

Mutual Fund Insight

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FUND RADAR

Not only does it perform, it is also inexpensive

Quantum Long-Term Equity has set a fine precedence by reducing its expense ratio

Quantum Long Term Equity just got more attractive. On the one hand, its performance has impressed. On the other, its expense ratio has just fallen. Starting June 1, 2010 Quantum Long Term Equity Fund's expense ratio has been reduced from 2.05 per cent to 1.5 per cent.

Unlike other fund houses, Quantum Mutual Fund refused to walk the beaten path right from its inception. It is the only fund house that has refused to pay distributor commissions, ever. This asset management company (AMC) never subscribed to the new fund offer (NFO) mania and has a limited, but well thought out, product range. Little wonder that it is one of the smallest players around. Since the management is of the firm view that funds should be bought and not sold, it relies solely on performance. And that has been good.

Quantum Long Term Equity has a 5-star rating from Value Research. In 2007, the fund dipped in comparative performance because it refused to chase stocks when valuations went insane. The fund house believes in buying good businesses at the right price and refrains from needlessly churning its portfolios. Over the long run, it stands vindicated (*see: Impressive Numbers*). "We focus on a disciplined and structured investment process that follows the value style of investing which, we believe, offer investors sustainable long-term returns with sensible risks," says Ajit Dayal, Director, Quantum Mutual Fund. Quantum Tax Saving was launched recently

(December 2008) but has already made an impression: its 1-year return of 39 per cent as on June 11, 2010 is way ahead of the category average (24%).

As of now, 17 funds fall in the category of 5-star rated, diversified equity funds. Of these, the one with the least expense ratio is IDFC Premier Equity Plan A (1.19%). Quantum Long Term Equity now follows (1.50%). The rest all have higher expense ratios with the most expensive being ING Dividend Yield, Fortis Dividend Yield and Religare Contra, all at 2.50 per cent.

What's ironical is that the smallest fund house is passing on this benefit to investors. "I am shocked to see that equity funds with assets under management of thousands of crores have expense ratios higher than ours," says a vocal Dayal. "Mutual funds with larger assets should have lower expense ratios — that is the benefit of operational leverage: spreading your fixed costs over a larger pool of fund assets. But that is clearly not the case. It would be interesting to see how much of those expenses are payments made to distributors — payments made from the pockets of investors." Quantum Long Term Equity collected just Rs 11 crore at its launch in February 2006. Today its assets stand at Rs 52.84 crore.

Since distributors don't sell these products, the fund house provides investors with the option of buying its funds online (via the AMC website) or from the mutual fund trading platforms, NSE MFSS and BSE STAR MF.



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Impressive Numbers

Returns as on June 11, 2010	Quantum Long Term Equity	Cat Avg (Equity Diversified)
1-year	38.91	24.29
2-year	21.71	10.19
3-year	15.57	7.95

All returns in percentage