

## SCHEME INFORMATION DOCUMENT

### QUANTUM INDEX FUND

(An Open-ended Exchange Traded Fund)

#### Continuous Offer of Units at NAV Based Prices

Name of Mutual Fund:

**Quantum Mutual Fund**

Name of Asset Management Company:

**Quantum Asset Management Company Private Limited**

Name of Trustee Company:

**Quantum Trustee Company Private Limited**

Addresses, Website of the entities:

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**The particulars of the Scheme have been prepared in accordance with the Securities and Exchange Board of India (Mutual Funds) Regulations 1996, as amended till date, and filed with SEBI, along with a due diligence certificate from the AMC. The Units being offered for public subscription have not been approved or recommended by SEBI nor has SEBI certified the accuracy or adequacy of the Scheme Information Document.**

The Scheme Information Document sets forth concisely the information about the scheme that a prospective investor ought to know before investing. Before investing, investors should also ascertain about any further changes to this Scheme Information Document after the date of this Document from the Mutual Fund / Investor Service Centres / Website / Distributors or Brokers.

**The investors are advised to refer to the Statement of Additional Information (SAI) for details of Quantum Mutual Fund, Tax and Legal issues and general information on [www.QuantumAMC.com](http://www.QuantumAMC.com) / [www.QuantumMF.com](http://www.QuantumMF.com)**

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| <b>SAI is incorporated by reference and is legally a part of the Scheme Information Document. For a free copy of the current SAI, please contact your nearest Investor Service Centre or log on to our website, <a href="http://www.QuantumAMC.com">www.QuantumAMC.com</a> / <a href="http://www.QuantumMF.com">www.QuantumMF.com</a></b> |
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**The Scheme Information Document (SID) should be read in conjunction with the SAI and not in isolation.**

This Scheme Information Document is dated April 29, 2010.

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## HIGHLIGHTS / SUMMARY OF THE SCHEME:

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|--------------------------------------|--|
| <b>Quantum Index Fund</b>            | Quantum Index Fund (QIF) is an Open Ended Fund, listed on the National Stock Exchange of India Limited in the form of an Exchange Traded Fund (ETF) tracking the S&P CNX Nifty Index.  |
| <b>Investment objective</b>          | The investment objective of the scheme is to invest in stocks of companies comprising S&P CNX Nifty Index and endeavour to achieve returns equivalent to the Nifty by “passive” investment. The scheme will be managed by replicating the Index in the same weightage as in the S&P CNX Nifty Index with the intention of minimizing the performance differences between the scheme and the S&P CNX Nifty Index in capital terms, subject to market liquidity, costs of trading, management expenses and other factors which may cause tracking error.   |
| <b>Liquidity</b>                     | <p>The units of the Scheme can be bought / sold like any other stock on the National Stock Exchange of India Limited (NSE).</p> <p>The Authorized Participants and Eligible Investors can directly buy / sell units with the Fund in Creation Unit Size at NAV based prices.</p>   |
| <b>Benchmark</b>                     | The Scheme's performance will be benchmarked against S&P CNX Nifty Index.  |
| <b>Transparency / NAV Disclosure</b> | <p>NAV shall be declared and announced on all Business Days and uploaded on AMFI's website (<a href="http://www.amfiindia.com">www.amfiindia.com</a>) by 9.00 p.m. and the same will also be uploaded on the Fund's website <a href="http://www.QuantumAMC.com">www.QuantumAMC.com</a> / <a href="http://www.QuantumMF.com">www.QuantumMF.com</a> on every Business Day and will also be released in two newspapers for publication.</p> <p>Investors may obtain NAV information on any Working Day by calling the office of the AMC or any of the Investor Service Centres.</p>   |
| <b>Load Structure</b>                | <p>Entry Load : Not Applicable</p> <p>In terms of SEBI circular no. SEBI/IMD/CIR No. 4/ 168230/09 dated June 30, 2009 it has been notified that, w.e.f. August 01, 2009 there will be no entry load charged to the schemes of the Mutual Fund and the upfront commission to distributors will be paid by the investor directly to the distributor, based on his assessment of various factors including the service rendered by the distributor.</p> <p><b>Quantum Mutual Fund does not charge Entry Load since inception.</b></p> <p>Exit Load : NIL</p> <p>Retail Investors can exit the scheme only through Secondary Market.</p> |
| <b>Option/Plan</b>                   | <p>The Scheme offers only one option - Growth Option.</p> <p>Plans: NIL</p>  |

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|--|--|
| <b>Units Offered</b>                             | As the Units of the Scheme can be bought / Sold directly from the Fund, this mechanism provides efficient arbitrage between the traded prices and the NAV, thereby reducing the incidence of the units of the Scheme being traded at premium / discount to NAV   |
| <b>Minimum Application Amount / No. of units</b> | <p><b>Directly with Fund:</b> The investors can create / redeem in exchange of Portfolio Deposit and Cash Component in creation unit size at NAV based Price.</p> <p><b>On the Exchange:</b> At prices which may be close to the NAV of QIF Units. On NSE, the units can be purchased / sold in minimum lot of 1 unit and in multiples therefore.</p> <p>The units of QIF issued under the scheme will be approximately equal to the price of 1/10 (one-tenth) of the S&amp;P CNX Nifty Index.</p> |

## I. INTRODUCTION

### A. RISK FACTORS

#### **Standard Risk Factors:**

- Investment in Mutual Fund Units involves investment risk such as trading volumes, settlement risk, and liquidity risk, default risk including the possible loss of principal.
- As the price/ value / interest rates of the securities in which the scheme invests fluctuates, the value of your investment in the scheme may go up or down.
- Past performance of the Sponsor /AMC /Mutual Fund does not guarantee future performance of the Scheme.
- Quantum Index Fund is the name of the Scheme. The name of the scheme does not in any manner indicate either the quality of the scheme or its future prospects and returns. Investors are therefore urged to study the terms of offer carefully and consult their Investment Advisor before they invest in the Scheme.
- The sponsor is not responsible or liable for any loss resulting from the operation of the scheme beyond the initial contribution of Rs. 1,00,000/- made by it towards setting up the fund.
- The present scheme is not a guaranteed or assured return scheme.

#### **Scheme Specific Risk Factors**

**The Scheme is subject to the principal risks described below. Some or all of these risks may adversely affect Scheme's NAV, trading price, yield, total return and/or its ability to meet its objectives.**

- The Scheme's NAV will react to the stock market movements. The investor could lose money over short periods due to fluctuation in the Scheme's NAV in response to factors such as economic and political developments, changes in interest rates and perceived trends in stock prices market movements, and over longer periods during market downturns.
- Although QIF Units described in this Scheme Information Document is listed on the Stock Exchange, there can be no assurance that an active secondary market will develop or be maintained.
- Trading in QIF Units on the Exchange may be halted because of market conditions or for reasons that in view of the Exchange Authorities or SEBI, trading in QIF Units is not advisable. In addition, trading in QIF Units is subject to trading halts caused by extraordinary market volatility and pursuant to NSE and SEBI 'circuit filter' rules. There can be no assurance that the requirements of Exchange necessary to maintain the listing of QIF Units will continue to be met or will remain unchanged.
- The units of the Scheme may trade above or below their NAV. The NAV of the Scheme will fluctuate with changes in the market value of Scheme's holdings. The trading prices of QIF Units will fluctuate in accordance with changes in their NAV as well as market supply and demand for QIF Units. However, given that QIF Units can be created and redeemed in

Creation Unit Size directly with the fund, it is expected that large discounts or premiums to the NAV of QIF Units will not sustain due to arbitrage possibility available.

- The market price of ETF units, like any other listed security, is largely dependent on two factors, viz., (1) the intrinsic value of the unit (or NAV), and (2) demand and supply of units in the market. Sizeable demand or supply of the units in Exchange may lead to market price of the units to quote at premium or discount to NAV. Hence the price of QIF units is less likely to hold significant variance (large premium or discount) from the latest declared NAV all the time.
- Any changes in trading regulations by the Stock Exchange/s or SEBI may affect the ability of market maker to arbitrage resulting into wider premium/ discount to NAV.
- The units will be issued only in dematerialized form through depositories. The records of the depository are final with respect to the number of units available to the credit of unit holder. Settlement of trades, repurchase of units by the mutual fund during liquidity window depend upon the confirmations to be received from depository (ies) on which the mutual fund has no control.
- The Trustee, in the general interest of the unit holders of the Scheme offered under this Scheme Information Document and keeping in view the unforeseen circumstances/unusual market conditions, may limit the total number of Units which can be redeemed on any Business Day.
- Investors may note that even though this is an open-ended scheme, the scheme would only in case of authorized participants and eligible investors repurchase units and that too only in Creation Unit Size. Thus unit holdings less than the Creation Unit Size can only be sold through the secondary market on the exchange.
- The returns from the types of securities in which the Scheme invests may under perform returns from the various general securities markets or different asset classes. Different types of securities tend to go through cycles of out-performance and under performance in comparison of the general securities markets.
- Buying and selling units on stock exchange requires the investor to engage the services of a broker and are subject to payment of margins as required by the stock exchange/broker, payment of brokerage, securities transactions tax and such other costs.
- The Scheme is not actively managed. The Scheme may be affected by a general decline in the Indian markets relating to its Underlying Index. The Scheme invests in the securities included in its Underlying Index regardless of their investment merit. The AMC does not attempt to individually select stocks or to take defensive positions in declining markets.

#### **Risks attached with the use of derivatives**

As and when the Schemes trade in the derivatives market there are risk factors and issues concerning the use of derivatives that investors should understand. Derivative products are specialized instruments that require investment techniques and risk analysis different from those associated with stocks and bonds. The use of derivatives requires an understanding not only of the underlying instrument but of the derivative itself. Derivatives require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to the portfolio and the ability to forecast price or interest rate movements correctly. There is the possibility that a loss may be sustained by the portfolio as a result of the

failure of another party (usually referred to as the “counter party”) to comply with the terms of the derivatives contract. Other risks in using derivatives include the risk of mis-pricing or improper valuation of derivatives and the inability of derivatives to correlate perfectly with underlying assets, rates and indices.

**Tracking Error Risk Factors** such as the fees and expenses of the Scheme, Corporate Actions, Cash balance, changes to the Underlying Index and regulatory policies may affect AMC’s ability to achieve close correlation with the Underlying Index of the Scheme. The Scheme’s returns may therefore deviate from those of its Underlying Index. "Tracking Error" is defined as the standard deviation of the difference between daily returns of the index and the NAV of the Scheme. Tracking Error may arise due to the following reasons: -

- a. Expenditure incurred by the fund.
- b. The fund may not be invested at all times as it may keep a portion of the funds in cash to meet redemptions or for corporate actions of securities in the index.
- c. Securities trading may halt temporarily due to circuit filters.
- d. Corporate actions such as debenture or warrant conversion, rights, merger, change in constituents etc.
- e. Rounding off quantity of shares underlying the index.
- f. Dividend payout.
- g. IISL undertakes a periodical review of the scrips that comprise the Underlying Index and may either drop or include new scrips. In such an event, the Fund will try to reallocate its portfolio but the available investment / reinvestment opportunity may not permit absolute mirroring immediately.

Given the structure of QIF Units, the AMC expects the tracking error to be lower.

The Securities lending activity by the Scheme will have the inherent probability of collateral value drastically falling in time of strong downward market trends or due to it being comprised of tainted/ forged securities, resulting in inadequate value of collateral until such time as that diminution in value is replenished by additional security. It is also possible that the borrowing party and / or the approved intermediary may suddenly suffer severe business setback and become unable to honor its commitments. This along with a simultaneous fall in value of collateral would render potential loss to the Scheme. Also the risk could be in the form of non-availability of ready stock for sale during the period stock is lent.

The Scheme may use various S & P CNX Nifty related derivative products in an attempt to protect the value of portfolio and enhance the unit holder interest. As and when the Scheme trades in derivative market, there are risk factors and issues concerning the use of derivatives that the investors should understand. Derivative products are specialized instruments that require investment technique and risk analysis different from those associated with stocks. The use of derivative requires an understanding not only of the underlying instrument but also of the derivative itself. Derivative requires the maintenance of adequate controls to monitor the transactions entered into, the ability to access the risk that a derivative adds to the portfolio and the ability to forecast price. There is a possibility that loss may be sustained by the portfolio as a result of the failure of another party (usually referred as the “Counter Party”) to comply with the terms of the derivative contract. Other risks in using derivative include the risk of mis-pricing or improper valuation of derivative and the inability of derivative to correlate perfectly with underlying assets, rates and indices. Thus, derivatives are highly leveraged instruments. The risk of loss associated with future contracts is potentially unlimited due to the low margin deposits required and the extremely high degree of leverage involved in future pricing. As a result a relatively small price movement in a futures contract may result in an immediate and substantial loss or gain. However, the Scheme will not use derivative instruments for speculative purposes or to leverage its net assets. There may be a cost attached to buying index futures or other derivative instrument. Further there could be an element of settlement risk, which could be different from the

risk in settling physical shares. The possible lack of liquid secondary market for futures contract or listed option may result in inability to close futures or listed position prior to these maturity date.

The Scheme may also invest in overseas financial assets as currently permitted by the concerned regulatory authorities in India after obtaining necessary regulatory approvals. To the extent that the assets of the scheme are invested in securities denominated in foreign currencies, the Indian rupee equivalent of the net assets, distribution and income may be adversely affected by changes in the value of respective foreign currencies relative to the Indian Rupee. The repatriation of Capital to India may also be hampered by changes in the regulations concerning exchange controls or political circumstances as well as the application to it of other restriction on investment.

Whereas the Indian Market was formerly restrictive a process of deregulation has been taking place over recent years. This process has involved removable trade barriers and protectionist measures, which could adversely affect the value of investments. It is possible that the future changes in the Indian political situation, including political, social or economic instability, diplomatic developments and changes in tax laws, Changes in SEBI/Stock Exchange/ RBI regulations an other applicable laws/ regulations could have an effect on such investments and valuation thereof, Expropriation, confiscatory taxation or other relevant developments could affect the value of investments.

The Scheme proposes to invest up to 10% of its net assets in debt and money market instruments. Trading volumes, settlement periods and transfer procedure may restrict the liquidity of such investments made by the scheme. Different segments of the Indian financial markets have different settlement periods and transfer procedures and such periods may be extended significantly by unforeseen circumstances leading to delays in receipts of proceeds from sale of securities. The inability of the Scheme to make intended investments due to its inability to liquidate cash equivalents in time could cause the Scheme to miss investment opportunities resulting, at times in potential losses to the Scheme.

Securities which are not quoted on the stock exchanges are inherently illiquid in nature and carry a larger amount of liquidity risk, in comparison to securities that are listed on the exchanges or offer other exit options to the investor, including a put option. The AMC may choose to invest in unlisted securities that have the potential to generate attractive yields. This may increase the risk of the portfolio.

While securities that are listed on the stock exchange carry lower liquidity risk, the ability to sell these investments is limited by the over all trading volume on the stock exchanges.

Repurchase / Redemption by the unit holder due to change in the fundamental attributes of the Scheme or due to any other reasons may entail tax consequences. The Trustee, AMC, Mutual Fund, their directors or their employees shall not be liable for any such tax consequences that may arise.

### **Common Risks Associated with Investments in Debt and Money Market Instruments**

Given below are some of the common risks associated with investments in fixed income and money market securities. These risks include but are not restricted to:

#### ***Liquidity and Settlement Risks***

This refers to the ease at which a security can be sold at or near its true value. The primary measure of liquidity risk is the spread between the bid price and the offer price quoted by a dealer. Liquidity risk is characteristic of the Indian fixed income market.

The liquidity of the Scheme's investments may be inherently restricted by trading volumes, transfer procedures and settlement periods. From time to time, the Scheme will invest in certain debt securities of certain companies, industries, sectors, etc. based on its investment objectives and policies as outlined in this Scheme Information Document. Reduced liquidity in the secondary market may have an adverse impact on market price and the Scheme's ability to dispose of particular securities, when necessary, to meet the Scheme's liquidity needs or in response to a specific economic event or during restructuring of the Scheme's investment portfolio.

### ***Investment Risks***

The value of, and income from, an investment in the Scheme can decrease as well as increase, depending on a variety of factors which may affect the values and income generated by the Scheme's portfolio of debt securities. The returns of the Scheme's investments are based on the current yields of the securities, which may be affected generally by factors affecting capital markets such as price and volume, volatility in the stock markets, interest rates, currency exchange rates, foreign investment, changes in Government and Reserve Bank of India policy, taxation, political, economic or other developments, closure of the Stock Exchanges etc. Different types of securities in which the Scheme would invest as stated in the Scheme Information document carry different levels and types of risk. Accordingly the Scheme's risk may increase or decrease depending upon its investment pattern. e.g. corporate bonds carry a higher amount of risk than Government securities. Further even amongst corporate bonds, bonds which are AAA rated are comparatively less risky than bonds which are AA rated. The Scheme will endeavour to invest in highly researched securities offering relative yield for the commensurate risks. However the erosion in the value of the investments/portfolio in the case of the capital and financial markets passing through a bearish phase is a distinct possibility.

### ***Interest Rate Risk***

Changes in interest rate may affect the Scheme's net asset value. Generally the prices of instruments increase as interest rates decline and decrease as interest rates rise. Prices of long-term securities fluctuate more in response to such interest rate changes than short-term securities. Indian debt and government securities markets can be volatile leading to the possibility of price movements up or down in fixed income securities and thereby to possible movements in the NAV.

### ***Credit Risk***

Credit risk or Default risk refers to the risk that an issuer of a fixed income security may default (i.e. the issuer will be unable to make timely principal and interest payments on the security). Because of this risk, debentures are sold at a higher yield above those offered on Government Securities which are sovereign obligations and free of credit risk. Normally, the value of fixed income securities will fluctuate depending upon the changes in the perceived level of credit risk as well as any actual event of default. The greater the credit risk, the greater the yield required for someone to be compensated for the increased risk.

### ***Re-investment Risk***

Investments in fixed income securities may carry re-investment risk as interest rates prevailing on the interest or maturity due dates may differ from the original coupon of the bond. Consequently, the proceeds may get invested at a lower rate.

This risk refers to the interest rate levels at which cash flows received from the securities in the Scheme or from maturities in the Scheme are reinvested. The additional income from reinvestment is the "interest on interest" component. The risk refers to the fall in the rate for reinvestment of interim cash flows.

### ***Risk Associated with Securitised Debt***

The Scheme may invest in domestic securitized debt such as asset backed securities (ABS) or mortgage backed securities (MBS). ABS are securitized debts where the underlying assets are receivables arising from automobile loans, personal loans, loans against consumer durables, etc. MBS are securitized debts where the underlying assets are receivables arising from loans backed by mortgage of residential/commercial properties. ABS/MBS instruments reflect the undivided interest in the underlying pool of assets and do not represent the obligation of the issuer of ABS/MBS or the originator of the underlying receivables. The ABS/MBS holders have a limited recourse to the extent of credit enhancement provided. If the delinquencies and credit losses in the underlying pool exceed the credit enhancement provided, ABS/MBS holders will suffer credit losses. ABS/MBS are also normally exposed to a higher level of pre-payment, reinvestment and revaluation risks as compared to the normal corporate or sovereign debt.

At present in Indian market, following types of loans are amortised :

- \* Auto Loans (cars/commercial vehicles/two wheeler vehicles)
- \* Residential Mortgages or Housing Loans
- \* Consumer Durable Loans
- \* Personal Loans
- \* Corporate Loans

The main risks pertaining to each of the asset classes above are described below:

#### **Auto Loans (cars/commercial vehicles/two wheeler vehicles)**

- \* The underlying assets (cars etc) are susceptible to depreciation in value whereas the loans are given at high loan to value ratios. Thus, after a few months, the value of asset becomes lower than the loan outstanding. The borrowers, therefore, may sometimes tend to default on loans and allow the vehicle to be repossessed.
- \* These loans are also subject to model risk. i.e. if a particular automobile model does not become popular, loans given for financing that model have a much higher likelihood of turning bad. In such cases, loss on sale of repossession vehicles is higher than usual.
- \* Commercial vehicle loans are susceptible to the cyclicity in the economy. In a downturn in economy, freight rates drop leading to higher defaults in commercial vehicle loans. Further, the second hand prices of these vehicles also decline in such economic environment.

#### **Housing Loans**

Housing loans in India have shown very low default rates historically. However, in recent years, loans have been given at high loan to value ratios and to a much younger borrower class. The loans have not yet gone through the full economic cycle and have not yet seen a period of declining property prices. Thus the performance of these housing loans is yet to be tested and it need not conform to the historical experience of low default rates.

#### **Consumer Durable Loans**

- \* The underlying security for such loans is easily transferable without the bank's knowledge and hence repossession is difficult.
- \* The underlying security for such loans is also susceptible to quick depreciation in value. This gives the borrowers a high incentive to default.

## **Personal Loans**

- \* These are unsecured loans. In case of a default, the bank has no security to fall back on.
- \* The lender has no control over how the borrower has used the borrowed money. Further, all the above categories of loans have the following common risks:
- \* All the above loans are retail, relatively small value loans. There is a possibility that the borrower takes different loans using the same income proof and thus the income is not sufficient to meet the debt service obligations of all these loans.
- \* In India, there is no ready database available regarding past credit record of borrowers. Thus, loans may be given to borrowers with poor credit record.
- \* In retail loans, the risks due to frauds are high.

## **Corporate Loans**

- \* These are loans given to single or multiple Corporates. The receivables from a pool of loans to corporate are assigned to a trust that issues Pass through certificates in turn. The credit risk in such certificates is on the underlying pool of loans to the corporate. The credit risk of the underlying loans to corporate would in turn depend on economic cycles.

## **B. REQUIREMENT OF MINIMUM INVESTORS IN THE SCHEME**

As the Scheme is an Exchange Traded Scheme, the provisions of minimum number of investors and maximum holding of the investors are not applicable as per SEBI Regulations and Circulars.

## **C. SPECIAL CONSIDERATIONS**

Performance of the S&P CNX Nifty Index will have a direct bearing on the performance of the Scheme. In the event the S&P CNX Nifty Index is dissolved or is withdrawn by IISL, the Trustee reserves a right to modify the Scheme so as to track a different and suitable index and the procedure stipulated in the Regulations shall be complied with.

“The QIF units are not sponsored, endorsed, sold or promoted by Indian Index Services & products Limited (IISL) or Standard & Poor’s division of the McGraw- Hill Companies In., (S&P) Neither IISL nor S7 P makes any representation or warranty, express or implied to the Unit holders of the QIF Units or any member of the public regarding the advisability of investing in securities generally or in the QIF Units particularly or the ability of the S & P CNX Nifty Index to track general stock market performance in India. The relationship of S & P and IISL to Quantum Asset Management Company Private Limited is only in respect of the licensing of certain trademarks and trade names of their Index, which is determined, composed and calculated by IISL without regard to the Quantum Asset Management Company Private Limited or the QIF Units. Neither IISL nor S & P has any obligations to take the needs of the Quantum Asset Management Company Private Limited or the Unit holders of the QIF Units into consideration in determining, composing or calculating the S & P CNX Nifty Index. Neither IISL nor S & P is responsible for or has participated in the determination of the timing of, price at, or quantities of the QIF Units to be issued or in the determination or calculation of the equation by which the QIF Units is to be converted into Cash. Neither S & P IISL has any obligation or liability in connection with the administration or marketing or trading of the QIF Units.”

“S& P and IISL do not guarantee the accuracy and / or the completeness of the S & P CNX Nifty or any data included therein and they shall have no liability for any errors, omissions, or interruptions therein. Neither IISL nor S & P makes any warranty, express or implied, as to the results to be obtained by the Quantum Asset Management Company Private Limited, Unit holders of the QIF units or any other persons or entities from the use of the S & P CNX Nifty or any data included therein. IISL and S & P make no express or implied warranties and expressly disclaim all

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Mutual funds being vehicles of securities investments are subject to market and other risks and there can be no guarantee against loss resulting from investing in the Scheme. The various factors which impact the value of the Schemes' investments include, but are not limited to, fluctuations in the capital markets, fluctuations in interest rates, prevailing political and economic environment, changes in government policy, factors specific to the issuer of the securities, tax laws, liquidity of the underlying instruments, settlement periods, trading volumes, etc.

The past performance of the Sponsors and their affiliates/associates is not indicative of the future performance of the Scheme. Investment decisions made by the AMC may not always be profitable.

From time to time and subject to the Regulations, the Sponsors, the mutual funds and investment companies managed by them, their affiliates, their associate companies, subsidiaries of the Sponsors and the AMC may invest either directly or indirectly in the Scheme. The funds managed by these affiliates, associates, the sponsors, subsidiaries of the Sponsors and/or the AMC may acquire a substantial portion of the Scheme’s Units and collectively constitute a major Investor in the Scheme. Accordingly, Repurchase/Redemption of Units held by such funds, affiliates/associates and Sponsors may have an adverse impact on the Units of the Scheme because the timing of such Repurchase/Redemption may impact the ability of the other Unitholders to redeem their Units.

Given that the liquidity of the investments made by the Scheme could, at times, be restricted by trading volumes and settlement periods, the time taken by the Mutual fund for Repurchase / Redemption requests or re-structuring of the scheme. In view of the above, the Trustee has the right, in its sole discretion, to limit Repurchase / Redemption (including suspending Repurchase / Redemptions) under certain circumstances, as described in the SAI.

Certain focus areas are already enjoying favourable tax treatment by government of India and the Scheme may also receive favourable tax treatment in other focus areas. If these tax benefits are removed or amended, it is possible that the changes may have a material adverse impact on the entire revenue and earnings of Companies engaged in business in such focus areas.

Unit holders in the Scheme are not being offered any guaranteed/assured returns and investors are advised to consult their Legal/ Tax and other Professional Advisors in regard to tax/ legal implications relating to their investments in the Scheme and before making decision to invest in or Repurchase the Units.

Neither this Scheme Information Document nor the Units have been registered in any jurisdiction.

This Scheme Information Document is meant for circulation only in India and therefore has not been registered in any other jurisdiction. The distribution of this Scheme Information Document in certain jurisdiction may be restricted to totally prohibited due to registration requirements and accordingly, persons who come into possession of this Scheme Information Document are required to inform themselves about such regulations/ restrictions and to observe any such restrictions and /or compliance requirements.

This Scheme Information Document is not meant for circulation in USA or for use of U.S Persons, as defined by the Regulations under The Securities Act 1933, of the United States of America or other person in such country where it is not lawful to make such an issue.

No person has been authorized to issue any advertisement or to give any information or to make any representations other than that contained in the Scheme Information Document. Circulars in connection with this offering not authorized by the Mutual Fund and any information or representation or representations not contained herein but not be relied upon as having been authorized by the Mutual Fund.

Investors should study this Scheme Information Document carefully in its entirety and should not construe the contents hereof as advice relating to legal, taxation, investment or any other matters. Investors are advised to consult their legal, tax investment and other professional advisors to determine possible legal, tax, financial or other considerations of subscribing to or repurchasing units, before making a decision to invest/ Repurchase Units.

The Mutual Fund may disclose details of the Unitholder's account and transactions thereunder to the Bankers, as may be necessary for the purpose of effecting payments to the investor and to the Central Government / State Government or any Statutory authority to fulfill its legal obligations if any under any applicable law.

#### **Disclaimer by NSE**

As required a copy of this SID has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given permission to the Mutual Fund to use the Exchange's name in this SID as one of the stock exchange on which the Mutual Fund's units are proposed to be listed subject to, the Mutual Fund fulfilling the various criteria for listing. The Exchange has scrutinized this SID for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Mutual Fund. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the SID has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this SID; nor does it warrant that the Mutual Fund's units will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of the Mutual Fund, its promoters, its management or any scheme or project of the Mutual Fund.

Every person who desires to apply for or otherwise acquire any units of the Mutual Fund may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription / acquisition whether by reason of anything stated or omitted to be started herein or any other reason whatsoever.

## D. DEFINITIONS

In this Scheme Information Document, the following words and expressions shall have the meaning specified herein, unless the context otherwise requires:

|  |   |
|--|---|
| <p>“AMC” or “Asset Management Company” or “Investment Manager”</p> | <p>Quantum Asset Management Company Private Limited incorporated under the provisions of the Companies Act, 1956 and approved by the Securities and Exchange Board of India to act as the Asset Management Company for the Scheme(s) of Quantum Mutual Fund.</p>  |
| <p>‘Authorized Participant’</p>                                    | <p>A member of National Stock Exchange of India Limited who is appointed by the AMC/Fund to act as an Authorized Participant for the Scheme.</p>  |
| <p>“Allotment Price”</p>   | <p>Allotment price is the price of one tenth of the S &amp; P CNX Nifty Index.</p>  |
| <p>“Applicable NAV “</p>   | <p>The Net Asset Value applicable for Subscription / Redemptions / Repurchase etc., based on the Business Day and relevant cut-off times on which the application is accepted at the official point of acceptance.</p>  |
| <p>“Business Day”</p>  | <p>A day other than:</p> <ol style="list-style-type: none"> <li>i. Saturday and Sunday; or</li> <li>ii. A day on which the banks in Mumbai and/RBI are closed or</li> <li>iii. A day on which the Bombay Stock Exchange Limited and/or National Stock Exchange of India Limited are closed; or</li> <li>iv. A day on which there is no RBI Clearing/settlement of securities</li> <li>v. A day, which is a public and/or bank holiday at a Investor Service Centre where the application is received; or</li> <li>vi. A day on which Sale and/or Repurchase and/or Redemption and/or switches of Units is suspended by the Trustee/AMC; or</li> <li>vii. A Book closure period as may be announced by Trustee/AMC</li> <li>viii. A day on which normal business cannot be transacted due to storms, floods, bandhs, strikes, other force majeure events or such other events as the AMC may specify from time to time.</li> </ol> <p>The AMC reserves the right to declare any day as a Business Day or otherwise at any or all Investor Service Centres. The day(s) on which the money markets are closed/not accessible, shall not be treated as Business Day(s) for the purpose of the Scheme.</p> |

|   |  |
|---|--|
| "Business Hours"  | Presently 9.30 a.m. to 6.00 p.m. on any Business Day or such other time as may be decided by the Asset Management Company from time to time and the same may be different for different ISCs.  |
| "Creation Unit "  | A fixed number of QIF Units, which is exchanged for a basket of shares underlying the index called the "Portfolio Deposit" and a "Cash Component". For redemption of units it is vice versa, i.e. a fixed number of QIF Units are exchanged for Portfolio Deposit and cash component. The Portfolio Deposit and Cash Component will change from time to time and is discussed separately in this document. |
| "Certificate of Deposits" or "CD's"                         | CD's are short term borrowings by banks. CD's can be issued for maturities between 7 days up to a year from the date of issue.   |
| "Collateralised Borrowing and Lending Obligation" or "CBLO" | CBLO's are a discounted money market instrument available in electronic book entry form for the maturity period ranging from one day to ninety days. It is a product developed by CCIL (Clearing Corporation Of India Ltd).  |
| "Commercial Paper " or "CP's"                               | CP's are a short term instrument to enable non-banking companies to borrow funds for the short term. It is an unsecured money market instrument issued in the form of promissory note. CP's can be issued for maturities between 7 days up to a year from the date of issue.   |
| "Corporate Debt Securities"                                 | (Bonds and Debentures) - Debt securities issued by the corporate(s). It can be further classified into bonds/debentures issued by the public sector and private sector companies.  |
| "Custodian"   | A person who has been granted a certificate of registration to carry on the business of custodian of securities under the Securities and Exchange Board of India (Custodian of Securities) Regulations 1996, which for the time being is Deutsche Bank AG, Mumbai.   |
| "Depository"  | A body corporate as defined in the Depositories Act, 1996 and includes National Securities Depository Limited (NSDL) and Central Depository Systems Limited (CDSL)   |
| 'Depository Participant'                                    | A person registered as such under sub-section (1A) of section 12 of the Securities and Exchange Board of India Act, 1992.  |
| "Dividend"  | Income distributed under the Scheme on the Units.  |
| "Entry Load" or "Sales Load"                                | Load on Sale/Switch in of Units.   |
| "Exit Load" or "Repurchase Load" or "Redemption Load"       | Load on Repurchase/Redemption/Switch out of Units.   |

|   |   |
|---|---|
| 'Exchange/Market'   | The National Stock Exchange of India Limited (NSE) and such other recognized stock exchange(s) where the units of the Scheme are listed.  |
| 'Exchange Traded Fund/ETF'  | A fund whose units is listed on an exchange and can be bought/sold at prices which may be close to the NAV of the Scheme.   |
| "Eligible Investors" or "Large Investors"   | Investors who purchase units in creation unit size or of a prescribed minimum value as may be decided by the AMC / Trustee from time to time. The minimum size of purchase to qualify as an Eligible Investor at the time of launch is purchase in 'creation unit size'. The minimum size/amount may be changed by the trustees at their discretion by issuing a notice which will be published on Quantum AMC's website <a href="http://www.QuantumAMC.com">www.QuantumAMC.com</a> . |
| "FII"   | Foreign Institutional Investor, registered with SEBI under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended from time to time.  |
| 'IISL'  | India Index Services & Products Ltd., a joint venture between CRISIL Ltd. and the National Stock Exchange of India Limited.   |
| 'Index Fund'  | A mutual fund Scheme, which invests in securities in the same proportion that constitute the underlying index.  |
| "Investment Management Agreement"   | The Investment Management Agreement dated 7th October, 2005 entered into between Quantum Trustee Company Private Limited and Quantum Asset Management Company Private Limited, as amended from time to time.  |
| "Investor Service Centres" or "ISCs" or "Official Points of Acceptance of transactions" | Office of Quantum Asset Management Company Private Limited and such other centres/offices as may be designated by the AMC from time to time. All these locations are official points of acceptance of transactions and cut-off time as mentioned in the SID shall be reckoned at these official points.   |
| "Load"  | A charge that may be levied as a percentage of NAV at the time of entry into the scheme or at the time of exit from the scheme.   |
| "MIBOR" or "Mumbai Inter Bank Offer Rate"   | MIBOR is a polled reference rate for 1 day, 14 days, 1 month and 3 months published by NSE and the Fixed Income Money Market and Derivatives Association of India (FIMMDA) daily  |

|   |  |
|---|--|
| “Mutual Fund” or “the Fund”                     | Quantum Mutual Fund, a trust set up under the provisions of the Indian Trusts Act, 1882 and registered with SEBI under the Securities and Exchange Board of India (Mutual Funds) Regulations, vide Registration No. MF/051/05/02 dated December 2, 2005                        |
| “Money Market Instruments”                      | Commercial Papers, Commercial Bills, Treasury Bills, Government Securities having an unexpired maturity upto one year, call or notice money, certificate of deposit, usance bills, and any other like instruments as specified by the Reserve Bank of India from time to time. |
| “NAV”   | Net Asset Value per Unit of the Scheme, calculated in the manner described in this Scheme Information Document or as may be prescribed by the SEBI Regulations from time to time.  |
| ‘NSE’   | The National Stock Exchange of India Ltd., a Stock Exchange recognized by the Securities and Exchange Board of India.  |
| “NRE Account”                                   | Non-Resident External Account.   |
| “OCB”   | Firms and societies which are held directly or indirectly but ultimately to the extent of at least 60% by NRIs and trusts in which at least 60% of the beneficial interest is held irrevocably by such persons and which have registered with RBI.                             |
| ‘QIF Units’                                     | ‘Units issued under the Quantum Index Fund.  |
| “Registrar and Transfer Agent”                  | Deutsche Investor Services Private Limited (DISPL) registered under the SEBI (Registrar to an Issue and Share Transfer Agents) Regulation, 1993, currently acting as the registrar to the Scheme or any other registrar appointed by the AMC from time to time.                |
| “Repurchase/Redemption”                         | Repurchase / Redemption of Units of the Scheme as outlined under the Section “Repurchase/Redemption of Units” in this Scheme Information Document.   |
| “Sale/Subscription”                             | Sale or allotment of Units to the Unit holder upon subscription by the investor/applicant under the Scheme.  |
| “Scheme Information Document” or “SID”          | This document issued by Quantum Mutual Fund, inviting offer for subscription to the Units of the Scheme.   |
| “Statement of Additional Information” or “SAI “ | The Statement of Additional Information (SAI) contains details of Mutual Fund, its constitution and certain tax, legal and general information. It is incorporated by reference and is legally a part of the SID.  |

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| “Scheme” or “QIF” or “Quantum Index Fund” | Quantum Index Fund (QIF) offered under this Scheme Information Document in the form of an Exchange Traded Fund listed on the Stock Exchanges, (including, as the context permits, all the Plan(s) and Option(s) under any Plan under this Scheme). |
| “SEBI”                                    | Securities and Exchange Board of India, established under the Securities and Exchange Board of India Act, 1992.  |
| “SEBI Regulations” or “Regulations”       | Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended from time to time.   |
| “Securitized Debt Instruments”            | Securitized Debt Instruments are Instruments where the underlying assets are receivables arising from automobile loans, personal loans, loans against consumer durables, loans backed by mortgage of residential/commercial properties etc.        |
| “Short term debt instruments”             | Debt instruments which have residual maturity of less than 1 year.   |
| “Sponsors” or “Settlers”                  | Quantum Advisors Private Limited.  |
| “Stock Exchanges”                         | Bombay Stock Exchange Limited or The National Stock Exchange of India Limited.   |
| ‘S&P CNX Nifty Index’                     | An index owned and operated by India Index Services & Products Ltd. (IISL)   |
| ‘S&P CNX Nifty Total Return Index’        | ‘S&P CNX Nifty Total Return Index’, as provided by IISL, is an index that not only reflects changes in prices of index stocks but also dividend payments made by such index stocks.  |
| “Treasury Bills” or “T-Bills”             | T-Bills are short term debt instruments issued by Central Government. Currently Treasury Bills are issued with – 91 day, 182 day and 364 day maturity period.  |
| “Trustee Company”                         | Quantum Trustee Company Private Ltd., incorporated under the provisions of the Companies Act, 1956   |
| “Trust Deed”                              | The Trust Deed dated 7th October, 2005 made by and between the Sponsor and Quantum Trustee Company Private Limited (“Trustee”), as amended from time to time, establishing an irrevocable trust, called Quantum Mutual Fund.                       |
| “Trust Fund”                              | Amounts settled/contributed by the Sponsors towards the corpus of the Quantum Mutual Fund and additions/accretions thereto.  |

|   |   |
|---|---|
| <p>“Tracking Error”</p>                       | <p>The extent to which the NAV of the fund moves in a manner inconsistent with the movements of the benchmark Index on any given day or over any given period of time due to any cause or reason whatsoever including but not limited to expenditure incurred by the scheme, dividend distribution if any, whole cash not invested at all times as it may keep a portion of funds in cash to meet redemption etc.</p> |
| <p>“Unit”</p>                                 | <p>The interest of the Unitholder which consists of one undivided share in the assets of the Scheme</p>   |
| <p>“Unitholder” or “Investor” or “Client”</p> | <p>A person holding Units in the Scheme offered under this Scheme Information Document.</p>   |

## **E. DUE DILIGENCE BY THE ASSET MANAGEMENT COMPANY**

A Due Diligence Certificate, dated April 29, 2010, duly signed by the Compliance Officer of Quantum Asset Management Company Private Limited, has been submitted to SEBI which reads as follows:

### **DUE DILIGENCE CERTIFICATE**

It is confirmed that:

1. The Scheme Information Document forwarded to SEBI is in accordance with the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and the guidelines and directives issued by SEBI from time to time.
2. All legal requirements connected with the launching of the Scheme as also the guidelines, instructions, etc. issued by the Government of India and any other competent authority in this behalf, have been duly complied with.
3. The disclosures made in the Scheme Information Document are true, fair and adequate to enable the Investors to make a well-informed decision regarding investments in the Scheme.
4. According to information given to us, Deutsche Investor Services Private Limited Registrar & Transfer Agent and Custodian Deutsche bank A.G. are registered with SEBI and their registration is valid as on date.

sd/-

**Name: Malay Vora**  
**Designation: Company Secretary & Compliance Officer**

Place: Mumbai

Date: April 29, 2010

## II. INFORMATION ABOUT THE SCHEME

### A. TYPE OF THE SCHEME

An Open Ended Exchange Traded Fund – Index

### B. WHAT IS THE INVESTMENT OBJECTIVE OF THE SCHEME?

The principal investment objective of the scheme is to invest in stocks of companies comprising S & P CNX Nifty Index and endeavour to achieve return equivalent to Nifty by “Passive” investment. The Scheme will be managed by replicating the index in the same weightage as in the S & P CNX Nifty with the intention of minimizing the performance differences between the scheme and the S & P CNX Nifty Index in capital terms, subject to market liquidity, costs of trading, managing expenses and other factors which may cause tracking error.

### C. HOW WILL THE SCHEME ALLOCATE ITS ASSETS?

The net assets of the scheme will be invested predominantly in stocks constituting the S&P CNX Nifty and / or in S&P CNX Nifty exchange traded derivatives. This would be done by investing in almost all the stocks comprising the S&P CNX Nifty in approximately the same weightage that they represent in the S&P CNX Nifty Index and / or investing in S&P CNX Nifty exchange traded derivatives. A small portion of the net assets may be invested in Money Market Instruments, CBLO, Corporate Debt Securities, Other Debt Instruments, including MIBOR linked instruments, Securitised Debt Instruments, and Liquid Schemes of Mutual Funds to meet the liquidity requirements of the schemes.

The following table provides the asset allocation (as a % of net assets) of the portfolio:

| Securities Covered  | Indicative Allocations<br>(% of total assets) |         | Risk Profile |
|---|---|---------|--------------|
|   | Minimum                                       | Maximum |              |
| Securities covered by the S & P CNX Nifty   | 90%   | 100%    | High         |
| Money Market Instruments, other short term debt instruments as permitted under SEBI (Mutual Funds) Regulations, 1996 and Liquid Schemes of Mutual Funds | 0%  | 10%     | Low          |

Investments in securitized debt instruments can be made by the scheme up to 5% of the total net assets of the Scheme.

Pending deployment of funds of the Scheme in securities in terms of the investment objectives of the Scheme, the AMC can invest the funds of the Scheme in short-term deposits of scheduled commercial banks. The investments in short term deposits of scheduled commercial banks will be reported to the trustees along with the reasons for the investment which, inter alia, would include comparison with the interest rates offered by other scheduled commercial banks. Further, Quantum AMC will ensure that such investments in fixed deposits are made in compliance of the provisions contained in SEBI Circular. SEBI/IMD/CIR No 1/91171/07 dated April 16, 2007 and the reasons for such investments are recorded in the manner prescribed in SEBI Circular MFD/CIR/6/73/2000 dated July 27, 2000.

## **CHANGE IN INVESTMENT PATTERN**

As an index linked scheme, the investment policy is primarily passive management. However, the above mentioned investment pattern is indicative and may change for short duration. In the event the S&P CNX Nifty is dissolved or is withdrawn by India Index Services Limited (IISL) or is not published due to any reason whatsoever, the Trustee reserves the right to modify the schemes so as to track a different suitable index and/or to suspend tracking the S&P CNX Nifty and appropriate intimation of the same will be sent to the unitholders of the schemes. In such a case, the investment pattern will be suitably modified to bring it in line with the composition of the securities that are included in the new index to be tracked and the performance of the schemes will be subject to tracking errors during the intervening period.

Subject to the Regulations, the asset allocation pattern indicated above may also change from time to time, keeping in view market conditions, market opportunities and political and economic factors. It must be clearly understood that the percentages stated above are only indicative and not absolute and that they can vary substantially depending upon the perception of the Investment Manager, the intention being at all times to seek to protect the interests of the unitholders. Such changes in the investment pattern will be for short term and defensive considerations.

Provided further and subject to the above, any change in the asset allocation affecting the investment profile of the Schemes shall be effected only in accordance with the provisions of sub regulation (15A) of Regulation 18 of the SEBI (Mutual Funds) Regulations, 1996.

### **D. WHERE WILL THE SCHEME INVEST?**

The Scheme may invest in the following asset class

- (a) Securities covered by the S & P CNX Nifty as stated above.
- (b) Money market instruments.

Investments other than in equity will be made for managing liquidity. The preferred instruments will be money market instruments. Money market instruments include commercial papers, commercial bills, treasury bills, government Securities having an unexpired maturity up to one year, call or notice money, certificates of deposit, usance bills and any other like instruments as specified by the RBI from time to time.

- (c) Any other Securities / asset class / instruments as permitted under SEBI Regulations.

### **Investment in S & P CNX Nifty related Derivatives**

The Fund may use derivative instruments related to the S & P CNX Nifty up to a maximum of 10% of the net assets of the scheme.

## **E. WHAT ARE THE INVESTMENT STRATEGIES?**

The AMC uses a “passive” or indexing approach to try and achieve Schemes Investment objective. Unlike other funds, the Scheme does not try to “beat” the markets they track and do not seek temporary defensive positions when markets decline or appear over valued. The AMC does not make any judgments about the investment merit of a particular stock or a particular industry segment nor will it attempt to apply any economic, financial or market analysis. Indexing eliminates active management risks with regard to over/ underperformance vis-à-vis a benchmark. The scheme would alter the scrips/weights as and when the same are altered in the S&P CNX-Nifty Index. As long as a Scheme invests at least 90% of its total assets in the stocks of its Underlying Index, it may also invest in other assets in Money Market Instruments, Other Short term Debt Instruments as permitted under SEBI (Mutual Funds) Regulations, 1996 and Liquid Schemes of Mutual Funds.

## **INVESTMENT PROCESS AND RECORDING OF DECISIONS**

### **INVESTMENT PROCESS**

The Scheme will track S&P CNX Nifty Index and is a passively managed scheme. The investment decisions will be determined as per the S&P CNX Nifty Index. Unlike other Fund, the Scheme does not try to “beat” the markets they track and do not seek temporary defensive positions when markets decline or appear over valued. The AMC does not make any judgments about the investment merit of a particular stock or a particular industry segment nor will it attempt to apply any economic, financial or market analysis. Indexing eliminates active management risks in regard to over / underperformance vis-à-vis a benchmark. In case of any change in the index due to corporate actions or change in the constituents of S&P CNX Nifty Index (as communicated by IISL), relevant investment decisions will be determined considering such changes.

### **Recording of Investment Decisions**

The investment decisions will be taken by the Scheme keeping in view the market conditions, investment objective of the Scheme and all the relevant aspects. The AMC will review all the investments made by the Scheme. The investment decisions of the Scheme will be made by the AMC’s Portfolio Team and carried out by the designated Fund Manager. The Portfolio Team shall comprise of the Fund Manager who leads the portfolio team and the Associate Fund Manager. The final responsibility for the investment decisions rests with the portfolio team. All investment decisions of the scheme will be recorded in accordance with SEBI Regulations. It is the responsibility of the AMC to ensure that the investments are made as per the internal/Regulatory guidelines, Scheme investment objectives and in the best interest of the Unitholders of the Scheme.

The Chief Executive Officer is not involved in the investment decision making process.

All investment decisions shall be recorded in terms of SEBI Circular no MFD/CIR/6/73/2000 dated July 27, 2000 or as may be revised by SEBI from time to time.

## **RISK CONTROL**

Risk is an important part of the investment functions. Effective Risk Management is critical to Fund Management for achieving financial goals. Investments made by the Scheme shall be made in accordance with Investment Objective of the Scheme and provisions of SEBI (MF) Regulations.

The Fund has identified following Risk and designed Risk Management Strategies which is the part of the Investment Process to manage such risks.

| Type of Risks  | Risk Mitigation / Investment Strategies  |
|--|--|
| Tracking Error Risk – Risk of deviating away from the investment objective of tracking S&P CNX Nifty Index | The Fund follows a passive investment approach and invests as per the S&P Nifty Index. The Fund does not try to beat the markets and do not seek temporary defensive positions when markets decline or appear over valued.   |
| Liquidity risk - High impact cost  | At the time of rebalancing of the portfolio of the scheme in case required quantity of stocks are not available due to low volume in some stocks in such cases the quantity of stocks will be broken down across proportionally in all stocks comprises in S&P CNX Nifty Index so that no stock will have more weightage than the required at such time. |
| Changes in composition: Addition / deletion of stocks in S&P CNX Nifty Index                               | The rebalancing of stocks shall be done at the appropriate time so that tracking error can be minimized.   |
| Changes in weightage of stock due to corporate action like merger, demerger or issue of QIP                | The rebalancing of stocks shall be done at the appropriate time so that tracking error can be minimized.   |

### Performance Measurement & Reporting

The Investment Committee at its regular meeting shall review performance of the Scheme, compliance of the various investment restrictions and compliance with the investment objectives stipulated in the SID and all other applicable SEBI Regulations. The AMC and the Trustees shall also review the performance of the scheme at their periodical Board Meetings. The performance would be compared with the performance of the Benchmark and with peer group in the industry.

The CEO / Fund Manager will make presentations to the Board of the AMC and the Trustees periodically, indicating the performance of the Scheme. The Fund will adopt S&P CNX Nifty Index as the benchmark for the Scheme. Among other things, the Board of AMC and Trustee will review the performance of the Scheme in comparison to the benchmark. The Trustees reserve the right to change the benchmark for evaluation of performance of the Scheme from time to time in conformity with the Investment objectives and appropriateness of the benchmark subject to SEBI Regulations, and other prevailing guidelines, if any.

The CEO / the Fund Manager will bring to the notice of the AMC Board, specific factors if any, which are impacting the performance of the Scheme. The Board may after consideration of all relevant factors, if necessary, give appropriate directions to the AMC. Similarly, the performance of the Scheme will be submitted to the Trustees. The CEO / the Fund Manager will explain to the Trustees, the details on the Scheme's performance vis-à-vis the benchmark returns. The Trustees and the AMC Board may also review the performance of the scheme in the light of performance of the mutual fund industry as published from time to time by independent research agencies and financial newspapers and journals and may take corrective action in case of unsatisfactory performance. The Scheme performance would also be measured on a risk adjusted basis against its peers.

## **PORTFOLIO TURNOVER**

As the Scheme will follow a passive investment strategy the endeavor will be to minimize portfolio turnover subject to the exigencies and needs of the schemes. Generally, as the scheme is open – ended, turnover will be confined to rebalancing of portfolio on account of new subscriptions, redemptions and change in the composition of the S & P CNX Nifty Index. Consequently, it is difficult to estimate with any reasonable measure of accuracy, the likely turnover in the portfolio.

## **INVESTMENT BY AMC IN THE SCHEME**

The AMC may invest in the Scheme at any time during the continuous offer period subject to the SEBI Regulations & circulars issued by SEBI and to the extent permitted by its Board of Directors from time to time. As per the existing SEBI Regulations, the AMC will not charge investment management and advisory fee on the investment made by it in the Scheme. The AMC may in the interest of the unit-holders of the scheme also consider buying the QIF Units from the market to enhance the value of the Scheme as permitted under the SEBI (Mutual Funds) Regulations, 1996.

## **F. FUNDAMENTAL ATTRIBUTES:**

Following are the Fundamental Attributes of the scheme, in terms of Regulation 18 (15A) of the SEBI (MF) Regulations:

(i) Type of scheme

An Open ended Exchange Traded Fund - Index

(ii) Investment Objective

A. Main Objective

The principal investment objective of the scheme is to invest in stocks of companies comprising S&P CNX Nifty Index and endeavour to achieve return equivalent to Nifty by “Passive “investment. The Scheme will be managed by replicating the index in the same weightage as in the S&P CNX Nifty with the intention of minimizing the performance differences between the scheme and the S& P CNX Nifty Index in capital terms, subject to market liquidity, costs of trading, managing expenses and other factors which may cause tracking error

B. Investment pattern:

The tentative securities covered by the S&P Nifty Index, Money Market Instruments and other short term debt instruments portfolio break up with minimum and maximum asset allocation is disclosed under paragraph “asset allocation” while retaining the option to alter the asset allocation for a short term period on defensive consideration.

(iii) Terms of Issue:

Liquidity provisions such as listing, repurchase, redemption

Aggregate fees and expenses charged to the scheme.

- a) All investors including Authorized Participants, Eligible Investors and other investors may sell their units in the stock exchange(s) on which these units are

listed on all the trading days of the stock exchange. In addition, mutual fund will repurchase units from Authorized Participants and Eligible Investors in Creation Unit Size on a daily basis subject to applicable loads.

- b) The Aggregate Fees and expenses charged to the Scheme are set out in Section IV, paragraph B which are permitted by the SEBI Regulations.
- c) The present Scheme is not guaranteed or assured return scheme and hence no safety net or guarantee is provided.

In accordance with Regulation 18(15A) of the Regulations, the Trustees shall ensure that no change in the fundamental attributes of the Scheme(s) and the Plan(s) / option(s) thereunder or the trust or fee and expenses payable or any other change which would modify the Scheme(s) and the Plan(s) / option(s) thereunder and affect the interests of Unit Holders is carried out unless:

- A written communication about the proposed change is sent to each Unit Holder and an advertisement is given in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of the region where the Head Office of the Mutual Fund is situated; and
- The Unit Holders are given an option for a period of 30 (thirty) days to exit at the prevailing NAV without any Exit Load.

Fundamental attributes will not cover such actions of the Trustee of the Fund or the Board of Directors of the AMC, made in order to conduct the business of the Trust, the Scheme or the AMC, where such business is in the nature of discharging the duties and responsibilities with which they have been charged. Nor will it include changes to the Scheme made in order to comply with changes in Regulation with which the Scheme has been required to comply.

#### **G. HOW WILL THE SCHEME BENCHMARK IT'S PERFORMANCE?**

The performance of the Quantum Index Fund will be benchmarked to the performance of S&P CNX Nifty Index. The scheme will track S&P CNX Nifty Index and portfolio of the scheme comprises by replicating the Index in the same weightage as in the S&P Nifty subject to tracking error. Thus, the aforesaid benchmark is such that it is most suited for comparing performance of the scheme.

The Trustee reserves the right to change benchmark in future for measuring performance of the scheme in conformity with investment objective of the scheme subject to SEBI Regulations.

## H. WHO MANAGES THE SCHEME?

The Quantum Index Fund is managed by Mr. Hitendra Parekh.

| Name of the Fund Manager | Age | Educational Qualifications            | Experience   |
|--------------------------|-----|---------------------------------------|--|
| Hitendra Parekh          | 41  | B.Com Masters in Financial Management | Collectively over 18 years of experience in Equity Markets. <ul style="list-style-type: none"><li>• Since October 2005 till date - Quantum Asset Management Company Private Limited as Dealer &amp; Fund Manager - Index</li><li>• October 2004 to October 2005 – Quantum Advisors Private Limited as Manager – Operations</li><li>• September 1995 to September 2004 – UTI Securities Limited – Operations Department</li></ul> |

## I. WHAT ARE THE INVESTMENT RESTRICTIONS?

Pursuant to the Regulations and amendments thereto, the following investment restrictions are presently applicable to the Scheme:

1. The Fund under all its Schemes shall not own more than 10% of any company's paid up capital carrying voting rights.
2. The Scheme shall buy and sell securities on the basis of deliveries and shall in all cases of purchases, take delivery of securities and in all cases of sale, deliver the securities and shall in no case make any short sales or engage in carry forward transactions except as and when permitted by the RBI in this regard.
3. The Scheme shall not invest more than 10% of its net assets in equity shares or equity related instruments of any single company. However, being the Index Scheme the limit of 10% does not apply. The scripwise offer limit will be as per the weightage of the script in the index.
4. The Scheme shall not make any investment in :
  - a) any unlisted security of an associate or group company of the Sponsor;
  - b) any security issued by way of private placement by an associate or group company of the Sponsor; or
  - c) the listed securities of group companies of the Sponsor which is in excess of 25% of the net assets of the Scheme.
5. Transfer of investments from one Scheme to another Scheme in the same Mutual Fund is permitted provided:

- a) such transfers are done at the prevailing market price for quoted instruments on a spot basis (spot basis shall have the same meaning as specified by a Stock Exchange for spot transactions); transfer of unquoted securities will be made as per the policies laid down by the Trustees from time to time, and
  - b) the securities so transferred shall be in conformity with the investment objective of the Scheme to which such transfer has been made.
6. The Scheme may invest in other Schemes under the same AMC or any other mutual fund without charging any fees, provided the aggregate inter-scheme investment made by all the Schemes under the same management or in schemes under management of any other asset management company shall not exceed 5% of the Net Asset Value of the Fund.
7. The Fund shall get the securities purchased transferred in the name of the Fund on account of the concerned Scheme, wherever investments are intended to be of a long-term nature.
8. The Scheme would make no investments in unrated debt instruments without taking the prior approval of the Board of the AMC/Trustee.
9. Pending deployment of funds of the Scheme in gold/securities in terms of the investment objectives of the Scheme, the AMC can invest the funds of the Scheme in short-term deposits of scheduled commercial banks. The investments in short term deposits of scheduled commercial banks will be reported to the trustees along with the reasons for the investment which, inter alia, would include comparison with the interest rates offered by other scheduled commercial banks. Further, Quantum AMC will ensure that the reasons for such investments are recorded in the manner prescribed in SEBI Circular MFD/CIR/6/73/2000 dated July 27, 2000 and such investments in short-term deposits are made in line with SEBI Circular SEBI/IMD/CIR No. 1/ 91171 /07dated April 16, 2007.
10. The Fund may lend securities in accordance with "Guidelines for Participation by Mutual Funds in Stock Lending" issued by SEBI or any amendments thereto up to a maximum limit of 5% of its Net Assets.
11. In case any company has invested more than 5% of the net asset value of this Scheme, the investment made by the Scheme or by any other scheme of Quantum Mutual Fund in that company or its subsidiaries, if any, shall be brought to the notice of the Trustees by Quantum AMC and be disclosed in the half-yearly and annual accounts with justification for such investment provided that the latter investment has been made within one year of the date of the former investment calculated on either side.
12. The Scheme will have a maximum exposure to Foreign Debt Securities of 10% of its Net Assets subject to a maximum of US \$ 300 million or such other limit prescribed by SEBI Regulation.
13. All the Scheme's investments will be in transferable securities or in money at call or any such facility provided by RBI in lieu of call.
14. No loans for any purpose can be advanced by the Scheme.
15. The Fund shall not borrow except to meet temporary liquidity needs of the Fund for the purpose of Repurchase/Redemption of Units or payment of interest and/or dividend to the Unitholders, provided that the Fund shall not borrow more than 20% of the net assets of

the individual Scheme and the duration of the borrowing shall not exceed a period of 6 months.

16. The Scheme may also use various S & P CNX Nifty related derivative products from time to time, as are available and permitted by SEBI and this Scheme Information Document, in an attempt to protect and enhance the interests of the Unitholders at all times. Derivatives are contractual instruments whose performance is derived from that of an underlying asset.
17. The Scheme shall not make any investment in a Fund of Fund's Scheme.
18. The Scheme will not enter into any transaction, which exposes it to unlimited liabilities or results in the encumbering of its assets in any way so as to expose them to unlimited liability.
19. The Scheme shall not invest more than 15% of its NAV in debt instruments issued by a single issuer rated not below investment grade by a credit rating agency authorised to carry out such activity under the Securities and Exchange Board of India Act, 1992 and this limit may be extended to 20% of the NAV of the Scheme subject to prior approval of the Board of the AMC and the Trustee. Investments within such limits can be made in mortgage backed securitised debts which are rated not below investment grade by a credit rating agency registered with SEBI.

Provided that such limit shall not be applicable for investment in Government Securities and Money Market Instruments.

Provided that in case of investment in money market instruments, the Scheme shall not invest more than 30% of its net assets in Money Market Instruments issued by a single issuer. The limit shall not be applicable to investment in CBLOs.

20. The Scheme shall not invest more than 10% of its NAV in unrated debt instruments issued by a single issuer and such total investments shall not exceed 25% of the NAV of the Scheme.

All such investments shall be subject to the prior approval of the Board of the AMC and the Trustee.

Note: Debentures, irrespective of any residual maturity period (above or below 91 days), shall attract the investment restrictions as applicable for debt instruments. Further, it is clarified that the investment limits mentioned in (19) and (20) above are applicable to all debt securities which are issued by public bodies/institutions such as electricity boards, municipal corporations, state transport corporations etc. guaranteed by either Central or State Government. Government securities issued by central/state government or on its behalf by RBI are exempt from the above referred investment limits.

These investment limitations/parameters as expressed/linked to the net asset/net asset value/capital, shall in the ordinary course, apply as at the date of the most recent transaction or commitment to invest. Changes do not have to be effected merely because of appreciation or depreciation in value or by reason of the receipt of any rights, bonuses or benefits in the nature of capital or of any scheme of arrangement or for amalgamation, reconstruction or exchange, or at any repayment or Redemption or other reason outside the control of the Fund, in case any such limits would thereby be breached due to such an event. If these limits are exceeded for reasons beyond its control, AMC shall adopt as

a priority objective the remedying of that situation, taking due account of the interests of the Unitholders.

The Scheme will comply with SEBI regulations and any other Regulations applicable to the investments of Mutual Funds from time to time. The AMC/Trustees may alter the above restrictions from time to time to the extent that changes in the Regulations may allow and/or as deemed fit in the general interest of the Unitholders, so as to permit the Scheme to make its investments in the full spectrum of permitted investments for mutual funds to achieve its investment objective.

## J. HOW HAS THE SCHEME PERFORMED?

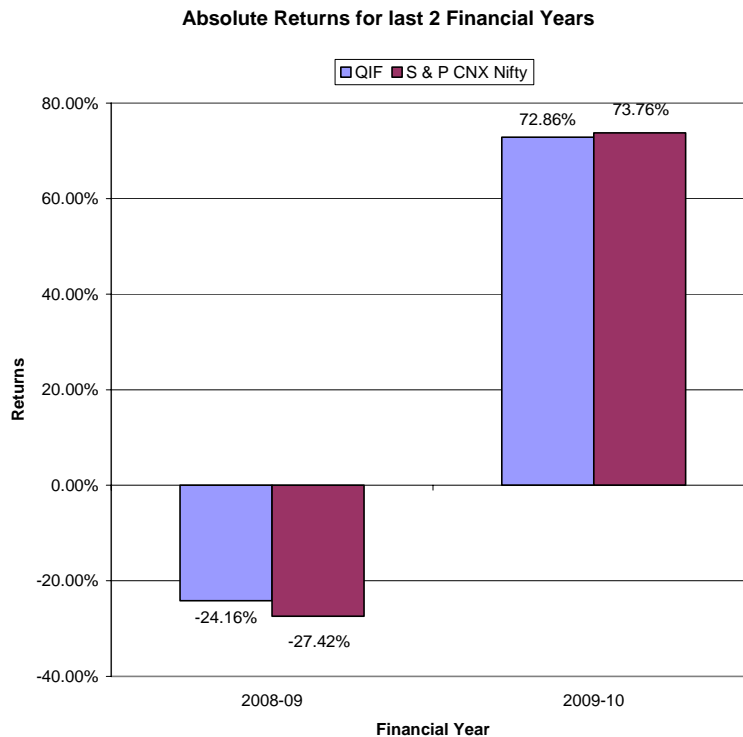
### A) Compounded Annualized Returns as on March 31, 2010:

| Compounded Annualized Returns | Scheme Returns - % | Benchmark Returns - % (S&P CNX Nifty Index) |
|-------------------------------|--------------------|---|
| Return for last 1 year        | 72.86%             | 73.76%                                      |
| Since Inception               | 16.99%             | 14.39%                                      |

Past performance may or may not be sustained in future.

Date of Inception: July 10, 2008

### B) Absolute Returns for last 2 Financial Years:



Past performance may or may not be sustained in future.

## K. INTRODUCTION TO EXCHANGE TRADED FUND

### Background of Exchange Traded Funds

Exchange Traded Funds or ETFs are investment schemes that are listed on stock exchanges and can be traded like equity shares. An ETF would have some underlying security or group of securities like an index, sector stocks or commodities. These underlying securities determine the ETF's value. Investors can buy or sell these ETF units. Globally, ETFs are increasingly finding favour with retail as well as institutional investors. They aid investors to diversify their risks by taking a broad exposure to entire markets or specific sectors in different countries with relative ease, on a real-time basis and at a lower cost than many other forms of investing. ETFs are attractive to investors as they offer the diversification of mutual funds combined with the flexibilities of stock trading.

ETFs are not to be confused with futures. Even though both ETFs and Futures allow investors exposure to an underlying asset, they are different in many ways. Futures contracts are derivative products and trades are settled at a pre-determined time in the future. ETFs are a cash market product and can be held for as long as the investor wants.

### History

The first exchange-traded fund began trading on the Toronto Stock Exchange in 1989. Some of the most popular ETFs are QQQs (Cubes) based on the Nasdaq-100 Index, SPDRs (Spiders) based on the S&P 500 Index, iSHARES based on MSCI Indices and TRAHK (Tracks) based on the Hang Seng Index. In the commodities segment, StreetTRACKS and iShares are extremely popular.

Initially, the response to ETFs was very limited. But over time, trade volumes boomed. As at the end of 2005, the Assets under Management by all ETFs were estimated to be over \$550 Bn. The Financial Research Corporation predicts that by the year 2007 total ETF assets will reach up to \$1 trillion.

Salient Features - ETFs can be bought and sold throughout the trading day at real time prices. An investor can take advantage of price rises and declines that take place during the day.

ETFs are also more economical for the investor. Most ETFs charge lower annual expenses. Over the long term, these cost advantages can compound into a significant difference for the investor.

### Advantages of ETFs

**Diversification:** As each ETF is comprised of a basket of securities, it inherently provides diversification across an entire index. The range and breadth of ETFs is ever expanding. ETFs today are not just about stock indices. In addition to stock indices in emerging (E.g.:- China, Malaysia, Brazil) as well as developed markets (E.g.:- U.S., U.K.), an investor can take positions in specific sectors like healthcare, telecom, biotech etc. Commodity, Bond, Currency and Real Estate ETFs are also available. Even for institutional investors, ETFs facilitate easy asset allocation, hedging facilities and options to equitise cash.

**Affordability:** The unit cost of an ETF can be very low when compared to the prices of its constituents. These lower prices are attractive for retail investors, who otherwise might not have been able to afford the basket.

**Transparency:** The investor has a better idea beforehand about where his money will be invested. The performances of ETFs generally corresponds to the performance and yield of their underlying security.

**About the Index**

The S&P CNX Nifty comprises of 50 stocks and is a market capitalization weighted index. Stocks are selected based on their market capitalization and liquidity. An important aspect of S&P CNX Nifty is that the impact cost (cost of executing the entire set of S&P CNX Nifty securities) is low. Nifty stocks represent about 63% of the Free Float Market Capitalization as on December 31, 2009. The S&P CNX Nifty has a base date of November 03, 1995 with a base index value of 1000. The index is reviewed quarterly.

**Attributes of the Index**

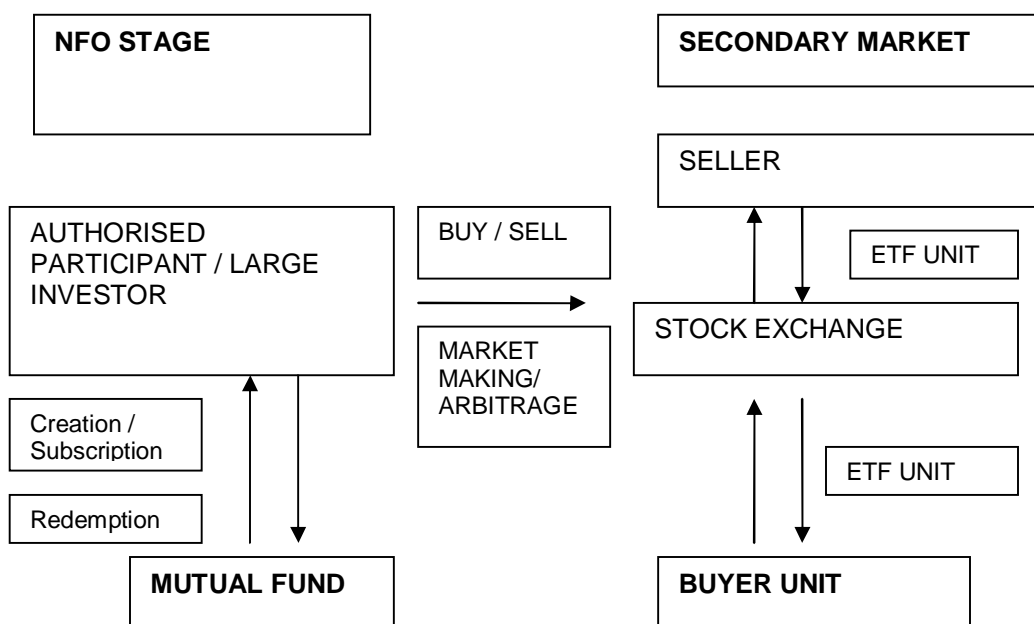
The S&P CNX Nifty Index is a broad based diversified index.

**Index Service Provider**

India Index Services & Products Ltd. (IISL) is a joint venture between the National Stock Exchange of India Ltd. (NSEIL) and the CRISIL Ltd. IISL has been formed with the objective of providing a variety of indices and index related services and products for the capital market.

IISL has a Consulting and License Agreement with Standard and Poor's, a division of The McGraw Hill Companies Inc., (S&P), the world's leading provider of investable equity indices, for co-branding certain equity indices of IISL.

**An Indicative Flow Chart on working of Index ETF**



### III. UNITS AND OFFER

This section provides details you need to know for investing in the scheme.

#### A. NEW FUND OFFER (NFO)

This section does not apply to the Scheme covered in this SID, as the ongoing offer of the Scheme has commenced after the NFO and the Units are available for continuous subscription and redemption.

#### B. ONGOING OFFER DETAILS

|  |   |
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| <p>Ongoing Offer Period</p> <p>This is the date from which the scheme will reopen for subscription /redemptions after the closure of the NFO period</p>  | <p>The continuous offer for the scheme commenced from July 18, 2008.</p>  |
| <p>Ongoing price for subscription (purchase)/switch-in (from other schemes/plans of the mutual fund) by investors.</p> <p>This is the price you need to pay for purchase/switch-in.</p> <p>Example: If the applicable NAV is Rs. 10, entry load is 2% then sales price will be: <math>Rs. 10 * (1+0.02) = Rs. 10.20</math></p> | <p><b>(a) Directly with the Fund</b></p> <p>QIF units in less than Creation Unit cannot be purchased directly with the Fund except as may be allowed by the AMC in its own discretion from time to time.</p> <p>“Creation Unit” is a fixed number of QIF Units, which is exchanged for a basket of shares underlying the benchmark index, called the “Portfolio Deposit” and a “Cash Component”. The facility of creating units in creation unit size is available to the Authorized Participants (whose names will be available on the website of the Fund <a href="http://www.QuantumAMC.com">www.QuantumAMC.com</a> / <a href="http://www.QuantumMF.com">www.QuantumMF.com</a>) and Eligible investors..</p> <p>The number of QIF Units that investors can create in exchange of the Portfolio Deposit and Cash Component is 2,000 units and in multiples thereof. The portfolio Deposit and Cash Component are defined as follows:-</p> <ol style="list-style-type: none"> <li>a. <b>Portfolio Deposit:</b> This is a pre- defined basket of securities that represent the underlying index and will be defined and announced by the fund on daily basis and can change from time to time.</li> <li>b. <b>Cash Component for Creating in Creation Unit Size:</b> The Cash Component represents the difference between the applicable net asset value of a creation unit and the market value of Portfolio deposit. This difference will represent accrued dividends, accrued annual charges including management</li> </ol> |

fees and residual cash in the Scheme. In addition the Cash Component will also include transaction cost as charged by the Custodian/ DP, equalization of dividend and other incidental expenses for Creating Units. The Cash Component will vary from time to time and will be decided and announced by the AMC.

**Procedure for Creating QIF Units in Creation Unit Size**

The requisite securities constituting the Portfolio Deposit have to be transferred to the Fund's DP account while the Cash Component has to be paid to the Custodian/AMC. On confirmation of the same by the Custodian/AMC, the AMC will transfer the respective number of QIF Units into the investor's DP account. The AMC may create "Creation Unit" prior to receipt of all or a portion of the relevant Portfolio Deposit and Cash Component in certain circumstances as determined by the AMC including where the purchaser, among other things, posts collateral to secure its obligation to deliver such outstanding Portfolio Deposit Securities and Cash Component.

The Portfolio Deposit and Cash Component for QIF Units may change from time to time due to changes in the underlying Index on account of corporate actions and changes to the index constituents.

The Fund may in its own discretion allow cash purchase of QIF units in creation unit size by Authorized Participation and Eligible Investors. Purchase request for creation units shall be made by such investor to the Fund / AMC whereupon the Fund / AMC will arrange to buy the underlying portfolio of securities.

**Disclosure of Portfolio Deposit and cash Component**

The AMC discloses the Portfolio Deposit and Cash Component on daily basis for creating and redeeming units in Creation Unit size for QIF. The same will be disclosed on our website i.e. [www.QuantumAMC.com](http://www.QuantumAMC.com) / [www.QuantumMF.com](http://www.QuantumMF.com), daily in the morning and would be applicable for creating and redeeming units in Creation Unit size for that working day only.

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|   | <p><b>(b) On the Exchange</b></p> <p>As the Units of the Scheme are listed on NSE, an investor can buy units on continuous basis on the capital market segment of NSE during trading hours like any other publicly traded stock at prices which may be close to the actual NAV of the Scheme.</p>  |
| <p>Ongoing price for redemption (sale) / switch outs (to other schemes/plans of the Mutual Fund) by investors.</p> <p>This is the price you will receive for redemptions / switch outs.</p> <p>Example: If the applicable NAV is Rs. 10, exit load is 2% then redemption price will be:</p> <p>Rs. 10 * (1-0.02) = Rs. 9.80</p> | <p><b>(a) Directly with the Fund</b></p> <p>QIF units in less than Creation Unit cannot be redeemed directly with the Fund except as may be allowed by the AMC in its own discretion from time to time.</p> <p>“Creation Unit” is a fixed number of QIF Units, which is exchanged for a basket of shares underlying the benchmark index, called the “Portfolio Deposit” and a “Cash Component” . The facility of redeeming units in Creation Unit size is available to the Authorized Participants (whose names will be available on the website of the Fund <a href="http://www.QuantumAMC.com">www.QuantumAMC.com</a> / <a href="http://www.QuantumMF.com">www.QuantumMF.com</a>) and Eligible investors.</p> <p>The number of QIF Units that investors can redeem in exchange of the Portfolio Deposit and Cash Component is 2,000 units and in multiples thereof. The portfolio Deposit and Cash Component are defined as follows:-</p> <ol style="list-style-type: none"> <li>a. <b>Portfolio Deposit:</b> This is a pre- defined basket of securities that represent the underlying index and will be defined and announced by the fund on allotment date and can change from time to time.</li> <li>b. <b>Cash Component for Redemption in creation Unit Size:</b> The Cash Component represents the difference between the applicable net asset value of a Creation Unit and the market value of the Portfolio deposit. This difference will represent of accrued dividend, accrued annual charges including management fees and residual cash in the scheme. Any transaction cost charged by the Custodian / DP, equalization of dividend and other incidental expenses for redeeming units will vary from time to time and will be decided and announced by the AMC on its website and other data provider and the media at large. The Cash component for redemption will also be adjusted for exit load if applicable.</li> </ol> |

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|  | <p>The exit load will be decided by the AMC from time to time and will be within the limits specified under the regulations.</p> <p><b>Procedure for Redeeming QIF Units in Creation Unit Size</b></p> <p>The requisite securities constituting the Portfolio Deposit have to be transferred to the funds DP account while the Cash Component has to be paid to the Custodian/AMC. On confirmation of the same by the Custodian/AMC, the AMC will transfer the respective number of QIF Units into the investor's DP account. The AMC may redeem "Creation Unit" prior to receipt of all or a portion of the relevant Portfolio Deposit and Cash Component in certain circumstances as determined by the AMC including where the purchaser, among other things, posts collateral to secure its obligation to deliver such outstanding Portfolio Deposit Securities and Cash Component.</p> <p>The Portfolio Deposit and Cash Component for QIF Units may change from time to time due to changes in the underlying Index on account of corporate actions and changes to the index constituents.</p> <p>The Fund may in its own discretion allow cash redemption of QIF units in creation unit size by Authorized Participation and Eligible Investors.</p> <p><b>(b) On the Exchange</b></p> <p>As the Units of the Scheme are listed on NSE, an investor can sell units on continuous basis on the capital market segment of NSE during trading hours like any other publicly traded stock at prices which may be close to the actual NAV of the Scheme.</p> |
| <p>Cut off timing for subscriptions / redemptions / switches.</p> <p>This is the time before which your application (complete in all respect) should reach the official points of acceptance</p> | <p>The cut off time for receipt of valid application for subscription and redemption is 3.00 p.m.</p> <p>However, as the Scheme is the Exchange Traded Scheme, the subscriptions and redemptions of units would be based on the Portfolio Deposit and Cash Component as defined by the Fund for that respective Business Day.</p> <p>As the units issued under the Scheme are listed, the provisions of the cut off time are not applicable.</p>  |

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| <p>Where can the application for purchase be submitted?</p> <p>(a) For creation of units</p> <p>(b) For retail investor</p>  | <p>Quantum Asset Management Company Private Ltd , 505, Regent Chambers, 5<sup>th</sup> Floor, Nariman Point, Mumbai - 400 021 or at the Official Point of Acceptance as mentioned in the SID</p> <p>QIF units can purchase or redeem through National Stock Exchange of India Limited (NSE) or other exchange where it is listed.</p>   |
| <p>Minimum Application Amount for purchase/redemption.</p>   | <p><b>Directly with Fund:</b> The investors can create / redeem in exchange of Portfolio Deposit and Cash Component in Creation Unit size at NAV based Price. – 2000 Units and in multiples of thereof.</p> <p><b>On the Exchange:</b> At prices which may be close to the NAV of QIF Units. The units of the scheme can be purchased / redeemed in minimum lot of 1 unit and multiples thereof.</p>  |
| <p>Who can Invest?<br/>This is an indication list and you are requested to consult your financial advisor to ascertain whether the scheme is suitable to your risk profile</p> | <p><b>WHO CAN INVEST?</b></p> <p>The following persons are eligible and may apply for subscription to the Units of the Scheme (subject, wherever relevant, to purchase of units of mutual funds being permitted under relevant statutory regulations and their respective constitutions):</p> <ol style="list-style-type: none"> <li>1. Resident adult individuals either singly or jointly (not exceeding three);or on an Anyone or Survivor basis</li> <li>2. Karta of Hindu Undivided Family (HUF);</li> <li>3. Minors through parent/legal guardian;</li> <li>4. Partnership Firms;</li> <li>5. Companies, Bodies Corporate, Public Sector Undertakings, Association of Persons or bodies of individuals and societies registered under the Societies Registration Act,1860;</li> <li>6. Banks &amp; Financial Institutions;</li> <li>7. Mutual Funds registered with SEBI;</li> <li>8. Religious and Charitable Trusts, Wakfs or endowments of private trusts (subject to receipt of necessary approvals as required) and Private trusts authorised to invest in mutual fund schemes under their trust deeds;</li> <li>8. Non-Resident Indians (NRIs/) Persons of Indian origin residing abroad (PIO) on repatriation basis or on non-repatriation basis;</li> <li>9. Foreign Institutional Investors (FIIs) registered</li> </ol> |

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|  | <p>with SEBI on repatriation basis;</p> <ol style="list-style-type: none"> <li>10. Army, Air Force, Navy and other para-military units and bodies created by such institutions;</li> <li>11. Scientific and Industrial Research Organisations;</li> <li>12. Multilateral Funding Agencies/Bodies Corporate incorporated outside India with the permission of Government of India/Reserve Bank of India;</li> <li>13. Other schemes of Quantum Mutual Fund subject to the conditions and limits prescribed by SEBI Regulations;</li> <li>14. Trustee, AMC or Sponsor or their associates may subscribe to Units under the Scheme;</li> <li>15. Such other individuals/institutions/body corporate etc., as may be decided by the Mutual Fund from time to time, so long as wherever applicable they are in conformity with SEBI Regulations.</li> </ol> <p><b>WHO CANNOT INVEST?</b></p> <p>It should be noted that the following persons <b>cannot</b> invest in the Scheme(s):</p> <ol style="list-style-type: none"> <li>1. Any person who is a Foreign national.</li> <li>2. Overseas Corporate Bodies (OCBs) shall not be allowed to invest in the Scheme. These would be firms and societies, which are held directly or indirectly but ultimately to the extent of at least 60% by NRIs and trusts in which at least 60% of the beneficial interest is similarly held irrevocably by such persons (OCBs).</li> <li>3. Non-Resident Indians residing in the USA and Canada or an FATF (Financial Action Task Force) non-compliant country/territory.</li> </ol> <p>The Fund reserves the right to include/exclude new/existing categories of Investors to invest in the Scheme from time to time, subject to SEBI Regulations and other prevailing statutory regulations, if any.</p> <p><b>Note:</b></p> <ol style="list-style-type: none"> <li>1. In case of application under a Power of Attorney or by a limited company or a corporate body or an eligible institution or a registered society or a trust fund, the original Power of Attorney or a certified true copy duly notarised or the relevant resolution or authority to make the application as the case may be, or duly notarised copy thereof,</li> </ol> |
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|  | <p>alongwith a certified copy of the Memorandum and Articles of Association and/or bye -laws and/or trust deed and/or partnership deed and Certificate of Registration should be submitted. The officials should sign the application under their official designation. A list of specimen signatures of the authorised officials, duly certified/attested should also be attached to the Application Form. In case of a Trust/Fund it shall submit a resolution from the Trustee(s) authorising such purchases and Repurchase/Redemptions.</p> <p>Applications failing to fulfill the above-stipulated conditions are liable to be rejected.</p> <p>2. Returned cheques are not liable to be presented again for collection, and the accompanying application forms are liable to be rejected. In case the returned cheques are presented again, the necessary charges, if any, are liable to be debited to the investor.</p> <p>3. RBI has vide Schedule 5 of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, granted a general permission to NRIs/Persons of Indian Origin residing abroad (PIOs) and FIIs for purchasing /Repurchasing/Redeeming Units of the mutual funds subject to conditions stipulated therein.</p> <p>All cheques and bank draft accompanying the application form number on its reverse. It is mandatory for every applicant to provide the bank, branch, address, account type and number as per SEBI requirements and any Application Form without these details will be treated as incomplete. Such incomplete application will be rejected.</p> <p>An investor is required to provide his / her bank account number in the application form / redemption request.</p> |
| How to Apply   | Please refer to the SAI for instructions and Application Form  |
| Listing  | The units of the Scheme are listed on the capital market segment of NSE. The AMC reserves the right to list the units of the Scheme on any other recognized Stock Exchange.  |
| Minimum balance to be maintained and consequences of non maintenance | Not Applicable   |

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| Dividend Policy       | <p>The Trustee proposes to follow the following dividend distribution policy:</p> <p>In terms of SEBI Circular No. 1/64057/06 dated April 4, 2006, the Trustees shall fix the quantum of dividend and the record date. The AMC shall, within one calendar day of the decision by the Trustee, issue notice to the public, communicating the decision, including the record date. The record date shall be 5 calendar days after the issue of notice and issued in accordance with the terms of the Circular. Declaration of dividend is subject to the availability of distributable surplus. It must be distinctly understood that the actual declaration of dividends under the Scheme and the frequency thereof will, inter-alia, depend upon the distributable surplus of the Scheme. There is no assurance or guarantee to Unitholders as to the rate of dividend distribution nor will that dividend be regularly paid. The dividend that may be paid out of the net surplus of the Scheme will be paid only to those Unitholders whose names appear in the register of Unitholders on the notified record date. Unitholders are entitled to receive dividend within 30 days of the date of declaration of the dividend. However, the Mutual Fund will endeavour to make dividend payments sooner to Unitholders. On distribution of dividends, the NAV will stand reduced by the amount of dividend distributed and statutory levy, if any, at the close of business hours on record date.</p> |
| Special Products      | QIF does not offer Systematic Investment Plan, Systematic Transfer Plan or Systematic withdrawal Plan   |
| Plans/Options offered | <p>The Scheme offers only one option - Growth Option</p> <p>Plan: NIL</p>   |
| Accounts Statements   | <p>Application received directly with the Fund</p> <ul style="list-style-type: none"> <li>• An Account Statement reflecting the number of units allotted shall be dispatched to the Unitholders by ordinary post/courier/electronic mode (if so mandated) within 10 working days from the date of acceptance of valid request.</li> <li>• As the units of the Schemes are in demat, investors would be provided with a statement of holding by his / her / their Depository Participants as per the rules of Depository. The statement issued by the Depository would be deemed to be adequate compliance with requirement of SEBI regarding dispatch of statement of account.</li> </ul>   |

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|   | <p><b>Account Statement:</b></p> <ul style="list-style-type: none"> <li>• The Fund shall provide the Account Statement to the Unitholders who have not transacted during the last six months prior to the date of generation of account statements. The Account Statement shall reflect the latest closing balance and value of the Units prior to the date of generation of the account statement.</li> <li>• Alternately, soft copy of the account statements shall be mailed to the investors' e-mail address, instead of physical statement, if so mandated.</li> <li>• As the units of the Schemes are in demat, investors would be provided with a statement of holding by his / her / their Depository Participants as per the rules of Depository. The statement issued by the Depository would be deemed to be adequate compliance with requirement of SEBI regarding dispatch of statement of account.</li> </ul> |
| Dividend  | The dividend warrants shall be dispatched to the unitholders within 30 days of the date of declaration of the dividend.   |
| Redemption  | The redemption or repurchase proceeds shall be dispatched to the Unitholders within 10 working days from the date of redemption or repurchase.  |
| Settlement of Purchase / Sale of Units of Scheme on the NSE | <p>Buying / Selling of unit of the Scheme on NSE is just like buying /selling any other normal listed security. If an investor has bought units, and investor has to pay the purchase amount to the broker/ sub- broker such that the amount paid is realized before the funds pay in day of the settlement cycle on the NSE. The NSE regulations stipulate that the trading member should pay the money or units to the investor within one working day of the pay- out by Exchange.</p> <p>If an Investor has bought units he should give standing instructions for "Delivery – In" to his /her DP for accepting units in his/her beneficiary account. An investor should give the details of his /her beneficiary account and the DP-ID of his/her trading member. The trading member will transfer the units directly to his /her beneficiary account on receipt of the same from NSE's Clearing Corporation.</p>       |

|                    | <p>An Investor who has sold units should instruct his/her Depository Participant (DP) to give "Delivery Out" instructions to transfer the units from his/her beneficiary account to the Pool Account of his/her trading member through whom he/she have sold the units. The details of the Post A/c (CM-BP-ID) of his /her trading member to which the units are to be transferred, unit quantity etc should be monitored in the Delivery out instructions given by him/her to the DP.</p> <p>The instructions should be given well before the prescribed securities pay-in day. SEBI has advised that the Delivery Out instructions should be given at least 24 hours prior to the cut – off time for the prescribed securities pay-in to avoid any rejection of instructions due to date entry errors, network problems, etc.</p>   |     |          |   |   |       |   |       |  |       |   |       |  |
|--------------------|---|-----|----------|---|---|-------|---|-------|--|-------|---|-------|--|
| Rolling Settlement | <p>As per SEBI's Circular dated March 4, 2003, the rolling settlement on T+ 2 basis for all trades has commenced from April 1, 2003 onwards. The Pay-in and Pay-out of funds and the units will take place 2 working days after the trading date.</p> <p>The Pay-in and Pay-out days for funds and securities are prescribed as per the Settlement Cycle. A typical Settlement Cycle of Rolling Settlement is given below:</p> <table border="1" data-bbox="776 1136 1370 1514"> <thead> <tr> <th>Day</th> <th>Activity</th> </tr> </thead> <tbody> <tr> <td>T</td> <td>The day on which the transaction is executed by a trading member.</td> </tr> <tr> <td>T + 1</td> <td>Confirmation of all trades including custodial trades by 11.00 a.m.</td> </tr> <tr> <td>T + 1</td> <td>Processing and downloading of obligation files to brokers/ custodians by 1.30 p.m.</td> </tr> <tr> <td>T + 2</td> <td>Pay-in of funds and securities by 11. 30 a.m.</td> </tr> <tr> <td>T + 2</td> <td>Pay out of funds and securities by 1.30 p.m.</td> </tr> </tbody> </table> <p>While calculating the days from the Trading day (Day-T), weekend days (i.e. Saturday and Sundays) and bank holidays are not taken into consideration.</p> | Day | Activity | T | The day on which the transaction is executed by a trading member. | T + 1 | Confirmation of all trades including custodial trades by 11.00 a.m. | T + 1 | Processing and downloading of obligation files to brokers/ custodians by 1.30 p.m. | T + 2 | Pay-in of funds and securities by 11. 30 a.m. | T + 2 | Pay out of funds and securities by 1.30 p.m. |
| Day                | Activity  |     |          |   |   |       |   |       |  |       |   |       |  |
| T                  | The day on which the transaction is executed by a trading member.   |     |          |   |   |       |   |       |  |       |   |       |  |
| T + 1              | Confirmation of all trades including custodial trades by 11.00 a.m.   |     |          |   |   |       |   |       |  |       |   |       |  |
| T + 1              | Processing and downloading of obligation files to brokers/ custodians by 1.30 p.m.  |     |          |   |   |       |   |       |  |       |   |       |  |
| T + 2              | Pay-in of funds and securities by 11. 30 a.m.   |     |          |   |   |       |   |       |  |       |   |       |  |
| T + 2              | Pay out of funds and securities by 1.30 p.m.  |     |          |   |   |       |   |       |  |       |   |       |  |

|  |  |
|--|--|
| <p>Suspension of Sale and Redemption of Units</p>          | <p>The Mutual Fund at its sole discretion reserves the right to withdraw Sale and /or Repurchase/Redemption or Switching of the Units in the Scheme temporarily or indefinitely, if in the opinion of the AMC the general market conditions are not favorable and/or suitable investment opportunities are not available for deployment of funds. However, the suspension of Sale/Repurchase/Redemption/Switching either temporarily or indefinitely will be with the approval of the Trustee.</p>   |
| <p>Right to limit fresh Subscription &amp; Redemption</p>  | <p>In case the size of the Scheme increases to a level which in the opinion of the Trustees is not manageable, the Trustees reserve the right to stop fresh sale of units and also redeem the units on pro- rata basis to investors in order to reduce the size to a manageable level.</p> <p>The Trustees reserves the right at its sole discretion to withdraw / suspend the allotment / sale of units in the Scheme temporarily or indefinitely, if the AMC views that increasing the size of the Scheme may prove detrimental to the existing unitholders of the Scheme. A request or any order to purchase the units is not binding on and may be rejected by the AMC unless it has been confirmed in writing by the AMC and / or the payment has been received for the same.</p> |
| <p>Dematerialization</p>                                   | <p>a. Units of the Scheme will be available in Dematerialized (electronic) form only. However, AMC , at the discretion may send account statements to unit holders periodically</p> <p>b. The applicant under the Scheme required to have a beneficiary account with a Depository Participant of NSDL and/or CDSL and will be required to indicate in the application the Depository Participants (DPs) name, DP ID Number and the beneficiary account number of the applicant.</p> <p>c. Units of the Scheme will be issued, traded and settled compulsorily in dematerialized form.</p> <p>Applications without relevant details of his/her/its depository account are liable to be rejected.</p>  |
| <p>Delay in payment of redemption/ repurchase proceeds</p> | <p>The Fund shall dispatch the Redemption/ Repurchase proceeds to the Unitholders within 10 Business Days from the date of redemption or repurchase. The AMC shall be liable to pay interest to the unitholders at such rate as may be specified by SEBI for the period of such delay (presently @15% per annum)</p>   |

### Example of Creation and Redemption of Units

As explained earlier, the Creation Unit is made up of 2 components i.e. the Portfolio Deposit and the Cash Component. The Portfolio Deposit will be determined by the Fund as per the weightages of each security in the Underlying Index. The value of this Portfolio Deposit will change due to change in prices during the day. The number of shares of each security that constitute the portfolio deposit will remain constant unless there is any corporate action in the Underlying Index.

| Name                          | Quantity | Name                            | Quantity |
|-------------------------------|----------|---------------------------------|----------|
| ABB LTD.                      | 7        | Larsen & Toubro Limited         | 42       |
| ACC Limited                   | 7        | Mahindra & Mahindra Limited     | 29       |
| Ambuja Cements Limited        | 56       | Maruti Suzuki India Limited     | 9        |
| Axis Bank Limited             | 17       | NTPC Limited                    | 60       |
| Bharti Airtel Limited         | 84       | Oil And Natural Gas Corp.       | 23       |
| BHEL                          | 11       | Punjab National Bank            | 9        |
| Bharat Petroleum Corp Limited | 9        | Power Grid Corp. Limited        | 40       |
| Cairn India Limited           | 30       | Ranbaxy Labs Limited            | 10       |
| Cipla Limited                 | 35       | Reliance Communications Limited | 46       |
| DLF Limited                   | 25       | Reliance Capital Limited        | 8        |
| GAIL (INDIA) Limited          | 31       | Reliance Industries Limited     | 117      |
| HCL Technologies Limited      | 15       | Reliance Infrastructu Limited   | 10       |
| HDFC Limited                  | 18       | Reliance Power Limited          | 25       |
| HDFC Bank Limited             | 24       | Steel Authority Of India        | 40       |
| Hero Honda Motors Limited     | 6        | State Bank Of India             | 18       |
| Hindalco Industries Limited   | 90       | Siemens Limited                 | 10       |
| Hindustan Unilever Limited    | 72       | Sterlite Inds (Ind) Limited     | 28       |
| ICICI BANK Limited            | 77       | Sun Pharmaceuticals Ind.        | 5        |
| Idea Cellular Limited         | 116      | Suzlon Energy Limited           | 50       |
| INFRA. DEV. FIN. CO. Limited  | 65       | Tata Motors Limited             | 19       |
| Infosys Technologies Limited  | 33       | Tata Power Co Limited           | 11       |
| ITC Limited                   | 180      | Tata Steel Limited              | 42       |
| Jindal Steel & Power Limited  | 27       | Tata Consultancy Serv Limited   | 35       |
| Jaiprakash Associates Limited | 78       | Unitech Limited                 | 93       |
| Kotak Mahindra Bank Limited   | 11       | Wipro Limited                   | 21       |

NAV of QIF units as on 13th April, 2010 = 533.8792. So total NAV consideration for 2000 units (creation size) = 2000 \* 533.8792 = 1067758.4, Portfolio Basket is calculated based on previous day's Nifty (closing) \* 200 \* scripwise weightage, On 12th April, 2010 Nifty closed at 5339.70 = 1067940.

Cash component for creation = NAV - Value of Portfolio Basket + (other charges + Taxes)

Cash component for redemption = Value of Portfolio Basket - NAV - (other charges + Taxes)

### C. PERIODIC DISCLOSURES

|   |   |
|---|---|
| <p><b>Net Asset value</b><br/>This is the value per unit of the scheme on a particular day. You can ascertain the value of your investments by multiplying the NAV with your unit balance.</p>  | <p>NAV shall be declared and announced on all Business Days and uploaded on the AMFI website (<a href="http://www.amfiindia.com">www.amfiindia.com</a>) by 9.00 p.m. the same will also be uploaded on the Fund's website <a href="http://www.QuantumAMC.com">www.QuantumAMC.com</a> / <a href="http://www.QuantumMF.com">www.QuantumMF.com</a> on every Business Day and will also be released in two newspapers for publication.</p> <p>In case of any delay, the reasons for such delay would be explained to AMFI and SEBI by the next day. If the NAVs are not available before commencement of business hours on the following day due to any reason, the Fund shall issue a press release providing reasons and explaining when the Fund would be able to publish the NAVs.</p>  |
| <p><b>Half yearly Disclosure Portfolio /Financial Results:</b><br/>This is a list of securities where the corpus of the scheme is currently invested. The market value of these investments is also stated in portfolio disclosures</p> | <p>The Fund shall before the expiry of 1 month from the close of each half year, that is as on 31 March and 30 September, publish its Half Yearly Unaudited Financial Results in one English daily newspaper circulating in the whole of India and in a newspaper published in the language of the region where the Head Office of the Fund is situated and update the same on the AMC's website at <a href="http://www.QuantumAMC.com">www.QuantumAMC.com</a> or <a href="http://www.QuantumMF.com">www.QuantumMF.com</a> and on AMFI's website at <a href="http://www.amfiindia.com">www.amfiindia.com</a>, within 1 month from the close of each half year, in the formats as prescribed by SEBI.</p> <p>Further the Fund shall also disclose the half-yearly scheme portfolios on its web site at <a href="http://www.QuantumAMC.com">www.QuantumAMC.com</a> and on AMFI web site (<a href="http://www.amfiindia.com">www.amfiindia.com</a>) in the prescribed format before the expiry of one month from the close of each half-year.</p> <p>The Fund shall before the expiry of one month from the close of each half year (as on 31st March and 30th September) send to the Unitholders a complete statement of Scheme's portfolios or if such statement is not sent to the Unitholders, it will be published by way of an advertisement in one English daily circulating in the whole of India and in a newspaper published in the language of the region where the head office of the mutual fund is situated.</p> |
| <p>Half yearly Results</p>  | <p>The Mutual fund shall before the expiry of one month from the close of each half year that is as on 31<sup>st</sup> March and on 30<sup>th</sup> September, publish its Half Yearly Unaudited Financial Results in one national English daily newspaper and in a regional newspaper published in the language of the region where the Head Office of the mutual fund is situated.</p>  |
| <p>Annual Report</p>  | <p>Scheme wise Annual Report or an abridged summary thereof shall be mailed to all unitholders within four months from the date of closure of the relevant account year i.e 31<sup>st</sup> March each year.</p>  |
| <p>Associate Transactions</p>   | <p>Please refer to Statement of Additional Information (SAI).</p>   |

|   |  |                             |                              |
|---|--|-----------------------------|------------------------------|
| Repurchase and sale Price-Limits  | The Repurchase /Redemption price shall not be lower than 93% of the NAV and the sale price shall not be higher than 107% of the NAV and the difference between the repurchase price and sale price shall not exceed 7% on the sale price   |                             |                              |
| Taxation The information is provided for general information only. However, in view of the individual nature of the implications, each investor is advised to consult his or her own tax advisors/authorised dealers with respect to the specific amount of tax and other implications arising out of his or her participation in the schemes. (mention the tax rates as per the applicable tax laws) | <b>( a ) Tax on Dividend Distributed (payable by the scheme) *</b><br>1. Resident Investors - NIL<br>2. Non Resident Investor – NIL<br>3. Mutual Fund – NIL  |                             |                              |
|   | <b>(b) Tax on Capital Gains *</b><br>For all class of investors<br><br>(provided such units are sold to the Mutual Funds and are chargeable to STT)  | <b>Long Term</b><br><br>NIL | <b>Short Term</b><br><br>15% |
|   | <p>* The mentioned Tax Rates shall be increased by applicable surcharge &amp; Cess.</p> <p>Equity Schemes will also attract Securities Transaction Tax (STT) @ 0.25% at the time of redemption and switch to other schemes.</p> <p>Mutual fund would also pay Securities Transaction Tax wherever applicable on the securities bought/sold.</p> <p>For further details on Taxation please refer the clause of Taxation of SAI.</p> |                             |                              |
| <b>Investor Services</b>  | <p><b>Mr. Malay Vora</b><br/>Investor Relation Officer<br/>Quantum Asset Management Company Private Limited<br/>505, Regent Chambers, 5<sup>th</sup> Floor, Nariman Point, Mumbai 400 021.<br/>Phone – (91) (22) 61447800<br/>Fax (91) (22) 22854318<br/>E-mail: <a href="mailto:investorrelations@QuantumAMC.com">investorrelations@QuantumAMC.com</a></p>  |                             |                              |

#### D. COMPUTATION OF NAV

Market or Fair Value of Scheme's investments + Current Assets - Current Liabilities and Provisions divided by Number of Units outstanding under Scheme on the valuation date.

The NAV will be calculated and announced as of the close of every Business Day upto 4 decimal places. The valuation of the Scheme's assets and calculation of the Scheme's NAV shall be

subject to audit on an annual basis and subject to such regulations as may be prescribed by SEBI from time to time.

#### IV. FEES AND EXPENSES

This section outlines the expenses that will be charged to the Scheme.

##### A. NEW FUND OFFER (NFO) EXPENSES :

These expenses are incurred for the purpose of various activities related to the NFO like sales and distribution fees paid marketing and advertising, registrar expenses, printing and stationery, bank charges etc. The NFO Expenses were borne by the AMC.

##### B. ANNUAL SCHEME RECURRING EXPENSES :

These are the fees and expenses for operating the scheme. These expenses include investment Management and Advisory Fee Charged by the AMC, Registrar and transfer Agents fee, marketing and selling costs etc., as given in the table below:

The AMC has estimated that upto 0.75% of the weekly average net assets of the scheme will be charged to the scheme as expenses for the actual current being charged, the Investor should refer to the website of the mutual fund.

| Particulars  | % of Net Assets |
|--|-----------------|
| Investment Management & Advisory Fees  | 0.25            |
| Custodial Fees   | 0.10            |
| Registrar & Transfer Agent Fees including cost relating to providing accounts statement, dividend/redemption cheques/warrants etc. | 0.04            |
| Marketing & Selling Expenses including Agents Commission and statutory advertisement   | -               |
| Brokerage & Transaction Cost pertaining to the distribution of units   | -               |
| Audit Fees / Fees and expenses of trustees   | 0.27            |
| Costs related to Investor communications   | -               |
| Costs of fund transfer from location to location   | -               |
| Other Expenses *   | 0.09            |
| <b>Total Annual Recurring Expenses</b>   | <b>0.75</b>     |

(\* To be specified as permitted under the Regulation 52 of SEBI (Mutual Funds) Regulations)

For the actual expenses being charged, the investor should refer to the website of the Mutual Fund. The current expense ratios will be updated on the Mutual Fund website viz. [www.QuantumAMC.com](http://www.QuantumAMC.com) / [www.QuantumMF.com](http://www.QuantumMF.com) within two working days mentioning the effective date of the change.

There will be no entry/exit load on QIF units bought or sold through the secondary market on the NSE. However, an investor would be paying cost in the form of a bid and ask spread and brokerage, as charged by his broker, for buying / selling QIF Units.

These estimates have been made in good faith as per the information available to the Investment Manager based on past experience and are subject to change inter-se. Types of expenses charged shall be as per the SEBI (Mutual Funds) Regulations.

As per the SEBI Regulations, the maximum recurring expenses, including the Investment management and advisory fee, that can be charged to the Scheme shall be subject to a percentage limit of average weekly net assets as given in the table below. Subject to the SEBI Regulations and the Scheme Information Document, expenses over and above the prescribed ceiling will be borne by the AMC.

| <b>average weekly net assets</b> | <b>% limit</b> |
|----------------------------------|----------------|
| First Rs. 100 Crores             | 2.50%          |
| Next Rs. 300 Crores              | 2.25%          |
| Next Rs. 300 Crores              | 2.00%          |
| Over Rs. 700 Crores              | 1.75%          |

Provided however that in case of an Index Fund Scheme, the total expenses of the scheme including the investment advisory fees shall not exceed 1.50% of the weekly average net assets. The investment and advisory fees shall not exceed 0.75% of the weekly average net assets.

The AMC reserves the right to calculate Investment Management Fees and recurring expenses on the basis of daily or weekly average net assets depending on the periodicity of publication of NAV.

However, the following expenses cannot be charged to the Scheme:

- Penalties and fines for infraction of laws.
- Interest on delayed payment to the Unitholders.
- Legal, marketing, publication and other general expenses not attributable to the Scheme.
- Expenses on investment/general management.
- Expenses on general administration, corporate advertising and infrastructure costs.
- Depreciation on fixed assets and software development expenses.
- Such other costs as may be prohibited by SEBI.

The recurring expenses of the Scheme(s), and the management fee, if any, shall be as per the limit prescribed under Sub-regulation (6) of Regulations 52 of the Regulations and shall not exceed the limit prescribed thereunder.

As per SEBI Regulations, the AMC is entitled to an Invest Management and Advisory Fee at the rate of 1.25% per annum on the weekly average net assets outstanding in each accounting year for the Scheme(s), as long as the net assets do not exceed Rs. 100 Crore and 1% of the excess amount over Rs. 100 Crore, where net assets so calculated exceed Rs.100 Crore.

### C. LOAD STRUCTURE :

Load is an amount which is paid by the investor to subscribe to the units or to redeem the units from the scheme. This amount may be used by the AMC to take care of marketing and selling expenses. Load amounts are variable and are subject to change from time to time. For the current applicable structure, please refer to the website of the AMC ([www.QuantumAMC.com](http://www.QuantumAMC.com) / [www.QuantumMF.com](http://www.QuantumMF.com)) or may call at (toll free no. 1 800 223 163).

| Type of Load | Load chargeable (as %age of NAV)  |
|--------------|---|
| Entry        | Not Applicable<br><br>In terms of SEBI circular no. SEBI/IMD/CIR No. 4/168230/09 dated June 30, 2009 it has been notified that, w.e.f. August 01, 2009 there will be no entry load charged to the schemes of the Mutual Fund and the upfront commission to distributors will be paid by the investor directly to the distributor, based on his assessment of various factors including the service rendered by the distributor.<br><br><b>Quantum Mutual Fund does not charge Entry Load since inception.</b> |
| Exit         | NIL   |

The investor is requested to check the prevailing load structure of the scheme before investing. Any imposition or enhancement in the load shall be applicable on prospective investments only. However the AMC shall not charge any load on issue of bonus units and units allotted on reinvestment of dividend for existing as well as prospective investors. For any change in load structure AMC will issue an addendum which shall be attached to the SID and Key Information Memorandum (KIM) and display it on the website / Investor Service Centres. The introduction of Exit load alongwith the details may be stamped in the acknowledgement slip issued to the investors on submission of the application form and may also be disclosed in the statement of accounts issued after introduction of such loads. Further a public notice shall be given in respect of such changes in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language or the region where the headoffice of the mutual fund is situated.

In terms of SEBI Circular No SEBI / IMD / CIR No.4 / 168230 / 09 dated June 30, 2009 with effect from August 01, 2009, of the Exit load / Contingent Deferred Sales Charge (CDSC) charged to the investor a maximum of 1% of the redemption proceeds shall be maintained in a separate account which can be used by the AMC to pay commissions to the distributors and to meet marketing and selling expenses of the Scheme Any balance shall be credited to the Scheme immediately.

However, Quantum Mutual Fund does not pay any commissions to the distributors and amount from Exit Load / Contingent Deferred Sales Charges collected by the Scheme is credited to the revenue account of the Scheme since inception.

The Mutual Fund may charge the load within the stipulated limit of 7% and without any discrimination to any specific group of unit holders. However, any change at a later stage shall not affect the existing unit holders adversely.

**D. WAIVER OF LOAD FOR DIRECT APPLICATIONS :**

Not Applicable

Pursuant to SEBI circular no. SEBI/IMD/CIR No.4/ 168230/09 dated June 30, 2009 no entry load shall be charged for all mutual fund schemes. Therefore, the procedure for waiver of load for direct applications is no longer applicable.

**V. RIGHTS OF UNITHOLDERS:**

Please refer to SAI for details.

**VI. PENALTIES, PENDING LITIGATION OR PROCEEDINGS, FINDINGS OF INSPECTIONS OR INVESTIGATIONS FOR WHICH ACTION MAY HAVE BEEN TAKEN OR IS IN THE PROCESS OF BEING TAKEN BY ANY REGULATORY AUTHORITY**

1. All cases of penalties awarded by SEBI under the SEBI Act or any of its regulations against the Sponsor of the Mutual Fund or any company associated with the Sponsor in any capacity including the Asset Management Company, Trustee Company/Board of Trustees, or any of the directors or key personnel (specifically the fund managers) of the Asset Management Company and Trustee Company. The nature of the penalty must be disclosed. For Sponsor and its associates, other than the penalties as mentioned above, the penalties awarded by any financial regulatory body, including stock exchanges, for defaults in respect of shareholders, debenture holders and depositors shall also be disclosed. Additionally, penalties awarded for any economic offence and violation of any securities laws shall be disclosed.

**Quantum Advisors Pvt Ltd (Sponsor):** NIL.  
**Trustee Company:** NIL  
**AMC:** NIL  
**Associates:** NIL

2. Any pending material litigation proceedings incidental to the business of the Mutual Fund to which the Sponsor of the Mutual Fund or any company associated with the Sponsor in any capacity including the AMC, Board of Trustees/Trustee Company or any of the directors or key personnel is a party. Any pending criminal cases against the Sponsor or any company associated with the Sponsor in any capacity including the AMC, Board of Trustees/Trustee Company or any of the directors to key personnel should also be disclosed separately

**Trustee Company :** NIL  
**AMC :** NIL  
**Associates:** NIL  
**Quantum Advisors Pvt Ltd (Sponsor):** NIL except the following:

The Sponsor has filed a suit against a Company by the name of Quantum Securities Private Limited (QSPL) in July, 2002 in the Mumbai High Court for passing of the Company's trademark "Quantum" as its own, resulting in confusion in the minds of general public.

The Company could not obtain interim relief sought by it, on the ground of delay as QSPL was using the word "Quantum" in its Company name since the year 1992. The said suit is however still pending for final disposal.

The mark "Quantum" has been registered by the Company in Class 16 under number 536926B since 14th September, 1990. The said registration has been continuously renewed and is presently in force. The Company has also applied for registering the "Quantum" mark as a service mark under Class 36 for use in respect of financial services.

3. Any deficiency in the systems and operations of the Sponsor of the Mutual Fund or any company associated with the sponsor in any capacity including the AMC or the Trustee Company which SEBI has specifically advised to be disclosed in the Scheme Information Document, or which has been notified by any other regulatory agency, shall be disclosed

**Quantum Advisors Pvt Ltd (Sponsor):** NIL  
**Trustee Company :** NIL  
**AMC :** NIL  
**Associates:** NIL

4. Any enquiry/adjudication proceedings under the SEBI Act and the Regulations made there under, that are in progress against the Sponsor of the Mutual Fund or any company associated with the Sponsor in any capacity including the AMC, Board of Trustees/Trustee Company or any of the Directors or key personnel of the Asset Management Company shall be disclosed

|  |     |
|--|-----|
| <b>Quantum Advisors Pvt Ltd (Sponsor):</b> | NIL |
| <b>Trustee Company :</b>                   | NIL |
| <b>AMC :</b>                               | NIL |
| <b>Associates:</b>                         | NIL |

**Notwithstanding anything contained in this Scheme Information Document, the provisions of the SEBI (Mutual Funds) Regulations, 1996 and the guidelines there under shall be applicable.**

**The Trustees have approved this Scheme Information Document on April 29, 2010. This version of the Scheme Information Document has been updated in lines with the current Laws and Regulations.**

**OFFICIAL POINT OF ACCEPTANCE / INVESTOR SERVICE CENTRE**

**Quantum Asset Management Company Private Limited**  
**505, Regent Chambers, 5<sup>th</sup> Floor, Nariman Point, Mumbai – 400 021.**

**Tel: 022 - 61447800**

**Toll Free No. : 1800 22 3863**

**Website : [www.QuantumAMC.com](http://www.QuantumAMC.com) / [www.QuantumMF.com](http://www.QuantumMF.com)**

**Email for information : [info@QuantumAMC.Com](mailto:info@QuantumAMC.Com)**

**Email for Investor Grievances / Complaints : [investorrelations@QuantumAMC.Com](mailto:investorrelations@QuantumAMC.Com)**