded	**Traded Securities:** On the valuation day, at the closing price provided by the respective stock exchanges; **Non-traded Securities:** At the settlement price provided by the respective stock exchanges, subject to an illiquidity discount. The rate of illiquidity discount shall be decided by the valuation committee.

B. Valuation Of Securities – Fixed Income and Related Securities

Category	Maturity Period	Basis of Valuation
Valuation of all Debt and Money Market Instruments	Not applicable	With effect from 30th June 2020, valuation will be at the average of the security level prices provided by 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. The valuation policy adopted till 29th June 2020 is provided below:
Traded Securities	For Securities with residual maturity >30	Instruments having residual maturity greater than 30 days will be valued based on the aggregated prices calculated from the security level prices provided by CRISL and ICRA. In case of security level prices given by valuation agencies are not available for a new security, then such security may be valued at purchase yield on the date of allotment/purchase.
	For Securities with residual maturity <=30 days	Amortization model can be made for Instruments having residual maturity upto 30 days subject to the reference price provided by the AMFI approved agencies. (Traded prices are to be considered for construction of benchmark yield curve by the Agency). The price thus computed shall be compared with the reference price, which shall be the average of the security level price of such security as provided by agency(ies) appointed by AMFI for said purpose (hereinafter referred to as "valuation agencies" currently CRISIL & ICRA). The price computed 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. In case of security level prices given by valuation agencies are not available for a new security, then such security may be valued on amortisation basis on the date of allotment/purchase.

Category	Maturity Period	Basis of Valuation
Non-traded	For Securities with residual maturity >30	Instruments having residual maturity greater than 30 days will be valued based on the aggregated prices calculated from the security level prices provided by CRISL and ICRA. In case of security level prices given by valuation agencies are not available for a new security, then such security may be valued at purchase yield on the date of allotment/purchase.
	For Securities with residual maturity <=30 days	Instruments with residual maturity upto 30 days to be amortized on straight line amortization basis. The amortized price shall be compared with the reference price, which shall be the average of the security level price of such security 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. In case of security level prices given by valuation agencies are not available for a new security, then such security may be valued on amortisation basis on the date of allotment/purchase.

Category	Maturity Period	Basis of Valuation
Inter Scheme Transfers		Inter-scheme transfer of all debt and money market securities would be done as per the Price provided by valuation agencies for the said purpose. If Prices from both the valuation agencies are received within the pre-agreed turnaround time (TAT), an average of the prices so received shall be used for IST. If Price from only one valuation agency is received within the agreed TAT, then that Price will be used for IST. If Prices are not received from any of the valuation agencies within the agreed TAT, the below mentioned approach would be adopted. **Inter-scheme transfers will be done at the weighted average YTM :-** 1. For Securities with residual maturity >30 days: All trades with minimum traded lot of Rs.25 crores of face value or more will be aggregated for same or similar security on a public platform. 2. For Securities with residual maturity <= 30 days: All trades with minimum traded lot of Rs.10 crores of face value or more will be aggregated for same or similar security on a public platform. 3. If same or similar security on a public platform is not available at the time of inter scheme transfer, then the yield at which previous day's closing price was provided by the approved agencies or the fair price as per the valuation policy will be applied. **Criteria for identifying the similar securities:** Similar security should be identified by the following waterfall logic: 1. Same issuer with maturity date +/- 5 days of maturity date of security for inter scheme transfer shall be considered first. If no such instance is available then step 2 to be followed: ***For example:*** For inter scheme transfer of SBI CD maturing on 15th July 2012, all secondary market trades of SBI CD maturing between 10th July 2012 to 20th July 2012 shall be considered. 2. Similar security from different issuer, having similar rating and within the same category (PSU Bank, Private Bank or Financial Institution etc) with maturity date +/- 5 days of maturity date of security considered for inter scheme transfer. ***For example:*** Canara Bank CD maturing on 15th July 2012, all secondary market trades of similar public sector bank CDs having same rating maturing between 10th July 2012 and 20th July 2012 shall be considered. 3. Provided that the maturity dates are within the calendar quarter. ***Note:*** Outlier trades, if any, shall be ignored after suitable justification by Fund Manager; In case no data point available for a security, in accordance with above principles: Valuation will be at the previously valued YTM.

Category	Maturity Period	Basis of Valuation
Valuation of money market and debt securities which are rated below investment grade (w.e.f. 20/06/2019)		All money market and debt securities which are rated below investment grade shall be valued at the average of the security level price provided by valuation agencies. 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 of the security is below A3. The money market and debt security shall be classified as "Default" if the interest and/or principal has not been received, on the day such amount was due or when such security has been downgrded to "default" grade by the CRA. Till such time the valuation agencies compute the valuation of money market and debt securities classified as below investment grade, such securities shall be valued on the basis of indicative haircuts provided by the valuation agencies. These indicative haircuts shall be applied on the date of credit event i.e. migration of the security to sub-investment grade and shall continue till the valuation agencies compute the valuation price of such securities. If security is traded, it will be valued at lower of weighted average traded price available on public platform or valuation determined based on the haricut price provided by valuation agencies. The traded qualification criteria shall be as determined by valuation agencies. In the absence of the information on the traded qualification criteria from the valuation agencies, the qualification criteria shall be as determined by the valuation committee. In absence of the above information the valuation shall be arrived at basis guidance from Valuation Committee. In case of any deviation from the valuation price for money market and debt securities rated below investment grade provided by the valuation agencies, AMC shall follow the procedure as mentioned in SEBI Circular No SEBI/HO/IMD/DF4/CIR/P/2019/41 dated March 22, 2019.
Convertible Debentures		The convertible part of Convertible debentures will be valued as an equity share and the valuation policy for equity shares would be applicable for it. The non-convertible part will be valued as bond and the valuation will be as defined for a bond in the debt valuation policy. If, after conversion the resultant equity instrument would be traded pari passu with an existing instrument, which is traded, the value of later instrument can be adopted after an appropriate discount for the non-tradability of the instrument during the period preceding conversion. The rate of illiquidity discount shall be decided by the valuation committee
Government Securities and Treasury Bills		Irrespective of the residual maturity, Government Securities and T-bills shall be valued at average of security level prices obtained from valuation agencies .
Other Special Securities		To be referred to CRISIL and obtain daily valuation quote.
Securities with Call option		Refer Note (d)
Securities with Put option		Refer Note (d)
Securities with both put and call option		a) 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

<table>
<tr><th>Category</th><th>Maturity Period</th><th colspan="2">Basis of Valuation</th></tr>
<tr><td></td><td></td><td colspan="2">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.
b) If a put option is not exercised by a Mutual Fund when exercising such put option would have been in favour of the scheme, in such cases the justification for not exercising the put option shall be provided to the Board of AMC and Trustees.
c) Any put option inserted subsequent to the issuance of the security shall not be considered for the purpose of valuation and original terms of the issue will be considered for valuation.</td></tr>
<tr><td>Other Securities</td><td></td><td colspan="2">Following assets shall be valued at cost plus accruals / amortisation:
a. Short term deposits pending deployment; and
b. Repo Transactions including corporate bond repo/TREPS with tenor upto 30 days.</td></tr>
<tr><td rowspan="3">Units of Mutual Fund/ETF</td><td rowspan="3"></td><td>Traded</td><td>• Valuation will be at the closing price at the principal stock exchange.</td></tr>
<tr><td>Non Traded</td><td>• If units are not traded on principal stock exchange on a particular valuation day, the closing price on any other stock exchange where units are traded will be used.
• If units are not traded on any stock exchange on a particular valuation day, then closing price at which it 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.
• Where units are not traded on any stock exchange for a continuous period of 30 days then the valuation for such units will be determined by the Valuation Committee.</td></tr>
<tr><td>Unlisted</td><td>Valuation will be based on the last published Net Asset Value (NAV) of Mutual Fund units.</td></tr>
<tr><td rowspan="2">Units of InvITs / ReITs</td><td rowspan="2"></td><td>Traded</td><td>Valuation of units of InvITs and ReITs will be based on the last quoted closing price on the principal stock exchange where such security is listed. National Stock Exchange (NSE) is the principal stock exchange for the purpose of valuation. If no trade is reported on the principal stock exchange on a particular valuation date, units of InvITs and ReITs shall be valued at the last quoted closing price on other recognised stock exchange.</td></tr>
<tr><td>Non Traded</td><td>• 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.</td></tr>
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Category	Maturity Period	Basis of Valuation
Overseas Equity securities		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. 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. Due to difference in time zones of different markets, in case the closing prices of the security are not available within the given time frame to enable the AMC to upload NAVs for a valuation day, the AMC may use the last available traded price for the purpose of valuation. The use of closing price/last available traded price for the purpose of valuation will also be based on the practice followed in a particular market. In case a security is not traded on valuation day, the price adopted for the previous working day shall be considered, provided that the date on which last available price was available, should not be more than 30 days. If a security is not traded for the last 30 days, AMC may be value it on a fair value basis by the valuation committee. The source of the price shall be taken from (a) Bloomberg or (b) Reuters or (c) any other publicly available sources.

Remarks:

a. Public Platform refers to

   (i) F-trac – for Corporate bonds/debentures, commercial papers, Certificate of Deposits and securitized debts;

   (ii) NDS-OM for treasury bills.

b. Weighted average YTM shall be considered as it is.

c. The NAV of the units of a scheme will be computed by dividing its net assets by the number of units outstanding on the valuation date.

d. Securities with Put/Call Option:

   (i) Securities with Put Option: Once the option is exercised, the put option date would be deemed to be the maturity date of the security and accordingly the valuation of the security would be based on the valuation guidelines. In case the deemed maturity date (put option date) is <= 30 days, the prices provided by the AMFI approved agencies* would be ignored and would follow the valuation model applicable to securities with residual maturity of <= 30 days (e.g.amortisation). If the residual days are more than 30 days, the security shall be valued on the basis of prices provided by the AMFI approved agencies* till the residual maturity date is <= 30 days and based on the amortisation for the period less than 30 days.

   (ii) Securities with Call option: Once the option is exercised, the call option date would be deemed to be the maturity date of the security and accordingly the valuation of the security would be based on the valuation guidelines. In case the deemed maturity date (Call option date) is <= 30 days, the prices provided by the AMFI approved agencies* would be ignored and would follow the valuation model applicable to securities with residual maturity of <= 30 days (e.g.amortisation). If the residual days are more than 30 days, the security shall be valued on the basis of prices provided by the AMFI approved agencies* till the residual maturity date is <= 30 days and based on the amortisation for the period less than 30 days.

e. Unlisted equity shares of a company shall be valued "in good faith" on the basis of the valuation principles laid down below:

   I. 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 of exercise of outstanding warrants and options};

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

II. Average capitalization rate (P/E ratio) for the industry based upon either BSE or NSE data (which should be followed consistently and changes, if any, noted with proper justification thereof) shall be taken and discounted by 75% i.e. 25% of the Industry average P/E shall be taken as capitalization rate (P/E ratio). Earnings per share of the latest audited annual accounts will be considered for this purpose.

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 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 of EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalized 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 trustees, an unlisted equity share may be valued at a price lower than the value derived using the aforesaid methodology.

*CRISIL/ICRA Disclaimer

By using the valuation contained in this document, the user acknowledges and accepts that the valuations are provided severally (and not jointly) by CRISIL and/or ICRA and are subject to the following disclaimers and exclusion of liability which operate severally to the benefit of CRISIL and/or ICRA and AMFI. The valuation uses the methodology discussed by CRISIL and/or ICRA with the Association of Mutual Funds of India (AMFI) and reflects the CRISIL and/or ICRA 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 the asset management company concerned (AMC) or obtained by CRISIL and/or ICRA from sources they consider reliable. Neither AMFI nor CRISIL and/or ICRA guarantee the completeness or accuracy of the information on which the valuation is based. The user of the valuations takes the full responsibility for any decisions made on the basis of the valuations. Neither AMFI nor CRISIL and/or ICRA accept any liability (and each of them expressly excludes all liability) for any such decision or use