

Reaching Out: Arjun Marphatia (CEO)

Dear Investor,

As indicated in the previous month's newsletter, we completed 6 months on the 12th of September 2006. During the period, the NAV of the QLTEF scheme rose by 9.10% over the NFO issue price of Rs. 10

The upward trend of the BSE Sensex has been reflected in the QLTEF scheme's NAV. We closed the month with an NAV of Rs. 11.37 – our highest till date and reflecting a gain of 13.70% since the NFO.

Continuing with our 'Investor Education Series', two new articles viz. 'Inflation Risk Premiums in GoI Bonds' which clarifies inflationary trends and the risks thereof and 'Liquid Profits' – a view on the attractiveness of investments in water have been uploaded on the website.

As a part of our initiative to make the investing process easier for you, we will be mailing a small questionnaire and I request you to complete and return this to us. Your responses and suggestions will provide us with invaluable feedback and help us to serve you better.

The coming month is a very auspicious month with a confluence of three major festivals, encompassing all faiths in India. We wish you and your family all the very best on these joyous occasions.

With Best Wishes,



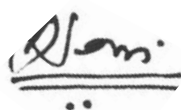
Market Musings: Devendra Nevgi (Fund Manager & Head - Fixed Income)

September was a month of divergence in asset markets. The equity market, as measured by the BSE Sensex, went up by 5.74% in the month and is close to its all time high. The exuberance in the equity markets is manifested by the higher GDP growth trajectory and Industrial Production. The robustness in the economy also led to record high advance tax payments by corporates, a sign of rising profitability.

At the same time, debt markets, as measured by the 10 year bond yield continued its rally with the yield falling to a 4 month low of 7.52% during the month. Such a scenario of high economic growth and corporate profitability do not augur well for bonds and interest rates are not expected to fall so drastically. The 10 year bond yield currently at 7.6% has fallen by 80 bps since its highs of 8.4% (July 12, 2006). The domestic bond markets rallied on the fall in US bond yields and on expectations of no further rate hikes by the US Fed. The extent of the rally was accentuated by the fall in oil prices and on expectations of RBI keeping interest rates steady. Going by this, either the equity or the debt markets, is mis-pricing the future trend and it though seems that the current bond market rally is overdone. We expect long bond yields to move up again and also factor in a high probability of RBI raising benchmark interest rates in its quarterly monetary policy meet this month.

As mentioned in the last month's fact sheet, advance tax outflows did result in liquidity tightening but the quantum of outflows and its impact on short term yields was higher than expected. Excess Liquidity, as measured by Repo balances, fell to Rs 19 bn (against its average of Rs 350 bn over the past three months) leading to higher call and Mibor rates. Consequently short term T-bill and CP/CD yields rose by 30-40 bps during the month. We had aligned our portfolio well in time to benefit out of these higher short term yields.

Warm Regards,



Quantum Liquid Fund is an open-ended liquid scheme. The Scheme's primary investment objective is to provide optimal returns with moderate levels of risk and high liquidity through judicious investments in money market and debt instruments. Investments in mutual funds are subject to market risks including uncertainty of dividend distributions and the NAV of the schemes may go up or down depending upon the factors and forces affecting the securities markets and there is no assurance or guarantee that the objectives of the scheme will be achieved. Past performance of the scheme may or may not be sustained in the future.

Quantum Mutual Fund: *Profit with Process*

Quantum Liquid Fund - Fund Factsheet, September 29, 2006



Snapshot:

Fund Manager: Devendra Nevgi

Investment Horizon: Upto 3 months

Inception date: 7th April, 2006

Fund size: Rs. 15.68 crores

Entry & Exit load: Nil

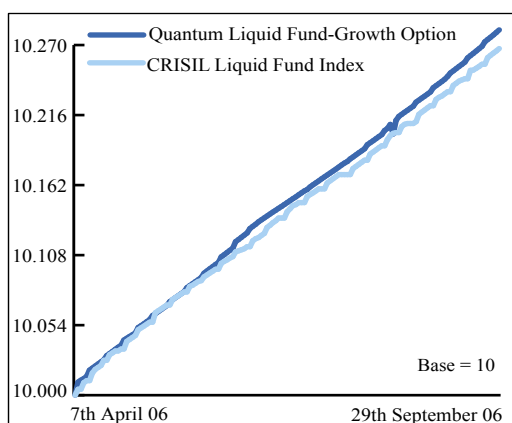
NAV:

Growth Option: Rs. 10.2817

Monthly Dividend Option: Rs. 10.0072

Daily Dividend Option: Rs. 10.0000

Performance upto September 29, 2006



Data in the graph is for Quantum Liquid Fund - Growth Option

Returns

	Quantum Liquid Fund - Growth Option	CRISIL Liquid Fund Index
Since Inception	2.8170%	2.6725%

Inception date = 7th April 2006

Source for CRISIL Liquid Fund Index: www.amfiindia.com

Past performance may or may not be sustained in the future.

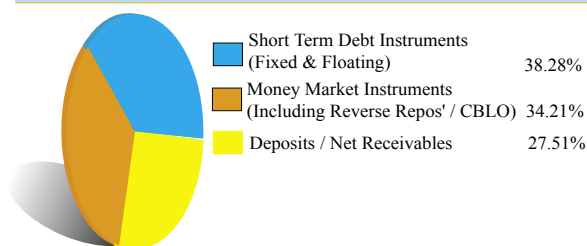
Portfolio

Sr. No	Name of the Instrument	Ratings	Market Value (Rs Lakhs)	% to Net Assets
SHORT TERM DEBT INSTRUMENTS (FLOATING)				
Unlisted/Privately placed instruments				
1	Berger Paints India Ltd	P1+	200.00	12.76%
2	Coromandel Fert Ltd	P1+	200.00	12.76%
3	Usha Martin Ltd	PR1+	200.00	12.76%
Total (A)			600.00	38.28%
MONEY MARKET INSTRUMENTS				
Commercial Paper / Certificate of Deposits				
1	HSBC Ltd	P1+	496.28	31.66%
CBLO / Reverse Repo Investments			39.97	2.55%
Total (B)			536.25	34.21%
DEPOSITS / NET RECEIVABLES				
1	Deposits		414.00	26.41%
2	Net Receivable / (Payables)		17.30	1.10%
Total (C)			431.30	27.51%
Grand Total (A+B+C)			1,567.55	100.00%

Notes:

The Scheme has no exposure to derivative product, foreign securities, ADR's and GDR's

Portfolio Classification by Asset Class



Portfolio Classification by Rating Class

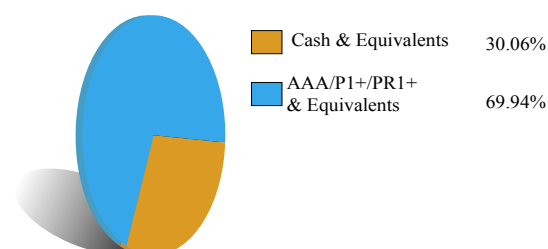


Table 1: Market Data

Average for the Month	August-06	September-06
NSE Daily Mibor	6.10%	6.32%
3 Month T-Bill	6.41%	6.44%
3 Month CP/CD	6.81%	7.12%
10 Year G-sec	8.08%	7.71%
5 Year AAA	8.64%	8.54%
INR/USD	46.52	46.10
USD/EUR	1.28	1.27
Daily Reverse Repos (Rs Bn)	378.81	252.22
Forex Reserves (\$ Bn)	165.39	166.10