

Methodology Document

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The objective and criteria of below mentioned indices are created basis discussion(s) with individual asset management companies before the launch. Once the indices are launched, the application of criteria and / or any criteria review thereafter, is carried out by CRISIL Limited independently, without any inputs or intervention of the asset management companies. The detailed methodology of these indices is mentioned below:

CRISIL Select AAA Roll Down Banking and PSU Debt Index

Objective

CRISIL Select AAA Roll Down Banking and PSU Debt Index seeks to track the performance of AAA banking and PSU focused portfolio with issuers shortlisted based on liquidity and rating stability criteria

Construction Methodology

CRISIL Select AAA Roll Down Banking and PSU Debt Index follows a predefined asset allocation (mentioned in the table below). The securities forming the part of Index will roll-down with a maturity of four years at inception and will be reconstituted every four years. The index and the fund will also have allocation to cash and equivalent investments to the extent of 3%

Issuer type	Allocation
PSU Mfg/ Others	26%
PSU FI	36%
Banks Tier 1	10%
Banks Other	8%
Pvt FI	5%
Pvt Mfg/ Others	2%
Gilt	10%

Issuer and security eligibility

The eligible issuers shall have the following characteristics

- Conservative AAA-rated issuers and AAA(CE)-rated issuers with a standalone AAA rating as on the inception date
- Issuers that have seen no rating and rating-outlook actions over the past two years
- Liquid and semi-liquid issuers (illiquid issuers excluded). Liquidity to be determined based on CRISIL's liquidity evaluation framework (Annexure 2)
- Issuers with a 'Stable' outlook as on the inception date as well as in the past two years (issuers with a 'Negative' outlook are excluded)
- The issuers confirming to the above criteria will form a part of investable universe. Top issuers by amount outstanding representing at least 75% of the outstanding of investable universe shall form the part of the index.
- One security for each issuer will be selected in the 2.5-5-year residual maturity bucket at inception, based on the following methodology:

A security of the issuer within a residual maturity of +/-3 month from the fund maturity will be given the priority to be a part of the index. For multiple securities within this range, higher yield shall be given a priority. For the same yield, securities with higher residual maturity in the maturity band will be selected. If securities in the +/-3 months' range are not available, the one with a residual maturity closest to the target maturity of the fund shall be selected. If the security in the residual maturity range of +/- 3 months from the maturity of the fund is not found at inception, every quarter-end outstanding securities of selected issuers shall be evaluated to replace the existing security with the one having a maturity date in the range of +/-3 months from the maturity of the fund.

Inception Date: 27 Jan 2021

Maturity Date at inception: 31st Jul 2024

CRISIL Select AAA Liquid Fund Index

Objective

CRISIL Select AAA Liquid Fund Index seeks to track the performance of portfolio that includes TREPS, CPs, CDs and T-bills

Construction Methodology

- Portfolio consist of securities with residual maturity up to 91 days
- CRISIL Select AAA Liquid Fund Index follows a predefined asset allocation (mentioned in the table below).
- The index will be invested in the following asset classes:

Asset Class	PSU/Private	Sector
CP	PSU	Financial Institution
CP	PSU	Non-Financial Institution
CP	Private	Financial Institution
CP	Private	Non-Financial Institution
T-bills		
TREPS		

Issuer rebalancing & Security selection criteria:

- Eligible issuer universe determination shall be done monthly
- Frequency of security and issuer reconstitution shall be fortnightly
- Weight allocation within CPs and CDs:
 1. To be done based on amount outstanding of issuances
 2. Issuer exposure to be capped at 8% and SEBI defined sector allocation guidelines shall be followed.

The sector weights are stated below:

Asset	Weights based on outstanding(Avg)
TREPS	5%
T-Bills	25%
CP PSU-FI	15%
CP PSU- Non FI	
CP- Private FI	35%
CP-Private Non FI	
CD	20%
Total	100%

- Short term rating to be A1+
- Long term rating to be AAA rating (consistent for 2 years) with stable rating outlook to be looked at it monthly.
- Liquidity classification of issuers having Semi-Liquid and Liquid issuers to be considered.

Inception Date: 22nd April 2021

Initial Portfolio Construction Methodology

- Top 2 issuers will be selected in each of the sub segment viz. CP PSU FI, CP PSU NON-FI, CP Private FI, CP Private Non-FI or CDs. In case where the issuer weight limits are breached, an additional issuer(s) will be selected. Also in case enough issuers are not available for filing the designated allocation to that bucket and sector, the residual weight will be put in CBLO for the remaining of the fortnight.
- The weight of each issue shall be capped at 8%
- For ensuring the 8% issuer cap, allocation in the highest residual maturity bucket shall be done first followed by lower buckets. If the 8% cap is utilized in a particular residual maturity buckets, the buckets below that will not have any allocation to such issuer and the next ranked issuer will be considered in such case.
- T-bills: For the initial portfolio, T-bill ISINs will be selected based on the table given below:

Index	Underlying Security
0-30 days bucket	Security that forms a part of standard CRISIL 1 Month T-Bill Index
31-60 days bucket	Security that forms a part of standard CRISIL 2 Month T-Bill Index
61-90 days bucket	Security that forms a part of standard CRISIL 91 Day T-Bill Index

- CP- CD: For the selected issuers, one security in each residual maturity buckets will be selected. The CP/CDs with maximum residual maturity will be selected. In case of non-availability of security in that bucket next ranked issuer will be considered.

Subsequent Portfolio Construction Methodology

- On each fortnightly rebalancing date, issuers will be ranked sector wise based on their amount outstanding
- All the securities maturing within the portfolio will be replaced on their respective maturity dates with the security in the 60-91-day bucket of the issuer which is top ranked in that sectors based on total outstanding across 91 day period
- In case the issuer cap is getting breached for the top ranked issuer, next ranked issuer will be selected in that sector. In case there are no issuers available in that sector having 61-91 days security, we will select security from 31-60 days or 0-30 days bucket (in order of priority) for that ranked issuer, and if the securities are not available in second and third buckets as well, the weight of the maturing security will be transferred to CBLO from that date till end of fortnight.
- Since, the issuer ranking and security selection that will act as replacements for the maturing securities will be done at the start of the fortnight itself, the market value of the maturing ISINs will be transferred to incoming ISINs in the proportion of the weights at the beginning of the fortnight. This is done to ensure that the replacement securities are known before the start of the fortnight to ensure transparency.
- For T-Bills: In the beginning of the fortnight maturing T-Bill ISINs will be identified and replaced with the existing 91 Day T-Bill Index ISIN on the maturity date of the T-bill ISIN. The weight for new ISIN will be same as that of the maturing ISIN's weight on beginning of fortnight.

CRISIL Select AAA Short Duration Fund Index

Construction Methodology: -

Key characteristics:

- Credit: Issuers forming the part of the index on the bimonthly rebalancing date should have bonds with AAA rating (AA+ for perpetual bonds), stable or positive outlook in the past 2 years to be eligible
- Liquid and semi liquid issuers will be forming the part of the index on bimonthly rebalancing dates (Ref Annexure 1 for details)
- The Macaulay's Duration range for the index on the bimonthly rebalancing shall be in the range of 1.7 to 2.30
- Issuer cap of 8% and sector cap of 20% shall be maintained

Inception Date: 01st August 2021

Index Approach

The Index portfolio will have bonds with residual maturity of up to five years. The index will be investing in corporate bonds, government securities (excluding SDLs) and Treasury bills. The index will be rebalanced on a bi-monthly basis.

The fund Mac Duration will be kept between 1 and 3 years as defined by the SEBI for the short duration funds category. The sector allocation as defined by the AMC will be as follows:

Sectoral category	Weights
PSU – Manufacturing and others	13%
PSU – FI	35%
Private – Manufacturing and others	9%
Private – NBFC and other FI	17%
Private – HFC	8%
G-Sec / SOV*	15%
Overnight fund	3%

Issuer and Security Eligibility:-

Issuer Selection:

- The entire residual maturity spectrum shall be broken down into the following three buckets and their bucket wise concentration:
 - - 0 to 1 years : 25%
 - - 1 to 3 years : 50%
 - - 3 to 5 years : 25%
- The allocation to each sector will be broken down within these 3 buckets in equal proportion.
- The top 2 issuers in each residual maturity bucket in each sector shall be selected based on maximum amount outstanding and on rebalancing date the top two issuers shall be rebalanced and replaced with the new issuer
- For ensuring the 8% issuer cap, issuer allocation in the highest residual maturity bucket shall be done first followed by lower buckets. If the 8% cap is utilised in a particular residual maturity buckets, the buckets below that will not have any allocation to such issuer and additional issuers will be added till the caps are maintained

Security Selection:

- Security to be selected in the residual maturity buckets of 3 months to 1 year, 1 to 3 years and 3 to 5 years. Security with maximum residual maturity of the selected issuers to be chosen from each of the above residual maturity bucket.
- Single option bonds, non-bank perpetual bonds, and bank perpetual bonds are not taken explicitly (they shall be considered only if the form the part of the criteria), partly paid bonds, floating rate bonds and tax free bonds shall not form the part of the index or model portfolio
- If there is no churn in the issuers on the bi-monthly rebalancing date and if the securities of the previous portfolio still stay eligible in their respective bucket they will be carried forward
- If a security rolls down to the lower maturity bucket and if the issuer is also eligible in that lower bucket, then the security shall be carried forward. In such case, the security of such issuer in that lower bucket which was carried forward from previous portfolio shall be sold. In any case, there shall only be one security of an issuer in each

bucket

- If a security in the lowest bucket matures before the end of the second month, a new security having the highest available RM of that issuer in that bucket will also be added on the rebalancing date. And after the security is matured the weight of that security will be transferred to the complimentary security that was added
- In case no complimentary ISINs are found, the cash generated will be invested in TREPS till portfolio end date
- Tolerance limits on both side of base weights has been given, which will be the range for model portfolio
- The Macaulay's Duration target at the beginning of the portfolio rebalancing date shall be 1.7 to 2.30. The adjusted Macaulay duration of the securities has been taken into account whose Macaulay Duration is not available.
- Three and five-year G-sec benchmark and 1-year T-Bill shall be used for representing 15% to sovereign instruments
- Issuer weights to be in the ratio of amount outstanding of all the eligible ISIN available for the issuer in a particular sector and bucket.

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