

Loss Waterfall accounting for CDMDF

Allocation Mechanism	Investment						System
	A1	A2	A3	Total	GSEC/CBLO	MD-INVT A3	
INR							
Subscription	1,000	1,000	-	2,000			
Face value	10.00	10.00	-				
Number of units	100	100	-				

Part A

Scenario - 1				2,000	2,010	Investment in Government Securities and T-Bills	System driven calculation
MTM Gain	5	5	-	10		MTM Gain is proportionately allocated to all the unit holders (except A3 doesn't exist as of now)	
NAV of the unit	10.05	10.05	-				
NAV of the Corpus	1,005	1,005	-	2,010			

Scenario - 2					2,002	Investment in Government Securities and T-Bills	System driven calculation
MTM Loss	-4	-4	-	-8		MTM loss is proportionately allocated to all the unit holders (except A3 doesn't exist as of now)	
NAV of the unit	10.01	10.01	-				
NAV of the corpus	1,001	1,001	-	2,002			

Scenario - 3					2,006	Investment in Government Securities and T-Bills	System driven calculation
Realised gain	2	2	-	4		Gain is proportionately allocated to all the unit holders (except A3 doesn't exist as of now)	
NAV of the unit	10.03	10.03	-				
NAV of the Corpus	1,003	1,003	-	2,006			

Scenario - 4					2,004	Investment in Government Securities and T-Bills	System driven calculation
Realised loss	-1	-1	-	-2		loss is proportionately allocated to all the unit holders (except A3 doesn't exist as of now)	
NAV of the unit	10.02	10.02	-				
NAV of the corpus	1,002	1,002	-	2,004			

Scenario - 5					204	2,000	Market Dislocation triggered	System driven calculation
Opening NAV of the Corpus	1,002	1,002	-	2,004				
Number of opening units	100	100	-					
Opening NAV of the unit	10.02	10.02	-					
Additional Capital	-	-	200	200				
NAV at the which the units to be allotted	10.02	10.02	10.02				A3 NAV assumed to be same as A1 and A2 while allotting the units. A1 and A2 NAV will be the opening NAV for the market dislocation trigger	
Number of additional units	-	-	19.96					
Total corpus (NAV)	1,002	1,002	200	2,204				

Part B

Scenario - 6					214	2,000	MTM profit	system driven except the FA needs to now start monitoring the NAV of A1 and A2 should not drop below their opening NAV of Rs. 10.02 till A3 NAV is positive
MTM Gain	4.5	4.5	0.9	10			MTM gain gets apportioned to all the unit class	
NAV of the unit	10.07	10.07	10.07					
NAV of the Corpus	1,007	1,007	201	2,214				

Scenario - 7					206	2,000	MTM Loss	system driven except the FA needs to now start monitoring the NAV of A1 and A2 should not drop below their opening NAV of Rs. 10.02 till A3 NAV is positive
MTM Loss	-3.6	-3.6	-0.7	-8			MTM gain gets apportioned to all the unit class, however the NAV of A1 and A2 should not drop below opening NAV of 10.02	
NAV of the unit	10.03	10.03	10.03					
NAV of the corpus	1,003	1,003	200	2,206				
Scenario - 8					710	1,500	Realised Gain	system driven except the FA needs to now start monitoring the NAV of A1 and A2 should not drop below their opening NAV of Rs. 10.02 till A3 NAV is positive
Realised gain	1.8	1.8	0.4	4			Realised gain gets apportioned to all the unit class	
NAV of the unit	10.05	10.05	10.05					
NAV of the Corpus	1,005	1,005	201	2,210				
Scenario - 9					908	1,300		system driven except the FA needs to now start monitoring the NAV of A1 and A2 should not drop below their opening NAV of Rs. 10.02 till A3 NAV is positive
Realised loss	-0.9	-0.9	-0.2	-2			Realised Loss	
NAV of the unit	10.04	10.04	10.04					
NAV of the corpus	1,004	1,004	200	2,208			Realised Loss gets apportioned to all the unit class	
Scenario - 10					888	1,300	Significant MTM loss	Manual working and intervention required
MTM loss	-9.1	-9.1	-1.8	-20			with the loss getting apportioned to all the 3 unit classes, the NAV of A1 and A2 is falling below their opening NAV of 10.020	
NAV of the unit	9.95	9.95	9.95					
NAV of the corpus	995	995	199	2,188				
Manual working and adjustment to be carried out					888	1,300		
Current NAV of units	10.04	10.04						
Less: Protection to opening NAV	10.02	10.02						
Surplus to absorb the w/off	0.02	0.02						
Number of units	100	100						
Loss to be absorbed by A1 and A2	1.82	1.82		3.64				
NAV post the loss absorption	10.02	10.02					which is same as the opening NAV	
Unabsorbed loss entirely to A3			-16.36	-16.36				
Corpus NAV of A3 units post absorbing the waterfall loss			184					
A3 class unit NAV post absorbing the waterfall loss			9.22				Now A3 unit NAV drops below the NAV of A1 and A2. this is manual adjustment to be done in the system where there should be transfer of value between the unit class based on such workings	
Closing corpus(NAV)	1,002	1,002	184	2,188				
Scenario - 11					1,858	300	Significant cash loss (realised loss)	Manual working and intervention required
Cash loss	-13.7	-13.7	-2.5	-30			with the loss getting apportioned to all the 3 unit classes, the NAV of A1 and A2 is falling below their opening NAV of 10.020	
NAV of the unit	9.88	9.88	9.09					
NAV of the corpus	988	988	181	2,158				
Manual working and adjustment to be carried out								
Current NAV of units	10.02	10.02						
Less: Protection to opening NAV	10.02	10.02						
Surplus to absorb the w.off	-	-						
Number of units	100	100						
Loss to be absorbed by A1 and A2	-	-		-				

NAV post the loss absorption	10.02	10.02				which is same as the opening NAV
Unabsorbed loss entirely to A3			-30	-30		
Corpus NAV of A3 units post absorbing the waterfall loss			154			
A3 class unit NAV post absorbing the waterfall loss			7.72			Now A3 unit NAV drops below the NAV of A1 and A2. this is manual adjustment to be done in the system where there should be transfer of value between the unit class based on such workings
Closing corpus(NAV)	1,002	1,002	154	2,158		

Scenario -12				1,038	1,300	Additional Security of Rs 1000 purchased and A3 units issued for 10% & MTM Gain of 80	Manual working and intervention required
Current NAV of units	10.02	10.02	7.72				
Number of units	100	100	19.96				
Additional units			12.96				
Additional Capital	-	-	100	100			
Shortfall in A3 NAV Corpus			2.30				
Cash profit to be first adjusted to bridge the shortfall			75.87	80			
Corpus NAV post bridging the gap	1,002.00	1,002.00	329.87	2,333.87			
Balance Cash profit to be distributed				4.13			
Distribution of balance profits	1.77	1.77	0.58	4.13			
Closing corpus NAV	1,003.77	1,003.77	330.45	2,338			
Number of units	100	100	32.92				
NAV per unit	10.04	10.04	10.04				

Scenario -13				1,313	1,000	A3 portfolio sold of Rs 300 at Realised loss of Rs 40 & MTM of Rs 15	Manual working and intervention required
MTM Gain	-	-	-	15			
Cash Loss				-40			
Current NAV of units	10.04	10.04	10.04				
Less: Protection to opening NAV	10.02	10.02					
Surplus to absorb the w/off	0.02	0.02					
Number of units	100	100					
Loss to be absorbed by A1 and A2	-1.77	-1.77		-3.55			
NAV post the loss absorption	10.02	10.02					
Unabsorbed loss entirely to A3			-21.45	-21.45			
A3 class unit NAV post absorbing the waterfall loss			9.39				
NAV of all unit holders post loss allocation	10.02	10.02	9.39				
Number of units across unit holders	100.00	100.00	32.92	232.92			
Corpus NAV post bridging the gap	1,002	1,002	309	2,313			

Scenario -14				1,343	1,000	MTM gain gets apportioned to A3 until the Opening NAV and then to all remaining unit holders	Manual working and intervention required
MTM Gain				30			
NAV of the unit	10.02	10.02	9.39				
Shortfall in A3 (2)NAV Corpus			0.63				
Cash profit to be first adjusted to bridge the shortfall			20.87				
Corpus NAV post bridging the gap	1,002.00	1,002.00	329.87	2,334			
Balance Cash profit to be distributed				9.13			
Distribution of balance profits	3.92	3.92	1.29	9.13		Post gains apportioned to A3 balance MTM gain gets apportioned to all the unit class	
Corpus AUM post bridging the gap	1,005.92	1,005.92	331.16	2,343			
Units Held by unit holders	100.00	100.00	32.92				
NAV after distribution	10.06	10.06	10.06				

Notes:
1. Post achieving parity in NAV again the normal accounting would start