

**AXIS ASSET MANAGEMENT COMPANY LIMITED**

**INVESTMENT VALUATION POLICY**

March 2026

## Investment Valuation Policy - Axis Asset Management Company Limited

### Policy Version Matrix

<b>Title</b>	Investment Valuation Policy
<b>Policy Owner</b>	Valuation Committee
<b>Last date of Update</b>	30 <sup>th</sup> March 2026
<b>Version No.</b>	Version 4.2
<b>Propriety</b>	This document is the sole property of Axis Asset Management Company Limited. Any use or duplication of this document without express permission of Management is strictly forbidden and illegal.
<b>Periodic Review</b>	This Policy will be reviewed at least once in a Financial Year by the Statutory Auditor of Axis Mutual Fund.

### Version Control History

Sr. No.	Version No.	Date	Key Changes
1	Version 1	30, September, 2022	No Change
2	Version 1.1	23, January, 2023	Change in valuation of Gold and Silver
3	Version 1.2	21, March, 2023	Inclusion of valuation policy w.r.t. Equity and equity related securities held by Index Funds and Exchange Traded Funds (ETFs)
4	Version 1.3	30, June, 2023	Change in valuation policy of foreign securities in accordance with SEBI circular no. SEBI/HO/IMD/IMD-I POD2/P/CIR/2023/48 dated March 29, 2023
5	Version 2	30, Sept, 2023	Annual Review of Investment Valuation Policy by Statutory Auditors of Schemes
6	Version 2.1	09, October, 2023	Modification in valuation policy of Compulsory Convertible Debentures (CCDs)
7	Version 2.2	26, October, 2023	Inclusion of valuation policy w.r.t. Units of Corporate Debt Market Development Fund (CDMDF)
8	Version 2.3	12, January, 2024	Inclusion of valuation policy w.r.t. Exchange Traded Commodity Derivatives (ETCDs)
9	Version 2.4	11, July, 2024	Inclusion of valuation policy w.r.t. Securities Lending and Borrowing (SLB) and modification of valuation policy of Gold and Silver
10	Version 3	30, September, 2024	Annual Review of Investment Valuation Policy by Statutory Auditors and change of valuation methodology for AT-1 Bonds and Partly Paid Debentures
11	Version 3.1	26, December 2024	Inclusion of valuation policy w.r.t. Valuation of repurchase (repo) transactions by Mutual Funds
12	Version 4	30, September 2025	Inclusion of Quorum for valuation committee meetings.

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			Updation of valuation practice for valuation of shares on de-merger, Equity and equity related instrument under lock-in period (post listing), Government securities (irrespective of residual maturity) and Gold.
13	Version 4.1	05, January 2026	Updation of valuation practice for Silver and Gold
14	Version 4.2	30, March 2026	Primarily carried out changes with respect to updation of valuation practice for Silver and Gold in accordance with SEBI Circular HO/(68)2026-IMD-POD-2/I/5780/2026 dated 26 <sup>th</sup> February 2026 and other miscellaneous changes.

*\*Version control is being operationalised from September 2022 onwards.*

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## Investment Valuation Policy - Axis Asset Management Company Limited

### **INTRODUCTION:**

The Securities and Exchange Board of India (SEBI) has prescribed investment valuation norms and accounting policies under the SEBI (Mutual Funds) Regulations, 2026 (“the Regulations / SEBI regulations”), as amended from time to time. These valuation norms are detailed in the Seventh Schedule to the Regulations and are further supplemented by SEBI Master Circular and any other specific circulars issued periodically.

The Valuation Policy of the Axis Mutual Fund is formulated in alignment with the aforesaid regulations and circulars to ensure consistency, transparency, and fairness in the valuation of investments.

### **VALUATION COMMITTEE:**

In accordance with the SEBI Master Circular dated March 20, 2026 (referred as SEBI Master Circular), AMCs should formulate valuation committee to review the systems and practices of valuation of securities. Valuation committee of Axis AMC consists of Managing Director/Chief Executive Officer, COO, Head – Operations, Chief Investment Officer, Head – Equities, Head – Fixed Income/Fund Manager(s) – Fixed Income, Chief Risk Officer, Head - Risk and Compliance Officer. This committee shall review the valuation policy on periodic basis and as and when any change is proposed in the valuation methodology.

#### Quorum for Meetings

The quorum for meetings of the Valuation Committee will be four members subject to the condition that Managing Director & Chief Executive Officer and Chief Operating Officer shall always be present during the meeting

### **OBJECTIVE:**

The valuation policy specifies the valuation norms to be followed. The valuation methods must be objective, fair, transparent, simple and must employ publicly available information. SEBI has prescribed methods of valuation like the P/E method for shares, YTM method for debt instruments etc.

## SECTION I

### VALUATION NORMS FOR EQUITY/EQUITY RELATED SECURITIES

#### A. TRADED SECURITIES

##### 1. EQUITY AND EQUITY RELATED SECURITIES:

**SEBI Regulations has prescribed following methodology for valuation of Equity and Equity related securities:**

Traded Securities are to be valued at the last quoted closing price on the selected Stock Exchange. Where security is not traded on the selected stock exchange, the last quoted closing price of another Stock Exchange may be used. If a security is not traded on any stock exchange on a particular 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 the earliest previous day may be used, provided such date is not more than thirty calendar days prior to valuation date.

▪ **The steps involved in valuation of traded securities are:**

- i. Selection of principal stock exchange (i.e. appropriate Stock Exchange) by Asset Management Company (AMC) and valuing the security at the closing price on the date of valuation.
- ii. Valuing security at the closing price of another Stock Exchange, if it is not traded on the valuation date on the Stock Exchange as selected at (i) above.
- iii. Valuing security at the earliest previous day's quotes of selected stock exchange or any other stock exchange as the case may be (being not more than thirty calendar days prior to valuation date).

Clearly, for reasons of speed and regular flow of data in electronic form, our choice of stock exchange for trading is limited to the two premier exchanges of India - the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). Both these exchanges have electronic trading, greater transparency, quicker and more efficient settlements, which enable better cash management, and are popular with other major institutions.

- **Processes followed for valuation of traded equity and equity related securities by Axis MF would**

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### be as follows:

- i. For valuation purposes **NSE** has been selected as principal stock exchange for equity and equity related securities held by all the schemes.
- ii. Wherever equity and equity related securities are not listed on NSE or are not traded on a certain day at NSE, the closing price at BSE should be considered, followed by any other regional exchanges.
- iii. In case of securities which have been allotted under preferential / private allotment and are not listed or traded on both the stock exchanges, the scrip is valued at last quoted price on the Stock Exchange where it was traded (provided the last quoted price is not more than thirty calendar days prior to the valuation date.)
- iv. In case security is not traded on any stock exchange on a particular valuation day, the value at which it was traded on the principal stock exchange 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] calendar days prior to the valuation date.
- v. Normal Preference shares and Cumulative Convertible Preference shares (CCPS) shall be valued at traded price (as mentioned in above Para). In case the same are not traded for more than 30 calendar days, the same shall be valued in good faith (after obtaining valuation committee's approval) by AMC depending on the type of preference share. Appropriate Illiquidity discount shall be given by AMC.
- vi. If the equity securities are not traded on any stock exchange for a period of thirty calendar 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**.

### a. Selection of stock exchange for valuation:

Board of AMC for all its equity and equity related securities would select NSE/BSE as appropriate stock exchange for the valuation of securities.

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### **b. Change in the selected Stock Exchange:**

In case selected stock exchange for valuation of any or all securities is to be changed, reasons for change have to be recorded in writing by the valuation committee and approved by the Board of AMC.

## **2. VALUATION OF FOREIGN SECURITIES, MUTUAL FUND UNITS and ADR/GDR:**

### **a. Selection of Exchange**

Exchange to be considered for valuation of foreign securities and ADRs/GDRs is to be approved by the Valuation Committee. Any subsequent change in the reference stock exchange used for valuation will be necessarily backed by reasons for such change being recorded in writing and placed in the Valuation Committee. If a security is listed in multiple exchanges in the same domicile and for any reason a quote/closing price is not available from the primary exchange, a suitable pre-approved exchange where the security is also listed can be used for valuation purposes.

### **b. Valuations of Foreign Securities and ADR/GDR**

Foreign securities shall be valued based on the last quoted closing price (i.e. same day's closing price as per the NAV date) at the Overseas Stock Exchange on which the respective securities are listed. When on a particular valuation day, a security has not been traded on the selected stock exchange; the value at which it is traded on another pre-approved stock exchange will be used.

If a security such as ADR/GDR, etc. are traded in OTC (Over the Counter) market, in such cases closing price (source: Reuters/Bloomberg) in OTC market will be considered for valuation.

When on a particular valuation day, a security has not been traded across pre-approved exchanges or counters as applicable, the last available closing price shall be used, provided such date is not more than thirty calendar days prior to the valuation date. If the same is not available, fair value pricing will be used.

In case of exceptional events in the overseas markets post the closure of the relevant markets, the AMC shall have the right to value the security at a suitable fair value.

The fair value will be decided by the valuation committee on a case-to-case basis and the reason for deviations will be documented. Valuation committee shall decide on the appropriate discount for illiquidity.

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### **c. International Mutual Funds**

International Mutual fund units would be valued at their latest available NAV as on the valuation date and cut-off time.

### **d. Valuation of Units of Overseas Exchange Traded Funds (ETFs)**

Units of Overseas ETF shall be valued at the last quoted closing price available on the stock exchange on which the respective Overseas ETF is listed. In case an Overseas ETF is listed on more than one stock exchange across country, then Axis Asset Management Company (Axis AMC) shall select the principal stock exchange (i.e. appropriate stock exchange) for valuation and record the same in writing. Any subsequent change in the stock exchange used for valuation shall be backed by reasons for such change, recorded in writing and placed at the meeting of the Valuation Committee.

In case on the valuation date, if the traded price (i.e. last quoted closing price) is not available for units of Overseas ETF on the selected/appropriate stock exchange, then such units will be valued at latest available NAV of the respective underlying ETF on the valuation date and cut-off time

### **e. Converting the price in Indian Rupees (INR)**

On the valuation day, all the assets and liabilities denominated in foreign currency will be valued in Indian Rupees. The valuation price of the security will be converted to INR based on FBIL/any other designated agency, reference rate at the close of banking hours in India. If required, the AMC may change the source of determining the exchange rate.

## **3. VALUATION OF EQUITY AND EQUITY RELATED SECURITIES HELD BY INDEX FUNDS AND EXCHANGE TRADED FUNDS**

In case of Index and Exchange Traded Funds, equity and equity related securities held by such scheme(s) shall be valued at the last quoted closing price on the stock exchange of the underlying Index. The primary stock exchange would be the exchange where the underlying benchmark index has been created. E.g. In case of BSE Sensex ETF, equity and equity related securities shall be valued at the last quoted closing price available on primary stock exchange i.e. BSE. The National Stock Exchange (NSE) will be considered as secondary stock exchange if prices are not available on primary stock exchange.

**4. DERIVATIVES - EQUITY / INDEX OPTIONS AND FUTURES:**

▪ **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. The price of the same option series on the BSE cannot be considered for the purpose of valuation, unless the option itself has been contracted on the BSE.
- 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.

▪ **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 closing 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.
- 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**

If the equity securities are not traded on any stock exchange for a period of thirty calendar days prior to the valuation date, the scrip must be treated as 'non-traded' scrip.

### **Basic Conditions of valuation of Non-traded / Thinly traded Securities:**

The Regulations prescribe following conditions for valuation of non-traded securities:

- i. Non-traded securities shall be valued in 'good faith' on the basis of the valuation principles laid down by SEBI.
- ii. The basis should be appropriate valuation methods on the principles approved by Board of AMC.
- iii. Such basis should be documented in Board minutes
- iv. Methods used to arrive at good faith valuation should be periodically reviewed by the Trustees.
- v. Methods used to arrive at good faith valuation should be such that the auditor's report the same as 'fair and reasonable' in their report on the annual accounts.
- vi. Same price needs to consider for the particular security across the schemes
- vii. Valuation needs to be done on trade date itself and not on settlement date

### **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. NON-TRADED / THINLY TRADED EQUITY:**

Thinly traded equity/ equity related security is defined in SEBI Master circular for Mutual Fund dated March 20, 2026 as follows:

- a) When trading in an equity/equity related security (such as convertible debentures, equity warrants, etc.) in a month is both less than Rs. 5 lakhs and the total volume (i.e. trades on all recognized stock exchanges in India) is less than 50,000 shares, it shall be considered as thinly traded security and valued accordingly.
- b) Where a Stock Exchange identifies the thinly traded securities by applying the above parameters for the preceding calendar month and publishes or provides the required information along with the daily quotations, the same may be used by the Mutual Funds.

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- c) If the shares are not listed on the Stock Exchanges which provide such information, then AMCs shall make its own analysis in line with the above criteria to check whether such securities are thinly traded or not and then value them accordingly.

▪ **Process to be followed for determining whether security is thinly traded**

- i. In order to determine whether a security is thinly traded or not, the volumes traded in Bombay Stock Exchange (**BSE**) and National Stock Exchange (**NSE**) for the last month are considered.
- ii. On the last day of the month service vendor shares a soft copy containing scrip-wise volume on BSE and NSE. This data is used to determine whether any of the equity security held in the portfolio is thinly traded.

▪ **As per SEBI Master Circular, non-traded / thinly traded equity is to be valued as follows:**

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 (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 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.

▪ **In line with these guidelines issued by SEBI, non-traded / thinly traded securities should be valued as follows:**

- i. Net worth per share is computed as follows:

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- a. Net worth of the company = Paid up share capital + Reserves other than Revaluation reserve - miscellaneous expenditure, debit balance in Profit and Loss account and certain contingent liabilities.
- b. Net worth per share = (Net worth of the company / Number of paid up shares).
- ii. Computation of capitalised value of earning per share (EPS):
  - a. Determination of the Industry Price Earning Ratio (P/E) to which the company belongs.
    - Classification of industries provided by AMFI should be adopted.
    - Presently Industry P/E Ratio used is provided by NSE on a monthly basis. However, the P/E ratio data if not available from BSE/NSE, P/E provided by the Capital Market, Prowess (CMIE), Bloomberg etc. should be taken.
  - b. Compute EPS from the latest audited annual accounts. In case the EPS is negative, EPS value shall be considered as zero
  - c. Compute capitalised value of EPS at 75% discount:
    - $(P/E * 0.25) * EPS$
- iii. Computation of fair value per share to be considered for valuation at 10 % discount for illiquidity.  
 $[(Net\ worth\ per\ share + Capitalised\ value\ of\ EPS) / 2] * 0.90$
- iv. 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.
- v. Axis Mutual Fund would value such security at market price or fair value as computed above, whichever is less.
- vi. In case an individual non traded / thinly traded security as valued aforesaid, accounts for more than 5% of the total asset of the scheme, AMC should appoint an independent valuer. The security shall be valued on the basis of the valuation report of the valuer.
- vii. To determine if the security is more than 5% of the total assets of the scheme, security value based on the procedure mentioned above should be compared with total net assets of the scheme on the date of valuation.

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### 3. VALUATION OF UNLISTED EQUITY:

**SEBI Master Circular** has prescribed the method of valuation for unlisted equity securities. 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 (i) and (ii)*:
  - i.
    - 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.
    - b. Net worth per share = (Net worth of the company / Number of paid up shares).
  - ii.
    - a. 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.
    - b. 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.
- Computation of fair value per share to be considered for valuation **at 15 % discount** for illiquidity.  
[(Net worth per share + Capitalised value of EPS) / 2] \* 0.85
- 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.
- 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.

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### 4. VALUATION OF 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. VALUATION OF NON-TRADED RIGHTS ENTITLEMENTS:

- **As per SEBI Master circular for Mutual Funds dated March 20, 2026:**

- i. When Company announces rights to the existing equity shareholders, under its Listing Agreement with Stock Exchange; it has to declare ex-right date for the purpose of trading on the Stock Exchange. Ex-right date is a date from which the underlying shares, which are traded on the Stock Exchange, will not be entitled to the rights. These rights entitlements can also be renounced in favour of a willing buyer. These renunciations are in some cases traded on the Stock Exchange. In such case these should be valued as traded equity related securities.

- ii. Till the rights are subscribed, the entitlements as per Regulations have to be valued as under: Valuation of non-traded rights entitlement is principally the difference between the right price and ex-right price. SEBI Regulations have explained this with the help of following formula:

$$V_r = n / m \times (P_{ex} - P_{of}) \text{ Where}$$

$V_r$  = Value of Rights

$n$  = Number of rights offered

$m$  = Number of original shares held

$P_{ex}$  = Ex-right price

$P_{of}$  = Rights offer price

- iii. The following issues while valuing the rights entitlements have to be addressed:

- a. 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.
- b. When rights are not treated pari passu with the existing shares such as, restrictions with regard to dividend etc., suitable adjustment should be made by way of a discount to the value of rights at the last dividend announced rate.

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- c. Where right entitlements are not subscribed to but are to be renounced, and where renouncements are being traded, the right entitlements have to be valued at traded renunciation value.
  - iv. Where right entitlements are not traded and it was decided not to subscribe the rights, the right entitlements have to be valued at zero.
  - v. 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.
- **Valuation procedure adopted by the Axis AMC:**  
Until the right entitlements are traded, the value of the “rights” shares should be calculated as:  
[Value of rights entitlement = Ex-right price – Rights offer price]

### 6. VALUATION OF NON -TRADED WARRANTS:

- **As per SEBI Master circular for Mutual Funds dated March 20, 2026**
  - i. Warrants are the entitlements to subscribe for the shares at a predetermined price at a later date in future.
  - ii. In respect of warrants to subscribe for shares attached to instruments, the warrants can be valued at underlying equity price as reduced by the amount which would be payable on exercise of the warrant. An appropriate discount must be deducted to account for the period which must elapse before the warrant can be exercised.
- **Valuation procedure adopted by the Axis AMC**  
Value of Warrant = [Value of underlying shares - exercise price]
  - i. An appropriate discounting factor shall be decided by the valuation committee on case to case basis.
  - ii. 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.

### 7. VALUATION OF NON-TRADED PREFERENCE SHARES:

SEBI has not prescribed any methodology for valuation of 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.

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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.

### 8. VALUATION OF SHARES ON DE-MERGER:

On de-merger valuation shall be carried out based on the following possibilities:

- **Both the shares are traded immediately on de-merger:** In this case both the shares are valued at respective traded prices.
- **Shares of only one company continued to be traded on de-merger:** Traded shares are to be valued at traded price and the other security is to be valued at traded value on the day before the de merger less value of the traded security post de merger. In case special pre-open session (SPOS) conducted by exchanges then special pre-opening session price will be considered to derive the price of demerged entity or AMC shall provide the fair valuation for the same.

In case value of the share of de merged company is equal or in excess of the value of the pre de merger share, then the non-traded share is to be valued at zero.

In case shares of other company are not traded for more than 30 days, these are to be valued as unlisted security or AMC shall provide the fair valuation for the same.

- **Both the shares are not traded on de-merger:** Shares of de-merged companies are to be valued equal to the pre de merger value up to a period of 30 days from the date of de merger. The market price of the shares of the de-merged company one day prior to ex-date can be bifurcated over the de-merged shares. The market value of the shares can be bifurcated in the ratio of cost of shares. In case shares of both the companies are not traded for more than 30 days, these are to be valued as unlisted security or AMC shall provide the fair valuation for the same.

### 9. VALUATION OF PARTLY PAID-UP EQUITY SHARES:

Partly paid-up equity shares shall be valued at Underlying Equity price as reduced by the balance call money payable.

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### 10. VALUATION OF INFRASTRUCTURE INVESTMENT TRUST (InvIT) AND REAL ESTATE INVESTMENT (REIT):

- Units of InvIT and REIT are to be valued at the last quoted closing price on the principal stock exchange (i.e. NSE). If no trade is reported on the principal stock exchange on a particular 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 particular 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 calendar 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 calendar days then the valuation will be determined by the Valuation Committee based on the principles of fair valuation.

### 11. VALUATION POLICY – TO BE LISTED EQUITY SHARES AND EQUITY RELATED INSTRUMENTS (PRE-PUBLIC OFFERING): -

- Valuation will be at cost till the date of listing or 60 days whichever is earlier
  - If such shares do not get listed on recognised stock exchange within 60 days, shares will be valued as per methodology given below.
- a. Based on the latest available audited balance sheet, Net Worth shall be calculated as the lower of item (1) and (2) below:
1. Net Worth per share = [Share Capital + Free Reserves (excluding revaluation reserves) - Miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses] / Number of Paid up Shares.
  2. After taking into account the outstanding warrants and options, Net Worth per share shall again be calculated and shall be = [Share Capital + consideration on exercise of Option and/or Warrants received/receivable by the Company + Free Reserves (excluding Revaluation Reserves) - Miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses] / Number of Paid up Shares plus Number of Shares that would be obtained on conversion and/or exercise of Outstanding Warrants and Options.
  3. The lower of (1) and (2) 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 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.

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- 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 per cent for illiquidity so as to arrive at the fair value per share.

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

- i. All calculations shall be based on audited accounts.
- ii. If 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 per cent 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 per cent of the total assets of the scheme, it shall be valued in accordance with the procedure as mentioned above on the date of valuation.

At the discretion of the AMCs and with the approval of the Trustees, unlisted equity shares may be valued at a price lower than the value derived using the aforesaid methodology.

**Equity and equity related instrument under lock-in period (post listing)** – Security shall be valued based on last quoted closing price after applying suitable discount for illiquidity except for anchor investments. The valuation committee shall decide on the illiquid discount to be applied, on a case-to-case basis.

### **12. VALUATION OF 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.

## SECTION II

### **VALUATION NORMS FOR MONEY MARKET AND DEBT SECURITIES**

#### **VALUATION NORMS FOR INVESTMENT GRADE MONEY MARKET AND DEBT SECURITIES**

As per SEBI (Mutual Fund) Regulations, 2026 valuation shall be reflective of the realizable value of securities and shall be done in good faith and in true and fair manner through appropriate valuation policies and procedures approved by the Board of the Axis Asset Management Company (AMC).

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

SEBI Master Circular has amended the existing provisions on valuation of money market and debt securities.

Further, with effect from June 30, 2020, amortization based valuation shall be dispensed with and irrespective of residual maturity, all money market and debt securities shall be valued in terms of point no. 1 below.

As per the above mentioned amendment and circulars, the Board of Directors of Axis Asset Management Company Limited and Axis Mutual Fund Trustee Limited has approved the Valuation Policy and Procedure for Money Market and Debt Instruments.

#### **1. VALUATION OF 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.

## Investment Valuation Policy - Axis Asset Management Company Limited

- 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.

### **VALUATION OF OTHER MONEY MARKET AND DEBT SECURITIES:**

- **VALUATION OF GOVERNMENT SECURITIES (Irrespective of residual maturity):**  
Central Government Securities (CGs), State Development Loans (SDLs), Treasury Bill, Cash Management Bill, etc. shall be valued at average of security level prices obtained from valuation agencies.
- **DEPOSITS AND OVERNIGHT REPOS :**  
Deposits with banks and overnight Repos shall be valued at cost plus accrual basis. In case of any prepayment penalty (for bank deposits), the interest accrual rate would be the rate as applicable for the period of deposit less any prepayment penalty.
- **TRI-PARTY REPO (TREPS)/REVERSE REPO/CORPORATE BOND REPO EXCEPT OVERNIGHT REPOS :**  
These Securities shall be valued at an 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.

- **SECURITIES PURCHASED ON PRIVATE PLACEMENT BASIS:**  
In case the security is purchased on private placement basis, the same would be valued at cost on the date of purchase. As per SEBI Regulations, such security can be valued at cost for 15 days. However, taking in to consideration the volatility in the market, it could be valued at cost on the date of purchase only and from the next day, valuation could be carried out like any other debt security or AMC shall provide the fair valuation for the same.
- **VALUATION OF SECURITIES WITH PUT/CALL OPTIONS:**  
The option embedded securities would be valued as follows:
  - 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.
  - Securities with Put option:**

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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.

### iii. 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.

SEBI Master Circular on valuation of securities with multiple put options present ab-initio, has decided to implement the following guidelines w.e.f. October 01, 2021.

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 AMC and Trustees 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.

#### ▪ Valuation of AT-1 Bonds

SEBI Master circular dated March 20, 2026 has specified that the valuation methodology of AT-1 Bonds shall be based on Yield to Call basis (adjusted with appropriate risk spreads), in line with the principles of market-based measurement under Ind AS 113 and the recommendation of NFRA.

## Investment Valuation Policy - Axis Asset Management Company Limited

- **Valuation of Tier 2 Bonds (w.e.f. April 01, 2021)**

SEBI vide Master Circular has specified the glide path for the purpose of valuation of existing as well as new bonds issued under Basel III framework.

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.

**SECTION III**

**VALUATION OF OTHER SECURITIES**

**1. MUTUAL FUND UNITS AND ALTERNATIVE INVESTMENT 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.
- Corporate Debt Market Development Fund (CDMDF) units shall be valued at the last declared NAV on the website of CDMDF Fund / AMFI website as on the valuation date.

**2. VALUATION OF COMMODITIES AND EXCHANGE TRADED COMMODITY DERIVATIVES (ETCDs):**

**2.1 VALUATION OF COMMODITIES:**

- **Valuation of Gold as prescribed by SEBI Master circular for Mutual Funds dated March 20, 2026:**

The physical gold held by the schemes shall be valued as per the polled spot prices published by the recognized stock exchanges which are used for settlement of physically delivered gold derivatives contracts.

Multi Commodity Exchange (MCX) has been designated as the recognized stock exchange for the valuation of gold held by the schemes.

In instances where the spot price published by the recognized stock exchange is not available on a valuation date, the valuation shall be determined using an alternative appropriate and reliable source, as approved by the Valuation Committee.

Further, in the event of Exchange Traded Commodity Derivatives (ETCDs) being converted into physical commodities (Gold), the valuation shall be carried out in accordance with the aforesaid valuation methodology.

- **VALUATION PROCESS FLOW SHALL BE AS BELOW:**

- Physical Gold shall be valued based on the Second Session closing spot prices published by the Multi Commodity Exchange of India (MCX).

## Investment Valuation Policy - Axis Asset Management Company Limited

- MCX quotes gold prices for 995-purity gold, expressed on a per 10-gram basis
- MCX quoted price shall be adjusted/converted as per the weight of the gold held by the fund.
- Provided further that where the gold held by a scheme has a greater fineness (999- purity gold), price shall be derived by using the below method –

Adjusted gold price (999 Purity gold) = (MCX 995 Spot price \* (conversion factor for 999 purity / conversion factor for 995 purity)

i.e., MCX 995 Spot price \* (32.12/31.99).

- Price derived for 999 purity gold shall be adjusted/converted as per the weight of the gold held by the fund.
- In cases where the necessary information to value such commodities is unavailable, or where the price determined using the above methods does not represent fair value, the valuation committee shall determine the price based on the best available information to ensure fair and appropriate valuation.

### ▪ Valuation of Silver as prescribed by SEBI Regulations:

The physical silver held by the schemes shall be valued as per the polled spot prices published by the recognized stock exchanges which are used for settlement of physically delivered silver derivatives contracts.

Multi Commodity Exchange (MCX) has been designated as the recognized stock exchange for the valuation of silver held by the schemes.

In instances where the spot price published by the recognized stock exchange is not available on a valuation date, the valuation shall be determined using an alternative appropriate and reliable source, as approved by the Valuation Committee.

Further, in the event of Exchange Traded Commodity Derivatives (ETCDs) being converted into physical commodities (Silver), the valuation shall be carried out in accordance with the aforesaid valuation methodology.

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### ▪ Valuation process flow shall be as below:

- Physical Silver shall be valued based on the Second Session closing spot prices published by the **Multi Commodity Exchange of India (MCX)**.
  - MCX quotes silver prices for **999-purity silver**, expressed on a **per 1-KG** basis
  - MCX quoted price shall be adjusted/converted as per the weight of the silver held by the fund.
- In cases where the necessary information to value such commodities is unavailable, or where the price determined using the above methods does not represent fair value, the valuation committee shall determine the price based on the best available information to ensure fair and appropriate valuation.

## 2.2 VALUATION OF EXCHANGE TRADED COMMODITY DERIVATIVES (ETCDs):

### Futures and Options:

- ETCDs shall be valued at the last quoted closing price on the exchange where such contracts are listed.
- On a valuation day, if last quoted closing price is not available then such ETCD contracts shall be valued at the settlement price.

### Conversion of ETCDs into Physical Commodities (other than Gold & Silver)::

- In case ETCDs gets converted into physical commodities (other than Gold & Silver) then upon the receipt of physical commodity at the exchange accredited warehouse in the allocated location (as notified and determined by the exchanges) the commodity shall be valued based on the spot/pooled physical price of the respective location as published by the respective commodity exchanges.
- Spot/Pooled price of respective commodity is published every day at the MCX website which can be referred for valuation of stocks lying in the warehouse/designated vaults.
- If on any day the spot/pooled prices as above are not available due to holiday, then the prices of immediately preceding day will be considered for the purpose of valuation of such commodity.

## 3. VALUATION OF INTEREST RATE FUTURES (IRF):

- 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 closing 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.

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- 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.

#### **4. VALUATION OF MARKET LINKED DEBENTURES 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.

#### **5. VALUATION OF CONVERTIBLE DEBENTURES AND BONDS:**

As per SEBI Master circular March 20, 2026 method of valuation of convertible debentures is prescribed and will be followed by Axis MF.

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.

In the case of listed and non-traded CCDs, the fair valuation methodology shall be followed as recommended by the AMFI Valuation Committee. The CCDs shall be valued at average of prices obtained from valuation agencies.

#### **6. ILLIQUID SECURITIES:**

- Aggregate value of “illiquid securities” of scheme, which are defined as non-traded, 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.
- Mutual Funds shall not be allowed to transfer illiquid securities among their schemes w.e.f. October 1, 2000.

### **7. DEVIATION FROM VALUATION GUIDELINES:**

- As per the Principles of Fair Valuation specified in Seventh Schedule of SEBI (Mutual Funds) Regulations, 2026, 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 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.
- 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.

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### 8. VALUATION OF MONEY MARKET AND DEBT SECURITIES RATED BELOW INVESTMENT GRADE/DEFAULT

#### DEFINITION OF 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 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.

SEBI Master Circular 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 agencies 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, Real 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, Real Estate, Hotels, Loan against shares and Hospitals	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%

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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:

1. The detailed rationale for deviation from the price post haircuts or the price provided by the valuation agencies shall be recorded by the AMC.
2. 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 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.
3. 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.

### **9. 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.

As per SEBI Master Circular the securities, wherein issuers have rescheduled the payment towards principal/interest solely due to COVID-19 pandemic lockdown and/or in light of the moratorium permitted by Reserve Bank of India (RBI), are being valued at the conservative price obtained from valuation agencies.

## 10. VALUATION APPROACH FOR TRADED AND NON-TRADED MONEY MARKET AND DEBT SECURITIES

SEBI, vide Master Circular 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.

1. Waterfall mechanism for valuation of money market and debt securities
2. Definition of tenure buckets for similar maturity
3. Process for determination of similar issuer
4. Recognition of trades and outlier criteria
5. Process for construction of spread matrix

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

#### **1. 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. 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 circumstances would be stale spreads, any event/news in particular sector/issuer, rating changes, high volatility, corporate action or such other event as

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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.

## 2. Definition of tenure buckets for Similar Maturity

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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.

<b>Residual Tenure of Bond to be priced</b>	<b>Criteria for similar maturity</b>
Upto 1 month	Calendar Weekly Bucket
Greater than 1 month to 3 months	Calendar Fortnightly Bucket
Greater than 3 months to 1 year	Calendar Monthly Bucket
Greater than 1 year to 3 years	Calendar Quarterly Bucket
Greater than 3 years	Calendar Half Yearly or Greater Bucket

In addition to the above:

- a. 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.
- b. 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.
- c. 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.

### **3. Process for determination of similar issuer**

Valuation agencies shall determine similar issuers using one or a combination of the following criteria. Similar issuer do not always refer to issuers which trade at same yields,

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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.

- i. Issuers within same sector/industry and/or
- ii. Issuers within same rating band and/or
- iii. Issuers with same parent/ within same group and/or
- iv. Issuers with debt securities having same guarantors and/or
- v. 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.

#### 4. 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	INR 25 Cr for both Bonds/NCD/CP/ CD and other money market instruments
Secondary	INR 25 Cr for CP/ CD, T-Bills and other money market instruments
Secondary	INR 5 Cr for Bonds/NCO/ G-secs

Trades not meeting the minimum volume criteria i.e. the marketable lot criteria as stated above shall be ignored.

##### ii. Outlier criteria

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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)		
	Up to 15 days	15-30 days	Greater than 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

- a. Trading Volume
- b. Spread over reference yield

Such criteria shall be reviewed on periodic basis in consultation with AMFI.

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### **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            $\geq 50\%$  of trade days
- Semi liquid    $\geq 10\%$  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 AI+/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.

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### 5. 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	<p><b>Segmentation of corporates-</b></p> <p>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:</p> <ol style="list-style-type: none"> <li>1. Public Sector Undertakings/Financial Institutions/Banks;</li> <li>2. Non-Banking Finance Companies -except Housing Finance Companies;</li> <li>3. Housing Finance Companies;</li> <li>4. Other Corporates</li> </ol>
Step 2	<p><b>Representative issuers -</b></p> <p>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.</p> <p>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.</p>
Step 3	<p><b>Calculation of benchmark curve and calculation of spread -</b></p> <ol style="list-style-type: none"> <li>1. Yield curve to be calculated for representative issuers for each sector for maturities ranging from 1 month till 20 years and above.</li> <li>2. Waterfall approach as defined in Part A (1) above will be used for construction of yield curve of each sector.</li> <li>3. In the event of no data related to trades/primary issuances in the securities of the representative issuer is available, pollings shall be conducted from market participants</li> <li>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.</li> <li>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.</li> </ol>

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Step 4	<ol style="list-style-type: none"><li>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.</li><li>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.</li><li>3. Residual tenure of the securities of representative issuers shall be used for construction of yield curve.</li></ol>
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### Part B: Valuation of G-Secs (T-Bill, Cash management bills, G-Sec and SDL)

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

#### Note:

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 Master Circular 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.

### 11. 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.

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- 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.

### 12. VALUATION OF INVESTMENT IN PARTLY PAID DEBENTURES

#### (a) Price Calculation:

Cash flows are plotted using the details provided in the term sheet. The same is then discounted using YTM derived for that particular ISIN. Prices are sent on face value of Rs 100 (when fully paid), and as per actual paid up value as per valuation date. Cash flows are plotted till actual maturity or deemed maturity (explicit put call option on same date and same value). Two types of securities were available:

- a. Pay-in dates and pay-in values are clearly defined – In such case future pay-ins are plotted as per details available in term sheet. (Mutual Funds cannot buy these PPDs as per the AMFI Best Practices Guidelines circular no. 83 dt. 18-Nov-2019)
- b. Pay in dates and pay in values are not clearly defined or are linked to occurrence of some event or is optional linked to on demand from issuer/investor for making such pay-ins – In such case, since pay-in dates/pay-in values can't be estimated, such future pay-ins are factored on actual basis on receipt of information.

#### (b) Yield Calculation:

Yields for the ISIN are derived on a daily basis using the standard waterfall approach prescribed for corporate bonds. Definitions of similar maturity, similar issuer, outlier security remains same as other normal securities.

### 13. LENDING OF SECURITIES UNDER SLB

The valuation of securities lent under the Securities Lending Scheme shall be valued as per the valuation guideline of the respective security as mentioned in this Investment Valuation Policy. The lending fees received through the securities lending contract shall be valued at amortised cost and shall be accrued in a proportionate manner till maturity of the contract.

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### **14. VALUATION OF 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.

### **15. INVESTMENT IN NEW TYPE OF SECURITIES:**

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

### **16. INTER-SCHEME TRANSFERS:**

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 paragraph 13.19.1 of SEBI Master circular for Mutual Funds dated March 20, 2026

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

### **17. 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.

## Investment Valuation Policy - Axis Asset Management Company Limited

### **18. 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.

### **19. INTRA-DAY NAV COMPUTATION METHODOLOGY IN CASE OF DEBT ETF:**

SEBI, vide Master Circular 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.

### **20. 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:-

- a. Significant volatility in the capital markets.
- b. Natural disasters or public disturbances that force the markets to close unexpectedly.
- c. Major policy announcements by the Central Bank, the Government or the Regulator.
- d. 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 Axis AMC 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 Axis asset management company 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.

## Investment Valuation Policy - Axis Asset Management Company Limited

### ANNEXURE-1

#### INTRA-DAY NAV COMPUTATION METHODOLOGY IN CASE OF DEBT ETF:

W.e.f. September 06, 2021, AMC 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.

- A. AMC will execute the trade in index/similar securities (subject to regulatory limits) for valid large investor / Authorised participant transactions.
- B. Trade shall be executed for the entire basket subscribed/redeemed by investor.
- C. 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.
- D. 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.
- E. 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.
- F. The sum of amounts as mentioned in point C, D and E will be divided by number of units subscribed/redeemed by investor to arrive at Intra-day NAV applicable for the transaction.
- G. Additionally, Axis MF shall also recover the statutory levy and incidental charges, if any pertain to transaction from the investor.
- H. 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.

Prior to September 06, 2021, AMC has followed the following procedure to compute the Intra-day NAV of Debt ETF.

- A. AMC will obtain the intra-day prices for the previous day's portfolio details from the valuation agencies.
- B. Intra-day portfolio value will be computed on the basis of average of intra-day prices received from valuation agencies. In case price is received from one valuation agency only, such price will be considered for computation of Intra-day portfolio value. Previous day's valuation price shall be used for computation of Intra-day portfolio value in case intra-day prices are not received from both the valuation agencies.
- C. Net current assets of previous day's will be considered for computing intra-day NAV.
- D. Investments like TREPS, etc. will be carried forward at cost and interest accrual thereon will be computed as per previous day's yield.
- E. Portfolio details as per previous valuation date will be referred to compute interest accrual on Corporate Bonds and State Development Loans.

## Investment Valuation Policy - Axis Asset Management Company Limited

- F. In case of business day, subsequent to holidays and weekends, the number of days for interest accrual will be counted from previous valuation date and interest will be computed accordingly.
- G. The sum of amounts as mentioned in point B, C, D and E will be divided by previous day's outstanding number of units to arrive the Intra-day NAV.

However, in case of significant intra-day volatility in the market where the valuation of securities cannot be credibly established, the AMC reserves the right to process all the intra-day transactions received for unit creation at Day-End NAV declared by the AMC.