

Valuation Update on Yes Bank Shares

Ministry of Finance (Department of Financial Services) has notified vide the Gazette of India (Ref No CG-DLE-13032020-218653 on March 15,2020 “ ‘Yes Bank Limited Reconstruction Scheme, 2020” and has imposed a lock-in period of three years from the commencement of the Revival scheme(March 13,2020) to the extent of 75% of shares held by existing shareholders. These restrictions will apply to all those shareholders who own over 100 shares in Yes Bank Ltd.

Further to operationalize the scheme the Depositories shall transfer all existing shares of Yes Bank under existing ISIN (INE528G01027) to the new ISIN (INE528G01035) and are instructed to ensure that appropriate amount of securities should be maintained under lock-in under the new ISIN for a period of three years.

As per Government notification on March 14,2020, 75% of the Yes Bank Shares would be locked-in for three years (Locked-in Yes Bank Shares). While the balance 25% of Yes Bank shares will be available for trading.

Further, ETFs/Index funds is facing following issues:

- a. Yes Bank scrip would be moved out of Stock Exchange Indices as at the close of March 18, 2020. However, locked-in shares will continues to be part of the portfolio which will lead to tracking error.
- b. Market makers / APs will face challenges in pricing the units.
- c. ETFs accepting portfolio deposits will face challenges, as investors will not be depositing Yes Bank shares post March 18, 2020 when Yes Bank scrip moves out of the indices.

Valuation methodology:

Considering the above facts ,the valuation committee believes that while the balance 25% of Yes bank shares is not subject to lock in, it will not be prudent to consider the traded price for valuing Locked-in Yes Bank Shares and as prescribed in the valuation policy, appropriate discounting be applicable for holding such locked in shares for a specified time period.

The valuation committee has decided that the locked in exposure (75% holding) in the Tata Index Fund -Nifty, Tata Nifty Exchange Traded Fund and Tata Private Bank Exchange Traded Fund towards YES Bank Limited should be valued at ‘zero’.

The valuation impact on various schemes of Tata Mutual Fund is given below:

Name of Scheme	Details of Locked in Shares of Yes Bank as on March 16, 2020					
	No of Shares subject to 3 years lock in	Weightage of Lock in Shares as per last Valuation date i.e as on March 13,2020	Last Traded price of Yes Bank Shares which are not subject to any lock in period (Rs. /Unit)	Per unit Value of Locked in shares	Valuation Impact on NAV in INR	Valuation Impact on NAV in %
Tata Index Fund -Nifty	8249	0.030	37.1	NIL	306,037.90	0.13
Tata Nifty Exchange Traded Fund	31269	0.0375	37.1	NIL	11,60,042.80	0.14
Tata Private Bank Exchange Traded Fund	38063	0.315	37.1	NIL	14,12,137.30	1.25

Additional disclosure pursuant to guidance from AMFI

As per the guidance issued by AMFI vide correspondence 35P/MEM-COR/57/2019-20,Tata Asset Management Ltd would like to inform the investors that any realization of proceeds from the locked-in shares of Yes Bank Ltd. (post conclusion of the lock in period) shall be distributed among the set of investors existing in the unit holders’ register / BENPOS as on end of March 13, 2020.

Mutual Fund Investments are subject to market risk, read all scheme related documents carefully.

Valuation Update

12th February 2019

In order to comply with Order dated February 4, 2019 passed by the National Company Law Appellate Tribunal, Ministry of Company Affairs (MCA) have submitted the list of companies/entities belonging to Infrastructure Leasing & Financial Services Limited (IL&FS).

As many as 69 out of the 169 firms of the IL&FS group incorporated in India have been placed under three categories based on their ability to service routine debt obligations to secured financial and operational creditors.

38 companies / firms of IL&FS have been identified under 'Red' category. As per the MCA submissions, 'RED' category companies / firms would be unable to repay even to the secured financial creditors. Tata Corporate Bond Fund has exposure to secured NCD of IL & FS Financial Services Ltd (IFIN) which has been identified under the 'Red' category.

TAML Valuation Committee have reviewed the submissions made by MCA and committee felt that now it is even more unlikely that IFIN will be able to service their debt obligations on timely basis in near to medium term.

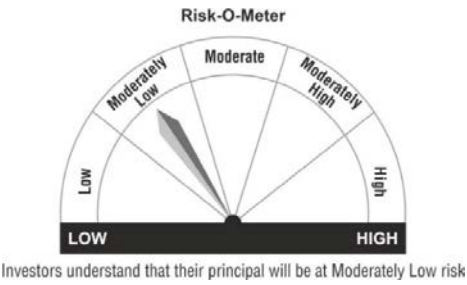
In view of the above, to protect the interest of unitholders, TAML valuation committee approved markdown the value of entire holding of IL&FS Financial Services Ltd (Secured NCD), held in Tata Corporate Bond Fund, by 100%.

29th October 2018

On 8th September 2018 ICRA downgraded long and short-term ratings of Infrastructure Leasing and Financial Services Limited (IL&FS). Rating was downgraded to below investment grade and subsequently after a few days to default.

Since the issuer had been downgraded below investment grade, valuation agencies had stopped providing scrip level valuation of various debt Instruments of IL&FS. As per SEBI Valuation norms, debt instruments of companies rated below investment grade are required to be valued based on fair valuation norms. Accordingly, Debt Instruments of IL&FS has been fair-valued after applying recommendations of the Valuation Committee of Tata Mutual Fund.

In view of the last two defaults (September and October 2018), based on information in public domain and various interactions with the company, it was felt unlikely that these instruments (commercial papers) would be repaid in the near future. Hence it was felt prudent by TAML valuation committee to markdown the entire holding of IL&FS (CP) held in Tata Money Market Fund and Tata Short Term Bond Fund by 100%.

<p>Tata Money Market Fund is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"> • Regular Income over Short Term • Investment in Money Market Instruments. <p>Tata Short Term Bond Fund is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"> • Regular Fixed Income for Short Term. • Investment in Debt / Money Market instruments / Government Securities. 	 <p>Investors understand that their principal will be at Moderately Low risk</p>
<p>*Investors should consult their financial advisors if in doubt about whether the product is suitable for them.</p>	

26th September 2018

Head of Fixed Income, had a meeting with IL& FS Senior Management for repayment of Rs.25 crores Commercial Paper (CP) which is due today. Where IL&FS management has confirmed that immediately they do not have liquidity and hence will not be able to immediately service CP maturing today. They have not indicated exact timeframe within which they will arrange liquidity. Due to uncertainty of receipt of maturity proceeds in near future valuation committee has recommended & approved 100% provisions against maturity proceeds of IL&FS CP which matured today.

19th September 2018

IL&FS Ltd and IL&FS Financial Services Ltd, both have defaulted on debt repayments on multiple instances. IL&FS' group credit rating was downgraded to 'D' grade by the rating agencies.

Taking into consideration recurring delays and lack of clarity from the management of IL&FS group regarding timely servicing of debt instruments held by Tata Mutual Fund schemes, the

valuation committee of TAML , as a prudential measure and principles of fair valuation, has decided to further mark down Tata Mutual Fund's exposure by another 25% of its face value to derive the prices of the securities in its holding.

10th September 2018

On 8th September ICRA downgraded long and short term ratings of Infrastructure Leasing and Financial Services Limited (IL&FS) and IL&FS Financial Services Ltd (IFIN). Long term ratings were downgraded to BB (i.e. below investment grade) from AA+ and the short-term rating downgraded from A1+ to A4.

Since both the issuers have been downgraded below investment grade, valuation agencies have stopped providing scrip level valuation of various debt Instruments of IL&FS and IFIN.

As per SEBI Valuation norms, debt instruments of these companies are therefore required to be valued based on fair valuation norms hereafter. Accordingly Debt Instruments of IL&FS & IFIN have been fair-valued after applying appropriate hair cut as recommended by the Valuation Committee of Tata Mutual Fund. The Valuation Committee will continuously review the development on both the above issuers and will continue a fair valuation thereof, until the valuation agencies resume their valuation inputs.

Mutual Fund Investments are subject to market risk, read all scheme related documents carefully.