Methodology

CRISIL Select AAA Corporate Bond Fund Index	
Asset Allocation	Corporate Bonds - 75% T-Bills - 10% G-Sec - 15%

Index objective: The index seeks to track the performance of corporate bonds & sovereign bonds portfolio with corporate issuers shortlisted based on residual maturity bucket and rating stability criteria

Features:

- Total Return Index seeking to capture price and coupon returns of the underlying portfolio.
- Corporate issuers with rating of AAA with rating stability criteria shall be eligible.
- Index portfolio marked-to-market on a daily basis using CRISIL valuations
- Inception Date of Index: 18th January 2023

Key characteristics:

- Rating stability criteria
  - Conservative AAA-rated issuers and AAA(CE)-rated issuers with a standalone AAA rating as on the inception date shall be considered
  - Issuers that have seen no rating action over the past two years and the latest outlook should be positive/stable
- Liquid and semi-liquid issuers (illiquid issuers excluded) will be considered. Liquidity to be determined based on CRISIL's liquidity evaluation framework (See Annexure 1)
- The issuers confirming to the above criteria will form a part of eligible universe

Index Methodology:

Asset allocation:

The asset allocation shall be reset to the below on quarterly rebalancing dates

Asset Class	Asset Allocation	Bucket
Corporate Bonds	75%	Up to 2 years
T-Bills	10%	3 months benchmark
Government securities	15%	Up to 2 years

Sector allocation:

- The following sector allocation shall be followed by the index

Sector allocation:

Sector	Weights
PSU - FI	47.0%
PSU - Mfg and others	13.5%
Pvt - HFC	17.0%
Pvt - Mfg and others	7.0%
Pvt - NBFC and other FI	15.5%

Selection Methodology

AAA rated Corporate Bonds	**Issuer & Securities Selection:** **The following criteria shall be applied on the data as evaluated during the inception date and each rebalancing dates** 1. All outstanding bonds as on the last day of the preceding month at the time of rebalancing shall be considered. 2. Within each sector, top 2 securities with highest residual maturity, each of a unique issuer, shall be selected. 3. An additional issuer shall be selected within a sector incrementally if required, to meet issuer caps (8% at composite index level). 4. Securities maturing within the index shall be excluded. 5. Perpetual bonds, Floating rate bonds, Tax free bonds, CE Rated, Partly Paid, Partial Redemption and bonds with embedded call/put options, subordinated debt securities, strips securities are excluded from the universe of bonds. **Weighing Approach:** 6. Weights to the issuers will be calculated in the ratio of amount outstanding of issuers within each sector 7. Weights will be reset during every rebalancing. 8. Issuer weight will be capped at 8% in the composite index. Excess weights shall be redistributed among other issuers proportionally **Rebalancing and Downgrade:** 9. The index constituents will be reconstituted on quarterly basis. 10. Any cash flows accruing to the index on account of coupon cash flows, part redemption of the security or securities, will be reinvested on the same day in the index in the proportion of existing weights. The effective date of the above rebalancing shall be first working day of the quarter

<table>
<tr><td>T-Bills</td><td>Security Selection:

1. The latest on-the-run 91 day T-Bill at the time of rebalancing shall be used to represent the T-bill 3 month benchmark
2. The security will be reconstituted every month
3. On a daily basis, the return for the index is computed using market returns due to change in price of the security in addition to the holding period return

Rebalancing: Monthly

The effective date of the above rebalancing shall be first working day of the month</td></tr>
<tr><td>Government securities</td><td>Securities Selection:

1. The 2-year G-sec benchmark security based on CRISIL SLV valuation methodology shall be used to represent the 0 to 2 years G-sec maturity bucket

Rebalancing:

2. The security in the index shall be reviewed every quarter. Only the latest benchmark as per CRISIL SLV valuation methodology will form part of the single-security index.
3. Any cash flows accruing to the index on account of coupon cash flows, part redemption of the security or securities, will be reinvested on the same day in the index in the proportion of existing weights.

The effective date of the above rebalancing shall be first working day ofthe quarter</td></tr>
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ANNEXURE 1:

LIQUIDIY CLASSIFICATION CRITERIA
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.

Trading Volume (Traded days) based criteria:
Number of unique days an issuer trades in the secondary market or issue a new security in primary market in a calendar quarter.
• Liquid >=50% of trade days
• Semi Liquid >=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, issuer shall be classified as liquid, semi liquid and illiquid. For bonds thresholds are defined as up to 15 bps for liquid; 15-75 bps for semi-liquid; >75 bps illiquid. (Here, spread is computed as average spread of issuer over AAA Public Sector Undertakings/Financial Institutions/Banks matrix), For CP/CD – up to 25 bps for illiquid; >25 – 50 bps for semiliquid; >50 bps for illiquid. (Here, spread is computed as average spread of issuer over A1+/AAA CD bank matrix).

The threshold should be periodically reviewed and updated having regards to the market.
The best classification (liquid being the best) from above two criteria (trading volume and spread based) shall be considered as final liquidity classification of the issuer. The above classification shall be carried out separately for money market instrument (CP/CDs) and Bonds.