Goldman Sachs Asset Management

Valuation Policy

Updated December 2015

I. INVESTMENT VALUATION NORMS FOR SECURITIES AND OTHER ASSETS

1. General Valuation Overview

This document contains the valuation procedures for India domiciled mutual funds sponsored by GSAM. While those vehicles share similarities with other regions, they may vary in some respects due to the requirements of local law and other applicable regulatory regimes or the manner in which specific fund administrators operate.

Valuation Framework in India

In line with SEBI requirements, as a mutual fund, Goldman Sachs Mutual Fund (GSMF) shall value its investments in accordance with the following overarching principles so as to ensure fair treatment to all investors including existing investors as well as investors seeking to purchase or redeem units of mutual funds in all schemes at all points.

- Valuation of investments shall be based on the principles of fair valuation i.e. valuation shall be reflective of the realizable value
- Valuation policies and procedures shall be approved by the board of the asset management company (AMC) and shall identify the methodologies that will be used for each type of security/ assets held by GSMF.
- Investments in new type of securities/ assets shall be made only after establishment of methodologies with the approval of the board of the AMC.
- Investments shall be consistently valued according to policies and procedures established
- Valuation policies and procedures shall be reviewed on a periodic basis and the Board of the AMC and Board of Trustees shall be updated of these developments at appropriate intervals
- Valuation policies and procedures shall be reviewed at least once in a financial year by an independent auditor
- The valuation policies and procedures should seek to address conflict of interest.
- In case of any conflict between the principles of fair valuation and valuation guidelines as per Eighth Schedule and circulars issued by SEBI, the principles of fair valuation shall prevail.

A. GSAM Valuation Committee

The Goldman Sachs Asset Management (India) Private Limited Valuation Committee (the "Committee") is made up of representatives from Associate Directors of GSAMC, Chief Investment Officer, Chief Administrative Officer, Controllers, Legal, and IMD Controllers. The Committee meets quarterly to discuss new fair valuations, proposed changes in valuation policies, and other ad-hoc valuation related topics. The Committee also reviews and ratifies each fair valuation made by the Valuation Oversight Group ("VOG").

B. Valuation Oversight Group

VOG monitors the valuation processes for GSAM's pooled investment vehicles. VOG seeks to enhance accuracy, control, and efficiency in valuation of various instruments. In this capacity, VOG specifies and implements the valuation verification infrastructure, prepares and analyzes periodic valuation verification reports, provides value-added management reporting, and makes fair value calculations and recommendations.

VOG is a part of the Controllers Department within the Finance Division of Goldman Sachs and works closely with the Fund Controllers in each of the jurisdictions in order to establish valuation framework as appropriate and required by the local regulatory requirements.

2. Methodology for Valuing Portfolio Instruments

Below are the procedures defined by GSAMC under the regulations of SEBI with respect to valuing specific types of instruments held by India domiciled mutual funds.

In general, whenever possible, instruments should be valued using prices closest to, but no later than, the NAV calculation time.

Further, if any type of instrument which is not covered below but if covered under Eight Schedule and circulars issued by SEBI, the valuation methodology outlined therein will be adopted with due approval from the Valuation Committee.

A. Equity & Equity Related Instruments

(i) Equity shares (Domestic & Foreign), Preference Shares & Warrants

Trade Status	Valuation Policy
Traded	On the valuation day, at the last quoted closing price on the National Stock Exchange (NSE) being a primary exchange. If not traded on NSE, consider closing price on Bombay Stock Exchange (BSE) or other stock exchange where such security is listed.
Thinly traded (trading is both, less than INR 5 Lacs and the total volume is less than 50,000 shares in a calendar month)	Valuation will be the average of net worth value per share and the price computed on the basis of the PE ratio (after appropriate discount (by 75%) to industry PE), further discounted by 10% for illiquidity.
Non Traded (not traded on any stock exchange for a period of 30 days prior to the valuation date)	When a security is not traded on any stock exchange, on the date of valuation, the previous closing price on NSE/BSE or any other stock exchange will be used, provided such closing price does not exceed a period of 30 calendar days. In all other cases, **Equity / Preference Shares:** will be valued in accordance with the norms prescribed for thinly traded instruments listed as above. **Equity Warrants:** will be valued at the closing price of the underlying cash equity security as reduced by the exercise price / issuance price after applying appropriate discount. **Rights:** will be valued at the closing price of the underlying cash equity security as reduced by the exercise price. Where the rights are not treated pari-passu with the existing shares, suitable adjustment should be made to the value of rights. **Demerger:** If the spunoff company is not trading on a principal exchange, the value will be calculated as: Price of spinoff = (Closing Market Value of Parent Company prior to ex-date – Opening Market Value of Parent Company on ex-date)/ shares of spinoff

Foreign securities and American Depository Receipts (ADR) of Domestic Indian Companies will use the closing price on the stock exchange at which it is listed or at the last available traded price.

Global Depository Receipts (GDR) of Domestic Indian Companies, will be valued at the last available trade prices at 5.00PM IST quoted on the exchange is listed. For foreign securities, ADR & GDR, the exchange rate available on Reuters at 5.00PM IST will be considered for conversion into INR. If it is not available on Reuters on a particular valuation day, the exchange rate available on Bloomberg / RBI will be used for conversion.

(ii) Equity Derivatives (Futures & Options)

Trade Status	**Valuation Policy**
Traded	On the valuation day, at the closing price provided by the respective stock exchanges.
Non Traded	When a security is not traded on the respective stock exchange on the date of valuation, the settlement price provided by the respective stock exchange.

B. Mutual Fund Units/Exchange Traded Funds

Product	**Valuation Policy**
Mutual Fund (MF) Unit	MF units shall be valued at closing NAV per unit published by the mutual fund
International MF Unit (IMF)	Last quoted closing price on the exchange at which it is listed or at the last available traded price. Unlisted MF units and listed untraded MF units would be valued at NAV (adjusted for load if any) on the valuation date.
Exchange Traded Fund	Last quoted closing price on NSE being a primary exchange, if not traded on NSE consider BSE closing price or other stock exchange where such ETF is traded Unlisted ETF units and listed untraded ETF units would be valued at NAV (adjusted for load if any) on the valuation date.

C. Gold

Valued at the AM fixing price of London Bullion Market Association ("LBMA") in USD per troy ounce for gold having a fineness of 995.0 parts per thousand, subject to the following:

(a) adjustment for conversion to metric measure as per standard conversion rates
(b) adjustment for conversion of US dollars into Indian rupees as per the RBI reference rate
(c) Addition of:

- transportation and other charges that may be normally incurred in bringing such gold from London to the place where it is actually stored on behalf of the mutual fund
- notional customs duty and other applicable taxes and levies that may be normally incurred to bring the gold from the London to the place where it is actually stored on behalf of the mutual fund

Provided that the adjustment under clause (c) above may be made on the basis of a notional premium that is usually charged for delivery of gold to the place where it is stored on behalf of the Mutual Fund.

D. Fixed Income Securities

(a) Securities with residual maturities up to 60 days

I. *Traded Securities*

The traded securities will be valued at weighted average price of all trades. The traded price will be considered if there are at least three trades aggregating to Rs. 100 crores or more.

II. *Non traded / thinly traded securities*

The non traded / thinly traded securities will be valued at amortized cost based on last traded / valuation price***.

***These instruments will be valued as per the policy mentioned above but the yield under the existing method will be referenced against a benchmark matrix and the yield will be suitably adjusted if the difference is greater than +0.10%.

(b) Securities with residual maturities greater than 60 days

Debt securities with residual maturities above 60 days will be valued by aggregating the prices provided by CRISIL and ICRA or any other agency entrusted for the said purpose by the Association of Mutual Funds of India (AMFI). Newly issued securities for which prices are not available from CRISIL or ICRA will be valued at amortised cost on the day of purchase and the following non-business day(s), where applicable.

(c) Government Securities/ Treasury Bills

Government Securities / Treasury Bills will be valued at aggregated price provided by CRISIL / ICRA or any other agency entrusted for the said purpose by the Association of Mutual Funds of India (AMFI).

(d) Gold Deposit Scheme (GDS) / Gold Monetisation Scheme (GMS) will be valued at price of physical gold.

(e) Fixed Deposit will be valued at cost.

(f) Convertible Debentures & Bonds

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.

E. Inter Scheme Transfer

Inter-scheme transfer shall be effected at the prevailing market price for quoted instruments on spot basis as per regulation. For unquoted instruments such transfer will take place at fair value as derived based on the policy for different instruments as mentioned in the document.

Transfer of securities between schemes should ensure fair treatment of investors in both schemes.

3. Significant/Exceptional Events

VOG shall monitor whether reliable market quotations for portfolio securities are readily available and for significant/exceptional events. VOG, consistent with these procedures, the terms of the fund's offering and constitutive documents, and applicable regulatory guidance, may recommend that an adjustment be made to the most recent valuation price of an instrument in light of significant events, including single issuer events (instrument specific) or multiple issuer events (market specific), to reflect what it believes to be the fair value of the instruments at the time of determining the fund's NAV. It is important to note, however, that a determination that a significant event has occurred does not preclude VOG from concluding that the most recent closing price represents the appropriate fair value under procedures approved by the Board of the Asset Management Company (AMC).

A. Significant Events – Instrument Specific

Significant events that may relate to a single issuer include, but are not limited to, the following:

(i) corporate actions such as reorganizations, mergers, spin-offs, liquidations, acquisitions and buy-outs;
(ii) corporate announcements on earnings; corporate announcements relating to products such as new product offerings, product recalls or other product-related news; regulatory news such as governmental approvals;
(iii) news relating to natural disasters affecting the issuer's operations;
(iv) events relating to significant litigation involving the issuer;
(v) low trading volume;
(vi) trading limits; or
(vii) trading suspensions.

B. Significant Events – Market Specific

Significant events that may relate to multiple issuers in a market include, but are not limited to, the following:

(i) significant fluctuations in U.S. or foreign markets;
(ii) market dislocations
(iii) market disruptions or closings caused by human error;
(iv) equipment failures;
(v) natural or man made disasters;
(vi) armed conflicts;
(vii) acts of God;
(viii) governmental actions or other developments;
(ix) as well as the same or similar events which may affect instrument specific issuers or the instruments markets even though not tied directly to the instruments' markets.

If VOG believes a Significant/Exceptional Event has occurred that affects an instrument or multiple instruments, they will make a good faith recommendation to the Valuation Committee regarding the fair value of the instrument based on the fair valuation procedures.