

HSBC Mutual Fund - Snapshot of Valuation Policy - Annexure A

Sr. No	Type of Instrument	Basis of Valuation
1	EQUITY	
1.1	Listed Equity	<p>To be valued at the last quoted closing price on NSE (primary exchange for HSBC) else BSE or other recognized stock exchange where the security is listed.</p> <p>For valuation of securities held by Exchange Traded Funds (ETFs)/Index Funds which are benchmarked to indices relating to a particular stock exchange, the primary stock exchange will be that exchange, e.g. for an Sensex ETF or Sensex Index Fund, the primary stock exchange will be the S&P BSE.</p>
1.2	Non traded Equity (<i>Equity Not traded on any of the exchanges for a continuous period of 30 calendar days</i>)	<p>At Fair value as per SEBI formula i.e. AMC to value the securities based on SEBI valuation guidelines as per circular dated September 18, 2000 and May 09, 2002 (i.e. use of Net worth and EPS capitalization method as prescribed by SEBI formula). If more than 9 months have elapsed from the end of Financial year and Audited Balance Sheet is not available, the security shall be valued at Nil. In determining the valuation as per aforesaid methodology, the valuation committee will also assess the realizable value of the security and document its rationale for applying a particular valuation price.</p>
1.3	Thinly Traded Equity (<i>Trading on all the exchanges in a particular calendar month is both less than Rs 5 lakhs in value and total volume is less than 50000 shares</i>)	
1.4	Unlisted Equity	
1.5	Suspended Equity	<p>In case trading in an equity security is suspended for trading on the stock exchange up to 30 calendar days, then the last traded price would be considered for valuation of that security. If an equity security is suspended for trading on the stock exchange for more than 30 calendar</p>

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		days, then it would be considered as non-traded and valued accordingly.
1.6	Illiquid securities (<i>Non-traded / thinly traded / unlisted equity security is in excess of 15% of total net assets of the scheme in case of open-ended funds and 20% in case of close-ended funds</i>)	Nil Value
1.7	Equity shares which are unlisted as a result of corporate actions (<i>i.e. Mergers, Demergers, reduction of capital, consolidation, etc.</i>)	<p>a) <u>Demerger:</u></p> <p>Scenario 1: If Special Pre-Open session (SPOS) is conducted by Exchange:</p> <p>Where at least one resultant company is not immediately listed, valuation price will be worked out by using cum-price on NSE (primary exchange for HSBC) else BSE or other recognized stock exchange where the security is listed before corporate action as reduced by the price derived during Special Pre-Open session (SPOS) on the Ex. Demerger date listed resultant company after providing for appropriate illiquidity discount but a minimum illiquidity discount of 10%</p> <p>Scenario 2: If Special Pre-Open session (SPOS) is not conducted by Exchange:</p> <p>Where at least one resultant company is not immediately listed, valuation price will be worked out by using cum-price on NSE (primary exchange for HSBC) else BSE or other recognized stock exchange where the security is listed before corporate action as reduced by the closing price of the listed resultant company after providing for appropriate illiquidity discount but a minimum illiquidity discount of 10%</p> <p>If value of listed resultant company is greater or equal to the value of the listed</p>

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		<p>resultant company before demerger, then the resulting not immediately listed company would be valued at zero, pending listing.</p> <p>In cases where the hived off company is more than one and such companies are not listed, it is proposed that the Valuation Price be allocated between the unlisted hived off companies on an appropriate basis as per the decision of the Valuation Committee.</p> <p>In cases where post demerger, none of the companies are listed, it is proposed that Pre-demerger Price be allocated between all the resultant companies on an appropriate basis as per the decision of the Valuation Committee.</p> <p>Cost allocation shall be proportionate to the derived value of all the resultant companies or an appropriate basis as per the decision of the Valuation Committee.</p> <p>b) <u>Corporate Action Pending listing:</u> In case of a corporate action pending listing, the resultant company/ies shall be valued at fair value as determined by the valuation committee on the date of corporate action after providing for appropriate illiquidity discount but a minimum illiquidity discount of 10%.</p> <p>c) <u>Merger:</u> <u>In cases where identity of entities getting merged is lost and the new entity is yet unlisted</u> - Valuation of merged entity would be arrived at by summation of previous day's value of respective</p>

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		<p>companies prior to the merger divided by the entitled quantity of the merged entity. For example, If company A and company B merge to form a new company C, then company C would be valued at price equal to that of value of company A + company B</p> <p><u>In cases where identity of one entity continues</u> - Valuation of merged entity would be according to the closing price of the surviving entity</p> <p>The Fair value so arrived for shares which are unlisted as a result of corporate actions will be periodically reviewed by Valuation Committee till listing of such shares.</p> <p>However, if more than 9 months have elapsed from the date of corporate action and the company/ies is /are still not listed, the same shall be valued in good faith by the Valuation Committee of the AMC. The rationale shall be documented and recorded.</p>
1.8	Equity Shares which are allotted pursuant to IPO and are pending listing	<p>a) At acquisition cost up to 30 days from the date of allotment.</p> <p>b) In case the security is not listed within 30 days from the allotment date, the valuation shall be arrived at in good faith by the Valuation Committee of the AMC. The rationale shall be documented and recorded.</p>
1.9	Buy-back of Securities	<p>If a company offers to buy-back hundred percent of the shares tendered then shares will be valued at the price of buy-back, ignoring the market price. Else, market price of the shares will be considered for valuation till formal confirmation of acceptance of shares tendered under the buy-back schemes. Quantum of shares</p>

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		accepted under buy-back will be accounted as a sale trade on receipt of formal confirmation of such acceptance.
1.10	Valuation of Partly paid up equity share	<p>a) <u>Traded:</u> Refer point 1.1 above.</p> <p>b) <u>Non-traded::</u> Will be valued at Underlying Equity price as reduced by the balance call money payable with illiquidity discount as may be deemed appropriate by the valuation committee.</p>
1.11	Equity and Equity related securities under lock in period	<p>a) Illiquidity discount will be Nil for securities which are pending listing or where the lock-in is less than 3 months.</p> <p>b) In case of Equity share under lock-in for more than 3 months from the date of purchase / allotment, which are traded on the stock exchanges, the investment manager may apply appropriate discount to the closing price quoted on the stock exchange as may be decided by the Investment Committee on a case-to-case basis.</p>
2	PREFERENCE SHARES	
2.1	Traded	At Traded Price
2.2	Non-traded	At cost or at fair value as determined by the valuation committee
3	ADR's/GDR's	
3.1	Conversion rate - Forex	On valuation date, all assets and liabilities in foreign currency shall be valued in Indian Rupees at the RBI reference rate. In case the RBI reference rate is not available, on a particular Valuation Day, the exchange rate available on Bloomberg / Reuters will be used for conversion.

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3.2	ADR/ GDR Security Price - Traded	<p>Foreign securities shall be valued based on the last quoted closing prices at the Overseas Stock Exchange on which the respective securities are listed. However, the AMC shall select the Primary stock exchange prior to transacting in any scheme in case a security is listed on more than one stock exchange and the reasons for the selection will be recorded in writing. Any subsequent change in the reference stock exchange used for valuation will be necessarily backed by reasons for such change being recorded in writing by the AMC and approved by the Valuation Committee. However, in case of extra ordinary event in other markets post the closure of the relevant markets, the AMC shall value the security at suitable fair value as determined by the Valuation Committee.</p> <p>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 stock exchange or last quoted closing price on the selected stock exchange shall be used provided such date is not more than thirty days prior to the valuation date.</p> <p>Due to difference in time zones of different markets, in case the closing prices of securities are not available within a given time frame to enable the AMC to upload the NAV for a Valuation Day, the AMC may use the last available traded price/ previous day's price for the purpose of valuation. The use of the closing price / last available traded price for the purpose of valuation will also be based on the practice followed in a particular market.</p>

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		Closing Quote on T-1 of the security sourced from NYSE / Bloomberg or other recognized international stock exchange
3.3	ADR/ GDR Security Price – Non-Traded	Non-traded ADR/ GDRs shall be valued after considering prices/ issue terms of underlying security. Valuation Committee shall decide the appropriate discount for illiquidity. Non traded foreign security shall be valued by AMC at fair value after considering relevant factors on case to case basis.
4	WARRANTS	
4.1	Traded warrants	At quoted price
4.2	Non-traded warrants	
4.2.1	Exercise price is lower than the value of the underlying share	Value of the underlying share less exercise price with illiquidity discount as may be deemed appropriate by the valuation committee with an appropriate illiquidity discount
4.2.2	Exercise price is higher than the value of the share	At Zero
5	RIGHTS ENTITLEMENTS / PARTLY PAID UP RIGHTS SHARES	
5.1	Traded Rights	At quoted price
5.2	Non-traded Rights	
5.2.1	Exercise price is lower than the value of the underlying share	Value of the underlying share less exercise price with illiquidity discount as may be deemed appropriate by the valuation committee. Illiquidity discount if any to be applied post 30 days from the Rights Issue Closure date if it is not listed within 30 days
5.2.2	Exercise price is higher than the value of the share	At Zero
6	FUTURES AND OPTIONS (F&O)	
6.1	Futures	To be valued at the settlement price as released by NSE

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6.2	Options	To be valued at the settlement price as released by NSE
7	DEBT & MONEY MARKET SECURITIES	
7.1	All debt and money market securities (including Central and state government securities, treasury bills and cash management bills)	<p>a) To be valued at average of security level prices provided by AMFI appointed agencies (currently CRISIL and ICRA).</p> <p>b) 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 weighted average purchase yield on the date of allotment / purchase and till the day preceding the next business day.</p>
7.2	Securities with Put/Call Options	<p>Only securities with both put and 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.</p> <p>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:</p> <ol style="list-style-type: none"> 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

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		<p>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.</p> <p>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.</p>
7.3	Securities with multiple Put Options present ab-initio:	<p>If a put option is not exercised when exercising such put option would have been in favor of the scheme, in such cases the justification for not exercising the put option shall be provided to the Valuation Agencies, Board of AMC and Trustees on or before the last date of the notice period. 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.</p>
7.4	Impact of any Changes to terms of an investment:	<p>While making any change to terms of an investment, AMC shall adhere to the following conditions:</p> <ul style="list-style-type: none"> 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.

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		<ul style="list-style-type: none"> 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.
7.5	Reverse Repo/Repo/Corporate Debt Repo/TREPS (Tri Party Repo Dealing System)	
	Reverse Repo/Repo/Corporate Debt Repo/TREPS with short term (Overnight) (<i>Overnight: Maturing overnight or maturing on next business day post Saturday/Sunday or any Holiday</i>)	To be Valued at cost plus accruals.
	Reverse Repo/Repo/Corporate Debt Repo/TREPS with Long term (Non-overnight)	To be valued at average of security level prices provided by AMFI appointed agencies (currently CRISIL and ICRA). 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 weighted average purchase yield on the date of purchase and till the day preceding the next business day.
7.6	Fixed Deposits	At cost plus accruals
7.7	CONVERTIBLE DEBENTURES	
	Non-convertible components	Refer point 7.1,7.2 & 7.3 above
	Convertible components	The convertible component shall be valued on same basis as underlying equity

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		instrument after providing for appropriate illiquidity discount in accordance with investment valuation norms prescribed by SEBI in the Eight Schedule
7.8	OTC Derivatives (including Interest Rate Swaps) and Market Linked Debentures	
	Prices for all OTC derivatives (including Interest Rate Swaps) and market linked debentures shall be obtained from valuation agencies.	
7.9	Interest Rate Futures	
	Interest Rate Futures will be valued at the settlement price as released by NSE.	
7.10	Securities Rated Below Investment Grade and Default	
	<p><u>Definition of below investment grade and default:</u></p> <p>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.</p> <p>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, AMC 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.</p> <p>a) To be valued on the basis of valuation price for such securities provided by CRISIL and ICRA / or any other AMFI appointed agency (ies)</p> <p>b) Till such time the valuation agencies compute the valuation of money market and debt securities classified as below investment grade or default, such securities shall be valued on the basis of indicative haircuts provided by these agencies. These indicative haircuts shall be applied on the date of credit event i.e. migration of the security to sub-investment grade or default and shall continue till the valuation agencies compute the valuation price of such securities. Further, these haircuts shall be updated and refined, as and when there is availability of material information which impacts the haircuts.</p> <p>c) Consideration of traded price for valuation:</p> <ul style="list-style-type: none"> ○ In case of trades during the interim period between date of credit event and receipt of valuation price from valuation agencies, AMC shall consider 	

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		<p>such traded price for valuation if it is lower than the price post standard haircut. The said traded price shall be considered for valuation till the valuation price is determined by the valuation agencies.</p> <ul style="list-style-type: none"> ○ In case of trades after the valuation price is computed by the valuation agencies as referred above and where the traded price is lower than such computed price, such traded price shall be considered for the purpose of valuation and the valuation price may be revised accordingly. <p>d) The trades referred above shall be of a minimum size as determined by valuation agencies/AMFI.AMC may deviate from the indicative haircuts and/or the valuation price for money market and debt securities rated below investment grade/default provided by the valuation agencies and consider a fair valuation approach for valuation of principal and interest subject to the following:</p> <ul style="list-style-type: none"> ○ The detailed rationale for deviation from the price post haircuts or the price provided by the valuation agencies shall be recorded by the Valuation Committee/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 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. <p>The rationale for deviation along-with details as mentioned above shall also be disclosed to investors. In this regard, the AMC shall disclose instances of deviations on our 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.</p> <p>e) Treatment of accrued interest, future interest accrual and future recovery: -</p> <ul style="list-style-type: none"> a) The indicative haircut that has been applied to the principal should be applied to any accrued interest. b) In case of securities classified as below investment grade but not default, interest accrual may continue with the same haircut applied to the principal. In case of securities classified as default, no further interest accrual shall be made.

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	<p>c) Any recovery shall first be adjusted against the outstanding interest recognized in the NAV and any balance shall be adjusted against the value of principal recognized in the NAV.</p> <p>d) Any recovery in excess of the carried value (i.e. the value recognized in NAV) should then be applied first towards amount of interest written off and then towards amount of principal written off.</p>	
7.11	<p>Valuation of any upfront fee on trades: In line with AMFI Best Practice guidelines circular no. 83/2019-20, following guidelines shall be adhered to for valuation of any upfront fees on trades:</p> <ol style="list-style-type: none"> 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 AMC on the trade date to the valuation agencies as part of the trade reporting to enable valuation agencies to arrive at the fair valuation for that date. For the purpose of accounting, such upfront fees shall be reduced from the cost of the investment in the scheme that made the investment. <p>In case upfront fees are received across multiple schemes, then such upfront fees shall be shared on a pro-rata basis across such schemes.</p>	
7.12	<p>Corporate Debt Market Development Fund (CDMDF) an Alternative Investment Fund (AIF) To be valued at NAV of the AIF units: NAV of CDMDF (AIF) Units will be disclosed by 9:30 PM on all business days on website of its Investment Manager and that of AMFI. For times when CDMDF would have exposure to corporate debt, such NAV shall be disclosed by 11 PM on all business days.</p>	
8	INVESTMENT IN MF UNITS	
8.1	Units of Domestic Mutual fund	<p>i) Mutual Fund units listed and traded on exchange (NSE or BSE) on valuation date would be valued at closing traded price as on the valuation date. If units are not traded on the principal stock exchange on a particular valuation day, the quoted closing price on any other stock exchange where units are traded will be used. If units are not trade on any exchange on a day the same shall be considered as non-</p>

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		<p>traded units. If units are not traded on a day the same shall be considered as non-traded units. Non-traded units shall be valued based on latest declared NAV per unit of respective underlying schemes.</p> <p>ii) Unlisted Mutual Fund units would be valued at the last available NAV as per AMFI website or any other appropriate source.</p>
8.2	Units of Overseas Mutual fund	Overseas Mutual Fund units would be valued at the NAV as on the valuation day.
9	GUIDELINES FOR INTER-SCHEME TRANSFERS	
	<p>i. IST of any money market or debt security (irrespective of maturity) will be done at an average of the prices provided by the valuation agencies, if prices from the valuation agencies are received within the pre-agreed turn-around-time (TAT).</p> <p>ii. If price from only one valuation agency is received within the agreed TAT, that price may be used for IST pricing.</p> <p>If prices are not received from any of the valuation agencies within the agreed TAT, AMC may determine the price for the IST, in accordance with Clause 3 (a) of Seventh Schedule of SEBI (Mutual Funds) Regulations, 1996.i.e., prevailing Market Price for quoted instrument on spot basis. Such price would be obtained from the public platform.</p>	
10	GUIDELINES FOR VALUATION OF UNITS OF INFRASTRUCTURE INVESTMENT TRUST (INVITS) & REAL ESTATE INVESTMENT TRUST (REITS)	
	<ul style="list-style-type: none"> To be valued at the last quoted closing price on NSE (primary exchange for HSBC) else BSE or other recognized stock exchange where the units of InvITs and REITs are listed. Where units of InvITs and REITs are not traded on any of the stock exchanges for a continuous period of 30 calendar days then the valuation for such units of InvITs and REITs will be determined based on the procedure determined by Valuation Committee. 	

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11	Security Lending & Borrowing (SLB) The valuation of security lent shall be done as per the valuation methodology stated for respective security in Annexure A of this valuation policy. The lending fee received for the security lent would be amortized proportionately, until expiry of the contract / till the recall of lent securities.	

Notes :

- 1) In case the valuation committee is of the opinion that the price feeds provided by AMFI appointed agencies are not reflective of fair value/ realizable value of the security, the same shall be valued on the basis of guidelines provided by the valuation committee. In approving such valuations, the valuation committee shall follow the principles of fair valuation and provide suitable justification for the same.

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 shall also be disclosed immediately and prominently, under a separate head on the website of AMC, Monthly portfolio and Half-Yearly portfolio.

2) **Use of Own Trade for Valuation:**

- AMC shall not use own/self-trades for valuation of debt and money market securities. However, 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 weighted average purchase yield on the date of allotment / purchase.

Own/self-trades will not be used for valuation of inter-scheme transfers.

Disclaimer :

By using the valuation contained in this document, the user acknowledges and accepts that the valuations are provided severally (and not jointly) by the service providers and that valuations are subject to the disclaimers and exclusion of liability provided on the relevant service providers' web sites. The user must visit the relevant service providers' web sites and understand the disclaimers and conditions to which the use of these valuations is subject.