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Union KBC MUTUAL FUND
Your Bridge to Responsible Investing

AMENDMENT TO THE STATEMENT OF ADDITIONAL INFORMATION OF UNION KBC MUTUAL FUND

Union KBC Asset Management Company Pvt. Ltd., the Investment Manager to Union KBC Mutual Fund, hereby makes the following amendments to the Statement of Additional Information ("SAI") dated June 28, 2012:

SEBI vide notification dated February 21, 2012, amended Regulation 25, 47 and the Eighth Schedule of the SEBI (Mutual Funds) Regulations, 1996, so as to introduce overriding Principles of Fair Valuation in order to ensure fair treatment to all investors (including existing as well as new investors) seeking to purchase or redeem the units of the scheme(s) at all points of time.

In order to implement the requirements of principles of fair valuation of securities, the revised Investment Valuation Policy of the Mutual Fund, as approved by the Board of Directors of the Union KBC Asset Management Company Private Limited (AMC) and Union KBC Trustee Company Private Limited (Trustee Company) shall be made effective from July 01, 2012. Accordingly, the broad valuation norms appearing under the section (IV) 'Investment Valuation Norms for Securities and Other Assets' shall be replaced with the following text with effect from July 01, 2012:

"In SEBI (Mutual Funds) (Amendment) Regulations, 2012, SEBI has amended the regulations to include Principles of Fair Valuation. Accordingly, the Mutual Fund shall 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. Further the valuation of investments shall be based on the principles of fair valuation i.e. valuation shall be reflective of the realisable value of the securities / assets. The valuation shall be done in good faith and in true and fair manner through appropriate valuation policies and procedures.

The responsibility of true and fairness of valuation and correct NAV shall be of the AMC, irrespective of disclosure of the approved valuation policies and procedures i.e. if the established policies and procedures of valuation do not result in fair/ appropriate valuation, the AMC shall deviate from the established policies and procedures in order to value the assets/ securities at fair value. Any deviation from the disclosed valuation policy and procedures would be reported to the Board of Trustee Company and the Board of the AMC and appropriate disclosures to investors would be made.

In case of any conflict between the Principles of Fair Valuation as detailed below and Valuation Guidelines issued by SEBI hereunder or elsewhere, the Principles of Fair Valuation detailed below shall prevail.

A. VALUATION COMMITTEE COMPOSITION

In accordance with the SEBI Circular MFD/CIR No.010/024/2000 dated January 17, 2000 every Asset Management Company (AMC) should formulate valuation committee to review investment valuation practices. Valuation Committee of AMC would consist of Chief Executive Officer (CEO), Chief Risk Officer (CRO), Chief Investment Officer (CIO), Chief Operating Officer (COO) and Head-Compliance. Head-Fixed Income can be invited as and when required. This committee would review the valuation policies on periodic basis and as and when any change is proposed.

B. ROLE OF THE VALUATION COMMITTEE

1. *Recommendation and drafting of the Valuation Policy for AMC & Trustee Board approval.*
2. *Review the accuracy and appropriateness of methods used in arriving at the fair value of securities and recommend changes, if any.*
3. *Recommend valuation method during exceptional events and report the same to the AMC & Trustee Board.*
4. *Recommend valuation methodology for a new type of security and seek approval of the AMC & Trustee Board.*
5. *Report to the Board regarding any deviation or incorrect valuation.*

C. SECURITIES COVERED

1	***DEBT & MONEY MARKET INSTRUMENTS***	
1.1	***Instruments maturing up to 91 days (60 days from 30 Sep 2012)***	*Instruments will be valued by amortisation on a straight-line basis to maturity from cost or last valuation price whichever is more recent.* ***Benchmark yield:*** *Traded prices are to be considered for construction of the benchmark yield curve. In arriving at the benchmark yields, traded prices/yields across all public platforms are to be considered. The benchmark yields currently being provided for tenors above 91 days will be extended down. For tenors below 91 days, benchmark yields will be provided for each fortnightly interval by the rating agencies.* ***Process:*** *At the time of first purchase the spread between the purchase yield and the benchmark yield should be fixed. This spread should remain fixed through the life of the instrument & should be changed only if there is justification for the change. For example, market trades (as in 1.2.1 below) / AMC trades at a different spread could be reflected through a change in the spread. Irrespective of amortisation, a change in the credit rating or credit profile of the issuer would require a re-evaluation of the appropriateness of the spread.* *The amortised price may be used for valuation as long as it is within ±0.10% of the reference price. In case the variance exceeds ±0.10%, the valuation shall be adjusted to bring it within the ±0.10% band.* *In case of subsequent trades by the Fund in the same security, the weighted average cost would be used for the purpose of amortization and the same would be compared with the reference price.* *AMFI has proposed to implement the above w.e.f. July 1, 2012; however, this is subject to receipt of benchmark yields and corresponding changes in the CRISIL Bond Valuer. Till the time the process mentioned above is implemented by us completely, the existing valuation policy would be continued.*

1.2	***Instruments having maturity greater than 91 days (60 days from 30 Sep 2012)***	*In case of traded instruments the traded price would be used for valuation; and in case of non-traded instruments, the valuation price would be the reference price calculated using benchmark yields.*
1.2.1	*Traded instruments*	*All debt & money market deals are reported on FIMMDA platform and hence trades reported only on FIMMDA platform for debt and money market instruments other than Government Securities and Treasury Bills would be recognised. Presently the NSE (WDM) prices are considered as traded prices which would not be considered once the revised policy is made effective except for Government Securities & Treasury Bills.* *a. For instruments maturing above 1 year, the traded price may be taken if there are at least two trades aggregating to ₹ 25 crores or more after excluding inter-scheme trades reported on the FIMMDA platform.* *b. For instruments maturing between 92 days and 1 year, the traded price may be taken if there are at least three trades aggregating to ₹ 100 crores or more after excluding inter-scheme trades reported on the FIMMDA platform.* *Securities having same ISIN would be considered for comparison. All the amounts mentioned above refer to face value of securities. In addition, as the price may be distorted in case of forward settlement dates (e.g. across a weekend/holidays), the traded yields may be used to arrive at a price for valuation. In case of multiple trades, the weighted average price may be used for valuation.* *Self trade including inter-scheme transfer in debt & money market instrument would be reported on FIMMDA platform as per regulatory requirements and the security would be valued applying the above mentioned principles from the data of FIMMDA. The self trade would not be considered separately for valuation of security.* *When a debt security (other than Government Securities) is purchased by way of private placement, it will be immediately valued at traded price from the date of allotment. If the trade price is not available then it will be valued as per the norms prescribed for non traded debt securities.*
1.2.2	*Non-traded instruments*	*In the absence of traded prices, the securities will be valued using average of benchmark reference price (matrix) provided by CRISIL & ICRA to determine the valuation price for instruments maturing beyond 91 days (60 days post 30 Sep 2012). However in the interest of fair reflection of market levels, there would be no restriction on the allowed spread relative to the benchmark curve in respect of different issuers & instruments. The AMC would set its own internal guidelines (e.g. mechanism to determine spreads) to ensure fair valuation. For example, market trades / AMC's trades at a different spread could be reflected through a change in the spread. Similarly a change in the credit rating or credit profile of the issuer would require a re-evaluation of the appropriateness of the spread.*
1.3	***Government Securities***	*Government Securities are valued at the prices released by the agency suggested by Association of Mutual Funds in India (AMFI). Currently, AMFI has suggested that mutual funds use the average price provided by CRISIL & ICRA on a daily basis for valuation of these securities.*
1.4	***Treasury Bills***	*In case of Treasury Bills, the price taken will be the average of the prices provided by CRISIL and ICRA, agencies entrusted for the said purpose by AMFI, however, the traded prices would be considered in case of the trades are reported in NSE (WDM).*
1.5	***Valuation of securities with Put/Call Options***	***The option embedded securities would be valued as follows:***
1.5.1	*Securities with call option:*	*a. The securities with call option shall be valued at the lower of the value as obtained by valuing the security to final maturity and valuing the security to call option.* *b. In case there are multiple call options, the lowest value obtained by valuing to the various call dates and valuing to the maturity date is to be taken as the value of the instrument.*
1.5.2	*Securities with Put option:*	*a. The securities with put option shall be valued at the higher of the value as obtained by valuing the security to final maturity and valuing the security to put option.* *b. In case there are multiple put options, the highest value obtained by valuing to the various put dates and valuing to the maturity date is to be taken as the value of the instruments.*
1.5.3	*Securities with both Put and Call option on the same day.*	*The securities with both Put and Call option on the same day would be deemed to mature on the Put/Call day and would be valued accordingly.*
1.6	***Valuation of Interest Rate Swap (IRS):***	*Interest Rate swaps will be valued separately than the underlying asset or a portfolio of assets. SEBI has not prescribed any policy for valuation of IRS.* ***<u>If the tenure of the IRS is less than 92 days:</u>*** *Value of IRS contract on 92nd day would be amortised over the remaining period.* ***<u>If the tenure is more than 91 days:</u>*** *Value of IRS contract would be present value of the difference between the fixed and floating interest to be received/paid on maturity of the contract. Floating rate interest till maturity is the interest accrued till the valuation date plus the interest on remaining period at reversal rate.* *Reversal rate for the day would be obtained from Reuters/ FIMMDA for different maturities. The relevant rate is taken on the basis of maturity of the contract. However, if the maturity date falls between the two years, the reversal rate is arrived by interpolation on valuation date.* *Methodology of IRS valuation is tabulated below:* *In case of Receive Fixed and Pay Floating:*

FIXED Receivable (A)	*Notional Contract value * Fixed interest rate * period of contract*	*XXXXX*
Reversal rate	*Interest rate as per Reuters/ FIMMDA*	*XXX*
Floating Payable (B)	*Accumulated interest till date + (Reversal rate* Compounded face value * No. of days remaining/365)*	*XXXXXX*
No. of days remaining		*XXXX*
Unrealised Gain/(Loss) (C)	*(A) – (B)*	*XXXXX*
Balance days for maturity date		*XXXX*
PV on unrealised G/(L)	*(C)/(1+Reversal rate/365*Balance days to maturity*	*XXXX*
Gain/(Loss) already provided		*XXXX*
Mark to Market Loss		*XXXX*

1.7	Valuation of "Repo"	Where instruments have been bought on 'repo' basis, the instrument must be valued at the resale price after deduction of applicable interest upto date of resale. Where an instrument has been sold on a 'repo' basis, adjustment must be made for the difference between the repurchase price (after deduction of applicable interest upto date of repurchase) and the value of the instrument. If the repurchase price exceeds the value, the depreciation must be provided for and if the repurchase price is lower than the value, credit must be taken for the appreciation.
1.8	CBLO, Bills purchased under rediscounting scheme and Fixed Deposits with banks	Investments in CBLO, Bills purchased under rediscounting scheme and Fixed deposits with banks will be valued at cost plus accrual.
2	CONVERTIBLE DEBENTURES AND BONDS	The non-convertible and convertible components of convertible debentures and bonds shall be valued separately. The non-convertible component would be valued on the same basis as would be applicable to a debt instrument. The convertible component shall be valued on the same basis as would be applicable to equity instrument. If, after conversion the resultant equity instrument would be traded pari passu with an existing instrument, which is traded, the value of later instrument can be adopted after an appropriate discount for the non-tradability of the instrument during the period preceding conversion. While valuing such instruments, the fact whether the conversion is optional will also be factored in. For this purpose the cost split between convertible part and non convertible part, rate of discount to be applied on convertible part and assigning the weights to the options available will be decided by Valuation Committee on case to case basis.
3	EQUITY AND EQUITY RELATED INSTRUMENTS	
3.1	Traded Equity Securities	a. Traded Equity securities are valued at the last quoted closing price on the principal stock exchange. b. When the securities are traded on more than one recognised stock exchange, the securities shall be valued at the last quoted closing price on the stock exchange where the security is principally traded. The AMC will select the appropriate stock exchange and shall record the reasons for the selection and change, if any, in writing. All scrips may be valued at the prices quoted on the stock exchange where a majority in value of the investments are principally traded. The AMC has selected National Stock Exchange (NSE) as the Principal Stock Exchange and the Bombay Stock Exchange (BSE) as the Secondary Stock Exchange. In case selected stock exchange for valuation of any or all securities is to be changed, reasons for change have to be recorded in writing by the valuation committee and approved by the Board of AMC & the Trustees. c. When on a particular valuation day, a security has not been traded on the principal stock exchange; the value at which it is traded on another stock exchange may be used. d. When the equity security is not traded on any stock exchange on a particular valuation day, the value at which it was traded on the selected stock exchange, as the case may be, on the earliest previous day may be used provided such date is not more than 30 days prior to valuation date.
3.2	Thinly Traded / Non-traded / Suspended Equity / Equity related securities	a. When trading in an equity and/or equity related security (such as convertible debentures, equity warrants etc.) in a month is both less than ₹ 5 lacs and the total volume is less than 50,000 shares, the security shall be considered as thinly traded security and valued accordingly. b. Further it is clarified that in order to determine whether a security is thinly traded or not, the volumes traded in all recognised stock exchanges in India may be taken into account. c. Where a stock exchange identifies the "thinly traded" securities by applying the above parameters for the preceding calendar month and publishes / provides the required information along with the daily quotations, the same can be used by the Mutual Fund. d. If the share is not listed on the stock exchanges which provide such information, then it will be obligatory on the part of the mutual fund to make its own analysis in line with the above criteria to check whether such securities are thinly traded which would then be valued accordingly. e. In case trading in an equity security is suspended for trading on the stock exchange up to 30 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 days, then it would be considered as non traded and valued accordingly.
3.3	Valuation of Non-Traded / Thinly Traded Equity Securities	Non- traded / thinly traded securities shall be valued "in good faith" by the asset management company on the basis of the valuation principles laid down below: Based on the latest available audited Balance Sheet, net worth shall be calculated as follows: a. Net Worth per share = $\dfrac{\text{Share Capital + Reserves (excluding Revaluation Reserves) - Miscellaneous Expenditure and Debit Balance in Profit and Loss Account}}{\text{Number of Paid up Shares}}$ "(Note: Audit qualifications with quantified effect if any, having a bearing on the net worth of the company (i.e. numerator) should be reckoned appropriately)" b. Average capitalisation rate (P/E ratio) for the industry based upon either BSE or NSE data (which should be followed consistently and changes, if any noted with proper justification thereof) shall be taken and discounted by 75% i.e. only 25% of the Industry average P/E shall be taken as capitalisation rate (P/E ratio). Earnings per share of the latest audited annual accounts will be considered for this purpose. c. The value as per the net worth value per share and the capital earning value calculated as above shall be averaged and further discounted by 10% for ill-liquidity so as to arrive at the fair value per share. d. In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalised earning. e. In case where the latest balance sheet of the company is not available within nine months from the close of the year, unless the accounting year is changed, the shares of such companies shall be valued at zero. f. In case an individual security accounts for more than 5% of the total assets of the scheme, an independent valuer shall be appointed for the valuation of the said security. To determine if a security accounts for more than 5% of the total assets of the scheme, it should be valued by the procedure above and the proportion which it bears to the total net assets of the scheme to which it belongs would be compared on the date of valuation.

		In case trading in an equity security is suspended up to thirty days, then the last traded price shall be considered for valuation of that security. If an equity security is suspended for more than thirty days, then the AMC or Trustees shall decide the valuation norms to be followed and such norms shall be documented and recorded.
3.4	***Demerger***	*On de-merger following possibilities arise which influence valuation these are:* *a. The holding cost of the shares can be bifurcated on available information on the de-merger scheme.* *b. Both the shares are traded immediately on de-merger: In this case both the shares are valued at respective traded prices.* *c. Shares of only one company continued to be traded on de-merger: Traded shares is to be valued at traded price and the other security is to be valued at traded value on the day before the de merger less value of the traded security post de merger. In case value of the share of de merged company is equal or in excess of the value of the pre de merger share, then the non-traded share is to be valued at zero.* *d. Both the shares are not traded on de-merger: Shares of de-merged companies are to be valued equal to the pre de merger value up to a period of 30 days from the date of de merger. The market price of the shares of the de-merged company one day prior to ex-date can be bifurcated over the de-merged shares. The market value of the shares can be bifurcated on a fair value basis, based on available information on the de-merger scheme.* *e. In case shares of either of the companies are not traded for more than 30 days, these are to be valued as unlisted security, till the time these are listed. However, valuation of Unlisted securities requires audited balance sheet(s). If the audited balance sheets after demerger are not available within 30 days, then such non-traded securities will be linked to a Sectoral index of NSE or BSE. The price determined as per earlier paragraph will be adjusted for movement in the linked index between ex-date and valuation date. This will be further reduced by applying the illiquidity discount. Valuation by this method will be done on daily basis after the period of 30 days till the time the securities are listed. The linking of company with a Sectoral index and rate of illiquidity discount will be decided by the Valuation Committee.*
3.5	***Preference Shares***	*SEBI has not prescribed any methodology for valuation of preference shares. Valuation of non-traded preference shares would depend on the terms of issue of preference shares. i.e. convertible/non-convertible.* *a. Convertible preference shares should be valued like convertible debentures.* *b. Non-convertible preference shares should be valued like debentures. However, if company does not pay dividend in any year, it would be treated like non-performing debentures.*
3.6	***Unlisted Equity Shares***	*Unlisted equity shares of a company shall be valued "in good faith" on the basis of the valuation principles laid down below:* ***Based on the latest available audited balance sheet, net worth shall be calculated lower of the following:*** *a. Net worth per share = [share capital plus free reserves (excluding revaluation reserves) minus Miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses] divided by Number of Paid up Shares.* *b. After taking into account the outstanding warrants and options, net worth per share shall again be calculated and shall be = [share capital plus consideration on exercise of Option / Warrants received / receivable by the Company plus free reserves (excluding revaluation reserves) minus Miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses] divided by [Number of Paid up Shares plus Number of Shares that would be obtained on conversion / exercise of Outstanding Warrants and Options].* *The lower of (a) and (b) above shall be used for calculation of net worth per share and for further calculation to arrive at the fair value per share as stated in (ii) below.* *i. Average capitalisation rate (P / E ratio) for the industry based upon either BSE or NSE data (which should be followed consistently and changes, if any, noted with proper justification thereof) shall be taken and discounted by 75% i.e. only 25% of the Industry average P / E shall be taken as capitalisation rate (P / E ratio). Earnings per share of the latest audited annual accounts will be considered for this purpose.* *ii. The value as per the net worth value per share and the capital earning value calculated as above shall be averaged and further discounted by 15% for illiquidity so as to arrive at the fair value per share.* ***The above methodology for valuation shall be subject to the following conditions:*** *a. All calculations as aforesaid shall be based on audited accounts.* *b. In case where the latest balance sheet of the company is not available within nine months from the close of the year, unless the accounting year is changed, the shares of such companies shall be valued at zero.* *c. If the net worth of the company is negative, the share would be marked down to zero.* *d. In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalised earning.* *e. In case an individual security accounts for more than 5% of the total assets of the scheme, an independent valuer shall be appointed for the valuation of the said security. To determine if a security accounts for more than 5% of the total assets of the scheme, it should be valued in accordance with the procedure as mentioned above on the date of valuation.* *At the discretion of the AMC and with the approval of the trustees, an unlisted equity share may be valued at a price lower than the value derived using the aforesaid methodology.*
3.7	***Warrants***	*In respect of warrants to subscribe for shares attached to instruments, the warrants would be valued at the value of the share which would be obtained on exercise of the warrant as reduced by the amount which would be payable on exercise of the warrant. A discount similar to the discount to be determined in respect of convertible debentures (as referred to in point 2 above) shall be deducted to account for the period, which must elapse before the warrant can be exercised.*

3.8	***Rights***	*Until they are traded, the value of "rights" shares shall be calculated as:* *Vr = n ÷ m x (Pex - Pof)* *Where* *Vr = Value of rights* *n = no. of rights offered* *m = no. of original shares held* *Pex = Ex-rights price* *Pof = Rights Offer Price* *Where the rights are not treated pari passu with the existing shares, suitable adjustments shall be made to the value of the rights. For example, for restrictions with regard to dividend etc., suitable adjustment should be made by way of a discount to the value of rights at the last dividend announced rate.* *Where it is decided not to subscribe for the rights but to renounce them and renunciations are being traded, the rights can be valued at the renunciation value.* *In case original shares on which the right entitlement accrues are not traded on the Stock Exchange on an ex-right basis, right entitlement should not be recognised as investments.* *Where right entitlements are not traded and it was decided not to subscribe the rights, the right entitlements have to be valued at zero.*
4	***DERIVATIVES***	*The traded derivative shall be valued at market price in conformity with the stipulations of sub clauses (i) to (v) of clause 1 of the Eighth Schedule to the SEBI (MF) Regulations.* *The valuation of untraded derivatives shall be done in accordance with the valuation method for untraded investments prescribed in sub clauses (i) and (ii) of clause 2 of the Eighth Schedule to the SEBI (MF) Regulations as amended from time to time.*
5	***MUTUAL FUND UNITS***	*a. In case of traded Mutual Fund schemes, the units would be valued at closing price on the stock exchange on which they are traded like equity instruments. In case the units are not traded for more than 7 days, last declared Repurchase Price (the price at which Mutual Fund schemes buys its units back) would be considered for valuation (NAV/Repurchase price is declared by Mutual Fund on weekly basis in case of close-ended schemes).* *b. If the last available Repurchase price is older than 7 days, the valuation will be done at the last available NAV reduced by illiquidity discount. The illiquidity discount will be 10% of NAV or as decided by the Valuation Committee.* *c. In case of non-traded Mutual Fund scheme, the last declared Repurchase Price (the price at which Mutual Fund schemes buys its units back) would be considered for valuation.*
6	***FOREIGN SECURITIES***	*There are no specific SEBI guidelines on valuation of foreign securities at present. The AMC will define the valuation norms as and when required. In the absence of any guidelines, the following policy will be followed:* *a. The security issued outside India and listed on the stock exchanges outside India shall be valued at the closing price on the stock exchange at which it is listed. However in case a security is listed on more than one stock exchange, the AMC reserves the right to determine the stock exchange, the price of which would be used for the purpose of valuation of that security. Any subsequent change in the reference stock exchange used for valuation will be backed by reasons for such change being recorded in writing by the AMC. If a significant event has occurred after security prices were established for the computation of NAV of the Scheme, the AMC reserves the right to value the said securities on fair value basis.* *b. When on a particular valuation day, a security has not been traded on the selected stock exchange; the security will be valued in accordance with SEBI guidelines applicable for security listed in India.* *c. In case of investment in foreign debt securities, on the Valuation Day, the securities shall be valued in line with the valuation norms specified by SEBI for Indian debt securities.* *d. However, in case valuation for a specific debt security is not covered by SEBI (MF) Regulations, then the security will be valued on fair value basis.* *e. Due to difference in time zones of different markets, closing price of overseas securities/ units of overseas mutual fund may be available only after the prescribed time limit for declaration of NAV in India. In such cases, the NAV of the Scheme for any Business Day (T day) will be available on the next Business Day (T+1 day) and the same shall be posted, on each Business Day, on the Fund's website and on the AMFI website - www.amfiindia.com on date of computation of NAV. On the Valuation Day, all assets and liabilities denominated in foreign currency will be valued in Indian Rupees at the exchange rate available on Bloomberg / Reuters / RBI at the close of banking hours in India. The Trustees reserve the right to change the source for determining the exchange rate.* *f. The exchange gain / loss resulting from the aforesaid conversion shall be recognized as unrealized exchange gain / loss in the books of the Scheme on the day of valuation.* *g. Further, the exchange gain / loss resulting from the settlement of assets / liabilities denominated in foreign currency shall be recognized as realized exchange gain / loss in the books of the scheme on the settlement of such assets / liabilities.*

D. GENERAL AREAS COVERED

1. DOCUMENTATION

1.1 Discretionary Mark-up / Mark-down Yield

The Yields derived out of average price provided by CRISIL and ICRA bond valuation matrix would be marked-up / marked-down to account for the ill-liquidity risk, promoter background, finance company risk and the issuer class risk.

The Chief Executive Officer (by whatever designation called) of the Asset Management Company shall give prior approval to the use of discretionary mark up or down limit. The same shall be documented and preserved by the AMC.

1.2 Documentation of rationale for valuation

Documentation of rationale for valuation including inter scheme transfers shall be maintained and preserved by the asset management company *as per regulation 50 of SEBI (Mutual Funds) Regulations, 1996 to enable audit trail.*

2. ***PERIODIC REVIEW***

   The Valuation Committee shall be responsible to regularly review the valuation policies and procedures and seek the appointment of independent auditors from the AMC Board / Audit, Risk and Compliance Committee of the AMC Board. The valuation policies and procedures shall be regularly reviewed (at least once in a Financial Year) by the independent auditor to seek to ensure their continued appropriateness.

3. ***CONFLICT OF INTEREST***

   Valuation Committee on periodic basis shall review areas of conflict of interest such as valuations for investments in sponsors or associates of the sponsors and report to AMC & Trustee Boards.

4. ***ILLIQUID SECURITIES***

   a. *Aggregate value of "illiquid securities" of scheme, which are defined as non-traded, thinly traded and unlisted equity shares, shall not exceed 15% of the total assets of the scheme and any illiquid securities held above 15% of the total assets shall be assigned zero value.*

   b. *Mutual Fund shall disclose as on March 31 and September 30 the scheme-wise total illiquid securities in value and percentage of the net assets while making disclosures of half yearly portfolios to the unit holders. In the list of investments, an asterisk mark shall also be given against all such investments which are recognised as illiquid securities.*

   c. *Mutual Fund shall not be allowed to transfer illiquid securities among its schemes.*

5. ***ACCRUAL OF EXPENSES AND INCOME***

   All expenses and incomes accrued up to the valuation date shall be considered for computation of net asset value. For this purpose, major expenses like management fees and other periodic expenses would be accrued on a day-to-day basis. The other minor expenses and income will be accrued on a periodic basis, provided the non-accrual does not affect the NAV calculations by more than 1%.

6. ***RECORDING OF CHANGES***

   Any changes in securities and in the number of Units will be recorded in the books not later than the first valuation date following the date of transaction. If this is not possible given the frequency of the Net Asset Value disclosure, the recording may be delayed up to a period of seven days following the date of the transaction, provided that as a result of the non-recording, the Net Asset Value calculations shall not be affected by more than 1%.

   In case the Net Asset Value of a Scheme differs by more than 1%, due to non - recording of the transactions, the investors or Scheme(s) as the case may be, shall be paid the difference in amount as follows: -

   a. *If the investors are allotted Units at a price higher than Net Asset Value or are given a price lower than Net Asset Value at the time of sale of their Units, they shall be paid the difference in amount by the Scheme.*

   b. *If the investors are charged lower Net Asset Value at the time of purchase of their Units or are given higher Net Asset Value at the time of sale of their Units, the AMC shall pay the difference in amount to the Scheme(s). The AMC may recover the difference from the investors.*

7. ***NON PERFORMING ASSETS (NPA)***

   An "asset" shall be classified as non-performing, if the interest and/or principal amount have not been received or remained outstanding for one quarter from the day such income / instalment has fallen due. The valuation of Non Performing Assets (NPA) would be in accordance with SEBI Circular MFD/CIR/8/92/2000 dated September18, 2000 and SEBI Circular no. MFD / CIR /14 / 088 / 2001 dated March 28, 2001 as amended from time to time.

8. ***CONSISTENCY***

   Similar securities held under various schemes of the Mutual Fund shall be valued consistently.

9. ***INVESTMENT IN NEW TYPE OF SECURITY***

   Investment in any new type of security shall be made only after establishment of the valuation methodology for such security with the approval of the board of the AMC & Trustee Company.

10. ***PRICING OF INTER-SCHEME TRADES***

    The inter-scheme trades in debt and money market instrument would be priced as follows:

    a. *At weighted average price of trades reported on FIMMDA platform up to 2.30 pm by applying below mentioned criterion:*

       i. *For instruments maturing above 1 year, the traded price may be taken if there are at least two trades aggregating to ₹ 25 crores or more after excluding inter-scheme trades.*

       ii. *For instruments maturing less than 1 year, the traded price may be taken if there are at least three trades aggregating to ₹ 100 crores or more after excluding inter-scheme trades.*

    b. *If there is no qualifying Total Traded Volume in the same security up to 2.30 pm then the previous day portfolio valuation from selling scheme would be used.*

11. ***EXCEPTIONAL EVENTS***

    The valuation committee will decide upon the scrip level valuation for exceptional events. The same will be reported to the Board in the next Board Meeting and appropriate disclosures shall be made to the investors."

This amendment shall form an integral part of the SAI. All other terms and conditions mentioned in the SAI remain unchanged.

For Union KBC Asset Management Company Private Limited
(Investment Manager for Union KBC Mutual Fund)

Sd/-
June 30, 2012 **Authorised Signatory**

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.