

JM Financial Mutual Fund
Valuation Policy Review Report
Period: April 2022 to March 2023
Report No: JMFMF/IA/05/2022-23

CNK/VP/RE/12/2023-24

April 12, 2023

Mr. Amitabh Mohanty

Chief Executive Officer,
JM Financial Asset Management Limited
8th Floor, Cnergy, Prabhadevi,
Mumbai 400 025.

Dear Sirs,

Subject: Valuation Policy Review Report for the period April 2022 to March 2023

We are pleased to present our Valuation Policy Review Report for the period April 2022 to March 2023. The review of Valuation Policy process is performed as per the engagement letter no. CNK/IA/PRO/86/2022-23 dated August 09, 2022.

The scope of the engagement has been set out in our appointment letter and the coverage is tabulated in the index.

Accordingly, we have reviewed the existing valuation policy (version April 2023) and its adherence by performing independent check on sample basis. We are pleased to submit the review report as per **Appendix**.

We wish to extend our appreciation to the staff and management of JM Financial Asset Management Limited for the co-operation extended to us during our course of review.

Thanking You.

For CNK & Associates LLP
Chartered Accountants
FRN. 101961W/W-100036

(Nehal Shah)

Partner

Membership No. 103481

UDIN: 23103481BGUJME7104

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1. NOTE TO READERS

- Internal Audit Performed by CNK & Associates LLP ("CNK") is in terms of the scope, methodology and other terms and conditions, mutually agreed with the Management and documented in terms of an Engagement Letter, issued by CNK.
- The Internal Audit Activity is designed to provide reasonable assurance to the Management on the effectiveness of internal controls with respect to the areas audited and report material weaknesses/deviations observed. Internal Audit activity cannot be relied upon to detect frauds or to disclose all irregularities that may exist.
- The responsibility for establishing, maintaining, and monitoring internal controls and processes, to ensure compliance with laws and regulations, to confirm adherence to internal policies and procedures, and to manage risks in terms of the risk management framework adopted, is that of the Management. It is also the responsibility of the Management to initiate/direct action based on internal reports that are designed to include useful recommendations for improvement of performance and to avoid weaknesses that could lead to material loss or misstatement.
- Internal Audit scope generally covers a series of different functions/units/activities of the organization but may not comprehensively cover all functions/units/activities in a given year. Hence, comprehensive coverage of the entire organization is not always envisaged as part of Internal Audit every year.
- We, as Internal Auditors, rely on the information, explanations, reports and records provided by the Management (which we have received as per the requisition given by us) for the conduct of our audit, without any further validation of their accuracy and completeness. Similarly, photocopies, scanned copies and data dumps provided to us are accepted as accurate and complete, without any comparison with the original records.
- We rely on the Management to periodically update us on key information and events relevant for conduct of our audit and for fair assessment of risks and controls within the organization. Material information known to the Management and not shared with us would limit the coverage of internal audit and, consequently, the quality of the audit reporting.
- For the review of internal controls and processes, the Internal Auditors rely on sampling and test check of records and as such, inherent risk resulting from drawing conclusions about the population based on review of a small sample cannot be entirely eliminated.
- Internal audit is conducted for a specific reference period.

2. OBJECTIVES, METHODOLOGY, SCOPE, AND COVERAGE

| |
|---|
| AUDIT OBJECTIVES |
| Providing assurance to the management that the internal processes adopted to ensure due compliance with SEBI Regulation/ Master Circular and internal valuation policy. |
| AUDIT SCOPE |
| Review of valuation policy and its certification and procedures as required by updated valuation policy. Refer <i>Annexure I</i> for detailed scope. |
| AUDIT METHODOLOGY |
| <p>The audit methodology adopted by us comprises of the following:</p> <ul style="list-style-type: none">➤ Interactions with respective Department to get an overview of the valuation process.➤ To validate process understanding and to confirm whether the valuation policy is as per the regulatory guidelines.➤ Samples selected to validate the process have been taken from the months of April 2022 to March 2023.➤ Discussions with the concerned auditee to confirm the observations.➤ Issue of draft report for auditees' comments and agreed actions.➤ Finalization of the report based on the feedback provided after discussion with the auditees. |

3. APPENDIX

| Sr. No. | Audit Area | Observation | Auditee Response | | | | | | | | | | | | | | | | | | | | | | | | | | |
|----------------|---|-------------|------------------|------------|--|----------|--|-----------|--|-----------|--|-------------|--|----------------|--|--------------|--|---------------|--|---------------|--|--------------|--|---------------|--|------------|--|----------------|-------------|
| 1. | <p>We have reviewed the valuation policy for the period April 2022 to March 2023 and carried out review of its procedures and internal controls. The statistic of sampling is outlined hereunder:</p> <table border="1" data-bbox="291 580 1099 1197"> <thead> <tr> <th data-bbox="291 580 544 624">Month</th> <th data-bbox="544 580 1099 624">Dates</th> </tr> </thead> <tbody> <tr> <td data-bbox="291 624 544 671">April 2022</td> <td data-bbox="544 624 1099 671">05.04.22, 06.04.22, 28.04.22, 29.04.22</td> </tr> <tr> <td data-bbox="291 671 544 719">May 2022</td> <td data-bbox="544 671 1099 719">04.05.22, 06.05.22, 25.05.22, 31.05.22</td> </tr> <tr> <td data-bbox="291 719 544 767">June 2022</td> <td data-bbox="544 719 1099 767">03.06.22, 13.06.22, 27.06.22, 29.06.22</td> </tr> <tr> <td data-bbox="291 767 544 815">July 2022</td> <td data-bbox="544 767 1099 815">13.07.22, 15.07.22, 22.07.22, 29.07.22</td> </tr> <tr> <td data-bbox="291 815 544 863">August 2022</td> <td data-bbox="544 815 1099 863">02.08.22, 03.08.22, 12.08.22, 29.08.22</td> </tr> <tr> <td data-bbox="291 863 544 911">September 2022</td> <td data-bbox="544 863 1099 911">02.09.22, 05.09.22, 14.09.22, 28.09.22</td> </tr> <tr> <td data-bbox="291 911 544 959">October 2022</td> <td data-bbox="544 911 1099 959">07.10.22, 27.10.22, 28.10.22, 31.10.22</td> </tr> <tr> <td data-bbox="291 959 544 1007">November 2022</td> <td data-bbox="544 959 1099 1007">04.11.22, 18.11.22, 24.11.22, 30.11.22</td> </tr> <tr> <td data-bbox="291 1007 544 1054">December 2022</td> <td data-bbox="544 1007 1099 1054">15.12.22, 16.12.22, 29.12.22, 30.12.22</td> </tr> <tr> <td data-bbox="291 1054 544 1102">January 2023</td> <td data-bbox="544 1054 1099 1102">11.01.23, 20.01.23, 30.01.23, 31.01.23</td> </tr> <tr> <td data-bbox="291 1102 544 1150">February 2023</td> <td data-bbox="544 1102 1099 1150">02.02.23, 07.02.23, 14.02.23, 17.02.23</td> </tr> <tr> <td data-bbox="291 1150 544 1197">March 2023</td> <td data-bbox="544 1150 1099 1197">09.03.23, 16.03.23, 21.03.23, 23.03.23</td> </tr> </tbody> </table> | Month | Dates | April 2022 | 05.04.22, 06.04.22, 28.04.22, 29.04.22 | May 2022 | 04.05.22, 06.05.22, 25.05.22, 31.05.22 | June 2022 | 03.06.22, 13.06.22, 27.06.22, 29.06.22 | July 2022 | 13.07.22, 15.07.22, 22.07.22, 29.07.22 | August 2022 | 02.08.22, 03.08.22, 12.08.22, 29.08.22 | September 2022 | 02.09.22, 05.09.22, 14.09.22, 28.09.22 | October 2022 | 07.10.22, 27.10.22, 28.10.22, 31.10.22 | November 2022 | 04.11.22, 18.11.22, 24.11.22, 30.11.22 | December 2022 | 15.12.22, 16.12.22, 29.12.22, 30.12.22 | January 2023 | 11.01.23, 20.01.23, 30.01.23, 31.01.23 | February 2023 | 02.02.23, 07.02.23, 14.02.23, 17.02.23 | March 2023 | 09.03.23, 16.03.23, 21.03.23, 23.03.23 | No Observation | No Comments |
| Month | Dates | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| April 2022 | 05.04.22, 06.04.22, 28.04.22, 29.04.22 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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4. ANNEXURES

ANNEXURE I: SCOPE AND EXTENT OF CHECKING

| Process | Extent of Checking |
|---|--------------------|
| Review of Valuation policy and its certification and procedures as per the SEBI Master Circular SEBI/HO/IMD/DF2/CIR/P/2020/156 dated August 24, 2020. | Sample 48 dates |

Disclaimer:

As per Eight Schedule of SEBI Mutual Fund Regulations 1996;

1. Mutual fund is responsible:

- For valuation of its investments in accordance with the valuation policies and procedures approved by the Board of the asset management company 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 of time.
- For ensuring that assets held by the mutual funds shall be consistently valued according to the policies and procedures. The policies and procedures shall describe the process to deal with exceptional events where market quotations are no longer reliable for a particular security.

2. The Asset Management Company is responsible:

- For the periodic review of the valuation policies and procedures to ensure the appropriateness and accuracy of the methodologies used and its effective implementation in valuing the securities/assets. The Board of Trustee and the Board of Asset Management Company shall be updated of these developments at appropriate intervals.

5. RISK RATING CRITERIA

| RISK CLASSIFICATION | Particulars |
|------------------------------|---|
| Operations | There is operational risk |
| Financial Reporting | There is a financial reporting risk |
| Regulatory Compliance | There is a risk of non-compliance to applicable laws and regulations |
| ROOT CAUSE DEFINITION | |
| IT System Deficiency | When the process weakness / control gap is a result of inherent limitation of the information technology architecture supporting the business processes |
| Process Deficiency | When the process weakness / control gap is as a result of inherent limitation of the business process |
| Operational Ineffectiveness | When the exception noted results from non-adherence to laid down procedures |
| External | When the control gap is due to some external factor which is not controllable |