



# QUANTUM MUTUAL FUND

## Profit with Process

India's 1<sup>st</sup> Direct to Investor Mutual Fund

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**Quantum Mutual Fund**

**Avoid Timing the market**

**Invest via Daily & Weekly STP**

Mutual Fund investments are subject to market risks. Please read the Scheme Information Document and Statement of Additional Information carefully before investing.

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### Subbu's Solutions

Jul 2010

This week Subbu answers queries on SEBI's recommendation to increase net worth of AMC's to Rs 50 crore; explains a little more on Fund Management Charges; and advises on ULIP surrender.

[Read More Quantum Equity Direct Articles](#)

**Invest Online in Quantum Mutual Fund**

Know more

**Quantum Mutual Fund**  
now available on the  
**NSE MFSS & BSE STAR MF**

Mutual Fund are subject to market risks. Please read the Scheme Information Document carefully before investing.

**Recommended Asset Allocation**

Tools and Planners

\* The allocation is for a married person of the age 45-55 years and having 2 kids

**Latest NAVs** As on 14 July, 2010

| Scheme                                   | NAV     |
|--|---------|
| Quantum Long Term Equity Fund - Dividend | 20.9300 |
| Quantum Long Term Equity Fund - Growth   | 20.7500 |

[Check NAVs](#)

**Invest in Quantum**

Directly Through Us

- Quantum Long Term Equity Fund
- Quantum Tax Saving Fund
- Quantum Equity Fund of Funds
- Quantum Liquid Fund

Listed on NSE

- Quantum Gold Fund ETF
- Quantum Index Fund

**Ajit Dayal presents 'Path to Profit'**

...an investor education initiative by Quantum Mutual Fund

India's 1<sup>st</sup> Direct to Investor Mutual Fund

Mutual Fund investments are subject to market risks. Please read the Scheme Information Document and Statement of Additional Information carefully before investing.

**Annual report for the year ended 31<sup>st</sup> March, 2010**



# The Quantum Philosophy in the words of -

## Ajit Dayal



**Quantum Mutual Fund** takes pride in being unconventional. To us success is not about the amount of money we manage but, rather, it is a measure of how well we manage it, how we help *you* create wealth out of your savings.

Yes, we are the 29<sup>th</sup> mutual fund house in India and by far the smallest but we still are the *country's 1<sup>st</sup> and only direct-to-investor mutual fund*, and also the *1<sup>st</sup> to work against an opaque and biased distribution system*.

At **Quantum Mutual Fund**, we continue to focus on the original intention behind a mutual fund which is to ensure that investors like “you” get:

- Products that work for your benefit, and not for the good of the distributor;
- Simple products that you can understand;
- Products backed by focused research and a disciplined investment process;
- Low cost products that add value to your portfolio in the long run;
- And, funds that maintain transparency in its communication with you.

Investing is simple. And we work to keeping it that way by intentionally staying away from offering you multiple products that merely clutter your portfolio. Quantum Mutual Fund has only launched 6 funds that cover all asset classes.

It has just been over 4 years since we launched our first mutual fund product, **Quantum Long Term Equity Fund**, and our total Assets under Management across our 6 funds as of March 31, 2010 stands at **Rs. 98.77 crore**.

The journey so far has been more than worthwhile, and we are happy to have chosen a path that no one else has chosen. A path which allows us to sleep well every night knowing that we are doing the right thing for you, dear investor. For *your* money. For *your* returns.

We are honoured to work for you and with you, as custodians of your savings.

Thank you for your support and confidence in our very un-traditional approach to looking after your savings.

**Ajit Dayal**



# Fund Statistics

| Quantum Mutual Fund (QMF) | 2006  | 2007  | 2008  | 2009  | 2010  |
|---------------------------|-------|-------|-------|-------|-------|
| AuM (in Rs Cr)            | 11.26 | 60.45 | 64.22 | 57.84 | 98.77 |
| Investors                 | 798   | 1,671 | 2,602 | 4,446 | 7,142 |
| No. of Products           | 1     | 2     | 3     | 5     | 6     |
| Distributor Commissions   | 0     | 0     | 0     | 0     | 0     |

| Quantum Long Term Equity Fund (QLTEF) | 2006  | 2007  | 2008  | 2009  | 2010  |
|---------------------------------------|-------|-------|-------|-------|-------|
| AuM (in Rs Cr)                        | 11.26 | 30.45 | 40.18 | 22.79 | 50.86 |
| Investors                             | 798   | 1,560 | 1,833 | 1,962 | 2,349 |
| Expense Ratio (%)                     | 2.50  | 2.48  | 2.50  | 2.50  | 2.18  |
| Distributor Commissions               | 0     | 0     | 0     | 0     | 0     |
| Sharpe Ratio                          | 0.48  | 0.03  | 0.04  | -0.08 | 0.21  |
| Turnover (%)                          | 0     | 14.13 | 30.72 | 16.30 | 36.56 |

| Quantum Liquid Fund (QLF) | 2007  | 2008  | 2009  | 2010  |
|---------------------------|-------|-------|-------|-------|
| AuM (in Rs Cr)            | 30.00 | 20.35 | 25.50 | 27.05 |
| Investors                 | 111   | 131   | 279   | 294   |
| Expense Ratio (%)         | 0.44  | 0.45  | 0.45  | 0.37  |
| Distributor Commissions   | 0     | 0     | 0     | 0     |

| Quantum Equity Fund of Fund (QEFOF) | 2010 |
|-------------------------------------|------|
| AuM (in Rs Cr)                      | 1.27 |
| Investors                           | 201  |
| Expense Ratio (%)                   | 0.75 |
| Distributor Commissions             | 0    |

| Quantum Gold Fund (QGF) | 2008  | 2009  | 2010  |
|-------------------------|-------|-------|-------|
| AuM (in Rs Cr)          | 3.69  | 7.96  | 16.74 |
| Investors               | 638   | 1,599 | 3,496 |
| Expense Ratio (%)       | 1.00  | 1.00  | 1.00  |
| Distributor Commissions | 0     | 0     | 0     |
| Tracking Error (%)      | 0.015 | 0.011 | 0.003 |

| Quantum Index Fund (QIF) | 2009 | 2010 |
|--------------------------|------|------|
| AuM (in Rs Cr)           | 1.13 | 1.22 |
| Investors                | 371  | 338  |
| Expense Ratio (%)        | 0.75 | 0.75 |
| Distributor Commissions  | 0    | 0    |
| Tracking Error (%)       | 0.03 | 0.03 |

| Quantum Tax Saving Fund (QTSF) | 2009  | 2010  |
|--------------------------------|-------|-------|
| AuM (in Rs Cr)                 | 0.46  | 1.62  |
| Investors                      | 235   | 464   |
| Expense Ratio (%)              | 0.68  | 2.50  |
| Distributor Commissions        | 0     | 0     |
| Sharpe Ratio                   | -0.01 | 0.21  |
| Turnover (%)                   | 0.00  | 28.98 |

**Date of Inception / Allotment:** QLTEF: March 13, 2006. QLF: April 7, 2006. QIF: July 10, 2008. QGF: February 22, 2008. QTSF: December 23, 2008. QEFOF: July 20, 2009.

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

**Please refer to Page (IV) for the complete Statutory Details & Risk Factors**



# Fund Performance

## Quantum Long Term Equity Fund (QLTEF)

| Period          | QLTEF Returns (%) | Benchmark Returns (%) |
|-----------------|-------------------|-----------------------|
| Last 1 Year     | 104.30*           | 82.24                 |
| Last 3 Years    | 18.33             | 11.76                 |
| Since Inception | 17.18             | 14.62                 |

## Quantum Liquid Fund (QLF)

| Period          | QLF Returns (%) | Benchmark Returns (%) |
|-----------------|-----------------|-----------------------|
| 1 month         | 0.39            | 0.40                  |
| 3 months        | 0.97            | 0.92                  |
| 6 months        | 1.87            | 1.60                  |
| Last 1 Year     | 4.35            | 3.69                  |
| Last 3 Years    | 6.99            | 6.65                  |
| Since Inception | 6.99            | 6.52                  |

## Quantum Equity Fund of Funds (QEFOF)

| Period          | QEFOF Returns (%) | Benchmark Returns (%) |
|-----------------|-------------------|-----------------------|
| Since Inception | 26.36             | 18.99                 |

## Quantum Index Fund (QIF)

| Period          | QIF Returns (%) | Benchmark Returns (%) |
|-----------------|-----------------|-----------------------|
| Last 1 year     | 72.86           | 73.76                 |
| Since Inception | 16.99           | 14.39                 |

## Quantum Tax Saving Fund (QTSF)

| Period          | QTSF Returns (%) | Benchmark Returns (%) |
|-----------------|------------------|-----------------------|
| Last 1 year     | 91.16            | 82.24                 |
| Since Inception | 66.20            | 60.72                 |

## Quantum Gold Fund (QGF)

| Period          | QGF Returns (%) | Benchmark Returns (%) |
|-----------------|-----------------|-----------------------|
| Last 1 Year     | 7.22            | 8.30                  |
| Since Inception | 15.37           | 14.87                 |

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

Note: Returns (%) & Benchmark returns (%) for all the above schemes for 1 month, 3 months, 6 months, 1 year respectively are Absolute Returns; and for 3 years, since inception, respectively are Compounded Annualized Returns except for QEFOF where the returns since inception are absolute returns. Above schemes' returns are for the growth plan of each scheme; as of March 31<sup>st</sup> 2010.

**QLTEF:** Benchmark Index: BSE 30 Total Return Index (TRI). Date of Inception / Allotment: March 13, 2006. **QLF:** Benchmark Index: CRISIL Liquid Fund Index. Date of Inception / Allotment: April 7, 2006.

**QIF:** Benchmark Index: S&P CNX Nifty Index. Date of Inception / Allotment: July 10, 2008. **QGF:** Benchmark Index: Domestic Price of Gold. Date of Inception / Allotment: February 22, 2008. **QTSF:** Benchmark Index: BSE 30 Total Return Index (TRI). Date of Inception / Allotment: December 23, 2008. **QEFOF:** Benchmark Index: BSE 200 Index. Date of Inception / Allotment: July 20, 2009.

\*Due to an overall sharp rise in the stock prices.

Please refer to Page (IV) for the complete Statutory Details & Risk Factors



# Glossary of Terms

**AuM** - Assets under Management refers to the amount money managed by a mutual fund house.

**Benchmark Returns** - Each fund has its own distinct benchmark, by which its performance is measured. Benchmark returns refers to returns of these specific benchmarks.

| Fund                         | Benchmark                 |
|------------------------------|---------------------------|
| Quantum LongTerm Equity Fund | BSE 30 Total Return Index |
| Quantum Tax Saving Fund      | BSE 30 Total Return Index |
| Quantum Equity Fund of Funds | BSE 200 Index             |
| Quantum Liquid Fund          | Crisil Liquid Fund Index  |
| Quantum Gold Fund (ETF)      | Domestic Price of Gold    |
| Quantum Index Fund (ETF)     | S&P CNX Nifty Index       |

**CAGR** - or Compound Annual Growth Rate is the year-on-year growth rate applied to an investment over a specified period of time.

**Distributor Commissions** - refers to the payment made by mutual fund companies to distributors to push their products to investors.

**Expense Ratio** - is a measure of what it costs to operate a mutual fund.

**Sharpe Ratio** - is used to characterize how well the return of an asset compensates the investor for the risk taken.

For instance, when you buy a lottery, the kind of risk you are taking there is quite high. You may end up losing all your money or maybe you could make equally high gains. Say you purchased a ticket of Rs 100 and made a gain of Rs 300, how well do you think that the profit of Rs 200 compensated you for the risk you faced while parting with your Rs 100.

The measure of how well your returns compensates you for the risk you take, is referred to as – Sharpe Ratio. Hence for your mutual fund investments, higher the Sharpe ratio, the better. (Refer to Volatility below for more on assessing risk.)

**Tracking Error** - is a measure of how closely a fund follows the index to which it is benchmarked. The more passively the fund is managed, the smaller the tracking

error. In the case of Exchange Traded Funds, the lower the Tracking Error, the better.

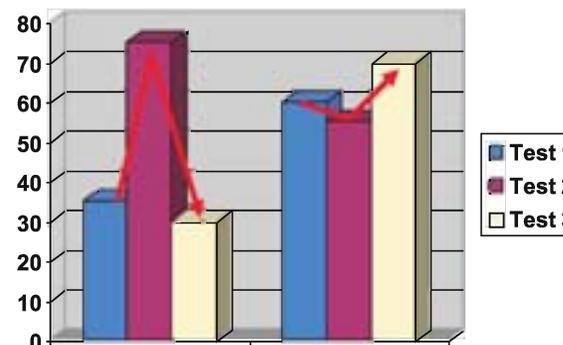
**Turnover** - is a measure of trading activity during the previous year, expressed as a percentage of the average total assets of the fund. It is a percentage of a fund's assets that have changed over the course of a year. Mutual funds with higher turnover ratios tend to have higher expenses.

**Volatility** - Consider this: A and B study mathematics together. Listed below are their examination scores:

|        | Student A | Student B |
|--------|-----------|-----------|
| Test 1 | 35        | 60        |
| Test 2 | 75        | 55        |
| Test 3 | 30        | 70        |

If you take a look at both their performances, though A has outperformed B in the second test, B seems to be a more consistent student.

With respect to mutual funds, if the NAV of the fund moves up and down rapidly over short time periods, it has high volatility. If the NAV almost never changes, it has low volatility. Generally, the more volatile a fund, the higher the investment risk.





## Statutory Details & Risk Factors:

**Investment Objective: Quantum Long-Term Equity Fund (QLTEF):** To achieve long-term capital appreciation by investing primarily in shares of companies that will typically be included in the BSE 200 Index and are in a position to benefit from the anticipated growth and development of the Indian economy and its markets.

**Quantum Liquid Fund (QLF) :** To provide optimal returns with low to moderate levels of risk and high liquidity through judicious investments in money market and debt instruments.

**Quantum Gold Fund's (QGF) :** To generate returns that are in line with the performance of gold and gold related instruments, subject to tracking errors. However, investment in gold related instruments will be made if and when SEBI permits mutual funds to invest in gold related instruments. The Scheme is designed to provide returns that before expenses, closely correspond to the returns provided by gold.

**Quantum Index Fund (QIF) :** To invest in stocks of companies comprising the S & P CNX Nifty Index and endeavor 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.

**Quantum Tax Saving Fund (QTSF) :** To achieve long term capital appreciation by investing primarily in shares of companies that will typically be included in the BSE 200 Index and are in a position to benefit from the anticipated growth and development of the Indian economy and its markets.

**Quantum Equity Fund of Funds (QEFOF) :** To generate long-term capital appreciation by investing in a portfolio of open-ended diversified equity schemes of mutual funds registered with SEBI. There can be no assurance of positive returns from following the stated investment strategy.

**Entry Load:** Not applicable. **Exit Load:** **QLTEF :** On repurchase/redemption/switch-out within 6 months of allotment- 4%, after 6 months but within 12 months of allotment- 3%, after 12 months but within 18 months of allotment - 2%, after 18 months but within 24 months of allotment - 1%, after 24 months of allotment - Nil. **QLF :** Nil; **QGF:** Nil in case of Authorised Participants; 0.5% in case of Eligible Investors. **QIF :** Nil; **QTSF :** Nil; **QEFOF:** On repurchase/redemption/switch-out within 1 year from the date of allotment-1.5%.

**Risk Factors: All Mutual Funds and securities investments 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 gold and securities markets and there is no assurance or guarantee that the objectives of the scheme will be achieved. Quantum Long-Term Equity Fund, Quantum Liquid Fund, Quantum Gold Fund, Quantum Index Fund, Quantum Tax Saving Fund and Quantum Equity Fund of Funds are only the names of the schemes and does not in any manner indicate either the quality of the Schemes, their future prospects or returns.** Past performance of the Sponsors and their affiliates / AMC / Mutual Fund and its Scheme(s) do not indicate the future performance of the Scheme of the Mutual Fund. Investors in the Schemes are not being offered any guaranteed / assured returns. The NAV of the units issued under the Schemes may be affected, inter-alia by changes in the interest rates, trading volumes, settlement periods, transfer procedures and performance of individual securities. The NAV will inter-alia be exposed to Price / Interest Rate Risk and Credit Risk. The investors are advised to refer to the Scheme Information Documents of QGF and QIF for full text of the 'Disclaimer Clause of NSE'. **Constitution:** Quantum Mutual Fund (the Fund) has been constituted as a Trust under the Indian Trusts Act, 1882. **Sponsors:** Quantum Advisors Private Limited. (liability of Sponsor limited to Rs. 1,00,000/-) **Trustee:** Quantum Trustee Company Private Limited. **Investment Manager:** Quantum Asset Management Company Private Limited (AMC). The Sponsor, Trustee and the Investment Manager are incorporated under the Companies Act, 1956. The past performance of the Sponsor / AMC/ Fund has no bearing on the expected performance of the scheme. **Mutual Funds investments are subject to market risks. Please read the Scheme Information Document (s) / Key Information Memorandum (s) / Statement of Additional Information / Addendums carefully before investing. Scheme Information Document(s) / Key Information Memorandum(s) / Statement of Additional Information can be obtained at any of our Investor Service Centers or at the office of the AMC :- 505, Regent Chambers, 5th Floor, Nariman Point, Mumbai – 400 021 or on AMC website [www.QuantumAMC.Com](http://www.QuantumAMC.Com) / [www.QuantumMF.com](http://www.QuantumMF.com)**

| BOARD OF DIRECTORS  |                 | BOARD OF DIRECTORS  |                 |
|---|-----------------|---|-----------------|
| <b>Quantum Trustee Company Private Limited<br/>(Trustee to Quantum Mutual Fund)</b> |                 | <b>Quantum Asset Management Company Private Limited<br/>(Investment Manager to Quantum Mutual Fund)</b> |                 |
| <b>Mr. Jagdish Capoor</b>   | <i>Chairman</i> | <b>Mr. Ajit Dayal</b>   | <i>Chairman</i> |
| <b>Mr. Hormazdiyaar Vakil</b>   | <i>Director</i> | <b>Mr. Mahesh Vyas</b>  | <i>Director</i> |
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**Quantum Mutual Fund**

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|  |   |
|--|---|
| <b>SPONSOR</b>                         | <b>Quantum Advisors Private Limited</b><br>Registered Office : 503 5th Floor,<br>Regent Chambers, Nariman Point,<br>Mumbai – 400 021.   |
| <b>ASSET MANAGEMENT COMPANY</b>        | <b>Quantum Asset Management Company Private Limited</b><br>Registered Office : 505, 5th Floor,<br>Regent Chambers, Nariman Point,<br>Mumbai – 400 021.<br>Tel. No. : 022-6144 7800<br>Toll Free No. 1800 22 3863<br>Website : <a href="http://www.QuantumAMC.com/www.QuantumMF.com">www.QuantumAMC.com/www.QuantumMF.com</a>                                  |
| <b>TRUSTEE</b>                         | <b>Quantum Trustee Company Private Limited</b><br>Registered Office : 505, 5th Floor,<br>Regent Chambers, Nariman Point,<br>Mumbai – 400 021.<br>Tel. No. : 022-6144 7800   |
| <b>REGISTRAR &amp; TRANSFER AGENTS</b> | <b>Karvy Computershare Private Limited</b><br>Unit: Quantum Mutual Fund,<br>Karvy Plaza, # 8-2-596, Avenue 4, Street no. 1, Banjara Hills,<br>Hyderabad – 500 034, Andhra Pradesh, India.<br><b>Deutsche Investor Services Private Limited</b><br>Nirlon Knowledge Park, Block 1,<br>4th Floor, Western Express Highway<br>Goregaon (East), Mumbai – 400 063. |
| <b>CUSTODIANS</b>                      | <b>Deutsche Bank AG</b><br>Nirlon Knowledge Park, Block 1,<br>4th Floor, Western Express Highway<br>Goregaon (East), Mumbai – 400 063.  |
| <b>BANKER TO THE ISSUE</b>             | <b>HDFC Bank Limited</b><br>Manecji Wadia Bldg., Gr. Floor,<br>Nanik Motwani Marg, Fort, Mumbai – 400 023.  |
| <b>STATUTORY AUDITORS</b>              | <b>M/s Haribhakti &amp; Co., Chartered Accountants</b><br>701, Leela Business Park,<br>Andheri Kurla Road,<br>Andheri (E), Mumbai – 400 059.  |

M U T U A L F U N D  
Profit with Process

**TRUSTEE’S REPORT TO THE UNITHOLDERS OF QUANTUM MUTUAL FUND FOR THE YEAR ENDED MARCH 31, 2010**

Dear Unitholders,

We have pleasure in presenting the Fifth Annual Report of Quantum Mutual Fund along with the audited financial statements of its Schemes and Products for the year ended March 31, 2010.

**Schemes of Quantum Mutual Fund**

Quantum Mutual Fund launched its first scheme – the Quantum Long-Term Equity Fund – an open ended equity scheme, on February 8, 2006.

Quantum Mutual Fund has the following six schemes and products as on March 31, 2010.

| Sr. No. | Scheme Name                   | Launch Date       |
|---------|-------------------------------|-------------------|
| 1.      | Quantum Long Term Equity Fund | February 8, 2006  |
| 2.      | Quantum Liquid Fund           | April 3, 2006     |
| 3.      | Quantum Gold Fund             | January 24, 2008  |
| 4.      | Quantum Index Fund            | June 9, 2008      |
| 5.      | Quantum Tax Saving Fund       | December 10, 2008 |
| 6.      | Quantum Equity Fund of Funds  | June 26, 2009     |

During the financial year ended March 31, 2010, Quantum Mutual Fund launched Quantum Equity Fund of Funds - an open ended equity fund of funds scheme that invests in the equity schemes of other mutual fund houses. The Quantum Equity Fund of Funds has performed well since its launch on June 26, 2009.

During the financial year ended March 31, 2010, Quantum Mutual Fund has achieved growth in assets under management.

The total assets under management as on March 31, 2010 were Rs. 98.77 Cr. as against Rs. 57.84 Cr. as on March 31, 2009, a growth of 71%.

The total number of investors has increased from 4,446 as on March 31, 2009 to 7,142 as on March 31, 2010, a growth of 61%.

**1. PERFORMANCE, FUTURE OUTLOOK AND OPERATIONS OF THE SCHEMES AND PRODUCTS**

**(a) Quantum Long Term Equity Fund (QLTEF) – An Open-ended Equity Scheme**

The investment objective of QLTEF is to achieve long-term capital appreciation by investing primarily in shares of companies which are typically included in the BSE 200 Index and are in a position to benefit from the anticipated growth and development of the Indian economy and its markets.

The resources of the scheme have been invested in line with the investment objective. As on March 31, 2010, the assets under management for QLTEF stood at Rs. 50.86 Cr with a total of 2,349 existing unitholders.

The performance of QLTEF as on March 31, 2010 is given below:

| Period            | QLTEF Returns (%) | Benchmark Returns (%) |
|-------------------|-------------------|-----------------------|
| Last 1 Year*      | 104.30            | 82.24                 |
| Last 3 Year**     | 18.33             | 11.76                 |
| Since Inception** | 17.18             | 14.62                 |

\*Absolute Returns

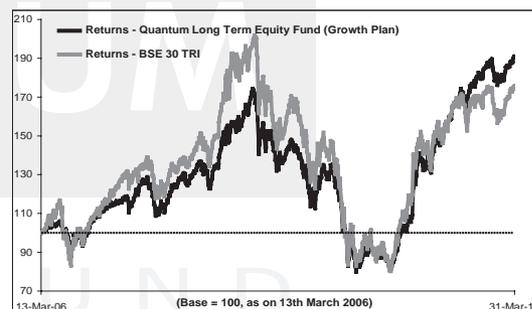
\*\*Compounded Annualised Returns

Benchmark Index: BSE 30 Total Return Index (TRI)

Returns are for Growth Plan

Date of Inception/ Allotment: March 13, 2006

**NAV of the Quantum Long Term Equity Fund v/s Benchmark – BSE 30 TRI**



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

QUANTUM MUTUAL FUND  
Profit with Process

**(b) Quantum Liquid Fund (QLF) – An Open-ended Liquid Scheme**

The investment objective of QLF is to provide optimal returns with low to moderate levels of risks, and high liquidity through judicious investments in money market and debt instruments.

The resources of the scheme have been invested in line with the investment objective. As on March 31, 2010, the assets under management of QLF stood at Rs. 27.05 Cr with a total number of 294 existing unitholders.

The performance of QLF as on March 31, 2010 is given below:

| Period            | QLF Returns (%) | Benchmark Returns (%) |
|-------------------|-----------------|-----------------------|
| 1 month*          | 0.39            | 0.40                  |
| 3 months*         | 0.97            | 0.92                  |
| 6 months*         | 1.87            | 1.60                  |
| Last 1 Year*      | 4.35            | 3.69                  |
| Last 3 Year**     | 6.99            | 6.65                  |
| Since Inception** | 6.99            | 6.52                  |

\*Absolute Returns

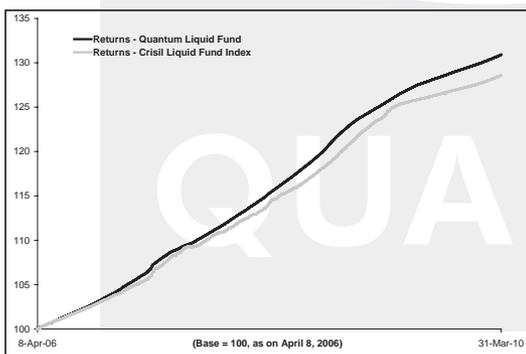
\*\*Compounded Annualised Returns

Benchmark Index: CRISIL Liquid Fund Index

Returns are for Growth Plan

Date of Inception / Allotment: April 7, 2006

**NAV of the Quantum Liquid Fund v/s Benchmark – Crisil Liquid Fund Index**



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

**(c) Quantum Index Fund (QIF) – An Open-ended Exchange Traded Fund**

The investment objective of QIF 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.

The resources of the scheme have been invested in line with the investment objective. As on March 31, 2010, the assets under management of QIF stood at Rs. 1.22 Cr with a total number of 338 existing unitholders.

The performance of QIF as on March 31, 2010 is given below:

| Period            | QIF Returns (%) | Benchmark Returns (%) |
|-------------------|-----------------|-----------------------|
| Last 1 year*      | 72.86           | 73.76                 |
| Since Inception** | 16.99           | 14.39                 |

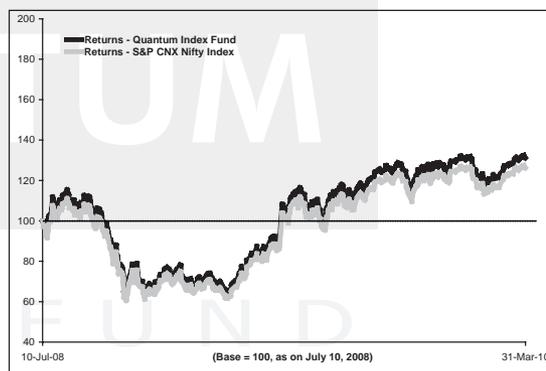
\*Absolute Returns

\*\*Compounded Annualised Returns

Benchmark Index: S&P CNX Nifty Index

Date of Inception / Allotment: July 10, 2008

**NAV of the Quantum Index Fund v/s Benchmark – S&P CNX Nifty Index**



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

**(d) Quantum Gold Fund (QGF) – An Open-ended Exchange Traded Fund**

The investment objective of QGF is to generate returns that are in line with the performance of gold and gold related instruments subject to tracking errors. However, investment in gold related instruments will be made if and when SEBI permits mutual funds to invest in gold related instruments. The scheme is designed to provide returns that before expenses, closely correspond to the returns provided by gold.

The resources of the scheme have been invested in line with the investment objective. As on March 31, 2010, the assets under management of QGF stood at Rs 16.74 Cr, with a total of 3,496 existing unitholders.

The performance of QGF as on March 31, 2010 is given below:

| Period            | QGF Returns (%) | Benchmark Returns (%) |
|-------------------|-----------------|-----------------------|
| Last 1 Year*      | 7.22            | 8.30                  |
| Since Inception** | 15.37           | 14.87                 |

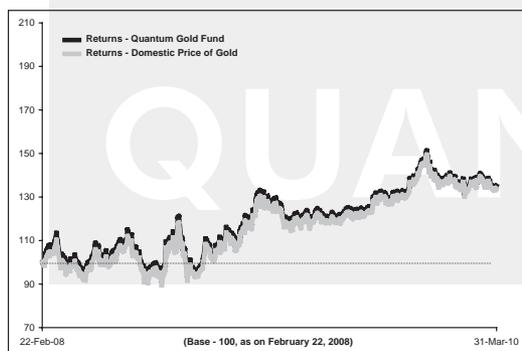
\*Absolute Returns

\*\*Compounded Annualised Returns

Benchmark Index: Domestic Price of Gold

Date of Inception/Allotment: February 22, 2008

**NAV of the Quantum Gold Fund v/s Benchmark – Domestic Price of Gold**



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

**(e) Quantum Tax Saving Fund (QTSF) – An Open-ended Equity Linked Savings Scheme**

The investment objective of the QTSF is to achieve long-term capital appreciation by investing primarily in shares of companies that will typically be included in the BSE 200 Index and are in a position to benefit from the anticipated growth and development of the Indian economy and its markets.

The resources of the scheme have been invested in line with the investment objective. As on March 31, 2010, the assets under management of QTSF stood at Rs. 1.62 Cr with a total of 464 existing unitholders.

The performance of QTSF as on March 31, 2010 is given below.

| Period            | QTSF Returns (%) | Benchmark Returns (%) |
|-------------------|------------------|-----------------------|
| Last 1 year*      | 91.16            | 82.24                 |
| Since Inception** | 66.20            | 60.72                 |

\*Absolute Returns

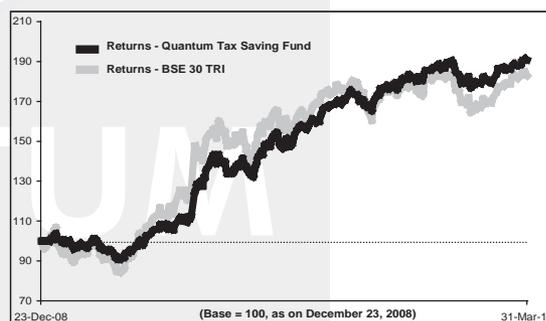
\*\* Compounded Annualised Returns

Returns are for Growth Plan

Benchmark Index: BSE 30 Total Return Index

Date of Inception / Allotment: December 23, 2008

**NAV of the Quantum Tax Saving Fund v/s Benchmark – BSE 30 TRI**



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

MUTUAL FUND  
Profit with Process

(f) **Quantum Equity Fund of Funds (QEFOF) – An Open-ended Equity Fund of Funds Scheme**

The investment objective of QEFOF is to generate long-term capital appreciation by investing in a portfolio of open-ended diversified equity schemes of mutual funds registered with SEBI. There can be no assurance of positive returns from following the stated investment strategy

The resources of the scheme have been invested in line with the investment objective. As on March 31, 2010, the assets under management of QEFOF stood at Rs. 1.27 Cr with a total of 201 existing unitholders.

The performance of QEFOF as on March 31, 2010 is given below:

| Period           | QEFOF Returns (%) | Benchmark Returns (%) |
|------------------|-------------------|-----------------------|
| Since Inception* | 26.36             | 18.99                 |

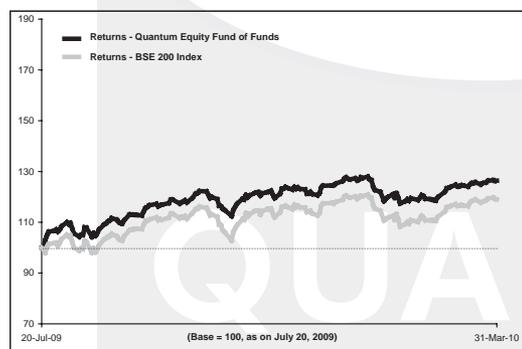
\*Absolute Returns

Benchmark Index: BSE 200 Index

Returns are for Growth Plan

Date of Inception / Allotment: July 20, 2009

**NAV of the Quantum Equity Fund of Funds v/s Benchmark – BSE 200 Index**



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

**MARKET REVIEW AND OUTLOOK**

**Equity Market Review and Outlook**

In our Annual Report for the year ended March 31, 2009, we had suggested that the investment teams which manage the various products of Quantum Mutual Fund saw a strong case of re-rating in Indian equities. This has happened and has benefited the investors in our various equity funds.

While the previous year saw the relaxation in fiscal as well as monetary policy to offset the financial meltdown caused by the bankruptcy of Lehman Brothers, the investment teams of Quantum Mutual Fund believe that there could be a less accommodative and tighter fiscal and monetary policy over the next few years. The higher inflation numbers remain a source of concern amongst commentators, the Reserve Bank of India (RBI) has been tightening interest rates in response. However, the investment teams of Quantum Mutual Fund believe that RBI is unlikely to raise interest rates to levels that will hurt economic activity. While higher interest rates would be perceived to have some adverse implications for the stock markets, the fact is that the level of consumer confidence and corporate spending is boosting economic activity. This growth in demand should sustain economic activity even in a tightening interest rate scenario.

With a stable government at the Centre, we have seen positive moves on fiscal consolidation; this has been further helped by the recent auction of the 3G licenses that allowed the Government to pocket approximately Rs. 670 billion in license fees - 100% more than the initial expectations. India still remains in an enviable position, while the world economy continues to struggle with fiscal profligacy and monetary indiscipline.

Infrastructure is expected to remain a focus area with stable policies from the Government and investment from both, the Government and the private sector. There is a target to invest USD 500 billion in the Eleventh Five Year Plan (ending March 2012) and raise the same to USD 1 trillion in the Twelfth Five Year Plan (ending March 2017). Even if 80% of these targets are achieved, there would be an improvement in overall economic connectivity and productivity, which will benefit a number of companies and the overall equity markets.

The investment teams at Quantum Mutual Fund expect the stock markets to perform well over the next few years, supported by GDP growth rates in excess of 8% for the financial year ending March 2011. In this context, the BSE-30 Index is currently trading at about 14 times one year forward earnings. This is a reasonable multiple – the markets are neither “cheap” (as they were in March 2009) nor “expensive” (as they were in January 2008).

The key themes for India remain the powerful domestic consumption, and the potential for infrastructure and exports. While 2009 was a year of overall recovery because the stock markets were “cheap”, the investment teams at Quantum Mutual Fund expect that the future performance of the stock markets could be more selective. Given the bottom-up stock selection style of the investment manager - who continues to focus on good management in good businesses with sensible valuations - the long term returns for investors in Quantum’s Equity Funds should be less influenced by global uncertainties and more driven

by local opportunities and stock picking skills of the investment teams. But, to be sure, global and local risks remain and include: excessive tightening of interest rates by the RBI that could hurt India's economic growth; a sharp increase in crude oil prices that can fan more inflation; and the continuing financial problems in the western world and their financial companies which could have an indirect effect on India in many ways.

**Debt Market Review and Outlook**

The Reserve Bank of India (RBI) continued with its low interest rates and excess liquidity strategy - easy monetary policy - for the better part of the year ended March 31, 2010. The investment team at Quantum Mutual Fund is of the view that excess liquidity with banks - evidenced by bids under RBIs Liquidity Adjustment Facility - averaged well over Rs. 1 trillion, thus helping keep short term interest rates (up to 1 year) very low at around 4%. According to the investment team, the excess liquidity with banks was the result of the reductions in CRR (Cash Reserve Ratio), unwinding of stabilization bonds (MSS), high deposit growth as people continued to save, and a correspondingly low credit growth as consumption slowed down and demand for money by companies also slowed down.

The cautiousness was caused by the instability of the global financial system and the bankruptcy of Lehman Brothers in September 2008.

Fixed deposit rates for savers declined by almost 3%. However, borrowing costs for the longer term (above 5 years) increased substantially due to the higher fiscal deficit – the government put in place a series of stimulus packages to support growth and offset the negative impact of a slowing global economy.

The economy, as anticipated by the investment team, got a boost from the low interest rates and the higher government spending, and did not show any substantial decline in growth rates on an annual basis. GDP growth recovered from the lows of 5.8% for the quarter ended December 2008 to average 7.4% for the year ended March 2010. The Index of Industrial Production shifted back to double digit rates of growth. The recovery and prospect of higher growth and political stability led to rising capital inflows from Foreign Institutional Investors (FIIs) who invested USD 23 billion in the financial year. This resulted in the +83% increase in the BSE 30 Index and a 11.7% appreciation in the value of the Rupee from their year lows.

By the end of the calendar year, however, inflation began to rise sharply - especially food prices - and the RBI began to reverse from its earlier "easy liquidity policy" by hiking the CRR in January 2010 and subsequently raising interest rates in March 2010. This, the investment team believes, is only a process of normalization of interest rates and not a danger signal.

Looking ahead to the financial year ended March 2011, the investment team expects GDP growth of around 7.5% despite the expected further increase in interest rates by the RBI as it firmly steps in to manage inflationary expectations. Short term interest rates are likely to increase as overall demand for money in a growing economy removes the excess liquidity we saw in the past 18 months. The long term interest rates could also increase by 0.5% to 1.0% as the government's borrowing programme

kicks in. But none of this is a cause of worry – according to the investment team - and, in fact, when the 10 year government bond interest rate increases to 8% that would be an attractive opportunity to lock in your deposits and excess savings with a long-term perspective.

Our investment team also highlights the risks inherent in buying supposedly safe fixed income instruments. A higher interest rate may lead to a "loss" in a portfolio which has invested in long term bonds at lower interest rates. Given the expected changes in mark-to-market valuations for mutual funds investing in CP/CDs, the investment team believes that risk-averse investors looking for safety of their capital, should invest their short term cash surplus in liquid funds (investment horizon of less than 90 days) because higher interest rates are likely to have a lower impact on the value of a more liquid, "short-duration" portfolio. Liquid funds invest for the short term and can reinvest money at higher interest rates very quickly.

Overall, inflation, fiscal deficit and crude oil prices remain the key 'indicators' to monitor from a domestic and global macro economic stand point. Any adverse global development will affect risk appetite and the flow of foreign capital which, in turn, will impact the asset prices and the value of the Indian Rupee. But these are all short term worries and, with an economy driven largely by domestic demand, India should do well in the long run even in an uncertain world.

**Gold Market Review and Outlook**

The price of gold continued to scale higher, registering its ninth consecutive yearly gain in 2009. After 2008's roller-coaster, this year was one of fairly consistent gains for gold which, according to the investment team, is favored as a hedge against economic uncertainties.

Gold prices scaled above the USD 1,200 per ounce level setting record highs on a combination of renewed central bank buying interest (India bought 200 tonnes of gold from the IMF in October, 2009 for USD 6.7 billion i.e. an average price of USD 1,045 per ounce), Worries over the debasement of paper currencies, and fears of long-term inflation due to the massive economic stimulus programs undertaken by the beleaguered Western countries. Investor interest continues to remain highly robust.

The "economic recovery" witnessed in the western world, did seduce risk-taking investors back to the world of equities and commodities. Now, with the sovereign crisis erupting in Greece, the solvency of governments is again being questioned, giving gold a new boost. The investment team suggests that they are seeing signs of risk aversion with investors more cautious on equities (buying less) and moving into safer assets. Gold has been a beneficiary with increased demand for coins, bars and exchange traded funds.

Despite the strength of the dollar against the Euro and the UK Pound, gold has climbed to record levels. Some argue that gold is in a process of establishing itself as a monetary unit (which it was, prior to August 1971) because paper currencies are debased by policymakers of the developed nations who are aggressively keeping their printing presses humming to churn out more

currency notes, with no backing of gold.

Going forward, the investment team suggests that investor demand is likely to remain robust in light of these global uncertainties. Further buying by the central banks of China, Russia, and India could help boost confidence in gold. Jewellery demand will pick up as buyers adjust to higher prices and any declines could see better demand from this sector. Scrap sales may be unknown as some potential sellers may wish to see higher prices to encourage them to part with their existing stock of gold. Sales by central banks are also likely to remain subdued.

To sum it up, the investment team concludes that macroeconomic and supply demand factors are all supportive of higher prices. Given the current uncertainty and dwindling faith in fiat paper currencies, investments in gold may increase. They reiterate their view that owning some gold is a sensible hedge in a world busy with printing paper money.

## 2. BRIEF BACKGROUND OF SPONSOR, TRUST, TRUSTEE COMPANY AND ASSET MANAGEMENT COMPANY

### A. SPONSOR

Quantum Mutual Fund is sponsored by Quantum Advisors Private Limited. The Sponsor is the Settlor of the Mutual Fund Trust. The Sponsor has entrusted a sum of Rs.1,00,000 to the Trustee as the initial contribution towards the corpus of the Mutual Fund. The Sponsor is a SEBI Registered Portfolio Manager engaged in the business of rendering Portfolio Management and Advisory Services. The Sponsor has been in the business of providing equity research, investment advisory services and managing portfolio of securities since 1990.

### B. QUANTUM MUTUAL FUND

Quantum Mutual Fund (Fund) has been constituted as a trust in accordance with the provisions of the Indian Trusts Act, 1882, as per the terms of the Trust Deed dated October 7, 2005 with Quantum Advisors Private Limited as the Sponsor/Settlor and Quantum Trustee Company Private Limited, as the Trustee. The Trust Deed has been registered under the Indian Registration Act, 1908. The Trustee has entered into an Investment Management Agreement dated October 7, 2005 with Quantum Asset Management Company Private Limited to function as the Investment Manager for all the Schemes of Quantum Mutual Fund. Quantum Mutual Fund was registered with SEBI on December 2, 2005.

### C. QUANTUM TRUSTEE COMPANY PRIVATE LIMITED

Quantum Trustee Company Private Limited (Trustee) is the exclusive owner of the Trust Fund and holds the same in trust for the benefit of the Unitholders. The Trustee has been discharging its duties and carrying out the responsibilities as provided in the SEBI (Mutual Funds) Regulations, 1996 (Regulations) and the Trust Deed. The Trustee seeks to ensure

that Quantum Mutual Fund and the schemes and products floated thereunder are managed by Quantum Asset Management Company Private Limited in accordance with the Trust Deed, the Regulations, directions and guidelines issued by SEBI, the Stock Exchanges, the Association of Mutual Funds in India and other regulatory agencies.

### D. QUANTUM ASSET MANAGEMENT COMPANY PRIVATE LIMITED

Quantum Asset Management Company Private Limited (AMC) is a private limited company incorporated under the Companies Act, 1956 on September 19, 2005. The AMC has been appointed as the Investment Manager of Quantum Mutual Fund by the Trustee vide Investment Management Agreement dated October 7, 2005, executed between Quantum Trustee Company Private Limited and the AMC. The AMC was approved by SEBI vide its letter dated December 5, 2005 to act as an Asset Management Company for Quantum Mutual Fund.

### 3. SIGNIFICANT ACCOUNTING POLICIES:

The Significant Accounting Policies form part of the 'Notes to the Accounts' annexed with the Balance Sheet of the Schemes. The Accounting Policies are in accordance with the Securities Exchange Board of India (Mutual Funds) Regulations, 1996.

### 4. UNCLAIMED DIVIDENDS & REDEMPTIONS:

There are no unclaimed dividends and redemption proceeds for the year ended March 31, 2010.

### 5. DIRECT MARKETING – the only fund house in India to follow this path for the benefit of its investors.

Quantum Mutual Fund is dedicated to servicing its investors and continues to adopt a unique method of directly marketing its products and schemes through the internet and other cost-effective means, and does not use the traditional distributor led marketing approach. By dealing directly with the investor and adopting a low-cost marketing approach, Quantum Mutual Fund saves money for its investors by eliminating commissions, and minimizing other expenses, that are normally borne by investors. The benefits of these low costs have become visible and well publicized in the press and media over the past few years. As a result of our unique approach there is no "wastage" of your money and the maximum proportion of the amount subscribed by our investors gets invested in the markets.

Our focus on direct marketing remains on the Quantum Long Term Equity Fund. A micro-site has been dedicated to the fund ([www.QuantumEquityDirect.com](http://www.QuantumEquityDirect.com)) with a link to the main Quantum AMC website ([www.QuantumAMC.com](http://www.QuantumAMC.com)).

Quantum Equity Direct is the newsletter that goes out to our investor base, which contains a section on investor

education followed by 'Subbu's Solutions', a section where Mr. I. V. Subramaniam, Director of the AMC, answers investor queries on mutual fund investing.

Going forward, we would focus on the internet, investor education and content syndication with relevant websites in order to increase our investor base.

As Trustees we are proud of the fact that Quantum Mutual Fund is the first - and still the only - mutual fund house in the industry that exclusively follows this unique direct marketing approach for which we have received encouraging media coverage and appreciation for our efforts to collect assets without appointing intermediaries.

**6. INVESTOR SERVICES**

Quantum Mutual Fund's initiative to continuously educate the general investor community and to consider the interest of the investor paramount has been appreciated.

At Quantum Mutual Fund, the marketing team's constant endeavor is to educate and update the investor and to offer investors added convenience through the effective use of technology. With the objective of making the investing experience with Quantum a satisfying one, we provide investors with various facilities, such as:

**(a) ONLINE INVESTMENT**

Our website [www.QuantumAMC.com](http://www.QuantumAMC.com) provides various online tools that facilitate ease of usage, and our online investment facility (<https://Invest.QuantumAMC.com/OnlineNew/>) aims to make the investment process simpler and easier for the investor.

**(b) ELECTRONIC CLEARING SYSTEM (ECS)**

Investors can invest in the schemes through the Systematic Investment Plan (SIP) route via ECS. Through this facility of an SIP investment, the investor can place a one-time debit instruction with his bank and does not need to issue post-dated cheques for every SIP investment

**(c) DIRECT CREDIT FACILITY**

The Fund also provides Direct Credit facility (for direct credit of redemption and dividend proceeds) to investors whose banks use RBI's NEFT or RTGS platforms.

**7. INVESTOR SERVICE CENTRES**

The Fund has designated 212 branches of Karvy Computershare Private Limited to act as its Investor Service Centers / Collection Centers. These branches are located in various Tier I & II cities across India.

**8. STATUTORY INFORMATION**

(a) Quantum Advisors Private Limited (the Sponsor) is not responsible or liable for any loss resulting from the operation of the Schemes of the Fund beyond

their initial contribution (to the extent contributed) of Rs. 1,00,000 for setting of the Fund, and such other accretions / additions to the same.

(b) The price and redemption value of the units and income from them, can go up as well as down on account of fluctuations in the market value of its underlying investments.

(c) The entire Annual Report shall be disclosed on the website ([www.QuantumAMC.com](http://www.QuantumAMC.com) and [www.QuantumMF.com](http://www.QuantumMF.com)) and shall be available for inspection at the office of Quantum Mutual Fund. Present and prospective unitholders can obtain a copy of the Trust Deed, the Annual Report of the Fund / AMC at a price.

**9. LIABILITIES AND RESPONSIBILITIES OF TRUSTEES AND SPONSOR**

The main responsibility of the Trustees is to safeguard the interests of the unitholders and inter-alia ensure that Quantum Asset Management Company Private Limited (AMC) functions in the interest of the investors, and in accordance with the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, the provisions of the Trust Deed and the Scheme Information Document of the scheme. From the information provided to the Quantum Trustee Company Private Limited and the reviews it has undertaken, the Directors of the Trustee Company believe that the AMC has been conducting the operations of Quantum Mutual Fund in the interest of the unitholders and in accordance with the applicable regulatory requirements.

**10. DISCLOSURE OF INVESTOR COMPLAINTS**

The details of redressal of complaints received against the Fund during the financial year 2009-10 is attached as Annexure A.

**11. ACKNOWLEDGEMENT**

The Directors of the Trustee Company wish to thank the growing number of investors, the Securities and Exchange Board of India, the Association of Mutual Funds in India, Investor Service Centers, Registrar and Transfer Agents, Custodian, and our Bankers. We would also like to thank the employees of Quantum Asset Management Company Private Limited who have defied the traditional business practices of the mutual fund business and have charted out a long and tireless journey as they seek to build a low-cost mutual fund platform for simple, sensible, long-term investing. We look forward to their continuous support.

**For and on behalf of the Board of Directors of  
Quantum Trustee Company Private Limited**

sd/-

Date: July 23, 2010  
Place: Mumbai

**Jagdish Capoor  
Chairman**

## Annexure A

Redressal of complaints received against Quantum Mutual Fund during 2009-10

No. of Folios: 7142

| Complaint code | Type of Complaint#   | (a) No of Complaints Pending at the beginning of the Year | Action on (a) and (b)                         |                |            |             |                 |                 |            |            |            |             |
|----------------|--|---|---|----------------|------------|-------------|-----------------|-----------------|------------|------------|------------|-------------|
|                |  |   | (b) No of complaints received during the year | Resolved       |            |             |                 | Non Actionable* | Pending    |            |            |             |
|                |  |   |   | Within 30 Days | 30-60 days | 60-180 days | Beyond 180 days |                 | 0-3 Months | 3-6 months | 6-9 months | 9-12 months |
| I A            | Non receipt of Dividend on Units   | 0   | 0   | 0              | 0          | 0           | 0               | 0               | 0          | 0          | 0          | 0           |
| I B            | Interest on delayed payment of dividend                                  | 0   | 0   | 0              | 0          | 0           | 0               | 0               | 0          | 0          | 0          | 0           |
| I C            | Non receipt of Redemption Proceeds                                       | 0   | 1   | 1              | 0          | 0           | 0               | 0               | 0          | 0          | 0          | 0           |
| I D            | Interest on delayed payment of Redemption                                | 0   | 0   | 0              | 0          | 0           | 0               | 0               | 0          | 0          | 0          | 0           |
| II A           | Non receipt of Statement of Account/Unit Certificate                     | 0   | 2   | 2              | 0          | 0           | 0               | 0               | 0          | 0          | 0          | 0           |
| II B           | Discrepancy in Statement of Account                                      | 0   | 35  | 35             | 0          | 0           | 0               | 0               | 0          | 0          | 0          | 0           |
| II C           | Non receipt of Annual Report/ Abridged Summary                           | 0   | 0   | 0              | 0          | 0           | 0               | 0               | 0          | 0          | 0          | 0           |
| III A          | Wrong Switch between Schemes   | 0   | 0   | 0              | 0          | 0           | 0               | 0               | 0          | 0          | 0          | 0           |
| III B          | Unauthorized switch between Schemes                                      | 0   | 0   | 0              | 0          | 0           | 0               | 0               | 0          | 0          | 0          | 0           |
| III C          | Deviation from Scheme attributes   | 0   | 0   | 0              | 0          | 0           | 0               | 0               | 0          | 0          | 0          | 0           |
| III D          | Wrong or excess charges/load   | 0   | 0   | 0              | 0          | 0           | 0               | 0               | 0          | 0          | 0          | 0           |
| III E          | Non updation of changes viz. address, PAN, bank details, nomination, etc | 0   | 2   | 2              | 0          | 0           | 0               | 0               | 0          | 0          | 0          | 0           |
| IV             | Others   | 0   | 27  | 27             | 0          | 0           | 0               | 0               | 0          | 0          | 0          | 0           |
| Total          |  | 0   | 67  | 67             | 0          | 0           | 0               | 0               | 0          | 0          | 0          | 0           |

# - including against its authorized persons / distributors / employees etc.

\* Non-actionable – means the complaint that are incomplete / outside the scope of the Mutual Fund.

M U T U A L F U N D  
Profit with Process

## AUDITORS' REPORT

TO

THE BOARD OF TRUSTEES OF  
QUANTUM MUTUAL FUND

We have audited the attached Balance Sheet of the "Quantum Long Term Equity Fund" of Quantum Mutual Fund as at March 31, 2010 and the Revenue Account for the year ended on that date which we have signed under reference to this report. These financial statements are the responsibility of the Management of the Trustees and Asset Management companies. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that:

- 1 We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- 2 The Balance Sheet and the Revenue Account dealt with by this report are in agreement with the books of account of the scheme.
- 3 In our opinion, the valuation methods for non-traded securities are fair and reasonable and are in accordance with the guidelines for valuation issued by SEBI, under the regulation.
- 4 In our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the Accounting Policies and Standards as specified in the Ninth Schedule of the SEBI (Mutual Funds) Regulations, 1996 as amended up to date.
- 5 In our opinion, and to the best of our information and according to the explanations given to us, the said financial statements give the information required by the SEBI (Mutual Funds) Regulations, 1996 as applicable and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - i) in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2010; and
  - ii) in the case of the Revenue Account, of the surplus of the Scheme for the year ended on that date

For **HARIBHAKTI & CO.**  
Chartered Accountants

sd/-

**CHETAN DESAI**

Partner

Membership No 17000

Firm No 103523w

Place: Mumbai

Date: July 23, 2010

**QUANTUM LONG-TERM EQUITY FUND  
BALANCE SHEET AS AT MARCH 31, 2010**

|   | Schedule | March 31, 2010<br>Amount (Rs) | March 31, 2009<br>Amount (Rs) |
|---|----------|-------------------------------|-------------------------------|
| <b>LIABILITIES</b>                        |          |                               |                               |
| Unit Capital                              | 'A'      | 267,288,169                   | 244,501,965                   |
| Reserves and Surplus                      | 'B'      | 241,891,075                   | (16,588,655)                  |
| Current Liabilities and Provisions        | 'C'      | 1,166,439                     | 567,710                       |
| <b>Total</b>                              |          | <b>510,345,683</b>            | <b>228,481,020</b>            |
| <b>ASSETS</b>                             |          |                               |                               |
| Investments                               | 'D'      | 500,980,553                   | 226,732,150                   |
| Other Current Assets                      | 'E'      | 8,905,070                     | 750,603                       |
| Deferred Revenue Expenses not written off | 'F'      | 460,060                       | 998,267                       |
| <b>Total</b>                              |          | <b>510,345,683</b>            | <b>228,481,020</b>            |
| Notes forming part of Accounts            | 'G'      |                               |                               |

QUANTUM

As per our report of even date attached

**For Haribhakti & Co.**

Chartered Accountants

sd/-

**Chetan Desai**

Partner

Membership No: 17000

**For Quantum Trustee Company Private Limited**

sd/-

**Mr. Jagdish Capoor**  
(Chairman)

sd/-

**Mr. Satish Mehta**  
(Director)

**For Quantum Asset Management  
Company Private Limited**

sd/-

**Mr. Ajit Dayal**  
(Chairman)

sd/-

**Mr. I.V. Subramaniam**  
(Director)

sd/-

**Mr. Jimmy A. Patel**  
(Chief Executive Officer)

sd/-

**Mr. Atul Kumar**  
(Fund Manager)

Place : Mumbai

Date : July 23, 2010

**QUANTUM LONG-TERM EQUITY FUND  
REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010**

|  | Schedule | March 31, 2010<br>Amount (Rs) | March 31, 2009<br>Amount (Rs) |
|--|----------|-------------------------------|-------------------------------|
| <b>INCOME</b>  |          |                               |                               |
| Dividend   |          | 4,968,975                     | 6,068,087                     |
| Interest   |          | 1,007,715                     | 451,552                       |
| Profit on sale / redemption of investments (Other than inter scheme transfer / sale) |          | 55,277,027                    | -                             |
| Load Income  |          | 269,885                       | 905,764                       |
| Other Income   |          | 151                           | -                             |
| <b>Total</b>   |          | <b>61,523,753</b>             | <b>7,425,403</b>              |
| <b>EXPENSES AND LOSSES</b>   |          |                               |                               |
| Loss on Sale/Redemption of Investments (Other than inter scheme transfer / sale)     |          | 9,531,140                     | 34,437,832                    |
| Provision for depreciation in Value of Investment.                                   |          | -                             | 78,692,064                    |
| Management fees  |          | 4,483,350                     | 3,513,371                     |
| Trustee expenses   |          | 948,580                       | 935,860                       |
| Marketing & Selling Expenses   |          | 1,488,264                     | 665,404                       |
| Audit fees   |          | 209,570                       | 222,336                       |
| Custodian fees   |          | 200,208                       | 570,796                       |
| Registrar & Transfer Agent's fees  |          | 1,451,184                     | 1,164,446                     |
| Insurance Premium  |          | 121,422                       | 93,634                        |
| Other operating expenses   |          | 1,079,146                     | 582,514                       |
| Preliminary Expenses Written Off   |          | 538,207                       | 538,209                       |
| <b>Less: Excess of Expenditure over permissible limit recovered from AMC</b>         |          | <b>(1,286,023)</b>            | -                             |
| <b>Total</b>   |          | <b>18,765,048</b>             | <b>121,416,466</b>            |
| <b>Net Surplus / ( Deficit ) for the period</b>                                      |          | <b>42,758,705</b>             | <b>(113,991,063)</b>          |
| <b>APPROPRIATION ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010</b>                       |          |                               |                               |
| Net Surplus brought forward from previous year                                       |          | (48,111,565)                  | 65,879,498                    |
| Net Surplus / (Deficit) for the period   |          | 42,758,705                    | (113,991,063)                 |
| Transferred (to) / from Equalisation Account   |          | 5,507,413                     | -                             |
| Net Available Surplus  |          | 154,553                       | (48,111,565)                  |
| <b>Less : Unrealised appreciation of previous year written back</b>                  |          | -                             | -                             |
| <b>Add : Depreciation of previous year written back</b>                              |          | <b>78,692,064</b>             | -                             |
| <b>Net Surplus / ( Deficit ) carried forward</b>                                     |          | <b>78,846,617</b>             | <b>(48,111,565)</b>           |
| Notes forming parts of Accounts  |          | G                             |                               |

**As per our report of even date attached**

**For Haribhakti & Co.**

Chartered Accountants

sd/-

**Chetan Desai**

Partner

Membership No: 17000

**For Quantum Trustee Company Private Limited**

sd/-

**Mr. Jagdish Capoor**  
(Chairman)

sd/-

**Mr. Satish Mehta**  
(Director)

**For Quantum Asset Management  
Company Private Limited**

sd/-

**Mr. Ajit Dayal**  
(Chairman)

sd/-

**Mr. I.V. Subramaniam**  
(Director)

sd/-

**Mr. Jimmy A. Patel**  
(Chief Executive Officer)

sd/-

**Mr. Atul Kumar**  
(Fund Manager)

Place : Mumbai

Date : July 23, 2010

**QUANTUM LONG TERM EQUITY FUND**  
**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2010**

|  | Units             | March 31, 2010<br>Amount (Rs) | Units             | March 31, 2009<br>Amount (Rs) |
|--|-------------------|-------------------------------|-------------------|-------------------------------|
| <b>SCHEDULE 'A'</b>  |                   |                               |                   |                               |
| <b>UNIT CAPITAL</b>  |                   |                               |                   |                               |
| (Face Value of Rs. 10 Each)                                      |                   |                               |                   |                               |
| Unit Capital (Opening Balance)                                   | 24,450,197        | 244,501,965                   | 29,292,437        | 292,924,370                   |
| <b>Add</b> : Subscription during the period                      | 4,268,729         | 42,687,290                    | 2,397,916         | 23,979,159                    |
| <b>Less</b> : Redemption during the period                       | 1,990,109         | 19,901,086                    | 7,240,156         | 72,401,564                    |
| Unit Capital (Closing Balance)                                   | <u>26,728,817</u> | <u>267,288,169</u>            | <u>24,450,197</u> | <u>244,501,965</u>            |
| <b>SCHEDULE 'B'</b>  |                   |                               |                   |                               |
| <b>RESERVES &amp; SURPLUS</b>                                    |                   |                               |                   |                               |
| <b>Unit Premium</b>  |                   |                               |                   |                               |
| Opening Balance  |                   | 31,522,910                    |                   | 21,405,246                    |
| <b>Add/(Less)</b> : Net Additions/(Deduction) during the period  |                   | 15,292,553                    |                   | 10,117,664                    |
| <b>Add/(Less)</b> : Transferred (to) / from Equalisation Account |                   | (5,507,413)                   |                   | -                             |
| <b>Closing Balance</b>   |                   | <u>41,308,050</u>             |                   | <u>31,522,910</u>             |
| <b>Equalisation Account</b>                                      |                   |                               |                   |                               |
| Transferred from / (to) Unit Premium Reserve                     |                   | 5,507,413                     |                   | -                             |
| <b>Add/(Less)</b> : Transferred (to) / from Revenue Account      |                   | (5,507,413)                   |                   | -                             |
| Closing Balance  |                   | <u>-</u>                      |                   | <u>-</u>                      |
| <b>Unrealised appreciation in the value of Investments</b>       |                   |                               |                   |                               |
| Opening Balance  |                   | -                             |                   | 21,133,769                    |
| <b>Add</b> : Net change during the year                          |                   | 121,736,408                   |                   | (21,133,769)                  |
| <b>Less</b> : Written Back                                       |                   | -                             |                   | -                             |
|  |                   | <u>121,736,408</u>            |                   | <u>-</u>                      |
| <b>Appropriation Account</b>                                     |                   |                               |                   |                               |
| <b>Surplus/Deficit carried forward</b>                           |                   | <u>78,846,617</u>             |                   | <u>(48,111,565)</u>           |
| <b>Total Reserves &amp; Surplus</b>                              |                   | <u>241,891,075</u>            |                   | <u>(16,588,655)</u>           |
| <b>SCHEDULE 'C'</b>  |                   |                               |                   |                               |
| <b>CURRENT LIABILITIES &amp; PROVISIONS</b>                      |                   |                               |                   |                               |
| Management Fees Payable  |                   | 474,173                       |                   | 219,394                       |
| Trustee Fees Payable   |                   | -                             |                   | 20,571                        |
| Audit Fees Payable   |                   | 188,613                       |                   | 197,879                       |
| Custody Fees Payable   |                   | 17,447                        |                   | 32,564                        |
| Registrar Fees Payable   |                   | 140,382                       |                   | 60,983                        |
| Redemption Payable (other than Inter Scheme)                     |                   | 166,977                       |                   | -                             |
| Units pending Allotment  |                   | -                             |                   | 1,000                         |
| TDS Payable  |                   | 126,931                       |                   | 32,305                        |
| STT payable  |                   | 7,806                         |                   | -                             |
| Other payables   |                   | 44,110                        |                   | 3,014                         |
| <b>Total</b>   |                   | <u>1,166,439</u>              |                   | <u>567,710</u>                |

|  | March 31, 2010<br>Amount (Rs) | March 31, 2009<br>Amount (Rs) |
|--|-------------------------------|-------------------------------|
| <b>SCHEDULE 'D'</b>  |                               |                               |
| <b>INVESTMENTS</b>   |                               |                               |
| Equity shares  | 439,470,352                   | 217,909,128                   |
| Equity shares - Rights   | -                             | 894,000                       |
| Collateralised Borrowing & Lending Obligation  | 61,510,201                    | 7,929,022                     |
| <b>Total</b>   | <b>500,980,553</b>            | <b>226,732,150</b>            |
| <b>SCHEDULE 'E'</b>  |                               |                               |
| <b>OTHER CURRENT ASSETS</b>  |                               |                               |
| Balances with Banks in Current Account including cheques on hand                     | 515,055                       | 577,289                       |
| Outstanding and Accrued Income   | 7,960                         | -                             |
| Subscription Receivable (other than Inter Scheme)                                    | 641,800                       | 33,000                        |
| Receivable from Quantum Asset Management Company Private Limited for scheme expenses | 198,211                       | 121,223                       |
| Other Current Assets   | 29,339                        | -                             |
| Sales Contract outstanding   | 7,512,705                     | -                             |
| Dividend Receivable  | -                             | 19,091                        |
| <b>Total</b>   | <b>8,905,070</b>              | <b>750,603</b>                |
| <b>SCHEDULE 'F'</b>  |                               |                               |
| <b>DEFERRED REVENUE EXPENDITURE</b>  |                               |                               |
| (to the extent not written off or adjusted)  |                               |                               |
| Opening b/f  | 998,267                       | 1,536,476                     |
| Amortised during the period  | 538,207                       | 538,209                       |
|  | <b>460,060</b>                | <b>998,267</b>                |

**QUANTUM**

M U T U A L F U N D

Profit with Process

## SCHEDULE 'G'

## Notes:

**1. ORGANISATION**

Quantum Long Term Equity Fund ("the Scheme") is an open-ended growth scheme of Quantum Mutual Fund and was launched on February 8, 2006. Quantum Mutual Fund has been sponsored by Quantum Advisors Private Ltd. Quantum Asset Management Company Private Limited incorporated under the Companies Act, 1956 has been appointed as the Asset Management Company. The duration of the scheme is perpetual. The Scheme closed for initial subscription on February 25, 2006 and is currently open for ongoing subscription.

In accordance with SEBI (Mutual Funds) Regulations, 1996 ('the SEBI Regulations'), the Board of Directors of Quantum Trustee Company Private Limited ('the Trustee') has appointed Quantum Asset Management Company Private Limited ('the AMC') to manage the Fund's affairs and operate its Schemes. The investment objective of the Scheme is to achieve long-term capital appreciation by investing primarily in shares of companies that will typically be included in the BSE 200 Index and are in a position to benefit from the anticipated growth and development of the Indian economy and its markets. The Scheme offers its investors a Dividend Plan and Growth Plan (collectively 'the Plans').

**2. SIGNIFICANT ACCOUNTING POLICIES****(2.1) BASIS OF ACCOUNTING**

The scheme maintains its books of accounts on an accrual basis. These financial statements have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of SEBI Regulations and amendments thereto as applicable.

**(2.2) INVESTMENTS**

Investments are accounted on the trade date. The Scheme uses the average cost method for determining the realized gain or loss on sale of investments. In case of interest bearing securities though investments are accounted on the trade date, interest accrues from the settlement date. However, the effect of all investments traded during the financial year is recorded and reflected in the financial statements for that year. The cost of investments includes cost of acquisition, brokerage, stamp duty and any charge included in broker's brought note.

Rights/Bonus entitlements, if any, are accounted on ex-right/ex-bonus date of the principal stock exchange.

**(2.3) PORTFOLIO VALUATION**

Investments are stated at market / fair value at the Balance Sheet date / date of determination. The net asset value of the units of the scheme is determined separately for the units issued under the Plans in

valuing the Scheme's investments.

I. Equity securities listed on a recognized stock exchange are valued at the last quoted closing price on National Stock Exchange of India Limited (NSE) on which the security is traded. If on a particular valuation day a security is not traded on NSE the value at which it is traded on the Bombay Stock Exchange Limited (BSE) is used. If no sale is recorded at that time the last quoted closing price of the NSE is used when it is not more than thirty days prior to the valuation date.

Till August 31, 2009 BSE was the primary exchange for valuation of Securities.

II. Non traded and thinly traded equity securities including those not traded within thirty days prior to valuation date are valued at fair value as determined in good faith by the AMC under a procedure that is approved by the trustee of Quantum Mutual Fund in accordance with the provision contained in the Eight Schedule of the SEBI Regulations read with guidelines for valuation of securities for mutual funds dated September 18, 2000 and amendments thereto, as applicable, issued by the SEBI.

III. Privately placed equity securities are valued at fair value as determined in good faith by the AMC under a procedure that is approved by the Trustee of Quantum Mutual Fund in accordance with the guidelines for valuation of unlisted equity securities for mutual fund dated May 9, 2002 issued by SEBI.

IV. Equity Securities awaiting listing are valued at fair value as determined in good faith by AMC under a procedure that is approved by the Trustee of Quantum Mutual Fund.

V. Debt Securities listed on recognized stock exchange are valued at the last quoted closing price on the principal exchange on which the security is traded. If no sale is reported at that time such security is valued at fair value as determined in good faith by the AMC under a procedure that is approved by the Trustee of Quantum Mutual Fund.

VI. Non traded and thinly traded debt securities are valued at fair value as determined in good faith by the AMC under a procedure that is approved by the Trustee of Quantum Mutual Fund in accordance with the provision contained in the Eight Schedule of the SEBI Regulations, as amended up to date with relevant circulars read with guidelines for valuation of securities for mutual funds dated September 18, 2000 and subsequent amendments thereto, as applicable, issued by SEBI.

- VII. Privately placed debt securities are valued at fair value as determined in good faith by AMC under a procedure that is approved by the Trustee of Quantum Mutual Fund.
- VIII. Money market instruments are valued at cost plus accrued interest, traded money market securities are valued at the yield at which they are traded on the valuation date. If no sale is reported at that time, such security is valued at the last traded price plus accretion of the difference between the face value and the last traded price. Non traded money market instruments are valued at cost plus accrued interest.
- IX. Instruments bought on 'repo' basis are valued at the resale price after deduction of applicable interest upto the date of resale.
- X. There were no investments recognized as Non-performing Assets (NPAs), as on March 31, 2010. An Investment is regarded as non-performing, if the interest and/or principal amount has not been received or remains outstanding for one quarter from the day such income or installment has fallen due.
- XI. The above policies followed by the fund as and when applicable.
- XII. Following the issue of the guidance note on accounting for investment in the financial statements of mutual funds by The Institute of Chartered Accountant of India (pursuant to the Eleventh Schedule of the Regulation and pending further clarification from SEBI) net unrealized appreciation/depreciation in the value of investments is determined separately for each category of investments. Further the change in net unrealized appreciation/depreciation, if any between the two balance sheet dates/ date of determination is recognized in the Revenue Account. Unrealized appreciation is reduced from the distributable income at the time of distribution of income. At the end of this financial year, the balance in the revenue account including change in the net unrealised appreciation/depreciation in the value of investments is transferred to Reserve Fund.

**(2.4) INVESTMENT INCOME**

Interest income is recorded on an accrual basis. In respect of interest bearing instruments income has been accrued on a day to day basis as it is earned. Where fixed income securities are acquired at premium or discount to the redemption value, such premium or discount is amortized on a straight line basis over the period of redemption. Dividend income earned by the scheme has been recognised on the date the share is quoted on an ex-dividend basis. Profit/loss on sale of investment is accounted

for in the year in which the contract for sale is entered into. The cost is calculated on the basis of weighted average cost of investment.

**(2.5) EXIT LOAD INCOME**

Exit Load collected from the investor is credited to the revenue account.

**(2.6) NET ASSET VALUE FOR GROWTH / DIVIDEND PLANS**

The net asset value of the units of the scheme is determined separately for units issued under the Growth / Dividend Plans.

For reporting the net asset value for the Plans, daily income earned, including realized and unrealized gain or loss in the value of investments and expenses incurred by the Scheme are allocated to the Plans in proportion to the value of units outstanding.

**(2.7) UNIT PREMIUM RESERVE**

Upon issue and redemption of units, the net premium or discount to the face value of units is adjusted against the unit premium reserve of the scheme, after an appropriate portion of the issue proceeds and redemption payout is credited or debited respectively to the income equalization reserve.

**(2.8) EQUALISATION RESERVE**

The purpose of Equalization Account is to maintain per unit distributable surplus so that continuing unit holders' share of distributable surplus remains unchanged on issue or redemption of units. The total distributable surplus (without considering unrealised appreciation) upto the date of issue/redemption of units have been taken into account for the purpose of ascertaining the amount to be transferred to Equalization Account. The net balance in this account is transferred to the Revenue Account at the end of the year.

**(2.9) CUSTODY FEES**

Deutsche Bank provides custodial services to the scheme for which it receives custody fees.

**(2.10) INVESTMENT MANAGEMENT FEES**

The Scheme has paid or provided for investment management fees payable to AMC for managing the Scheme at a percentage of the average daily net asset values recorded by the Scheme, such that the investment manager fees chargeable to the Scheme does not exceeds 1.25% of the average daily net asset values recorded by the Scheme upto Rs.100 crores and 1% of the excess over Rs.100 crores. All costs, charges and expenses incurred by AMC in the administration and execution of the activities of the Scheme, except costs allowed to be charged to the Scheme under the SEBI Regulations and amendments thereto, as applicable, are on their own account for which they receive investment management fees.

**(2.11) TRUSTEE FEES**

Pursuant to the Trust Deed dated October 7, 2005 between Quantum Advisors Private Limited (Settlor) and the Trustee and the offer document of the scheme, the Fund is authorized to pay the Trustee a fee, for rendering service as a Trustee of the Fund.

**(2.12) REGISTRAR & TRANSFER AGENT FEES**

Karvy Computershare Private Limited provides registrar and share transfer services to the scheme for which it receives registrar and share transfer fees.

**(2.13) INCOME TAX**

No Provision for taxation has been made as the scheme qualifies as recognized mutual fund under section 10(23D) of the Income Tax Act, 1961.

**3. NOTES TO ACCOUNTS****(1) PLANS**

The Scheme has two Plans - Growth Plan and Dividend Plan. A combined Balance Sheet and Revenue Account is prepared for the Scheme.

**(2) VALUE OF INVESTMENT AS ON MARCH 31, 2010**

The Cost and Market Value/ Fair Value of Investment as on March 31, 2010 is given below.

| Sr. No. | Securities    | Cost (Rs.)     | Market Value (Rs.) | Cost (Rs.)     | Market Value (Rs.) |
|---------|---------------|----------------|--------------------|----------------|--------------------|
|         |               | March 31, 2010 |                    | March 31, 2009 |                    |
| 1       | EQUITY        | 317,733,944    | 439,470,351        | 296,601,195    | 218,506,591        |
| 2       | EQUITY-RIGHTS | -              | -                  | 894,000        | 296,540            |
| 3       | CBLO          | 61,510,201     | 61,510,201         | 7,929,022      | 7,929,022          |
|         | TOTAL         | 379,244,145    | 500,980,552        | 305,424,217    | 226,732,153        |

**(3) NON PERFORMING INVESTMENTS.**

| Type of Investment | Carrying Value Amount (Rs) | Market value Amount (Rs) | Provisions |
|--------------------|----------------------------|--------------------------|------------|
| NIL                | NIL                        | NIL                      | NIL        |

**(4) NAV**

Net Asset Value (NAV per unit having a Face Value of Rs. 10/-) as on March 31, 2010

| SCHEME        | NAV (March 31, 2010) |
|---------------|----------------------|
| Growth Plan   | 19.02                |
| Dividend Plan | 19.18                |

**(5) AGGREGATE APPRECIATION AND DEPRECIATION IN THE VALUE OF INVESTMENTS**

Aggregate appreciation and depreciation in value of investments as on March 31, 2010 is as follows:

| Particulars                              | March 31, 2010 | March 31, 2009  |
|--|----------------|-----------------|
| <b>Equity Share</b>                      |                |                 |
| Unrealised Appreciation                  | 130,231,391.34 | 9,251,990.79    |
| Unrealised Depreciation                  | (8,494,983.83) | (87,944,054.92) |
| Net Unrealised Appreciation Depreciation | 121,736,407.51 | (78,692,064.13) |

**(6) AGGREGATE VALUE OF PURCHASE AND SALE OF INVESTMENTS MADE DURING THE YEAR**

Purchases (excluding Reverse repos, Call money & Fixed deposits) – Rs 145,931,156.23

- As a percentage of average daily net assets is 36.56 %

Sales / Redemptions (excluding Reverse repos, Call money & Fixed deposits) –Rs.171,438,293.99

As a percentage of average daily net assets 42.95%

**(7) INCOME AND EXPENDITURE**

The total income and expenditure and these amounts as a percentage of the Scheme's average daily net assets on an annualized basis are provided below:

**Income (excluding unrealized appreciation & Net off losses on sale of Investments)**

- Amount Rs. 51,992,613 /-
- As a percentage of average daily net assets 13.03 %

**Expenditure**

- Amount Rs.86,95,702/- (Excluding preliminary expenses w/off Rs. 538,207.01)
- Recurring expenses – 2.18%\*
- Preliminary expenses written-off – 0.13%\*
- Total** – 2.31%\*

\*As a percentage of average daily net assets

**(8) INVESTMENT MANAGEMENT FEES**

Investment Management Fees has been computed on the basis of Average Daily Net Assets of the Scheme accrued on a daily basis. Average daily Net Asset is Rs. 399,111,896.45 & fees charged 1.12% Management Fees accrued during the period is Rs. 4,483,350/-

**(9) AMORTISATION**

Initial Issue Expenses of Rs. 0.27 Crores is being amortised over a period of 5 years.

|   |                |
|---|----------------|
| Opening balance of Initial issue expenses | Rs. 998,267.37 |
| Written off during the year               | Rs. 538,207.10 |
| Balance carried forward to next year      | Rs. 460,060.27 |

**(10) CONTRACTS PENDING DELIVERY**

Sale of securities by the Scheme, the deliveries of which were pending as on March 2010, amounted to Rs. 7,512,705.42 There were no contracts for Purchase pending deliveries as on March 31, 2010.

**(11) MOVEMENT IN UNIT CAPITAL**

| Particulars                              | 2009-10       |                | 2008-09        |                |
|--|---------------|----------------|----------------|----------------|
|  | Qty.          | Amount         | Qty.           | Amount         |
| <b>Units of Rs 10 each fully paid up</b> |               |                |                |                |
| <b>Growth Plan</b>                       |               |                |                |                |
| Opening                                  | 20,480,834.23 | 204,808,342.28 | 19,106,654.63  | 191,066,546.24 |
| Issued -during the period                | 3,296,593.43  | 32,965,934.34  | 1,978,849.93   | 19,788,499.32  |
| Redeemed during the period               | 1,589,470.81  | 1,5894,708.14  | 604,670.33     | 6,046,703.28   |
| Outstanding at end of the period         | 22,187,956.85 | 221,879,568.48 | 20,480,834.23  | 204,808,342.28 |
| <b>Dividend Plan</b>                     |               |                |                |                |
| Opening                                  | 3,969,362.25  | 39,693,622.46  | 10,185,782.408 | 101,857,824.08 |
| Issued -during the period                | 972,135.54    | 9,721,355.39   | 419,065.96     | 4,190,659.59   |
| Redeemed during the period               | 400,637.81    | 4,006,378.08   | 6,635,486.12   | 66,354,861.21  |
| Outstanding at end of the period         | 4,540,859.98  | 45,408,599.77  | 3,969,362.25   | 39,693,622.46  |
| <b>Grand Total</b>                       |               |                |                |                |
| Opening                                  | 24,450,196.48 | 244,501,964.74 | 29,292,437.04  | 292,924,370.32 |
| Issued -during the period                | 4,268,728.97  | 42,687,289.73  | 2,397,915.89   | 23,979,158.91  |
| Redeemed during the period               | 1,990,108.62  | 19,901,086.22  | 7,240,156.45   | 72,401,564.49  |
| Outstanding at end of the period         | 26,728,816.83 | 267,288,168.25 | 24,450,196.48  | 244,501,964.74 |

**(12) DISCLOSURE UNDER REGULATIONS 25 (8) OF THE SEBI REGULATIONS – PAYMENTS OF FEES TO ASSOCIATE COMPANIES**

Quantum Long Term Equity Fund has made payment to Associate companies during the year ended March 31, 2010.

**(13) INVESTMENTS IN GROUP COMPANIES**

Quantum Long Term Equity Fund has made NIL investment in group companies during the year ended March 31, 2010

**(14) ACCOUNTING POLICY**

There is no change in the accounting policy during the year ended March 31, 2010

**(15) LARGE HOLDINGS**

Unit holders holding over 25% of the Scheme's NAV is NIL as at the end of the year March 31, 2010

**(16) DISCLOSURE UNDER REGULATION 25(11) OF THE SECURITY AND EXCHANGE BOARD OF INDIA (MUTUAL FUNDS) REGULATIONS, 1996 AS AMENDED - NIL****(17) SUPPLEMENTARY INVESTMENT PORTFOLIO INFORMATION AND INDUSTRYWISE CLASSIFICATION**

Details of investment portfolio and industry wise classification of the Scheme's investments in each category of investments at March 31, 2010, are presented below. The industry and company exposures are stated as a percentage of the Scheme's net assets as at March 31, 2010, as well as the aggregate investments in each investment category.

| Sr. No.                            | Name of Instrument                                    | Industry Classification                | Quantity   | Amount (Rs. in lacs) | % to Investment category | % to Net Asset |
|------------------------------------|---|--|------------|----------------------|--------------------------|----------------|
| <b>EQUITY &amp; EQUITY RELATED</b> |   |  |            |                      |                          |                |
| <b>a)</b>                          | <b>Listed /Awaiting listing on the Stock Exchange</b> |  |            |                      |                          |                |
| 1                                  | Housing Development Finance Corp Ltd                  | Finance                                | 11,718.00  | 318.40               | 7.25%                    |                |
| 2                                  | Tata Consultancy Services Ltd.                        | Software                               | 40,294.00  | 314.56               | 7.16%                    |                |
| 3                                  | Infosys Technologies Ltd.                             | Software                               | 10,614.00  | 277.66               | 6.32%                    |                |
| 4                                  | HDFC Bank Ltd.  | Banks                                  | 14,257.00  | 275.66               | 6.27%                    |                |
| 5                                  | Hindustan UniLever Ltd.                               | Diversified                            | 95,662.00  | 229.16               | 5.21%                    |                |
| 6                                  | Crompton Greaves Ltd.                                 | Industrial                             | 87,206.00  | 227.56               | 5.18%                    |                |
| 7                                  | Titan Industries Ltd.                                 | Capital Goods<br>Consumer Non Durables | 11,861.00  | 218.31               | 4.97%                    |                |
| 8                                  | Oil & Natural Gas Corporation Ltd.                    | Oil                                    | 17,905.00  | 196.72               | 4.48%                    |                |
| 9                                  | Bajaj Auto Ltd  | Auto                                   | 9,630.00   | 194.03               | 4.41%                    |                |
| 10                                 | Zee Entertainment Enterprises Ltd                     | Media & Entertainment                  | 71,143.00  | 190.84               | 4.34%                    |                |
| 11                                 | Indian Hotels Co. Ltd.                                | Hotels                                 | 184,667.00 | 188.82               | 4.30%                    |                |
| 12                                 | Container Corporation of India Ltd.                   | Transportation                         | 14,241.00  | 187.70               | 4.27%                    |                |
| 13                                 | Tata Tea Ltd.   | Consumer Non Durables                  | 18,450.00  | 180.60               | 4.11%                    |                |
| 14                                 | Bharat Petroleum Corporation Ltd.                     | Petroleum Products                     | 31,553.00  | 163.46               | 3.72%                    |                |
| 15                                 | Tata Steel Ltd.                                       | Ferrous Metals                         | 24,898.00  | 157.37               | 3.58%                    |                |
| 16                                 | ING Vysya Bank Ltd.                                   | Banks                                  | 56,293.00  | 155.54               | 3.54%                    |                |
| 17                                 | State Bank of India                                   | Banks                                  | 7,353.00   | 152.81               | 3.48%                    |                |
| 18                                 | Cummins India Ltd.                                    | Industrial Products                    | 24,029.00  | 123.34               | 2.81%                    |                |
| 19                                 | Bharti Airtel Ltd.                                    | Telecom - Services                     | 38,877.00  | 121.51               | 2.76%                    |                |
| 20                                 | Raymond Ltd.  | Textile Products                       | 47,552.00  | 113.82               | 2.59%                    |                |
| 21                                 | Trent Ltd   | Retailing                              | 12,741.00  | 102.39               | 2.33%                    |                |
| 22                                 | 3I Infotech Ltd                                       | Software                               | 114,811.00 | 90.07                | 2.05%                    |                |
| 23                                 | PTC INDIA Ltd   | Power                                  | 77,247.00  | 86.56                | 1.97%                    |                |
| 24                                 | Jet Airways (India) Ltd.                              | Transportation                         | 11,653.00  | 55.96                | 1.27%                    |                |
| 25                                 | Dr. Reddys Laboratories Ltd.                          | Pharmaceuticals                        | 4,171.00   | 53.18                | 1.21%                    |                |
| 26                                 | Aventis Pharma Ltd.                                   | Pharmaceuticals                        | 1,037.00   | 18.69                | 0.43%                    |                |
|                                    | <b>TOTAL</b>  |  |            | <b>4394.70</b>       | <b>100.00%</b>           | <b>86.41%</b>  |
| <b>b)</b>                          | <b>Cash &amp; Equivalent</b>                          |  |            |                      |                          |                |
| 1                                  | CBLO / Reverse Repo Investments                       |  |            | 615.10               |                          | 12.09%         |
| 2                                  | Net Receivable / (Payables)                           |  |            | 76.06                |                          | 1.50%          |
|                                    | <b>TOTAL</b>  |  |            | <b>691.16</b>        |                          | <b>13.59%</b>  |
|                                    | <b>Grand Total</b>                                    |  |            | <b>5085.87</b>       |                          | <b>100.00%</b> |

**(18) PRIOR PERIOD COMPARATIVES**

Previous year's figures have been regrouped/re-arranged where appropriate.

**(19) COPY OF TRUST DEED**

On written request, present and prospective unit holders/investors can obtain copy of the Trust Deed, the Annual Report (at a price) and the text of the relevant scheme.

**(20) BONUS**

No bonus has been declared by the Scheme during the year ended March 31, 2010

**(21) BORROWING**

The scheme has not made any borrowing during the year ended March 31, 2010

**(22) UNDERWRITING**

The scheme has not undertaken any underwriting obligation during the year ended March 31, 2010

**(23) DERIVATIVES**

The scheme has no exposure to derivative products, foreign securities, ADR's and GDR's.

**(24) ANNUAL REPORT REQUEST**

The unit holders, if they so desire, may request for the annual report of AMC.

**(25) SEGMENT REPORTING**

As per disclosure requirement under Accounting Standard 17 on 'Segment Reporting' issued by ICAI the scheme operates only in one segment viz. to primarily generate returns, based on schemes' investment objective.

**(26) CONTINGENT LIABILITIES**

The Contingent Liabilities as on 31st March 2010 is NIL

**(27) RELATED PARTY TRANSACTIONS**

The scheme has entered into transactions with some of the following related parties. The information required in this regard in accordance with Accounting Standards 18 i.e. Related Party Disclosure issued by the ICAI and Regulation 25(8) of the SEBI Regulation is provided below:

**Related party relationships**

| <b>Name</b>  | <b>Description of relationship</b> |
|--|------------------------------------|
| Quantum Advisors Private Limited                     | Sponsor                            |
| Quantum Asset Management Company Private Limited     | Asse Management Company            |
| Quantum Trustee Company Private Limited              | Trustee                            |
| Quantum Information Services Private Limited         | Associate                          |
| Helpyourngo.com India Private Limited                | Associate                          |
| Equitymaster India Limited                           | Associate                          |
| Equitymaster Agora Research Private Limited          | Associate                          |
| Personalfn Insurance Services India Limited          | Associate                          |
| Mymakaan Private Limited                             | Associate                          |
| Menlo Oak Venture Investments                        | Associate                          |
| Primary Real Estate Advisors Private Limited         | Associate                          |
| Primary Real Estate Advisors Limited, Mauritius      | Associate                          |
| QIEF Management LLC                                  | Associate                          |
| Principal Real Estate Investment Private Limited     | Associate                          |
| Centre for Monitoring Indian Economy Private Limited | Associate                          |
| Geojit Financial Services Limited                    | Associate                          |
| Geojit Credits Private Limited                       | Associate                          |
| Soltrix India Private Limited                        | Associate                          |
| Quantum Equity Advisors Private Limited              | Sponsor's subsidiary               |

**Other Schemes of the Fund**

- Quantum Liquid Fund
- Quantum Gold Fund
- Quantum Index Fund
- Quantum Tax Saving Fund
- Quantum Equity Fund of Funds

Transaction, if any with the above mentioned related parties as defined under accounting standard 18 and Regulation 25(8) of the SEBI Regulation are provided below:

| Name of the related party                        | Nature of transactions                               | Year ended March 2010 | Balance as at March 31, 2010 | Year ended March 2009 | Balance as at March 31, 2009 |
|--|--|-----------------------|------------------------------|-----------------------|------------------------------|
| Quantum Asset Management Company Private Limited | Subscription   | -                     | -                            | -                     | -                            |
|  | Redemption   | -                     | -                            | -                     | -                            |
|  | Net Assets value of investment at balance sheet date | -                     | 48,127,530.35                | -                     | 23,557,692.3                 |
| Quantum Asset Management Company Private Limited | Management Fees                                      | 4,483,350             | 474,173                      | 3,513,371             | 219,394                      |
| Quantum Trustee Company Private Limited          | Trusteeship Fees (Inclusive of Service Tax)          | 9,48,580              | -                            | 935,860               | 20,571                       |

**Brokerage and commission paid to associates as per SEBI circular SEBI/IMD/CIR No 18/198647/2010 dated March 15, 2010.**

a) Brokerage paid to Associates Companies during the last two fiscal years:-

| Name of Associate Company | Nature of Association/<br>Nature of relation | Period covered                  | Value of transaction (in Rs. Cr. & % of total value of transaction of the fund) |       | Brokerage (Rs Cr & % of total brokerage paid by the fund) |       |
|---------------------------|--|---------------------------------|---|-------|---|-------|
| HDFC Securities Limited   | Associate Broker                             | April 01, 2008 - March 31, 2009 | 0.27 Cr.  | 1.87% | 0.001 Cr.   | 1.85% |
| HDFC Securities Limited   | Associate Broker                             | April 01, 2009 - March 31, 2010 | 1.06 Cr.  | 3.35% | 0.002 Cr.   | 3.35% |

b) Commission paid to Associate Companies during the last two fiscal years:-

| Name of Associate Company                    | Nature of Association/<br>Nature of relation | Period covered                  | Business given (Rs. Cr. & % of total business received by the fund) | Commission paid (Rs & % of total commission paid by the fund) |
|--|--|---------------------------------|---|---|
| Quantum Information Services Private Limited | Associate Company                            | April 01, 2008 - March 31, 2009 | 0.30 cr. & 0.62%  | Nil   |
| Quantum Information Services Private Limited | Associate Company                            | April 01, 2009 - March 31, 2010 | 0.51 cr. & 1.27%  | Nil   |

## (28) CASH FLOW STATEMENT

As per applicability norms of Accounting Standard 3 on 'Cash Flow Statement' issued by ICAI, disclosure is not required, as the scheme turnover (revenues) is not exceeding than the applicable norms.

**As per our report of even date attached**

**For Haribhakti & Co.**

Chartered Accountants

sd/-

**Chetan Desai**

Partner

Membership No: 17000

**For Quantum Trustee Company Private Limited**

sd/-

**Mr. Jagdish Capoor**  
(Chairman)

sd/-

**Mr. Satish Mehta**  
(Director)

**For Quantum Asset Management Company Private Limited**

sd/-

**Mr. Ajit Dayal**  
(Chairman)

sd/-

**Mr. I.V. Subramaniam**  
(Director)

sd/-

**Mr. Jimmy A. Patel**  
(Chief Executive Officer)

sd/-

**Mr. Atul Kumar**  
(Fund Manager)

Place : Mumbai

Date : July 23, 2010

**HISTORICAL PER UNIT STATISTICS**

| Sr. No.    | Per Unit Particulars (Rupees)   | Quantum Long Term Equity Fund As on March 31, 2010 | Quantum Long Term Equity Fund As on March 31, 2009 | Quantum Long Term Equity Fund As on March 31, 2008 |
|------------|---|--|--|--|
|            | <b>Face Value</b>   | Rs.10/-  | Rs.10/-  | Rs.10/-  |
| <b>(a)</b> | <b>Net Asset Value</b>  |  |  |  |
| i)         | Growth Plan   | 19.02  | 9.31   | 13.72  |
| ii)        | Dividend Plan   | 19.18  | 9.39   | 13.71  |
| <b>(b)</b> | <b>Gross Income broken up into the following components</b>   |  |  |  |
| i)         | income other than profit on sale of investment  | 0.2337   | 0.2666   | 0.24   |
| ii)        | income from profit on inter-scheme sales/transfer of investments  |  |  |  |
| iii)       | income from profit on sale of investment to third party   | 1.7115   | -1.4085  | 2.02   |
| iv)        | transfer to revenue account from past years reserve   | -  | -  | -  |
| <b>(c)</b> | <b>Aggregate of expenses, write-off, amortization and charges</b>   | 0.3253   | 0.3169   | 0.35   |
| <b>(d)</b> | <b>Net Unrealised appreciation in value of investments</b>  | 4.5545   | -  | 0.72   |
| <b>(e)</b> | <b>Net Income per unit (excluding unrealized appreciation)</b>  | 1.6199   | -1.4587  | 1.91   |
| <b>(f)</b> | <b>i) Highest sale price per unit</b>   |  |  |  |
|            | Growth Plan   | 19.10  | 14.81  | 17.43  |
|            | Dividend Plan   | 19.26  | 14.80  | 17.43  |
|            | <b>ii) Lowest sale price per unit</b>   |  |  |  |
|            | Growth Plan   | 9.40   | 7.98   | 11.04  |
|            | Dividend Plan   | 9.48   | 8.04   | 11.04  |
|            | <b>iii) Highest repurchase price per unit</b>   |  |  |  |
|            | Growth Plan   | 18.34  | 14.22  | 16.73  |
|            | Dividend Plan   | 18.49  | 14.21  | 16.73  |
|            | <b>iv) Lowest repurchase price per unit</b>   |  |  |  |
|            | Growth Plan   | 9.02   | 7.66   | 10.60  |
|            | Dividend Plan   | 9.10   | 7.72   | 10.60  |
|            | Price earning ratio   | N.A  | N.A  | N.A  |
| <b>(g)</b> | <b>Ratio of expenses to average net assets (excluding unrealized depreciation and amortization of deferred revenue expenditure)</b> | 2.18%  | 2.50%  | 2.50%  |
| <b>(h)</b> | <b>Ratio of gross income to average daily net assets</b>  | 13.02%   | -0.09%   | 16.78%   |

## AUDITORS' REPORT

TO

THE BOARD OF TRUSTEES OF  
QUANTUM MUTUAL FUND

We have audited the attached Balance Sheet of the "Quantum Liquid Fund" of Quantum Mutual Fund as at March 31, 2010 and the Revenue Account for the year ended on that date, which we have signed under reference to this report. These financial statements are the responsibility of the Management of the Trustees and Asset Management companies. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that:

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. The Balance Sheet and the Revenue Account dealt with by this report are in agreement with the books of account of the scheme.
3. In our opinion, the valuation methods for non-traded securities are fair and reasonable and are in accordance with the guidelines for valuation issued by SEBI, under the regulation.
4. In our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the Accounting Policies and Standards as specified in the Ninth Schedule of the SEBI (Mutual Funds) Regulations, 1996 as amended up to date.
5. In our opinion, and to the best of our information and according to the explanations given to us, the said financial statements give the information required by the SEBI (Mutual Funds) Regulations, 1996 as applicable and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - i) in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2010 ; and
  - ii) in the case of the Revenue Account, of the surplus of the Scheme for the year ended on that date

For **HARIBHAKTI & CO.**  
Chartered Accountants

sd/-

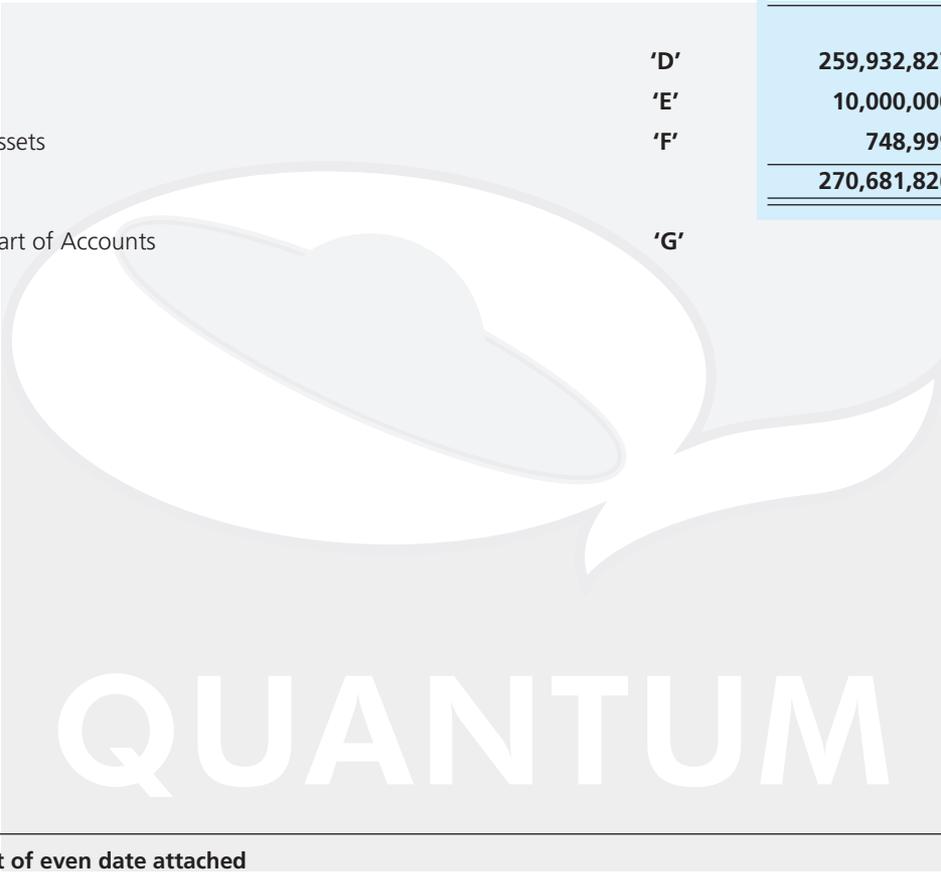
**CHETAN DESAI**  
Partner

Membership No 17000  
Firm No 103523w

Place: Mumbai  
Date: July 23, 2010

**QUANTUM LIQUID FUND  
BALANCE SHEET AS AT MARCH 31, 2010**

|                                    | Schedule | March 31, 2010<br>Amount (Rs) | March 31, 2009<br>Amount (Rs) |
|------------------------------------|----------|-------------------------------|-------------------------------|
| <b>LIABILITIES</b>                 |          |                               |                               |
| Unit Capital                       | 'A'      | 229,278,414                   | 226,420,385                   |
| Reserves and Surplus               | 'B'      | 41,220,427                    | 28,546,254                    |
| Current Liabilities and Provisions | 'C'      | 182,985                       | 172,655                       |
| <b>Total</b>                       |          | <b>270,681,826</b>            | <b>255,139,294</b>            |
| <b>ASSETS</b>                      |          |                               |                               |
| Investments                        | 'D'      | 259,932,827                   | 252,823,823                   |
| Deposits                           | 'E'      | 10,000,000                    | -                             |
| Other Current Assets               | 'F'      | 748,999                       | 2,315,471                     |
| <b>Total</b>                       |          | <b>270,681,826</b>            | <b>255,139,294</b>            |
| Notes forming part of Accounts     | 'G'      |                               |                               |



As per our report of even date attached

**For Haribhakti & Co.**

Chartered Accountants

sd/-

**Chetan Desai**

Partner

Membership No: 17000

**For Quantum Trustee Company Private Limited**

sd/-

**Mr. Jagdish Capoor**  
(Chairman)

sd/-

**Mr. Satish Mehta**  
(Director)

**For Quantum Asset Management  
Company Private Limited**

sd/-

**Mr. Ajit Dayal**  
(Chairman)

sd/-

**Mr. I.V. Subramaniam**  
(Director)

sd/-

**Mr. Jimmy A. Patel**  
(Chief Executive Officer)

sd/-

**Mr. Arvind Chari**  
(Fund Manager)

Place : Mumbai

Date : July 23, 2010

**QUANTUM LIQUID FUND**  
**REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010**

| INCOME   | Schedule | March 31, 2010<br>Amount (Rs.) | March 31, 2009<br>Amount (Rs.) |
|--|----------|--------------------------------|--------------------------------|
| Interest   |          | 4,930,524                      | 21,405,604                     |
| Accretion of Discount  |          | 5,090,064                      | -                              |
| Profit on sale / redemption of investments (Other than inter-scheme transfer / sale) |          | 27,304                         | -                              |
| Other Income   |          | 3,940                          | -                              |
| <b>Total</b>   |          | <b>10,051,832</b>              | <b>21,405,604</b>              |
| <b>EXPENSES AND LOSSES</b>   |          |                                |                                |
| Management fees  |          | 376,848                        | 417,909                        |
| Trustee expenses   |          | 27,576                         | -                              |
| Audit fees   |          | 17,648                         | 29,180                         |
| Custodian fees   |          | 71,187                         | 423,736                        |
| Registrar & Transfer Agent's fees  |          | 206,982                        | 309,376                        |
| Insurance Premium  |          | 62,545                         | -                              |
| Marketing & Selling Expenses   |          | 156,195                        | -                              |
| Other operating expenses   |          | 245,741                        | 240,979                        |
| <b>Less: Excess of Expenditure over permissible limit recovered from AMC</b>         |          | <b>(351,351)</b>               | <b>(340,501)</b>               |
| <b>Total</b>   |          | <b>813,371</b>                 | <b>1,080,679</b>               |
| <b>Net Surplus / (Deficit) for the period</b>  |          | <b>9,238,461</b>               | <b>20,324,925</b>              |
| <b>APPROPRIATION ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010</b>                       |          |                                |                                |
| Net Surplus brought forward from previous year                                       |          | 27,032,131                     | 15,345,600                     |
| Net Surplus / (Deficit) for the period   |          | 9,238,461                      | 20,324,925                     |
| <b>Total</b>   |          | <b>36,270,591</b>              | <b>35,670,525</b>              |
| Net Available Surplus  |          |                                |                                |
| Transferred (to) / from Equalisation Account   |          | 9,553,109                      | -                              |
| <b>Less : Dividend distributed</b>   |          | <b>(3,584,978)</b>             | <b>(6,731,653)</b>             |
| <b>Less : Tax on Dividend</b>  |          | <b>(1,015,442)</b>             | <b>(1,906,741)</b>             |
| <b>Net Surplus / ( Deficit ) carried forward</b>                                     |          | <b>41,223,282</b>              | <b>27,032,131</b>              |
| Notes forming parts of Accounts  | G        |                                |                                |

As per our report of even date attached

**For Haribhakti & Co.**

Chartered Accountants

sd/-

**Chetan Desai**

Partner

Membership No: 17000

**For Quantum Trustee Company Private Limited**

sd/-

**Mr. Jagdish Capoor**  
(Chairman)

sd/-

**Mr. Satish Mehta**  
(Director)

**For Quantum Asset Management  
Company Private Limited**

sd/-

**Mr. Ajit Dayal**  
(Chairman)

sd/-

**Mr. I.V. Subramaniam**  
(Director)

sd/-

**Mr. Jimmy A. Patel**  
(Chief Executive Officer)

sd/-

**Mr. Arvind Chari**  
(Fund Manager)

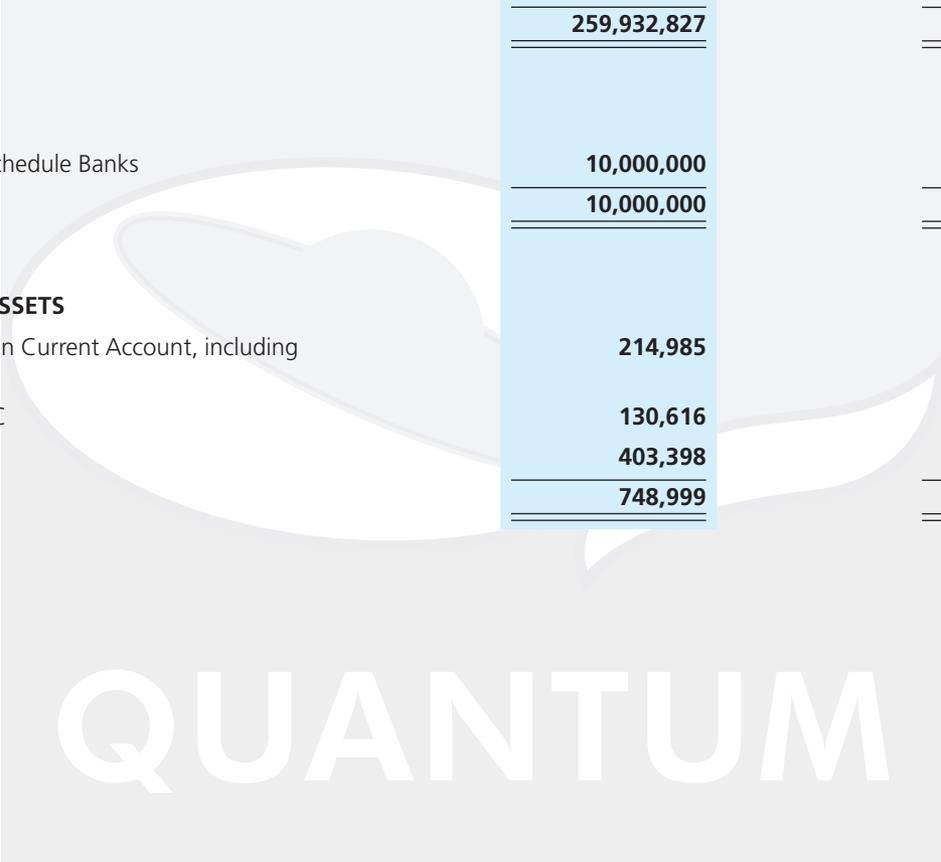
Place : Mumbai

Date : July 23, 2010

**QUANTUM LIQUID FUND  
SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2010**

|  | Units                 | March 31, 2010<br>Amount (Rs) | Units                 | March 31, 2009<br>Amount (Rs) |
|--|-----------------------|-------------------------------|-----------------------|-------------------------------|
| <b>SCHEDULE 'A'</b>  |                       |                               |                       |                               |
| <b>UNIT CAPITAL</b>  |                       |                               |                       |                               |
| <b>(Face Value of Rs. 10 Each)</b>                               |                       |                               |                       |                               |
| Unit Capital (Opening Balance)                                   | 22,642,038.506        | 226,420,385                   | 18,626,747.500        | 186,267,475                   |
| <b>Add</b> : Subscription during the period                      | 29,764,647.501        | 297,646,475                   | 41,455,987.506        | 414,559,875                   |
| <b>Less</b> : Redemption during the period                       | 29,478,844.610        | 294,788,446                   | 37,440,696.500        | 374,406,965                   |
| Unit Capital (Closing Balance)                                   | <u>22,927,841.397</u> | <u>229,278,414</u>            | <u>22,642,038.506</u> | <u>226,420,385</u>            |
| <b>SCHEDULE 'B'</b>  |                       |                               |                       |                               |
| <b>RESERVES &amp; SURPLUS</b>                                    |                       |                               |                       |                               |
| <b>Unit Premium</b>  |                       |                               |                       |                               |
| Opening Balance  |                       | 1,514,123                     |                       | 1,891,070                     |
| <b>Add/(Less)</b> : Net Additions/(Deduction) during the period  |                       | 8,036,042                     |                       | (376,947)                     |
| <b>Add/(Less)</b> : Transferred (to) / from Equalisation Account |                       | (9,553,109)                   |                       | -                             |
| Closing Balance  |                       | <u>(2,944)</u>                |                       | <u>1,514,123</u>              |
| <b>Equalisation Account</b>                                      |                       |                               |                       |                               |
| Transferred from / (to) Unit Premium Reserve                     |                       | (9,553,109)                   |                       | -                             |
| <b>Add/(Less)</b> : Transferred (to) / from Revenue Account      |                       | (9,553,109)                   |                       | -                             |
| Closing Balance  |                       | <u>-</u>                      |                       | <u>-</u>                      |
| <b>UNREALISED APPRECIATION IN THE VALUE OF INVESTMENTS</b>       |                       |                               |                       |                               |
| Opening Balance  |                       | -                             |                       | -                             |
| <b>Add</b> : Net change during the year                          |                       | 89                            |                       | -                             |
|  |                       | <u>89</u>                     |                       | <u>-</u>                      |
| <b>Appropriation Account</b>                                     |                       |                               |                       |                               |
| Surplus/Deficit carried forward                                  |                       | 41,223,282                    |                       | 27,032,131                    |
| Total Reserves & Surplus   |                       | <u>41,220,427</u>             |                       | <u>28,546,254</u>             |
| <b>SCHEDULE 'C'</b>  |                       |                               |                       |                               |
| <b>CURRENT LIABILITIES &amp; PROVISIONS</b>                      |                       |                               |                       |                               |
| Management Fees Payable  |                       | 37,617                        |                       | 46,050                        |
| Audit Charges Payable  |                       | 12,905                        |                       | 22,756                        |
| Custody Fees Payable   |                       | 5,877                         |                       | 26,515                        |
| Registrar Fees Payable   |                       | 94,269                        |                       | 18,628                        |
| TDS Payable  |                       | 19,557                        |                       | 8,182                         |
| Other Expense Payable  |                       | 5,808                         |                       | 693                           |
| Dividend Tax Payable   |                       | 6,952                         |                       | 4,831                         |
| Units pending allotment  |                       | -                             |                       | 45,000                        |
| <b>Total</b>   |                       | <u>182,985</u>                |                       | <u>172,655</u>                |

|   | Units | March 31, 2010<br>Amount (Rs) | Units | March 31, 2009<br>Amount (Rs) |
|---|-------|-------------------------------|-------|-------------------------------|
| <b>SCHEDULE 'D'</b>   |       |                               |       |                               |
| <b>INVESTMENTS</b>  |       |                               |       |                               |
| Non convertible debentures  |       | 60,000,000                    |       | 40,000,000                    |
| Commercial Paper  |       | -                             |       | 29,409,984                    |
| Certificate of Deposits   |       | 198,685,197                   |       | 137,919,499                   |
| Treasury Bill   |       | 997,793                       |       | -                             |
| Collateralised borrowing & lending obligation                     |       | 249,837                       |       | 45,494,340                    |
| <b>Total</b>  |       | <b>259,932,827</b>            |       | <b>252,823,823</b>            |
| <b>SCHEDULE 'E'</b>   |       |                               |       |                               |
| <b>DEPOSITS</b>   |       |                               |       |                               |
| Fixed Deposit with Schedule Banks                                 |       | 10,000,000                    |       | -                             |
| <b>Total</b>  |       | <b>10,000,000</b>             |       | <b>-</b>                      |
| <b>SCHEDULE 'F'</b>   |       |                               |       |                               |
| <b>OTHER CURRENT ASSETS</b>                                       |       |                               |       |                               |
| Balances with Banks in Current Account, including cheques on hand |       | 214,985                       |       | 1,328,090                     |
| Receivable from AMC   |       | 130,616                       |       | 120,706                       |
| Interest Receivable   |       | 403,398                       |       | 866,675                       |
| <b>Total</b>  |       | <b>748,999</b>                |       | <b>2,315,471</b>              |



# QUANTUM

M U T U A L F U N D

Profit with Process

**SCHEDULE 'G'**

**Notes:**

**1. ORGANISATION**

Quantum Liquid Fund ("the Scheme") is an open-ended liquid scheme of Quantum Mutual Fund and was launched on April 3, 2006. Quantum Mutual Fund has been Sponsored by Quantum Advisors Private Ltd. Quantum Asset Management Company Private Limited incorporated under the Companies Act, 1956 has been appointed as the Asset Management Company. The duration of the scheme is perpetual. The Scheme closed for initial subscription on April 4, 2006 and opened for ongoing subscription on April 10, 2006.

In accordance with the SEBI (Mutual Funds) Regulations, 1996 ('the SEBI Regulations'), the Board of Directors of Quantum Trustee Company Private Limited ('the Trustee') has appointed Quantum Asset Management Company Private Limited ('the AMC') to manage the Fund's affairs and operate its Schemes. The investment objective of the Scheme is to provide optimal returns with low to moderate levels of risks and high liquidity through judicious investments in money market and debt instruments. The Scheme offers its investors a Growth Plan, Monthly Dividend Payout Plan and Daily Dividend Re-investment Plan (collectively 'the Plans').

**2. SIGNIFICANT ACCOUNTING POLICIES**

**(2.1) BASIS OF ACCOUNTING**

The scheme maintains its books of accounts on an accrual basis. These financial statements have been prepared in accordance with the accounting policies and standards specified in the ninth schedule of SEBI Regulations and amendments thereto as applicable.

**(2.2) INVESTMENT**

Investments are accounted on the trade date. The Scheme uses the average cost method for determining the realized gain or loss on sale of investments. In case of interest bearing securities though investments are accounted on the trade date, interest accrues from the settlement date. However, the effect of all investment traded during the financial year is recorded and reflected in the financial statement for that year. The cost of investment includes cost of acquisition, brokerage, stamp duty and any charge included in broker's brought note.

**(2.3) PORTFOLIO VALUATION**

Investments are stated at market / fair value at the Balance Sheet date / date of determination. The net asset value of the units of the scheme is determined separately for the units issued under the Plans in valuing the Scheme's investments.

1. Debt securities listed on a recognized stock exchange are valued at the last quoted closing price on the principal exchange on which the security is traded. If no sale is reported at that time, such securities are valued at fair value as determined in good faith by the AMC under procedure approved by the Board of Trustee of Quantum Mutual Fund.
2. Non-traded and thinly traded debt securities are valued at fair value as determined by AMC under procedure approved by the Board of Trustee of Quantum Mutual Fund in accordance with the guidelines for valuation of securities for mutual funds dated September 18, 2000 and amendments thereto, as applicable, issued by SEBI.
3. Privately placed debt securities are valued at fair value as determined in good faith by AMC under procedures approved by the Trustee of Quantum Mutual Fund.
4. Money markets instruments are valued at cost plus accrued interest, traded money market security are valued at the yield at which they are traded on the valuation date. If no sale is reported at that time, such security is valued at the last traded price plus accretion of the difference between the face value and the last traded price. Non traded money market instrument are valued at cost plus accrued interest.
5. Instruments bought on 'repo' basis are valued at the resale price after deduction of applicable interest up to the date of resale.
6. There were no investments recognized as Non-performing Assets (NPAs), as on March 31, 2010. An investment is regarded as non-performing, if the interest and/or principal amount has not been received or remains outstanding for one quarter from the day such income or installment has fallen due.
7. The above policies are followed as and when applicable.

Following the issue of the guidance note on accounting for investment in the financial statements of mutual funds by The Institute of Chartered Accountant of India (pursuant to the Eleventh Schedule of the Regulations 1996, and pending further clarification from SEBI) net unrealized appreciation or depreciation in the value of investments is determined separately for each category of investments. Further the change in net unrealized appreciation or depreciation, if any between the two balance sheet dates/

date of determination is recognized in the Revenue Account. Unrealized appreciation is reduced from the distributable income at the time of distribution of income. At the end of this financial year, the balance in the revenue account including change in the net unrealised appreciation or depreciation in the value of investments is transferred to Reserve Fund,

#### (2.4) INVESTMENT INCOME

Interest income is recorded on an accrual basis. In respect of interest bearing instruments income has been accrued on a day to day basis as it is earned.

Dividend income is recognized on the ex-dividend date

Where fixed income securities are acquired at premium or discount to the redemption value, such premium or discount is amortized on a straight line basis over the period of redemption.

Profit/loss on sale of investment is accounted for in the year in which the contract for sale is entered into. The cost is calculated on the basis of weighted average cost of investment.

#### (2.5) NET ASSET VALUE FOR GROWTH / DIVIDEND PLANS

The net asset value of the units of the scheme is determined separately for units issued under the Growth / Dividend Plans.

For reporting the net asset value for the Plans, daily income earned, including realized and unrealized gain or loss in the value of investments and expenses incurred by the Scheme are allocated to the Plans in proportion to the value of units outstanding.

#### (2.6) UNIT PREMIUM RESERVE

Upon issue and redemption of units, the net premium or discount to the face value of units is adjusted against the unit premium reserve of the scheme, after an appropriate portion of the issue proceeds and redemption payout is credited or debited respectively to the income equalization reserve.

#### (2.7) EQUALISATION RESERVE

The purpose of Equalization Account is to maintain per unit distributable surplus so that continuing unitholders' share of distributable surplus remains unchanged on issue or redemption of units. The total distributable surplus (without considering unrealised appreciation) upto the date of issue/redemption of units have been taken into account for the purpose of ascertaining the amount to be transferred to Equalization Account. The net

balance in this account is transferred to the Revenue Account at the end of the year.

#### (2.8) INCOME EQUALIZATION RESERVE

The net distributable income relating to units issued/repurchased is transferred to/from income equalization reserve for determining the net surplus/deficit, transferred from/to unit premium reserve.

#### (2.9) CUSTODY FEES

Deutsche Bank provides custodial services to the scheme for which it receives custody fees.

#### (2.10) INVESTMENT MANAGEMENT FEES

The Scheme has paid or provided for investment management fees payable to Quantum Asset Management Company Private Limited for managing the Scheme at a percentage of the average daily net asset values recorded by the Scheme, such that the investment manager fees chargeable to the Scheme does not exceeds 1.25% of the average daily net asset values recorded by the Scheme upto Rs.100 crores and 1% of the excess over Rs.100 crores. All costs, charges and expenses incurred by Quantum Asset Management Company Private Limited in the administration and execution of the activities of the Scheme, except costs allowed to be charged to the Scheme under the Securities and Exchange Board of India (Mutual Fund) Regulation, 1996 and amendments thereto, as applicable, are on their own account for which they receive investment management fees.

#### (2.11) REGISTRAR & TRANSFER AGENT FEES

Karvy Computershare Private Limited provides registrar and share transfer services to the scheme for which it receives registrar and share transfer fees.

#### (2.12) INCOME TAX

No Provision for taxation has been made as the scheme qualifies as a recognized mutual fund under section 10(23D) of the Income –Tax Act, 1961.

**3. NOTES TO ACCOUNTS**

**(1) PLANS**

The scheme has three Plans: Growth Plan, Daily Dividend Re-Investment Plan and Monthly Dividend Payout Plan. A Combined Balance Sheet and Revenue Account are prepared for the Scheme.

**(2) VALUE OF INVESTMENT AS ON MARCH 31, 2010**

The Cost and Market Value/Fair Value of Investment as on March 31, 2010 is given below:

| SR. NO. | SECURITIES                        | COST (Rs.)     | MARKET VALUE (Rs.) | COST (Rs.)     | MARKET VALUE (Rs.) |
|---------|-----------------------------------|----------------|--------------------|----------------|--------------------|
|         |                                   | March 31, 2010 |                    | March 31, 2009 |                    |
| 1.      | Debt and Money Market Instruments | 268,967,200.00 | 269,682,989.98     | 207,329,483.00 | 207,329,483.00     |
| 2.      | Repo/CBLO                         | 249,837.44     | 249,837.44         | 45,494,339.80  | 45,494,339.80      |
|         | <b>TOTAL</b>                      | 269,217,037.44 | 269,932,827.42     | 252,823,822.80 | 252,823,822.80     |

**(3) NON PERFORMING INVESTMENTS**

| Type of Investments | Carrying Value Amount (Rs.) | Market value Amount (Rs.) | Provisions |
|---------------------|-----------------------------|---------------------------|------------|
| NIL                 | NIL                         | NIL                       | NIL        |

**(4) NAV**

Net Asset Value (NAV) per unit having a Face Value of Rs. 10/- as on March 31, 2010

| SCHEME                           | NAV (March 31, 2010) |
|----------------------------------|----------------------|
| Growth Plan                      | 13.0919              |
| Daily Dividend Reinvestment Plan | 10.0000              |
| Monthly Dividend Payout Plan     | 10.0078              |

**(5) AGGREGATE APPRECIATION AND DEPRECIATION IN THE VALUE OF INVESTMENTS**

Aggregate appreciation and depreciation in value of investments is Rs. 89/-

**(6) AGGREGATE VALUE OF PURCHASE AND SALE OF INVESTMENTS**

Purchases (excluding Reverse repos, Call money & Fixed deposits) – Rs 2,088,807,650/-

- As a percentage of average daily net assets is 957.03%

Sales / Redemptions (excluding Reverse repos, Call money & Fixed deposits) – Rs 1,439,933,350/-

- As a percentage of average daily net assets 659.74%

**(7) INCOME AND EXPENDITURE**

The total income and expenditure and these amounts as a percentage of the Scheme's average daily net assets on an annualized basis are provided below:

**Income**

- Amount Rs. 10,051,832 /-

- As a percentage of average daily net assets 4.61%

**Expenditure**

- Amount Rs. 813,371 /-

- As a percentage of average daily net assets 0.37%

**(8) INVESTMENT MANAGEMENT FEES**

Investment Management Fees has been computed on the basis of Average Daily Net Asset of the Scheme accrued on a daily basis. Average daily Net Asset is Rs. 218,258,868.90 & fees charged 0.17%. Management Fees accrued during the period is Rs. 376,848 /-

**(9) CONTRACTS PENDING DELIVERIES**

There were no contracts for sale or purchase pending deliveries as on March 31, 2010

## (10) MOVEMENT IN UNIT CAPITAL

| Particulars                                    | 2009-10       |                | 2008-09       |                |
|--|---------------|----------------|---------------|----------------|
|  | Qty.          | Amount         | Qty.          | Amount         |
| <b>Units of Rs 10/- each fully paid up</b>     |               |                |               |                |
| <b><u>Growth Plan</u></b>                      |               |                |               |                |
| Opening  | 11,206,735.98 | 112,067,359.86 | 11,334,058.29 | 113,340,582.94 |
| Issued during the year                         | 13,496,355.36 | 139,463,553.56 | 28,026,374.24 | 280,263,742.43 |
| Redeemed during the year                       | 11,823,640.85 | 118,236,408.48 | 28,153,696.55 | 281,536,965.51 |
| Outstanding at end of year                     | 13,329,450.49 | 133,294,504.94 | 11,206,735.98 | 112,067,359.86 |
| <b><u>Daily Dividend Reinvestment Plan</u></b> |               |                |               |                |
| Opening  | 10,151,056.21 | 101,510,562.09 | 7,121,729.96  | 71,217,299.56  |
| Issued during the year                         | 12,038,579.71 | 120,385,797.10 | 11,796,356.97 | 117,963,569.68 |
| Redeemed during the year                       | 13,445,678.18 | 134,456,781.78 | 8,767,030.72  | 87,670,307.15  |
| Outstanding at end of year                     | 8,743,957.74  | 87,439,577.41  | 10,151,056.21 | 101,510,562.09 |
| <b><u>Monthly Dividend Payout Plan</u></b>     |               |                |               |                |
| Opening  | 1,284,246.30  | 12,842,462.95  | 170,959.23    | 1,709,592.20   |
| Issued during the year                         | 3,779,712.44  | 37,797,124.35  | 1,633,256.30  | 16,332,562.95  |
| Redeemed during the period                     | 4,209,525.58  | 42,095,255.84  | 519,969.23    | 5,199,692.30   |
| Outstanding at end of period                   | 854,433.14    | 8,544,331.36   | 1,284,246.30  | 12,842,462.95  |
| <b><u>Grand Total</u></b>                      |               |                |               |                |
| Outstanding at the beginning opening           | 22,642,038.49 | 226,420,384.84 | 18,626,747.48 | 186,267,474.70 |
| Issued during the year                         | 29,764,647.50 | 297,646,475.01 | 41,455,987.51 | 414,559,875.10 |
| Redeemed during the period                     | 29,478,844.61 | 294,788,446.10 | 37,440,696.50 | 37,440,696.96  |
| Outstanding at end of period                   | 22,927,841.37 | 229,278,413.71 | 22,642,038.49 | 226,420,384.84 |

## (11) DISCLOSURE UNDER REGULATIONS 25 (8) OF THE SEBI REGULATIONS – PAYMENTS OF FEES TO ASSOCIATE COMPANIES

Quantum Liquid Fund has made NIL payment to Associate companies during the year ended March 31, 2010

## (12) INVESTMENTS IN GROUP COMPANIES

Quantum Liquid Fund has made Nil investment in group companies during the year ended March 31, 2010

## (13) LARGE HOLDINGS

Unit holders holding over 25% of the Scheme's NAV is NIL as at the end of the year March 31, 2010

MUTUAL FUND  
Profit with Process

**(14) DISCLOSURE UNDER REGULATION 25(11) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (MUTUAL FUNDS) REGULATIONS, 1996 AS AMENDED**

| Company which has invested                   | Scheme in which companies have invested more than 5% of the net asset | Scheme which have invested | Asset Type    | Aggregate cost of acquisition during the period ended March 31, 2010 (Rs. In Lacs) | Outstanding as at March 31, 2010 at Fair/Market Value (Rs. In Lacs) |
|--|---|----------------------------|---------------|--|---|
| Housing Development Finance Corporation Ltd. | QLF   | QLTEF                      | Equity Shares | 87.93  | 318.40  |
| Housing Development Finance Corporation Ltd. | QLF   | QIF                        | Equity Shares | 3.61   | 5.52  |
| Housing Development Finance Corporation Ltd. | QLF   | QTSF                       | Equity Shares | 4.57   | 8.59  |

\*period prescribe under Regulation 25(11) is the period starting one year before and ending one year after the date of investment made in the Schemes by the Investor Company.

HDFC is the largest home finance company and also the most efficient with perceived benefits from its investments in HDFC AMC, HDFC Standard Life Insurance & HDFC ERGO General Insurance.

The above company is not associated with the sponsor or the AMC.

**(15) SUPPLEMENTARY INVESTMENT PORTFOLIO INFORMATION AND INDUSTRYWISE CLASSIFICATION**

Details of investment portfolio and industry wise classification of the Scheme's investments in each category of investments at March 31, 2010, are presented below. The industry and company exposures are stated as a percentage of the Scheme's net assets as at March 31, 2010, as well as the aggregate investments in each investment category.

| Sr. No.          | Name of Investment                                      | Industry Classification        | Rating         | Market Value (Rs Lakhs) | % to Net Asset | % to Category |
|------------------|---|--------------------------------|----------------|-------------------------|----------------|---------------|
| <b>(A)</b>       | <b>SHORT TERM DEBT INSTRUMENTS (FLOATING)</b>           |                                |                |                         |                |               |
|                  | Unlisted/Private placed instruments                     |                                |                | NIL                     | NIL            | NIL           |
|                  | <b>Total (A)</b>  |                                |                | <b>NIL</b>              | <b>NIL</b>     | <b>NIL</b>    |
| <b>(B)</b>       | <b>SHORT TERM DEBT INSTRUMENTS (FIXED)</b>              |                                |                |                         |                |               |
|                  | 1 5.10% Kotak Mahindra Prime Ltd NCD (MD 19/04/2010) *  | Diversified Financial Services | P1+            | 300                     | 11.09%         | 50%           |
|                  | 2 6.5% SREI Equipment Finance Ltd NCD (MD 28/05/2010) * | Diversified Financial Services | PR1+           | 300                     | 11.09%         | 50%           |
|                  | <b>Total (B)</b>  |                                |                | 600                     | 22.18%         | 100%          |
| <b>(C)</b>       | <b>MONEY MARKET INSTRUMENTS</b>                         |                                |                |                         |                |               |
|                  | 1 Bank of India CD (MD 07/04/2010) *                    | Bank                           | P1+            | 499.62                  | 18.47%         | 24.99%        |
|                  | 2 Oriental Bank of Commerce Ltd CD (MD 03/05/2010) *    | Bank                           | P1+            | 497.64                  | 18.40%         | 24.89%        |
|                  | 3 Corporation Bank CD (MD 07/06/2010) *                 | Bank                           | P1+            | 495.18                  | 18.31%         | 24.77%        |
|                  | 4 State Bank of Bikaner & Jaipur CD (MD 21/06/2010) *   | Bank                           | P1+            | 494.41                  | 18.28%         | 24.73%        |
|                  | 5 91 Days T-bills (MD 23/04/2010)                       | Sovereign                      |                | 9.98                    | 0.37%          | 0.50%         |
|                  | 6 CBLO/REVERSE REPO *                                   |                                |                | 2.50                    | 0.09%          | 0.12%         |
| <b>Total (C)</b> |   |                                | <b>1999.33</b> | <b>73.92%</b>           | <b>100.00%</b> |               |

| Sr. No. | Name of Investment                      | Industry Classification | Rating | Market Value (Rs Lakhs) | % to Net Asset | % to Category |
|---------|---|-------------------------|--------|-------------------------|----------------|---------------|
| (D)     | <b>FIXED DEPOSITS</b>                   |                         |        |                         |                |               |
|         | 5.65% Yes Bank Ltd FD (MD 29/06/2010) * | Bank                    |        | 100.00                  | 3.70%          | 100%          |
|         | <b>Total (D)</b>                        |                         |        | <b>100.00</b>           | <b>3.70%</b>   | <b>100%</b>   |
| (E)     | <b>NET RECEIVABLES</b>                  |                         |        |                         |                |               |
|         | Net Receivable / (Payables)             |                         |        | 5.57%                   | 0.21%          |               |
|         | <b>Total (E)</b>                        |                         |        | <b>5.57%</b>            | <b>0.21%</b>   |               |
|         | <b>Grand Total</b>                      |                         |        | <b>2704.90</b>          | <b>100.00%</b> |               |

\* Denotes Non-Traded Securities.

#### (16) ACCOUNTING POLICY

There is no change in the accounting policy during the year ended March 31, 2010

#### (17) PRIOR PERIOD COMPARATIVES

Previous year's figures have been regrouped/re-arranged where appropriate.

#### (18) COPY OF TRUST DEED

On written request, present and prospective unit holder/investors can obtain copy of the trust Deed, the Annual Report (at a price) and the text of the relevant scheme.

#### (19) BONUS

No bonus has been declared by the Scheme during the year ended March 31, 2010

#### (20) INITIAL ISSUE EXPENSES

No initial Issue Expenses were charged to the Quantum Liquid Fund

#### (21) BORROWING

The scheme has not made any borrowing during the year March 31, 2010

#### (22) UNDERWRITING

The scheme has not undertaken any underwriting obligation during the year ended March 31, 2010

#### (23) DERIVATIVES

The scheme has no exposure to derivative products, foreign securities, ADR and GDR.

#### (24) ANNUAL REPORT REQUEST

The unit holders, if they so desire, may request for the annual report of the AMC.

#### (25) SEGMENT REPORTING

As per disclosure requirement under Accounting Standard 17 on 'Segment Reporting' issued by ICAI the scheme operates only in one segment viz. to primarily generate returns, based on schemes' investment objective.

#### (26) CONTINGENT LIABILITIES

The Contingent Liabilities as on 31st March 2010 is NIL

**(27) RELATED PARTY TRANSACTIONS**

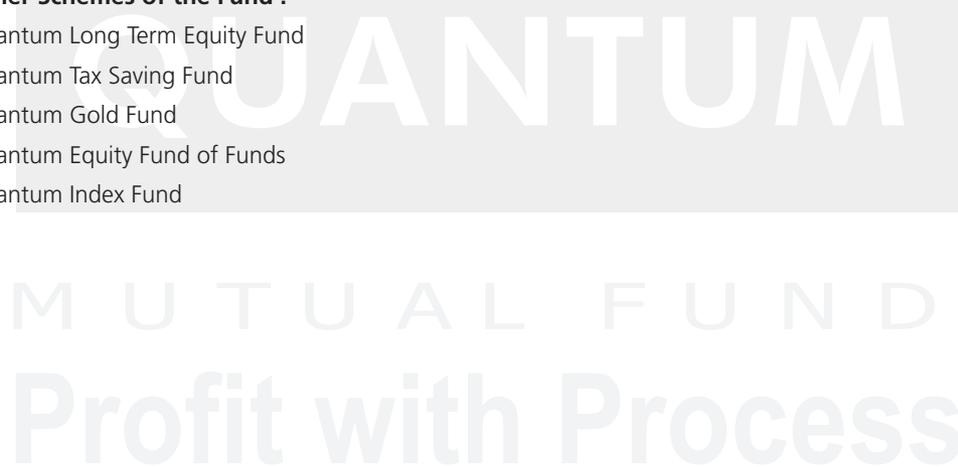
The scheme has entered into transactions with various related parties. The information required in this regard in accordance with Accounting Standards 18 i.e. Related Party Disclosure issued by the ICAI and Regulation 25(8) of the SEBI Regulation is provided below.

Related party relationships

| <b>Name</b>  | <b>Description of relationship</b> |
|--|------------------------------------|
| Quantum Advisors Private Limited                     | Sponsor                            |
| Quantum Asset Management Company Private Limited     | Asset Management Company           |
| Quantum Trustee Company Private Limited              | Trustee                            |
| Quantum Information Services Private Limited         | Associate                          |
| Helpyourngo.com India Private Limited                | Associate                          |
| Equitymaster India Limited                           | Associate                          |
| Equitymaster Agora Research Private Limited          | Associate                          |
| Personalfn Insurance Services India Limited          | Associate                          |
| Mymakaan Private Limited                             | Associate                          |
| Menlo Oak Venture Investments                        | Associate                          |
| Primary Real Estate Advisors Private Limited         | Associate                          |
| Primary Real Estate Advisors Limited, Mauritius      | Associate                          |
| QIEF Management LLC                                  | Associate                          |
| Principal Real Estate Investment Private Limited     | Associate                          |
| Centre for Monitoring Indian Economy Private Limited | Associate                          |
| Geojit Financial Services Limited                    | Associate                          |
| Geojit Credits Private Limited                       | Associate                          |
| Soltrix India Private Limited                        | Associate                          |
| Quantum Equity Advisors Private Limited              | Sponsor's subsidiary               |

**Other Schemes of the Fund :**

- Quantum Long Term Equity Fund
- Quantum Tax Saving Fund
- Quantum Gold Fund
- Quantum Equity Fund of Funds
- Quantum Index Fund



Transaction, if any with the above mentioned related parties as defined under Accounting standard 18 and Regulation 25(8) of the SEBI Regulations are provided below:

| Name of the related party                            | Nature of transactions                               | Year ended March 2010 | Balance as at March 31, 2010 | Year ended March 2009 | Balance as at March 31, 2009 |
|--|--|-----------------------|------------------------------|-----------------------|------------------------------|
| Quantum Advisors Private Limited                     | Subscription   | 34,955,219.82         | -                            | 6,450,000.00          | -                            |
|  | Redemption   | 15,850,000.00         | -                            | 17,475,000.00         | -                            |
|  | Net Assets value of investment at balance sheet date | -                     | 19,325,595.00                | -                     | 222,362.12                   |
| Quantum Asset Management Company Private Limited     | Subscription   | 53,900,000.00         | -                            | 93,100,000.00         | -                            |
|  | Redemption   | 71,200,000.00         | -                            | 92,800,000.00         | -                            |
|  | Net Assets value of investment at balance sheet date | -                     | 60,528,207.00                | -                     | 75,902,401.49                |
| Quantum Long Term Equity Fund                        | Subscription   | -                     | -                            | 2,500,000.00          | -                            |
|  | Redemption   | -                     | -                            | 6,646,582.57          | -                            |
|  | Net Assets value of investment at balance sheet date | -                     | -                            | -                     | -                            |
| Quantum Information Services Private Limited         | Subscription   | 12,660,662.00         | -                            | 28,400,000.00         | -                            |
|  | Redemption   | 18,400,000.00         | -                            | 15,100,000.00         | -                            |
|  | Net Assets value of investment at balance sheet date | -                     | 13,178,036.00                | -                     | 18,917,373.45                |
| Equitymaster Agora Research Private Ltd.             | Subscription   | 18,900,000.00         | -                            | 14,997,412.40         | -                            |
|  | Redemption   | 8,100,000.00          | -                            | 24,597,412.40         | -                            |
|  | Net Assets value of investment at balance sheet date | -                     | 25,624,833.00                | -                     | 14,200,017.65                |
| Primary Real Estate Advisors Private Limited         | Subscription   | 15,359,066.08         | -                            | 15,300,000.00         | -                            |
|  | Redemption   | 15,350,000.00         | -                            | 14,400,000.00         | -                            |
|  | Net Assets value of investment at balance sheet date | -                     | 2,421,120.00                 | -                     | 2,412,053.96                 |
| Centre for Monitoring Indian Economy Private Limited | Subscription   | 72,500,000.00         | -                            | 83,000,000            | -                            |
|  | Redemption   | 35,600,739.81         | -                            | 104,000,000           | -                            |
|  | Net Assets value of investment at balance sheet date | -                     | 62,862,701.8                 | -                     | 25,472,429                   |
| Quantum Index Fund                                   | Subscription   | 110,000.00            | -                            | 160,000.00            | -                            |
|  | Redemption   | 111,373.42            | -                            | 160,966.58            | -                            |
|  | Net Assets value of investment at balance sheet date | -                     | -                            | -                     | -                            |
| Quantum Gold Fund                                    | Subscription   | 220,000.00            | -                            | -                     | -                            |
|  | Redemption   | 221,331.37            | -                            | -                     | -                            |
|  | Net Assets value of investment at F date             | -                     | -                            | -                     | -                            |
| Quantum Asset Management Company Private Limited     | Management Fees                                      | 3,76,848.00           | 37,617.00                    | 417,909.00            | 46,050.00                    |
| Quantum Trustee Company Private Limited              | Trusteeship Fees (inclusive of Service Tax)          | 27,576.00             | -                            | -                     | -                            |

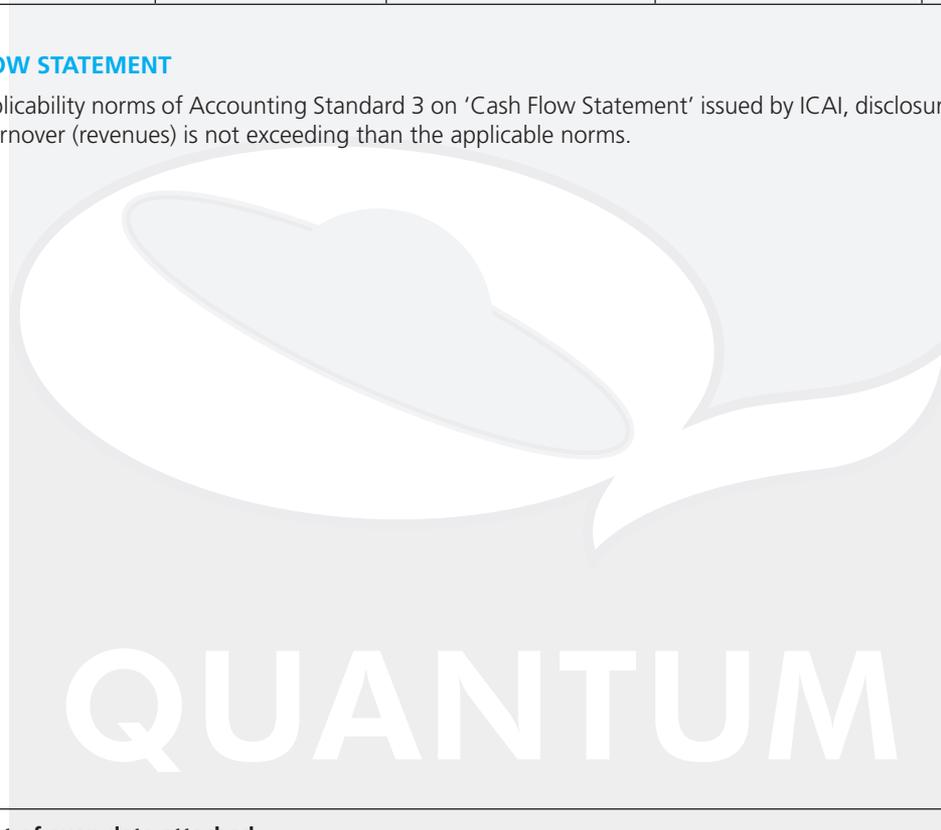
**Brokerage and commission paid to associates as per SEBI circular SEBI/IMD/CIR No 18/198647/2010 dated March 15, 2010**

- a) Brokerage paid to Associates Companies during the last two fiscal years:- Nil
- b) Commission paid to Associate Companies during the last two fiscal years:-

| <b>Name of Associate Company</b>             | <b>Nature of Association/<br/>Nature of relation</b> | <b>Period covered</b>           | <b>Business given (Rs. Cr. &amp; % of total business received by the fund)</b> | <b>Commission paid (Rs &amp; % of total commission paid by the fund)</b> |
|--|--|---------------------------------|--|--|
| Quantum Information Services Private Limited | Associate Company                                    | April 01, 2008 - March 31, 2009 | 1.29 cr. & 2.66%   | Nil  |
| Quantum Information Services Private Limited | Associate Company                                    | April 01, 2009 - March 31, 2010 | 3.49 cr. & 8.61%   | Nil  |

**(28) CASH FLOW STATEMENT**

As per applicability norms of Accounting Standard 3 on 'Cash Flow Statement' issued by ICAI, disclosure is not required, as the scheme turnover (revenues) is not exceeding than the applicable norms.



**As per our report of even date attached**

**For Haribhakti & Co.**

Chartered Accountants

sd/-

**Chetan Desai**

Partner

Membership No: 17000

**For Quantum Trustee Company Private Limited**

sd/-

**Mr. Jagdish Capoor**  
(Chairman)

sd/-

**Mr. Satish Mehta**  
(Director)

**For Quantum Asset Management Company Private Limited**

sd/-

**Mr. Ajit Dayal**  
(Chairman)

sd/-

**Mr. I.V. Subramaniam**  
(Director)

sd/-

**Mr. Jimmy A. Patel**  
(Chief Executive Officer)

sd/-

**Mr. Arvind Chari**  
(Fund Manager)

Place : Mumbai

Date : July 23, 2010

## HISTORICAL PER UNIT STATISTICS

| Sr. No.    | Per Unit Particulars (Rupees)   | Quantum Liquid Fund<br>As on<br>March 31, 2010 | Quantum Liquid Fund<br>As on<br>March 31, 2009 | Quantum Liquid Fund<br>As on<br>March 31, 2008 |
|------------|---|--|--|--|
|            | <b>Face Value</b>   | <b>Rs.10/-</b>                                 | <b>Rs.10/-</b>                                 | <b>Rs.10/-</b>                                 |
| <b>(a)</b> | <b>Net Asset Value</b>  |  |  |  |
|            | Growth Plan   | 13.0919  | 12.5459  | 11.5205  |
|            | Daily Dividend Reinvestment Plan  | 10.0000  | 10.0000  | 10.0000  |
|            | Monthly Dividend Payout Plan  | 10.0078  | 10.0100  | 10.0163  |
| <b>(b)</b> | <b>Gross Income broken up into the following components</b>   |  |  |  |
| (i)        | Income other than profit on sale of investment  | 0.4372   | 0.9453   | 0.81   |
| (ii)       | Income from profit on sale of investment to third party   | 0.0012   | 0.0000   | 0.13   |
| (iii)      | Income from profit on inter-scheme sales/transfer of investment   | 0.0000   | 0.0000   | 0.00   |
| (iv)       | Transfer to revenue account from past year's reserve  | 0.0000   | 0.0000   | 0.00   |
|            | <b>Gross Income</b>   | <b>0.4348</b>                                  | <b>0.9453</b>                                  | <b>0.94</b>                                    |
| <b>(c)</b> | <b>Aggregate of expenses, write-off, amortization and charges</b>   | 0.0355   | 0.0477   | 0.05   |
|            | <b>Total Gross Expenditure</b>  | <b>0.0355</b>                                  | <b>0.0477</b>                                  | <b>0.05</b>                                    |
| <b>(d)</b> | <b>Net Unrealised appreciation in value of investments</b>  | -  | -  | -  |
| <b>(e)</b> | <b>Net Income per unit (excluding unrealized appreciation)</b>  | <b>0.4029</b>                                  | <b>0.8977</b>                                  | <b>0.89</b>                                    |
| <b>(f)</b> | <b>REPURCHASE PRICE</b>   |  |  |  |
|            | <b>Highest</b>  |  |  |  |
| (I)        | Growth Plan   | 13.0919  | 12.5459  | 11.5205  |
| (II)       | Daily Dividend Reinvestment Plan  | 10.0000  | 10.0000  | 10.0000  |
| (III)      | Monthly Dividend Payout Plan  | 10.0559  | 10.0956  | 10.1034  |
|            | <b>Lowest</b>   |  |  |  |
| (I)        | Growth Plan   | 12.5482  | 11.5237  | 10.7002  |
| (II)       | Daily Dividend Reinvestment Plan  | 10.0000  | 10.0000  | 10.0000  |
| (III)      | Monthly Dividend Payout Plan  | 10.0000  | 10.0000  | 10.0000  |
|            | <b>RESALE PRICE</b>   |  |  |  |
|            | <b>Highest</b>  |  |  |  |
| (I)        | Growth Plan   | 13.0919  | 12.5459  | 11.5205  |
| (II)       | Daily Dividend Reinvestment Plan  | 10.0000  | 10.0000  | 10.0000  |
| (III)      | Monthly Dividend Payout Plan  | 10.0559  | 10.0956  | 10.1034  |
|            | <b>Lowest</b>   |  |  |  |
| (I)        | Growth Plan   | 12.5482  | 11.5237  | 10.7002  |
| (II)       | Daily Dividend Reinvestment Plan  | 10.0000  | 10.0000  | 10.0000  |
| (III)      | Monthly Dividend Payout Plan  | 10.0000  | 10.0000  | 10.0000  |
| <b>(g)</b> | <b>Ratio of expenses to average daily net assets (excluding Unrealized depreciation and amortization of deferred revenue Expenditure)</b> | 0.37%  | 0.50%  | 0.45%  |
| <b>(h)</b> | <b>Ratio of gross income to average daily net assets</b>  | 4.61%  | 10.00%   | 7.96%  |

## AUDITORS' REPORT

TO

THE BOARD OF TRUSTEES OF  
QUANTUM MUTUAL FUND

We have audited the attached Balance Sheet of the "Quantum Gold Fund" of Quantum Mutual Fund as at March 31, 2010 and the Revenue Account for the year ended on that date, which we have signed under reference to this report. These financial statements are the responsibility of the Management of the Trustees and Asset Management companies. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that:

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. The Balance Sheet and the Revenue Account dealt with by this report are in agreement with the books of account of the scheme.
3. In our opinion, the valuation methods for non-traded securities are fair and reasonable and are in accordance with the guidelines for valuation issued by SEBI, under the regulation.
4. In our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the Accounting Policies and Standards as specified in the Ninth Schedule of the SEBI (Mutual Funds) Regulations, 1996 as amended up to date.
5. In our opinion, and to the best of our information and according to the explanations given to us, the said financial statements give the information required by the SEBI (Mutual Funds) Regulations, 1996 as applicable and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - i) in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2010 ; and
  - ii) in the case of the Revenue Account, of the deficit of the Scheme for the year ended on that date

For **HARIBHAKTI & CO.**  
Chartered Accountants

sd/-

**CHETAN DESAI**

Partner

Membership No 17000

Firm No 103523w

Place: Mumbai

Date: July 23, 2010

**QUANTUM GOLD FUND**  
**BALANCE SHEET AS AT MARCH 31, 2010**

|                                    | Schedule | March 31, 2010<br>Amount (Rs) | March 31, 2009<br>Amount (Rs) |
|------------------------------------|----------|-------------------------------|-------------------------------|
| <b>LIABILITIES</b>                 |          |                               |                               |
| Unit Capital                       | 'A'      | 20,894,900                    | 10,649,700                    |
| Reserves and Surplus               | 'B'      | 146,536,193                   | 68,940,348                    |
| Current Liabilities and Provisions | 'C'      | 118,696                       | 27,992                        |
| <b>Total</b>                       |          | <b>167,549,789</b>            | <b>79,618,040</b>             |
| <b>ASSETS</b>                      |          |                               |                               |
| Investments                        | 'D'      | 167,179,056                   | 79,594,746                    |
| Other Current Assets               | 'E'      | 370,733                       | 23,294                        |
| <b>Total</b>                       |          | <b>167,549,789</b>            | <b>79,618,040</b>             |
| Notes forming part of Accounts     | 'F'      |                               |                               |

**QUANTUM**

As per our report of even date attached

**For Haribhakti & Co.**

Chartered Accountants

sd/-

**Chetan Desai**

Partner

Membership No: 17000

**For Quantum Trustee Company Private Limited**

sd/-

**Mr. Jagdish Capoor**  
(Chairman)

sd/-

**Mr. Satish Mehta**  
(Director)

**For Quantum Asset Management  
Company Private Limited**

sd/-

**Mr. Ajit Dayal**  
(Chairman)

sd/-

**Mr. I.V. Subramaniam**  
(Director)

sd/-

**Mr. Jimmy A. Patel**  
(Chief Executive Officer)

sd/-

**Mr. Chirag Mehta**  
(Fund Manager)

Place : Mumbai

Date : July 23, 2010

**QUANTUM GOLD FUND  
REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010**

| Schedule   | March 31, 2010<br>Amount (Rs) | March 31, 2009<br>Amount (Rs) |
|--|-------------------------------|-------------------------------|
| <b>INCOME</b>  |                               |                               |
| Interest   | 426                           | 199                           |
| Profit on sale / redemption of investments (Other than inter-scheme transfer / sale) | 466,942                       | 793,739                       |
| <b>Total</b>   | <b>467,368</b>                | <b>793,938</b>                |
| <b>EXPENSES AND LOSSES</b>   |                               |                               |
| Management Fees  | 597,874                       | 310,297                       |
| Custody Fees   | 75,573                        | 55,671                        |
| Trusteeship Fees   | 82,724                        | 61,894                        |
| Marketing & Selling Expenses   | 186,540                       | 126,183                       |
| Audit Fees   | 35,848                        | 13,526                        |
| Registrar & Transfer Agent's fees  | 56,392                        | 29,100                        |
| Insurance Premium  | 108,247                       | 105,208                       |
| Other operating expenses   | 139,603                       | 86,596                        |
| <b>Less : Excess of Expenditure over permissible limit recovered from AMC</b>        | <b>(86,926)</b>               | <b>(167,880)</b>              |
| <b>Total</b>   | <b>1,195,875</b>              | <b>620,595</b>                |
| <b>Net Surplus / ( Deficit ) for the period</b>                                      | <b>(728,507)</b>              | <b>173,343</b>                |
| <b>APPROPRIATION ACCOUNT FOR THE PERIOD ENDED MARCH 31, 2010</b>                     |                               |                               |
| Net Surplus brought forward from previous year                                       | 386,095                       | 212,752                       |
| Net Surplus / (Deficit) for the period   | (728,507)                     | 173,343                       |
| Transferred (to) / from Equalisation Account   | 426,793                       | -                             |
| <b>Net Surplus / ( Deficit ) carried forward</b>                                     | <b>84,381</b>                 | <b>386,095</b>                |

Notes forming parts of Accounts

F

**QUANTUM**

**As per our report of even date attached**

**For Haribhakti & Co.**

Chartered Accountants

sd/-

**Chetan Desai**

Partner

Membership No: 17000

**For Quantum Trustee Company Private Limited**

sd/-

**Mr. Jagdish Capoor**  
(Chairman)

sd/-

**Mr. Satish Mehta**  
(Director)

**For Quantum Asset Management  
Company Private Limited**

sd/-

**Mr. Ajit Dayal**  
(Chairman)

sd/-

**Mr. I.V. Subramaniam**  
(Director)

sd/-

**Mr. Jimmy A. Patel**  
(Chief Executive Officer)

sd/-

**Mr. Chirag Mehta**  
(Fund Manager)

Place : Mumbai

Date : July 23, 2010

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2010

|   | Units          | March 31, 2010<br>Amount (Rs) | Units          | March 31, 2009<br>Amount (Rs) |
|---|----------------|-------------------------------|----------------|-------------------------------|
| <b>SCHEDULE 'A'</b>   |                |                               |                |                               |
| <b>UNIT CAPITAL</b>   |                |                               |                |                               |
| <b>(Face Value of Rs. 100/- each)</b>                             |                |                               |                |                               |
| Unit Capital (Opening Balance)                                    | 106,497        | 10,649,700                    | 61,061         | 6,106,100                     |
| <b>Add</b> : Subscription during the period                       | 106,452        | 10,645,200                    | 55,436         | 5,543,600                     |
| <b>Less</b> : Redemption during the period                        | 4,000          | 400,000                       | 10,000         | 1,000,000                     |
| Unit Capital (Closing Balance)                                    | <u>208,949</u> | <u>20,894,900</u>             | <u>106,497</u> | <u>10,649,700</u>             |
| <b>SCHEDULE 'B'</b>   |                |                               |                |                               |
| <b>RESERVES &amp; SURPLUS</b>                                     |                |                               |                |                               |
| <b>Unit Premium</b>   |                |                               |                |                               |
| Opening Balance   |                | 51,805,629                    |                | 30,200,739                    |
| <b>Add/(Less)</b> : Net Additions/(Deduction) during the period   |                | 70,365,800                    |                | 21,604,890                    |
| <b>Add/(Less)</b> : Transferred (to) / from Equalisation Account  |                | (426,793)                     |                | -                             |
| <b>Closing Balance</b>  |                | <u>121,744,636</u>            |                | <u>51,805,629</u>             |
| <b>Equalisation Account</b>                                       |                |                               |                |                               |
| Transferred from / (to) Unit Premium Reserve                      |                | 426,793                       |                | -                             |
| <b>Add/(Less)</b> : Transferred to / (from) Revenue Account       |                | (426,793)                     |                | -                             |
| <b>Closing Balance</b>  |                | -                             |                | -                             |
| <b>Unrealised Appreciation in the value of Investments</b>        |                |                               |                |                               |
| Opening Balance   |                | 16,748,624                    |                | 388,513                       |
| <b>Add</b> : Net change during the year                           |                | 7,958,552                     |                | 16,360,111                    |
|   |                | <u>24,707,176</u>             |                | <u>16,748,624</u>             |
| <b>Appropriation Account</b>                                      |                |                               |                |                               |
| Surplus/Deficit carried forward                                   |                | 84,381                        |                | 386,095                       |
| <b>Total Reserves &amp; Surplus</b>                               |                | <u>146,536,193</u>            |                | <u>68,940,348</u>             |
| <b>SCHEDULE 'C'</b>   |                |                               |                |                               |
| <b>CURRENT LIABILITIES &amp; PROVISIONS</b>                       |                |                               |                |                               |
| Management Fees Payable   |                | 70,085                        |                | 265                           |
| Audit Fees Payable  |                | 19,854                        |                | 11,873                        |
| Custody Fees Payable  |                | 8,039                         |                | 8,917                         |
| Registrar Fees Payable  |                | 6,615                         |                | 2,749                         |
| Other Expense Payable   |                | -                             |                | 1,103                         |
| TDS Payable   |                | 14,103                        |                | 1,681                         |
| Payable to Quantum Asset Management Company Private Limited       |                | -                             |                | 1,404                         |
| <b>Total</b>  |                | <u>118,696</u>                |                | <u>27,992</u>                 |
| <b>SCHEDULE 'D'</b>   |                |                               |                |                               |
| <b>INVESTMENTS</b>  |                |                               |                |                               |
| GOLD  |                | 167,179,056                   |                | 79,474,776                    |
| Collateralised Borrowing & Lending Obligation                     |                | -                             |                | 119,970                       |
| <b>Total</b>  |                | <u>167,179,056</u>            |                | <u>79,594,746</u>             |
| <b>SCHEDULE 'E'</b>   |                |                               |                |                               |
| <b>OTHER CURRENT ASSETS</b>                                       |                |                               |                |                               |
| Balances with Banks in Current Account, including cheques on hand |                | 132,041                       |                | 23,279                        |
| Receivable from AMC   |                | 53,269                        |                | -                             |
| Other Current Assets  |                | 185,423                       |                | -                             |
| Interest Receivable   |                | -                             |                | 15                            |
| <b>Total</b>  |                | <u>370,733</u>                |                | <u>23,294</u>                 |

**SCHEDULE 'F'**

Notes:

**1. ORGANISATION**

Quantum Gold Fund ("the Scheme") is an open-ended exchange traded Scheme of Quantum Mutual Fund and was launched on January 24, 2008. Quantum Mutual Fund has been sponsored by Quantum Advisors Private Ltd. Quantum Asset Management Company Private Limited incorporated under the Companies Act, 1956 has been appointed as Asset Management Company. The duration of the scheme is perpetual. The Scheme closed for initial subscription on February 8, 2008, and was listed on the NSE on February 28, 2008.

In accordance with the SEBI (Mutual Funds) Regulations, 1996 ('the SEBI Regulations'), the Board of Directors of Quantum Trustee Company Private Limited ('the Trustee') has appointed as the Quantum Asset Management Company Private Limited ('the AMC') to manage the Fund's affairs and operate its Schemes. The Investment Objective of the Scheme is to generate returns that are in line with the performance of gold and gold related instruments subject to tracking errors. However, investment in gold related instruments will be made if and when SEBI permits mutual funds to invest, in gold related instruments. The Scheme is designed to provide returns that before expenses, closely correspond to the returns provided by gold. The Scheme offers its investors the Growth Plan.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**(2.1) BASIS OF ACCOUNTING**

The scheme maintains its books of account on an accrual basis. These financial statement have been prepared in accordance with the accounting policies and standards specified in the ninth schedule of SEBI Regulations and amendments thereto as applicable.

**(2.2) INVESTMENTS**

**(2.2.a) Gold**

The cost of gold includes cost of acquisition, CIF premium, VAT, Custom Duty, Stamp Duty & Octroi Charges.

On receipt of refund of VAT in future, the carrying value is adjusted accordingly.

**(2.2.b) Others**

Investments are accounted on the trade date. The Scheme uses the average cost method for determining the realized gain or loss in sale of investment. In case of interest/discount bearing securities though investments are accounted on the trade date, interest /discount accrues from the settlement date.

**(2.3) PORTFOLIO VALUATION**

Investments are stated at market / fair value at the Balance Sheet date / date of determination.

I. The Fund values its investments in gold in accordance with the valuation norms specified under The SEBI (Fourth Amendment) Regulations 2006, notified by the Government vide gazette dated December 27, 2006 (No. F No. SEBI/LAD/DOP/82534/2006)

The Broad Valuation Norms are detailed below:

The Gold held by the Fund is valued at the AM fixing price of London Bullion Market Association (LBMA) in US dollars per troy ounce for gold having a fineness of 995.0 parts per thousand, subject to the following:

- (a) adjustment for conversion to metric measures as per standard conversion rates;
- (b) adjustment for conversion of US dollars into Indian rupees as per the RBI reference rate declared by the Foreign Exchange Dealers Association of India (FEDAI); and
- (c) addition of i) transportation and other charges that may be normally incurred in bringing such gold from London to the place where it is actually stored on behalf of mutual fund; and ii) notional customs duty and other applicable taxes and levies that are normally incurred to bring the gold from London to the place where it is actually stored on behalf of mutual fund; provided that the adjustment under clause (c) above is made on the basis of the notional premium that is usually charged for delivery of gold to the place where it is actually stored on behalf of the mutual fund; Provided further that where the gold held by the Fund has a greater fineness, the relevant LBMA prices of AM fixing is taken as the reference price under this clause. In case the gold acquired by the Fund is not in the form of standard bars, it is assayed and converted into standard bars which comply with the good delivery norms of the LBMA and thereafter valued in terms of this clause.

The Fund values its investments in debt and money market instruments according to the Valuation Norms as specified in the Eighth Schedule of the Regulations, or such guidelines/recommendations as may be specified by SEBI/AMFI from time to time.

- II. Money market instrument are valued at cost plus accrued interest, traded money market securities are valued at the yield at which they are traded on the valuation date. If no sale is reported at that time, such security is valued at the last traded price plus accretion of the difference between the face value and the last traded price. Non traded money market instruments are valued at cost plus accrued interest.
- III. Instruments bought on 'repo' basis are valued at the resale price after deduction of applicable interest upto the date of resale.

Following the issue of the guidance note on accounting for investment in the financial statements of mutual funds by The Institute of Chartered Accountant of India (pursuant to the Eleventh Schedule of the Regulation 1996 and pending further clarification from SEBI) net unrealized appreciation/depreciation

in the value of investments is determined separately for each category of investments. Further the change in net unrealized appreciation/depreciation, if any between the two balance sheet dates/ date of determination is recognized in the Revenue Account. Unrealized appreciation is reduced from the distributable income at the time of distribution of income. At the end of this financial year, the balance in the revenue account including change in the net unrealised appreciation/depreciation in the value of investments is transferred to Reserve Fund.

#### (2.4) INVESTMENT INCOME

Interest income is recorded on an accrual basis. Where fixed income securities are acquired at premium or discount to the redemption value, such premium or discount is amortized on a straight line basis over the period of redemption. In respect of interest bearing instruments income has been accrued on a day to day basis as it is earned.

#### (2.5) NET ASSET VALUE FOR GROWTH PLAN

For reporting the net asset value for the scheme daily income earned, including realized and unrealized gain or loss in the value of investments and expenses incurred by the Scheme are considered.

#### (2.6) UNIT PREMIUM RESERVE

Upon issue and redemption of units, the net premium or discount to the face value of units is adjusted against the unit premium reserve of the scheme, after an appropriate portion of the issue proceeds and redemption payout is credited or debited respectively to the income equalization reserve.

#### (2.7) EQUALISATION RESERVE

The purpose of Equalization Account is to maintain per unit distributable surplus so that continuing unitholders' share of distributable surplus remains unchanged on issue or redemption of units. The total distributable surplus (without considering unrealised appreciation) upto the date of issue/redemption of units have been taken into account for the purpose of ascertaining the amount to

be transferred to Equalization Account. The net balance in this account is transferred to the Revenue Account at the end of the year.

#### (2.8) CUSTODY FEES

Deutsche Bank provides custodial services to the scheme for which it receives custody fees.

#### (2.9) INVESTMENT MANAGEMENT FEES

The Scheme has paid or provided for investment management fees payable to AMC for managing the Scheme at a percentage of the average daily net asset values recorded by the Scheme, such that the investment manager fees chargeable to the Scheme does not exceeds 1.25% of the average daily net asset values recorded by the Scheme upto Rs.100 crores and 1% of the excess over Rs.100 crores. All costs, charges and expenses incurred by Quantum Asset Management Company Private Limited in the administration and execution of the activities of the Scheme, except costs allowed to be charged to the Scheme under the Securities and Exchange Board of India (Mutual Fund) Regulation, 1996 and amendments thereto, as applicable, are on their own account for which they receive investment management fees.

#### (2.10) TRUSTEE FEES

Pursuant to the Trust Deed dated October 7, 2005 between Quantum Advisors Private Limited (Settlor) and Quantum Trustee Company Private Limited (Trustee) and the offer document of the scheme, the Fund is authorized to pay the Trustee a fee, for rendering service as a Trustee of the Fund.

#### (2.11) REGISTRAR & TRANSFER AGENT FEES

Deutsche Investors Services Pvt. Ltd. provides registrar and share transfer services to the scheme for which it receives registrar and share transfer fees.

#### (2.12) INCOME TAX

No Provision for taxation has been made as the schemes qualify as recognized mutual fund under section 10(23D) of the Income –Tax Act, 1961.

### 3. NOTES TO ACCOUNTS

#### (1) PLANS

The scheme has one Plan: Growth Plan.

#### (2) VALUE OF INVESTMENT AS ON MARCH 31, 2010

The Cost and Market Value/Fair Value of Investment as on March 31, 2010 is given below.

| SR. NO. | SECURITIES        | COST (Rs.)     | MARKET VALUE (Rs.) | COST (Rs.)     | MARKET VALUE (Rs.) |
|---------|-------------------|----------------|--------------------|----------------|--------------------|
|         |                   | March 31, 2010 |                    | March 31, 2009 |                    |
| 1.      | Gold              | 142,471,879.43 | 167,179,055.79     | 62,726,151.60  | 79,474,775.73      |
| 2.      | CBLO/Reverse Repo | -              | -                  | 119,970.42     | 119,970.42         |
|         | TOTAL             | 142,471,879.43 | 167,179,055.79     | 62,846,122.02  | 79,594,746.15      |

**(3) NON PERFORMING INVESTMENTS**

| Type of Investments | Carrying Value Amount (Rs.) | Market value Amount (Rs.) | Provisions |
|---------------------|-----------------------------|---------------------------|------------|
| NIL                 | NIL                         | NIL                       | NIL        |

**(4) NAV**

Net Asset Value (NAV) per unit having a face value of Rs. 100/- as on March 31, 2010.

| SCHEME      | NAV (March 31, 2010) | NAV (March 31, 2009) |
|-------------|----------------------|----------------------|
| Growth Plan | 801.3012             | 747.3455             |

**(5) AGGREGATE APPRECIATION AND DEPRECIATION IN THE VALUE OF INVESTMENTS**

Aggregate appreciation and depreciation in value of investments is as follows:

| Particulars                 | March 31, 2010 (Rs.) | March 31, 2009 (Rs.) |
|-----------------------------|----------------------|----------------------|
| <b>GOLD</b>                 |                      |                      |
| Unrealised Appreciation     | 24,707,176.36        | 16,748,624.13        |
| Unrealised Depreciation     | -                    | -                    |
| Net Unrealised Appreciation | 24,707,176.36        | 16,748,624.13        |

**(6) AGGREGATE VALUE OF PURCHASE AND SALE OF INVESTMENTS**

Purchases (excluding Reverse repos, Call money & Fixed deposits) – Rs 81,564,828

- As a percentage of average daily net assets is 68.20 %

Sales / Redemptions (excluding Reverse repos, Call money & Fixed deposits) – Rs 30,99,486

- As a percentage of average daily net assets 2.59 %

**(7) INCOME AND EXPENDITURE**

The total income and expenditure and these amounts as a percentage of the Scheme's average daily net assets on an annualized basis are provided below:

**Income (excluding unrealized appreciation)**

- Amount Rs. 467,368.00

- As a percentage of average daily net assets 0.39 %

**Expenditure**

- Amount Rs. 11,95,875.00

- As a percentage of average daily net assets 1.00 %

**(8) INVESTMENT MANAGEMENT FEES**

Investment Management Fees has been computed on the basis of Average Daily Net Asset of the Scheme accrued on a daily basis. Average daily Net Asset is Rs. 119,599,215.43 & fees charged 0.50%, Management Fees accrued during the period ended March 31, 2010 is Rs. 597,874/-

**(9) CONTRACTS ENDING DELIVERIES**

There were no contracts for sale or purchase pending deliveries as on March 31, 2010.

**(10) MOVEMENT IN UNIT CAPITAL**

| Particulars                                 | 2009-10 |            | 2008-09 |            |
|---|---------|------------|---------|------------|
|   | Units   | Amount     | Units   | Amount     |
| <b>Units of Rs 100/- each fully paid up</b> |         |            |         |            |
| Growth Plan                                 |         |            |         |            |
| Opening                                     | 106,497 | 10,649,700 | 61,061  | 6,106,100  |
| Issued                                      | -       | -          | -       | -          |
| -New Fund Offer                             | -       | -          | -       | -          |
| -During the period                          | 106,452 | 10,645,200 | 55,436  | 5,543,600  |
| Redeemed during the period                  | 4,000   | 400,000    | 10,000  | 1,000,000  |
| Outstanding, at the end of the period       | 208,949 | 20,894,900 | 106,497 | 10,649,700 |

**(11) DISCLOSURE UNDER REGULATIONS 25 (8) OF THE SEBI REGULATIONS – PAYMENTS OF FEES TO ASSOCIATE COMPANIES**

Quantum Gold Fund has made NIL payment to Associate companies during the year ended March 31, 2010

**(12) INVESTMENTS IN GROUP COMPANIES**

Quantum Gold Fund has made NIL investment in group companies during the year ended March 31, 2010

**(13) LARGE HOLDINGS**

Unit holders holding over 25% of the Scheme of NAV is NIL as at the end of the year March 31, 2010

**(14) DISCLOSURE UNDER REGULATION 25(11) OF THE SECURITY AND EXCHANGE BOARD OF INDIA (MUTUAL FUNDS) REGULATIONS, 1996 AS AMENDED - NIL****(15) SUPPLEMENTARY INVESTMENT PORTFOLIO INFORMATION AND INDUSTRYWISE CLASSIFICATION**

Details of investment portfolio and industry wise classification of the Scheme's investments in each category of investments at March 31, 2010, are presented below. The industry and company exposures are stated as a percentage of the Scheme's net assets as at March 31, 2010, as well as the aggregate investments in each investment category.

| Sr. No. | Name of Investment                | Quantity | Market Value (Rs. in Lakhs) | % To Net Assets |
|---------|-----------------------------------|----------|-----------------------------|-----------------|
|         | GOLD                              |          |                             |                 |
| a)      | GOLD 995 1KG BAR                  | 101      | 1671.79                     | 99.85%          |
|         | <b>TOTAL</b>                      | 101      | 1671.79                     | 99.85%          |
| b)      | <b>Cash &amp; Equivalent</b>      |          |                             |                 |
|         | 1 CBLO / Reverse Repo Investments |          | -                           | -               |
|         | 2 Net Receivable / (Payables)     |          | 2.52                        | 0.15%           |
|         | <b>TOTAL</b>                      |          | 2.52                        | 0.15%           |
|         | <b>Grand Total</b>                |          | <b>1674.31</b>              | <b>100%</b>     |

**(16) INITIAL ISSUE EXPENSES**

No initial Issue Expenses were charged to the Quantum Gold Fund.

**(17) BORROWING**

The scheme has not made any borrowing during the period March 31, 2010.

**(18) DERIVATIVES**

The scheme has no exposure to derivative products, foreign securities, ADR's and GDR's.

**(19) TRUST DEED**

On written request, present and prospective unit holder/investors can obtain copy of the Trust Deed, the Annual Report (at a price) and the text of the relevant scheme.

**(20) BONUS**

No bonus has been declared by the Scheme during the period ended March 31, 2010.

**(21) ANNUAL REPORT REQUEST**

The unit holders, if they so desire, may request for the annual report of the AMC.

**(22) UNDERWRITING**

The scheme has not undertaken any underwriting obligation during the period March 31, 2010.

**(23) PRIOR PERIOD COMPARATIVES**

Previous year's figures have been regrouped /re-arranged where appropriate.

**(24) SEGMENT REPORTING**

As per disclosure requirement under Accounting Standard 17 on 'Segment Reporting' issued by ICAI the scheme operates only in one segment viz. to primarily generate returns, based on schemes' investment objective.

**(25) CONTINGENT LIABILITIES**

The Contingent Liabilities as on March 31, 2010 is Nil.

**(26)** Temporary Funding from the AMC, as and when required for cash component which is paid to the investors is not considered as borrowings. This is repaid on a priority on generation of liquidity in scheme. No such amount is outstanding as on balance sheet date.

**(27) RELATED PARTY TRANSACTIONS**

The scheme has entered into transactions with various related parties. The information required in this regard in accordance with Accounting Standards 18 i.e. Related Party Disclosure issued by the ICAI and Regulation 25(8) of the SEBI Regulations is provided below.

**Related party relationships**

| <b>Name</b>  | <b>Description of relationship</b> |
|--|------------------------------------|
| Quantum Advisors Private Limited                     | Sponsor                            |
| Quantum Asset Management Company Private Limited     | Asset Management Company           |
| Quantum Trustee Company Private Limited              | Trustee                            |
| Quantum Information Services Private Limited         | Associate                          |
| Helpyourngo.com India Private Limited                | Associate                          |
| Equitymaster India Limited                           | Associate                          |
| Equitymaster Agora Research Private Limited          | Associate                          |
| Personalfn Insurance Services India Limited          | Associate                          |
| Mymakaan Private Limited                             | Associate                          |
| Menlo Oak Venture Investments                        | Associate                          |
| Primary Real Estate Advisors Private Limited         | Associate                          |
| Primary Real Estate Advisors Limited, Mauritius      | Associate                          |
| QIEF Management LLC                                  | Associate                          |
| Principal Real Estate Investment Private Limited     | Associate                          |
| Centre for Monitoring Indian Economy Private Limited | Associate                          |
| Geojit Financial Services Limited                    | Associate                          |
| Geojit Credits Private Limited                       | Associate                          |
| Soltrix India Private Limited                        | Associate                          |
| Quantum Equity Advisors Private Limited              | Sponsor's subsidiary               |

**Other Schemes of the Fund**

Quantum Long Term Equity Fund

Quantum Liquid Fund

Quantum Index Fund

Quantum Tax Saving Fund

Quantum Equity Fund of Funds

MUTUAL FUND  
Profit with Process

Transaction, if any with the above mentioned related parties as defined under Accounting Standard 18 and Regulation 25(8) of the SEBI Regulations are provided below:

| Name of the related party                        | Nature of transactions                               | Year ended March 2010 | Bal as at Mar 31, 2010 | Year ended March 2009 | Bal as at Mar 31, 2009 |
|--|--|-----------------------|------------------------|-----------------------|------------------------|
| Quantum Advisors Private Limited                 | Subscription   | 10,774,964.90         | -                      | 2,941,142.16          | -                      |
|  | Redemption   | 12,350,422.68         | -                      | 386,216.96            | -                      |
|  | Net Assets value of investment at balance sheet date | -                     | 1,855,813.58           | -                     | 3,307,751.18           |
| Quantum Asset Management Company Private Limited | Management Fees                                      | 597,873.68            | 70,084.74              | 310,296.56            | 265.04                 |
| Quantum Trustee Company Private Limited          | Trusteeship Fees (inclusive of Service Tax)          | 82,724.00             | -                      | 61,893.82             | -                      |

**Brokerage and commission paid to associates as per SEBI circular SEBI/IMD/CIR No 18/198647/2010 dated March 15, 2010.**

- a) Brokerage paid to Associates Companies during the last two fiscal years:-- Nil  
 b) Commission paid to Associate Companies during the last two fiscal years:- Nil

## (28) CASH FLOW STATEMENT

As per applicability norms of Accounting Standard 3 on 'Cash Flow Statement' issued by ICAI, disclosure is not required, as the scheme turnover (revenues) is not exceeding than the applicable norms.

# QUANTUM

As per our report of even date attached

**For Haribhakti & Co.**

Chartered Accountants

sd/-

**Chetan Desai**

Partner

Membership No: 17000

**For Quantum Trustee Company Private Limited**

sd/-

**Mr. Jagdish Capoor**  
(Chairman)

sd/-

**Mr. Satish Mehta**  
(Director)

**For Quantum Asset Management Company Private Limited**

sd/-

**Mr. Ajit Dayal**  
(Chairman)

sd/-

**Mr. I.V. Subramaniam**  
(Director)

sd/-

**Mr. Jimmy A. Patel**  
(Chief Executive Officer)

sd/-

**Mr. Chirag Mehta**  
(Fund Manager)

Place : Mumbai

Date : July 23, 2010

**HISTORICAL PER UNIT STATISTICS**

| Sr. No. | Particulars  | Quantum Gold Fund<br>As on<br>March 31, 2010 | Quantum Gold Fund<br>As on<br>March 31, 2009 | Quantum Gold Fund<br>As on<br>March 31, 2008 |
|---------|--|--|--|--|
| (a)     | <b>Net Assets Value, per unit - Growth Option</b>  | 801.3012                                     | 795.9004                                     | 604.4464                                     |
| (b)     | <b>Gross Income per-unit broken up into the following components</b>   |  |  |  |
| (i)     | income other than profit on sale of investment, per unit   | 0.0020                                       | 0.0019                                       | 0.5825                                       |
| (ii)    | income from profit on inter scheme sales / transfer of investment per unit   | -  | -  | -  |
| (iii)   | income from profit on sale of investment to third party, per unit  | 2.2347                                       | 7.4532                                       | 3.5130                                       |
| (iv)    | transfer to revenue account from past years' reserve, per unit   | -  | -  | -  |
| (c)     | <b>Aggregate of expenses, write off, amortisation and charges, per-unit</b>  | 5.7233                                       | 5.8273                                       | 0.6113                                       |
| (d)     | <b>Net unrealized appreciation in value of investments</b>   | 38.0885                                      | 157.2685                                     | 6.3627                                       |
| (e)     | <b>Net Income per unit (excluding unrealized appreciation)</b>   | (3.4866)                                     | 1.6278                                       | 3.4842                                       |
| (i)     | Highest sale price per unit  | 896.9495                                     | 788.9388                                     | 672.4143                                     |
| (ii)    | Lowest sale price per unit   | 692.4474                                     | 542.8786                                     | 592.8748                                     |
| (f)     | <b>Ratio of expenses to average daily net assets by % (Excluding unrealized depreciation and amortization of deferred revenue expenditure)</b> | 1.00%  | 1.00%  | 1.00%  |
| (g)     | <b>Ratio of income to Average daily net assets by % (exclusive of unrealized appreciation)</b>   | 0.39%  | 1.28%  | 6.70%  |

QUANTUM

MUTUAL FUND

Profit with Process

## AUDITORS' REPORT

TO  
THE BOARD OF TRUSTEES OF  
QUANTUM MUTUAL FUND

We have audited the attached Balance Sheet of the "Quantum Index Fund" of Quantum Mutual Fund as at March 31, 2010 and the Revenue Account for the year ended on that date, which we have signed under reference to this report. These financial statements are the responsibility of the Management of the Trustees and Asset Management companies. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that:

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. The Balance Sheet and the Revenue Account dealt with by this report are in agreement with the books of account of the scheme.
3. In our opinion, the valuation methods for non-traded securities are fair and reasonable and are in accordance with the guidelines for valuation issued by SEBI, under the regulation.
4. In our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the Accounting Policies and Standards as specified in the Ninth Schedule of the SEBI (Mutual Funds) Regulations, 1996 as amended up to date.
5. In our opinion, and to the best of our information and according to the explanations given to us, the said financial statements give the information required by the SEBI (Mutual Funds) Regulations, 1996 as applicable and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - i) in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2010 ; and
  - ii) in the case of the Revenue Account, of the surplus of the Scheme for the year ended on that date

For **HARIBHAKTI & CO.**  
Chartered Accountants

sd/-

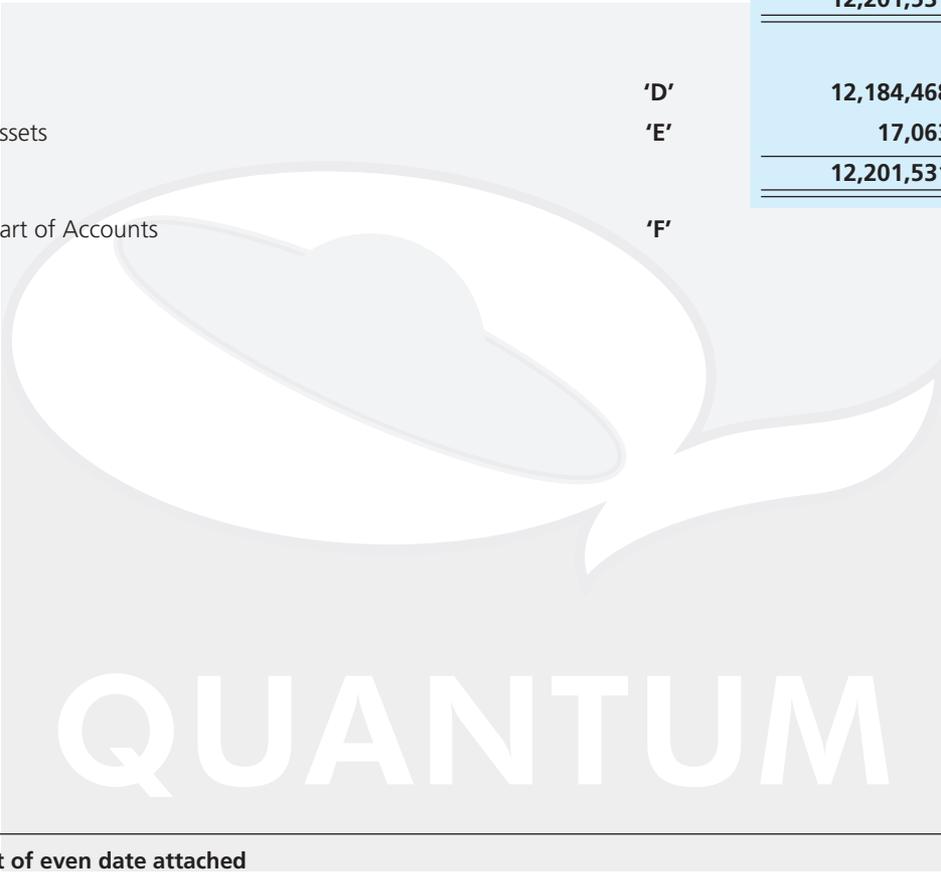
**CHETAN DESAI**  
Partner

Membership No 17000  
Firm No 103523w

Place: Mumbai  
Date: July 23, 2010

**QUANTUM INDEX FUND  
BALANCE SHEET AS AT MARCH 31, 2010**

|                                    | Schedule | March 31, 2010<br>Amount (Rs) | March 31, 2009<br>Amount (Rs) |
|------------------------------------|----------|-------------------------------|-------------------------------|
| <b>LIABILITIES</b>                 |          |                               |                               |
| Unit Capital                       | 'A'      | 231,460                       | 371,460                       |
| Reserves and Surplus               | 'B'      | 11,954,876                    | 10,942,330                    |
| Current Liabilities and Provisions | 'C'      | 15,195                        | 16,880                        |
| <b>Total</b>                       |          | <b>12,201,531</b>             | <b>11,330,670</b>             |
| <b>ASSETS</b>                      |          |                               |                               |
| Investments                        | 'D'      | 12,184,468                    | 11,199,771                    |
| Other Current Assets               | 'E'      | 17,063                        | 130,899                       |
| <b>Total</b>                       |          | <b>12,201,531</b>             | <b>11,330,670</b>             |
| Notes forming part of Accounts     | 'F'      |                               |                               |



As per our report of even date attached

**For Haribhakti & Co.**

Chartered Accountants

sd/-

**Chetan Desai**

Partner

Membership No: 17000

**For Quantum Trustee Company Private Limited**

sd/-

**Mr. Jagdish Capoor**  
(Chairman)

sd/-

**Mr. Satish Mehta**  
(Director)

**For Quantum Asset Management  
Company Private Limited**

sd/-

**Mr. Ajit Dayal**  
(Chairman)

sd/-

**Mr. I.V. Subramaniam**  
(Director)

sd/-

**Mr. Jimmy A. Patel**  
(Chief Executive Officer)

sd/-

**Mr. Hitendra Parekh**  
(Fund Manager)

Place : Mumbai

Date : July 23, 2010

**QUANTUM INDEX FUND**  
**REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010**

| Schedule   | March 31, 2010<br>Amount (Rs) | March 31, 2009<br>Amount (Rs) |
|--|-------------------------------|-------------------------------|
| <b>INCOME</b>  |                               |                               |
| Dividend   | 134,948                       | 157,677                       |
| Interest   | -                             | 33,150                        |
| Profit on sale / redemption of investments (Other than inter-scheme transfer / sale) | 1,620,861                     | 35,933                        |
| Other Income   | 362                           | 81                            |
| <b>Total</b>   | <b>1,756,171</b>              | <b>226,841</b>                |
| <b>EXPENSES AND LOSSES</b>   |                               |                               |
| Loss on sale / redemption of investments (Other than inter-scheme transfers / sale)  | 507,607                       | 586,810                       |
| Management Fees  | 30,951                        | 23,637                        |
| Trusteeship Fees   | 22,060                        | 9,632                         |
| Marketing & Selling Expenses   | 41,758                        | 15,742                        |
| Audit Fees   | 11,030                        | 11,030                        |
| Custodian Fees   | 26,038                        | 50,172                        |
| Registrar & Transfer Agent's Fees  | 5,451                         | 4,307                         |
| Other Operating Expenses   | 4,870                         | 375,362                       |
| Unrealised depreciation in the value of investments                                  | -                             | 3,415,647                     |
| Insurance Premium  | 2,920                         | -                             |
| <b>Less:</b> Excess of Expenditure over permissible limit recovered from AMC         | <b>(52,112)</b>               | <b>(418,926)</b>              |
| <b>Total</b>   | <b>600,573</b>                | <b>4,073,413</b>              |
| <b>Net Surplus / ( Deficit ) for the period</b>                                      | <b>1,155,598</b>              | <b>(3,846,572)</b>            |
| <b>APPROPRIATION ACCOUNT FOR THE PERIOD ENDED MARCH 31, 2010</b>                     |                               |                               |
| Net Surplus brought forward from previous year                                       | (3,846,572)                   | -                             |
| Net Surplus / (Deficit) for the period   | 1,155,598                     | (3,846,572)                   |
| <b>Add:</b> Depreciation of previous year written back                               | <b>3,415,646</b>              | <b>-</b>                      |
| Transferred (to) / from Equalisation Account   | (4,651)                       | -                             |
| <b>Net Surplus / ( Deficit ) carried forward</b>                                     | <b>720,021</b>                | <b>(3,846,572)</b>            |
| Notes forming parts of Accounts  | F                             |                               |

As per our report of even date attached

**For Haribhakti & Co.**

Chartered Accountants

sd/-

**Chetan Desai**

Partner

Membership No: 17000

**For Quantum Trustee Company Private Limited**

sd/-

**Mr. Jagdish Capoor**  
(Chairman)

sd/-

**Mr. Satish Mehta**  
(Director)

**For Quantum Asset Management  
Company Private Limited**

sd/-

**Mr. Ajit Dayal**  
(Chairman)

sd/-

**Mr. I.V. Subramaniam**  
(Director)

sd/-

**Mr. Jimmy A. Patel**  
(Chief Executive Officer)

sd/-

**Mr. Hitendra Parekh**  
(Fund Manager)

Place : Mumbai

Date : July 23, 2010

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2010

|   | Units         | March 31, 2010<br>Amount (Rs) | Units         | March 31, 2009<br>Amount (Rs) |
|---|---------------|-------------------------------|---------------|-------------------------------|
| <b>SCHEDULE 'A'</b>   |               |                               |               |                               |
| <b>UNIT CAPITAL</b>   |               |                               |               |                               |
| <b>(Face Value of Rs. 10 Each)</b>                                |               |                               |               |                               |
| Unit Capital (Opening Balance)                                    | 37,146.00     | 371,460.00                    | -             | -                             |
| <b>Add</b> : Subscription during new fund offer period            | -             | -                             | 39 146        | 391,460                       |
| <b>Add</b> : Subscription during the period                       | -             | -                             | -             | -                             |
| <b>Less</b> : Redemption during the period                        | 14 000        | 140,000                       | 2 000         | 20,000                        |
| <b>Unit Capital (Closing Balance)</b>                             | <b>23,146</b> | <b>231,460</b>                | <b>37,146</b> | <b>371,460</b>                |
| <b>SCHEDULE 'B'</b>   |               |                               |               |                               |
| <b>RESERVES &amp; SURPLUS</b>                                     |               |                               |               |                               |
| <b>Unit Premium</b>   |               |                               |               |                               |
| Opening Balance   |               | 14,788,902                    |               | -                             |
| <b>Add/(Less)</b> : Net Additions/(Deduction) during the period   |               | (6,283,837)                   |               | 14,788,902                    |
| <b>Add/(Less)</b> : Transferred to / (from) Equalisation Account  |               | 4,651                         |               | -                             |
| <b>Closing Balance</b>  |               | <b>8,509,716</b>              |               | <b>14,788,902</b>             |
| <b>Equalisation Account</b>                                       |               |                               |               |                               |
| Transferred to / (from) unit premium reserve                      |               | (4,651)                       |               | -                             |
| <b>Add/(Less)</b> : Transferred to / (from) revenue account       |               | 4,651                         |               | -                             |
|   |               | -                             |               | -                             |
| <b>Unrealised appreciation in the value of Investments</b>        |               |                               |               |                               |
| Opening Balance   |               | -                             |               | -                             |
| <b>Add</b> : Net change during the year                           |               | 2,725,139                     |               | -                             |
| <b>Appropriation Account</b>                                      |               |                               |               |                               |
| Surplus/Deficit carried forward                                   |               | 720,021                       |               | (3,846,572)                   |
| <b>Total Reserves &amp; Surplus</b>                               |               | <b>11,954,876</b>             |               | <b>10,942,330</b>             |
| <b>SCHEDULE 'C'</b>   |               |                               |               |                               |
| <b>CURRENT LIABILITIES &amp; PROVISIONS</b>                       |               |                               |               |                               |
| Management Fees Payable   |               | 2,533                         |               | 2,444                         |
| Audit Charges Payable   |               | 9,927                         |               | 9,894                         |
| Custody Fees Payable  |               | 333                           |               | 2,628                         |
| Registrar Fees Payable  |               | 441                           |               | 344                           |
| TDS Payable   |               | 1,961                         |               | 1,217                         |
| Other Expense Payable   |               | -                             |               | 353                           |
| <b>Total</b>  |               | <b>15,195</b>                 |               | <b>16,880</b>                 |
| <b>SCHEDULE 'D'</b>   |               |                               |               |                               |
| <b>INVESTMENTS</b>  |               |                               |               |                               |
| Equity shares   |               | 12,184,468                    |               | 11,199,771                    |
| <b>Total</b>  |               | <b>12,184,468</b>             |               | <b>11,199,771</b>             |
| <b>SCHEDULE 'E'</b>   |               |                               |               |                               |
| <b>OTHER CURRENT ASSETS</b>                                       |               |                               |               |                               |
| Balances with Banks in Current Account, including cheques on hand |               | 7,611                         |               | 120,050                       |
| Receivable from Quantum Asset Management Company Private Limited  |               | 7,429                         |               | 8,769                         |
| Other Current Assets  |               | 188                           |               | -                             |
| Dividend Receivable   |               | 1,835                         |               | 2,080                         |
|   |               | 17,063                        |               | 130,899                       |

## SCHEDULE 'F'

## Notes:

## 1. ORGANISATION

Quantum Index Fund ("the Scheme") is an open-ended exchange traded Scheme of Quantum Mutual Fund and was launched on June 09, 2008. Quantum Mutual Fund has been sponsored by Quantum Advisors Private Ltd. Quantum Asset Management Company Private Limited incorporated under the Companies Act, 1956 has been appointed as Asset Management Company. The duration of the scheme is perpetual. The Scheme closed for initial subscription on June 20, 2008, and was listed on the NSE on July 10, 2008.

In accordance with the SEBI (Mutual Funds) Regulations, 1996 ('the SEBI Regulations'), the Board of Directors of Quantum Trustee Company Private Limited ('the Trustee') has appointed Quantum Asset Management Company Private Limited ('the AMC') to manage the Fund's affairs and operate its Schemes. The 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 the Nifty by "passive" investment. The scheme is 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES

## (2.1) BASIS OF ACCOUNTING

The scheme maintains its books of account on an accrual basis. These financial statement have been prepared in accordance with the accounting policies and standards specified in the ninth schedule of SEBI Regulations and amendments thereto as applicable.

## (2.2) INVESTMENTS

Investments are accounted on the trade date. The Scheme uses the average cost method for determining the realized gain or loss in sale of investment. In case of interest bearing securities though investments are accounted on the trade date, interest accrues from the settlement date. However, the effect of all investment traded during the financial year is recorded and reflected in the financial statement for that year. The cost of investment includes cost of acquisition, brokerage, stamp duty and any charge included in broker's brought note.

Rights/Bonus entitlements, if any, are accounted on ex-right/ex-bonus date of the principal stock exchange.

## (2.3) PORTFOLIO VALUATION

Investments are stated at market / fair value at the

Balance Sheet date / date of determination. The net asset value of the units of the scheme is determined separately for the units issued under the Plans in valuing the Scheme's investments.

- I. Equity securities listed on a recognized stock exchange are valued at the last quoted closing price on National Stock Exchange of India Limited (NSE) on which the security is traded. If on a particular valuation day a security is not traded on NSE the value at which it is traded on the Bombay Stock Exchange Limited (BSE) is used. If no sale is recorded at that time the last quoted closing price of the NSE is used when it is not more than thirty days prior to the valuation date.
- II. Non traded and thinly traded equity securities including those not traded within thirty days prior to valuation date are valued at fair value as determined in good faith by the AMC under a procedure that is approved by the trustee of Quantum Mutual Fund in accordance with the provision contained in the Eight Schedule of the SEBI Regulations read with guidelines for valuation of securities for mutual funds dated September 18, 2000 and amendments thereto, as applicable, issued by the Securities and Exchange Board of India (SEBI)
- III. Privately placed equity securities are valued at fair value as determined in good faith by AMC under a procedure that is approved by the Trustee of Quantum Mutual Fund in accordance with the guidelines for valuation of unlisted equity securities for mutual fund dated May 9, 2002 issued by SEBI.
- IV. Equity Securities awaiting listing are valued at fair value as determined in good faith by AMC under a procedure that is approved by the Trustee of Quantum Mutual Fund.
- V. Debt Securities listed on recognized stock exchange are valued at the last quoted closing price on the principal exchange on which the security is traded. If no sale is reported at that time such security is valued at fair value as determined in good faith by AMC under a procedure that is approved by the Trustee of Quantum Mutual Fund.
- VI. Non traded and thinly traded debt securities are valued at fair value as determined in good faith by AMC under a procedure that is approved by the Trustee of Quantum Mutual Fund in accordance with the provision contained in the Eight Schedule of the SEBI (MF) regulations 1996, as amended up to date with relevant circulars read with guidelines for valuation of securities for mutual funds dated September 18, 2000 and subsequent

- amendments thereto, as applicable, issued by SEBI.
- VII. Privately placed debt securities are valued at fair value as determined in good faith by AMC under a procedure that is approved by the Trustee of Quantum Mutual Fund.
  - VIII. Money market instruments are valued at cost plus accrued interest, traded money market securities are valued at the yield at which they are traded on the valuation date. If no sale is reported at that time, such security is valued at the last traded price plus accretion of the difference between the face value and the last traded price. Non traded money market instruments are valued at cost plus accrued interest.
  - IX. Instruments bought on 'repo' basis are valued at the resale price after deduction of applicable interest upto the date of resale.
  - X. There were no investments recognized as Non-performing Assets (NPAs), as on March 31, 2010. An Investment is regarded as non-performing, if the interest and/or principal amount has not been received or remains outstanding for one quarter from the day such income or installment has fallen due.
  - XI. The above policies followed by the fund as and when applicable.
  - XII. Following the issue of the guidance note on accounting for investment in the financial statements of mutual funds by The Institute of Chartered Accountant of India (pursuant to the Eleventh Schedule of the Regulation 1996, and pending further clarification from SEBI) net unrealized appreciation/depreciation in the value of investments is determined separately for each category of investments. Further the change in net unrealized appreciation/depreciation, if any between the two balance sheet dates/date of determination is recognized in the Revenue Account. Unrealized appreciation is reduced from the distributable income at the time of distribution of income. At the end of this financial year, the balance in the revenue account including change in the net unrealised appreciation/depreciation in the value of investments is transferred to Reserve Fund.

**(2.4) INVESTMENT INCOME**

Interest income is recorded on an accrual basis. In respect of interest bearing instruments income has been accrued on a day to day basis as it is earned. Where fixed income securities are acquired at

premium or discount to the redemption value, such premium or discount is amortized on a straight line basis over the period of redemption. Dividend income earned by the scheme has been recognised on the date the share is quoted on an ex-dividend basis. Profit/loss on sale of investment is accounted for in the year in which the contract for sale is entered into. The cost is calculated on the basis of weighted average cost of investment.

**(2.5) NET ASSET VALUE FOR GROWTH PLAN**

For reporting the net asset value for the scheme daily income earned, including realized and unrealized gain or loss in the value of investments and expenses incurred by the Scheme are considered.

**(2.6) UNIT PREMIUM RESERVE**

Upon issue and redemption of units, the net premium or discount to the face value of units is adjusted against the unit premium reserve of the scheme, after an appropriate portion of the issue proceeds and redemption payout is credited or debited respectively to the income equalization reserve.

**(2.7) EQUALISATION RESERVE**

The purpose of Equalization Account is to maintain per unit distributable surplus so that continuing unitholders' share of distributable surplus remains unchanged on issue or redemption of units. The total distributable surplus (without considering unrealised appreciation) upto the date of issue/redemption of units have been taken into account for the purpose of ascertaining the amount to be transferred to Equalization Account. The net balance in this account is transferred to the Revenue Account at the end of the year.

**(2.8) CUSTODY FEES**

Deutsche Bank provides custodial services to the scheme for which it receives custody fees.

**(2.9) INVESTMENT MANAGEMENT FEES**

The Scheme has paid or provided for investment management fees payable to AMC for managing the Scheme at a percentage of the average daily net asset values recorded by the Scheme, such that the investment manager fees chargeable to the Scheme does not exceeds 0.75% of the average daily net asset values recorded by the Scheme. All costs, charges and expenses incurred by AMC in the administration and execution of the activities of the Scheme, except costs allowed to be charged to the Scheme under the Securities and Exchange Board of India (Mutual Fund) Regulation, 1996 and amendments thereto, as applicable, are on their own account for which they receive investment manager fees.

**(2.10) TRUSTEE FEES**

Pursuant to the Trust Deed dated October 7, 2005 between Quantum Advisors Private Limited (Settlor) and Quantum Trustee Company Private Limited (Trustee) and the offer document of the scheme, the Fund is authorized to pay the Trustee a fee, for rendering service as a Trustee of the Fund.

**(2.11) REGISTRAR & TRANSFER AGENT FEES**

Deutsche Investors Services Pvt. Ltd. provides registrar and share transfer services to the scheme for which it receives registrar and share transfer fees.

**(2.12) INCOME TAX**

No Provision for taxation has been made as the schemes qualify as recognized mutual fund under section 10(23D) of the Income –Tax Act, 1961.

**3. NOTES TO ACCOUNTS****(1) PLANS**

The scheme has one Plan: Growth Plan.

**(2) VALUE OF INVESTMENT AS ON MARCH 31, 2010**

The Cost and Market Value/Fair Value of Investment as on March 31, 2010 is given below.

| SR. NO. | SECURITIES | COST (Rs.)     | MARKET VALUE (Rs.) | COST (Rs.)     | MARKET VALUE (Rs.) |
|---------|------------|----------------|--------------------|----------------|--------------------|
|         |            | March 31, 2010 |                    | March 31, 2009 |                    |
| 1.      | Equity     | 9,459,329.41   | 12,184,468.45      | 14,615,416.79  | 11,199,770.50      |
|         | TOTAL      | 9,459,329.41   | 12,184,468.45      | 14,615,416.79  | 11,199,770.50      |

**(3) NON PERFORMING INVESTMENTS**

| Type of Investments | Carrying Value Amount (Rs.) | Market value Amount (Rs.) | Provisions |
|---------------------|-----------------------------|---------------------------|------------|
| NIL                 | NIL                         | NIL                       | NIL        |

**(4) NAV**

Net Asset Value (NAV) per unit having a Face Value of Rs. 10/- as on March 31, 2010

| SCHEME      | NAV (March 31, 2010) | NAV (March 31, 2009) |
|-------------|----------------------|----------------------|
| Growth Plan | 526.4986             | 304.5763             |

**(5) AGGREGATE APPRECIATION AND DEPRECIATION IN THE VALUE OF INVESTMENTS**

Aggregate appreciation and depreciation in value of investments as on March 31, 2010 is as follows:

| Particulars                     | March 31, 2010 (Rs.) | March 31, 2009 (Rs.) |
|---------------------------------|----------------------|----------------------|
| Appreciation                    | 3,101,701.15         | 413,872.67           |
| Depreciation                    | 376,562.11           | 3,829,518.96         |
| Net Appreciation / Depreciation | 2,725,139.04         | (3,415,646.29)       |

**(6) AGGREGATE VALUE OF PURCHASE AND SALE OF INVESTMENTS**

Purchases (excluding Reverse repos, Call money & Fixed deposits) – Rs 4,115,852.99

As a percentage of average daily net assets is 33.18 %

Sales / Redemptions (excluding Reverse repos, Call money & Fixed deposits) – Rs 10,380,032.24

As a percentage of average daily net assets 83.69 %

**(7) INCOME AND EXPENDITURE**

The total income and expenditure and these amounts as a percentage of the Scheme's average daily net assets on an annualized basis are provided below:

**Income (excluding unrealized appreciation & Net off losses on sale of Investments)**

- Amount Rs. 1,248,564.00/-
- As a percentage of average daily net assets 10.07 %

**Expenditure**

- Amount Rs. 92,965.00
- As a percentage of average daily net assets 0.75 %

**(8) INVESTMENT MANAGEMENT FEES**

Investment Management Fees has been computed on the basis of Average Daily Net Asset of the Scheme accrued on a daily basis. Average daily Net Asset is Rs. 12,402,865.23 & fees charged 0.25%, Management Fees accrued during the period ended March 31, 2010 is Rs. 30,951 /-.

**(9) CONTRACTS ENDING DELIVERIES**

There were no contracts for sale or purchase pending deliveries as on March 31, 2010.

**(10) MOVEMENT IN UNIT CAPITAL**

| Particulars                                | 2009-10 |         | 2008-09 |         |
|--|---------|---------|---------|---------|
|  | Units   | Amount  | Units   | Amount  |
| <b>Units of Rs 10/- each fully paid up</b> |         |         |         |         |
| <b>Growth Plan</b>                         |         |         |         |         |
| Opening                                    | 37,146  | 391,460 | -       | -       |
| Issued                                     |         |         |         |         |
| -New Fund Offer                            | -       | -       | 39,146  | 391,460 |
| -During the period                         | -       | -       | -       | -       |
| Redeemed during the period                 | 14,000  | 140,000 | 2,000   | 20,000  |
| Outstanding, end of period                 | 23,146  | 231,460 | 37,146  | 371,460 |

**(11) DISCLOSURE UNDER REGULATIONS 25 (8) OF THE SEBI REGULATIONS – PAYMENTS OF FEES TO ASSOCIATE COMPANIES**

Quantum Index Fund has made Nil payment to Associate companies during the year ended March 31, 2010

**(12) INVESTMENTS IN GROUP COMPANIES**

Quantum Index Fund has made NIL investment in group companies during the year ended March 31, 2010

**(13) ACCOUNTING POLICY**

There is no change in the accounting policy during the year ended March 31, 2010

**(14) LARGE HOLDINGS**

Unit holders holding over 25% of the NAV of the Scheme is NIL as at the end of the year March 31, 2010

**(15) DISCLOSURE UNDER REGULATION 25(11) OF THE SECURITY AND EXCHANGE BOARD OF INDIA (MUTUAL FUNDS) REGULATIONS, 1996 AS AMENDED - NIL**

## (16) SUPPLEMENTARY INVESTMENT PORTFOLIO INFORMATION AND INDUSTRYWISE CLASSIFICATION

Details of investment portfolio and industry wise classification of the Scheme's investments in each category of investments at March 31, 2010, are presented below. The industry and company exposures are stated as a percentage of the Scheme's net assets as at March 31, 2010, as well as the aggregate investments in each investment category.

| Sr. No. | Name of the Instrument                          | Industry Classification  | Quantity | Market value Amount (Rs. in Lacs) | % to Investment Category | % of Net Assets |
|---------|---|--------------------------|----------|-----------------------------------|--------------------------|-----------------|
|         | <b>Equity &amp; Equity related</b>              |                          |          |                                   |                          |                 |
| a)      | Listed/ awaiting listing on Stock Exchange      |                          |          |                                   |                          |                 |
| 1       | Reliance Industries Ltd.                        | Petroleum Products       | 1,408    | 15.13                             | 12.41%                   |                 |
| 2       | Infosys Technologies Ltd.                       | Software                 | 384      | 10.05                             | 8.24%                    |                 |
| 3       | ICICI Bank Ltd.                                 | Banks                    | 893      | 8.51                              | 6.98%                    |                 |
| 4       | Larsen & Toubro Ltd.                            | Construction Project     | 480      | 7.83                              | 6.42%                    |                 |
| 5       | Housing Development Finance Cor Ltd             | Finance                  | 203      | 5.52                              | 4.53%                    |                 |
| 6       | ITC LTD   | Consumer Non Durables    | 2,058    | 5.41                              | 4.44%                    |                 |
| 7       | HDFC Bank Ltd.                                  | Banks                    | 277      | 5.36                              | 4.40%                    |                 |
| 8       | State Bank of India                             | Banks                    | 206      | 4.28                              | 3.51%                    |                 |
| 9       | Tata Consultancy Services Ltd.                  | Software                 | 402      | 3.14                              | 2.58%                    |                 |
| 10      | Tata Steel Ltd.                                 | Ferrous Metals           | 481      | 3.04                              | 2.50%                    |                 |
| 11      | Bharti Airtel Ltd.                              | Telecom – Services       | 971      | 3.03                              | 2.49%                    |                 |
| 12      | Bharat Heavy Electricals Ltd.                   | Industrial Capital Goods | 126      | 3.01                              | 2.47%                    |                 |
| 13      | Oil & Natural Gas Corporation Ltd.              | Oil                      | 272      | 2.99                              | 2.45%                    |                 |
| 14      | Sterlite Industries Ltd.                        | Non - Ferrous Metals     | 321      | 2.73                              | 2.24%                    |                 |
| 15      | Axis Bank Ltd                                   | Banks                    | 197      | 2.30                              | 1.89%                    |                 |
| 16      | Jindal Steel & Power Ltd.                       | Ferrous Metals           | 309      | 2.17                              | 1.78%                    |                 |
| 17      | Hindustan Unilever Ltd.                         | Diversified              | 830      | 1.99                              | 1.63%                    |                 |
| 18      | Tata Power Co. Ltd.                             | Power                    | 131      | 1.80                              | 1.48%                    |                 |
| 19      | Mahindra & Mahindra Ltd.                        | Auto                     | 324      | 1.75                              | 1.44%                    |                 |
| 20      | Wipro Ltd.                                      | Software                 | 238      | 1.68                              | 1.38%                    |                 |
| 21      | Tata Motors Ltd.                                | Auto                     | 214      | 1.62                              | 1.33%                    |                 |
| 22      | Hindalco Industries Ltd.                        | Non - Ferrous Metals     | 867      | 1.57                              | 1.29%                    |                 |
| 23      | Grasim Industries Ltd.                          | Cement                   | 54       | 1.52                              | 1.25%                    |                 |
| 24      | Maruti Suzuki India Ltd.                        | Auto                     | 105      | 1.49                              | 1.22%                    |                 |
| 25      | GAIL (India) Ltd.                               | Gas                      | 359      | 1.47                              | 1.21%                    |                 |
| 26      | NTPC Ltd.                                       | Power                    | 693      | 1.44                              | 1.18%                    |                 |
| 27      | Hero Honda Motors Ltd.                          | Auto                     | 71       | 1.38                              | 1.13%                    |                 |
| 28      | Jaiprakash Associates Ltd.                      | Cement                   | 903      | 1.35                              | 1.11%                    |                 |
| 29      | Cipla Ltd.                                      | Pharmaceuticals          | 398      | 1.35                              | 1.11%                    |                 |
| 30      | Infrastructure Development Finance Company Ltd. | Finance                  | 753      | 1.21                              | 0.99%                    |                 |
| 31      | Steel Authority of India Ltd.                   | Ferrous Metals           | 469      | 1.18                              | 0.97%                    |                 |
| 32      | Reliance Infrastructure Ltd                     | Power                    | 112      | 1.12                              | 0.92%                    |                 |
| 33      | Punjab National Bank                            | Banks                    | 107      | 1.08                              | 0.89%                    |                 |

| Sr. No.   | Name of the Instrument             | Industry Classification  | Quantity | Market value Amount (Rs. in Lacs) | % to Investment Category | % of Net Assets |
|-----------|------------------------------------|--------------------------|----------|-----------------------------------|--------------------------|-----------------|
| 34        | Sun Pharmaceutical Industries Ltd. | Pharmaceuticals          | 59       | 1.06                              | 0.87%                    |                 |
| 35        | CAIRN INDIA Ltd                    | Oil                      | 342      | 1.05                              | 0.86%                    |                 |
| 36        | Reliance Communications Ltd        | Telecom – Services       | 531      | 0.90                              | 0.74%                    |                 |
| 37        | DLF Ltd                            | Construction             | 291      | 0.90                              | 0.74%                    |                 |
| 38        | Siemens Ltd.                       | Industrial Capital Goods | 120      | 0.89                              | 0.73%                    |                 |
| 39        | Idea Cellular Ltd                  | Telecom - Services       | 1,240    | 0.81                              | 0.67%                    |                 |
| 40        | Unitech Ltd.                       | Construction             | 1,082    | 0.80                              | 0.65%                    |                 |
| 41        | Ambuja Cements Ltd                 | Cement                   | 652      | 0.78                              | 0.64%                    |                 |
| 42        | ACC Ltd                            | Cement                   | 81       | 0.77                              | 0.63%                    |                 |
| 43        | Reliance Capital Ltd.              | Finance                  | 91       | 0.69                              | 0.56%                    |                 |
| 44        | ABB Ltd                            | Industrial Capital Goods | 80       | 0.66                              | 0.54%                    |                 |
| 45        | HCL Technologies Ltd.              | Software                 | 169      | 0.61                              | 0.50%                    |                 |
| 46        | Ranbaxy Laboratories Ltd.          | Pharmaceuticals          | 122      | 0.58                              | 0.48%                    |                 |
| 47        | Bharat Petroleum Corporation Ltd.  | Petroleum Products       | 103      | 0.53                              | 0.44%                    |                 |
| 48        | Power Grid Corporation Ltd.        | Power                    | 457      | 0.49                              | 0.40%                    |                 |
| 49        | Reliance Power Ltd                 | Power                    | 284      | 0.42                              | 0.35%                    |                 |
| 50        | Suzlon Energy Ltd.                 | Industrial Capital Goods | 566      | 0.41                              | 0.33%                    |                 |
|           | <b>Total</b>                       |                          |          | <b>121.84</b>                     | <b>100.00%</b>           | <b>99.98%</b>   |
| <b>b)</b> | <b>Cash &amp; Equivalent</b>       |                          |          |                                   |                          |                 |
| 1         | Net Receivables/ (Payables)        |                          |          | 0.02                              |                          | 0.02%           |
|           | <b>Total</b>                       |                          |          | <b>0.02</b>                       |                          | <b>0.02%</b>    |
|           | <b>GRAND TOTAL</b>                 |                          |          | <b>121.86</b>                     |                          | <b>100.00%</b>  |

**(17) INITIAL ISSUE EXPENSES**

No initial Issue Expenses were charged to the Quantum Index Fund

**(18) BORROWING**

The scheme has not made any borrowing during the period March 31, 2010

**(19) DERIVATIVES**

The scheme has no exposure to derivative products, foreign securities, ADR's and GDR's.

**(20) TRUST DEED**

On written request, present and prospective unit holder/investors can obtain copy of the Trust Deed, the Annual Report (at a price) and the text of the relevant scheme.

**(21) BONUS**

No bonus has been declared by the Scheme during the period ended March 31, 2010.

**(22) ANNUAL REPORT REQUEST**

The unit holders, if they so desire, may request for the annual report of the AMC.

**(23) UNDERWRITING**

The scheme has not undertaken any underwriting obligation during the period March 31, 2010

**(24) PRIOR PERIOD COMPARATIVES**

Previous year's figures have been regrouped/re-arranged where appropriate.

**(25) SEGMENT REPORTING**

As per disclosure requirement under Accounting Standard 17 on 'Segment Reporting' issued by ICAI the scheme operates only in one segment viz. to primarily generate returns, based on schemes' investment objective.

**(26) CONTINGENT LIABILITIES**

The Contingent Liabilities as on March 31, 2010 is Nil

**(27) RELATED PARTY TRANSACTIONS**

The scheme has entered into transactions with various related parties. The information required in this regard in accordance with Accounting Standards 18 i.e. Related Party Disclosure issued by the ICAI and Regulation 25(8) of the SEBI Regulation is provided below.

**Related party relationships**

| Name   | Description of relationship |
|--|-----------------------------|
| Quantum Advisors Private Limited                     | Sponsor                     |
| Quantum Asset Management Co Private Limited          | Asset Management Company    |
| Quantum Trustee Company Private Limited              | Trustee                     |
| Quantum Information Services Private Limited         | Associate                   |
| Helpyourngo.com India Private Limited                | Associate                   |
| Equitymaster India Limited                           | Associate                   |
| Equitymaster Agora Research Private Limited          | Associate                   |
| Personalfn Insurance Services India Limited          | Associate                   |
| Mymakaan Private Limited                             | Associate                   |
| Menlo Oak Venture Investments                        | Associate                   |
| Primary Real Estate Advisors Private Limited         | Associate                   |
| Primary Real Estate Advisors Limited, Mauritius      | Associate                   |
| QIEF Management LLC                                  | Associate                   |
| Principal Real Estate Investment Private Limited     | Associate                   |
| Centre for Monitoring Indian Economy Private Limited | Associate                   |
| Geojit Financial Services Limited                    | Associate                   |
| Geojit Credits Private Limited                       | Associate                   |
| Soltrix India Private Limited                        | Associate                   |
| Quantum Equity Advisors Private Limited              | Sponsor's Subsidiary        |

**Other Schemes of the Fund**

Quantum Long Term Equity Fund

Quantum Liquid Fund

Quantum Gold Fund

Quantum Tax Saving Fund

Quantum Equity Fund of Funds

Transaction, if any with the above mentioned related parties as defined under Accounting Standard 18 and Regulation 25(8) of the SEBI Regulation are provided below:

| Name of the related party                        | Nature of transactions                      | Year ended March 2010 | Bal as at Mar 31, 2010 | Year ended March 2009 | Bal as at Mar 31, 2009 |
|--|---|-----------------------|------------------------|-----------------------|------------------------|
| Quantum Asset Management Company Private Limited | Management Fees                             | 30,950.50             | 2,533.43               | 23,636.75             | 2,443.75               |
| Quantum Trustee Company Private Limited          | Trusteeship Fees (Inclusive of Service tax) | 22,060.00             | -                      | 9,631.54              | -                      |
| Quantum Advisors Private Limited                 | Subscriptions                               | 5,696,664.28          | -                      | 3,271,134.07          | -                      |
| Quantum Advisors Private Limited                 | Redemptions                                 | 7,578,983.71          | 860,298.71             | 1,207,853.50          | 1,657,504.22           |

**Brokerage and commission paid to associates as per SEBI circular SEBI/IMD/CIR No 18/198647/2010 dated March 15, 2010.**

- a) **Brokerage paid to Associates Companies during the last two fiscal years:-- Nil**
- b) **Commission paid to Associate Companies during the last two fiscal years:- Nil**

**(28) CASH FLOW STATEMENT**

As per applicability norms of Accounting Standard 3 on 'Cash Flow Statement' issued by ICAI, disclosure is not required, as the scheme turnover (revenues) is not exceeding than the applicable norms.

**QUANTUM**

**As per our report of even date attached**

**For Haribhakti & Co.**

Chartered Accountants

sd/-

**Chetan Desai**

Partner

Membership No: 17000

**For Quantum Trustee Company Private Limited**

sd/-

**Mr. Jagdish Capoor**  
(Chairman)

sd/-

**Mr. Satish Mehta**  
(Director)

**For Quantum Asset Management Company Private Limited**

sd/-

**Mr. Ajit Dayal**  
(Chairman)

sd/-

**Mr. I.V. Subramaniam**  
(Director)

sd/-

**Mr. Jimmy A. Patel**  
(Chief Executive Officer)

sd/-

**Mr. Hitendra Parekh**  
(Fund Manager)

Place : Mumbai

Date : July 23, 2010

## HISTORICAL PER UNIT STATISTICS

| No. | Particulars  | Quantum Index Fund<br>As on March 31, 2010 | Quantum Index Fund<br>As on March 31, 2009 |
|-----|--|--|--|
| (a) | <b>Net Assets Value, per unit</b>  | 526.4986                                   | 304.5763                                   |
| (b) | <b>Gross Income per-unit broken up into the following components</b>   |  |  |
|     | (i) income other than profit on sale of investment, per unit   | 5.8459                                     | 5.1394                                     |
|     | (ii) income from profit on inter scheme sales / transfer of investment per unit  | -  | -  |
|     | (iii) income from profit on sale of investment to third party, per unit  | 48.0970                                    | 0.9674                                     |
|     | (iv) transfer to revenue account from past years' reserve, per unit  | -  | -  |
| (c) | <b>Aggregate of expenses, write off, amortisation and charges, per-unit</b>  | 4.0165                                     | 1.9102                                     |
| (d) | <b>Net unrealized appreciation in value of investments</b>   | 117.7369                                   | -  |
| (e) | <b>Net Income per unit (excluding unrealized appreciation)</b>   | 49.9264                                    | 4.1966                                     |
|     | i) Highest sale price per unit   | 531.9083                                   | 463.4156                                   |
|     | ii) Lowest sale price per unit   | 308.5061                                   | 253.8507                                   |
| (f) | <b>Ratio of expenses to average daily net assets by % (Excluding unrealized depreciation and amortization of deferred revenue expenditure)</b> | 0.75                                       | 0.54                                       |
| (g) | <b>Ratio of income to Average daily net assets by % (exclusive of unrealized appreciation)</b>   | 10.07                                      | 1.74                                       |

# QUANTUM

M U T U A L F U N D

Profit with Process

## AUDITORS' REPORT

TO

THE BOARD OF TRUSTEES OF

QUANTUM MUTUAL FUND

We have audited the attached Balance Sheet of the "Quantum Tax Saving Fund" of Quantum Mutual Fund as at March 31, 2010 and the Revenue Account for the year ended on that date, which we have signed under reference to this report. These financial statements are the responsibility of the Management of the Trustees and Asset Management companies. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that:

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. The Balance Sheet and the Revenue Account dealt with by this report are in agreement with the books of account of the scheme.
3. In our opinion, the valuation methods for non-traded securities are fair and reasonable and are in accordance with the guidelines for valuation issued by SEBI, under the regulation.
4. In our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the Accounting Policies and Standards as specified in the Ninth Schedule of the SEBI (Mutual Funds) Regulations, 1996 as amended up to date.
5. In our opinion, and to the best of our information and according to the explanations given to us, the said financial statements give the information required by the SEBI (Mutual Funds) Regulations, 1996 as applicable and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - i) in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2010 ; and
  - ii) in the case of the Revenue Account, of the surplus of the Scheme for the year ended on that date

For **HARIBHAKTI & CO.**

Chartered Accountants

sd/-

**CHETAN DESAI**

Partner

Membership No 17000

Firm No 103523w

Place: Mumbai

Date: July 23, 2010

**QUANTUM TAX SAVING FUND**  
**BALANCE SHEET AS AT MARCH 31, 2010**

|                                    | Schedule | March 31, 2010<br>Amount (Rs) | March 31, 2009<br>Amount (Rs) |
|------------------------------------|----------|-------------------------------|-------------------------------|
| <b>LIABILITIES</b>                 |          |                               |                               |
| Unit Capital                       | 'A'      | 8,595,277                     | 4,764,198                     |
| Reserves and Surplus               | 'B'      | 7,799,103                     | (11,302)                      |
| Current Liabilities and Provisions | 'C'      | 81,925                        | 172,939                       |
| <b>Total</b>                       |          | <b>16,476,305</b>             | <b>4,925,835</b>              |
| <b>ASSETS</b>                      |          |                               |                               |
| Investments                        | 'D'      | 15,701,755                    | 3,657,707                     |
| Other Current Assets               | 'E'      | 774,550                       | 1,268,128                     |
| <b>Total</b>                       |          | <b>16,476,305</b>             | <b>4,925,835</b>              |
| Notes forming part of Accounts     | 'F'      |                               |                               |

**QUANTUM**

As per our report of even date attached

**For Haribhakti & Co.**

Chartered Accountants

sd/-

**Chetan Desai**

Partner

Membership No: 17000

**For Quantum Trustee Company Private Limited**

sd/-

**Mr. Jagdish Capoor**  
(Chairman)

sd/-

**Mr. Satish Mehta**  
(Director)

**For Quantum Asset Management  
Company Private Limited**

sd/-

**Mr. Ajit Dayal**  
(Chairman)

sd/-

**Mr. I.V. Subramaniam**  
(Director)

sd/-

**Mr. Jimmy A. Patel**  
(Chief Executive Officer)

sd/-

**Mr. Atul Kumar**  
(Fund Manager)

Place : Mumbai

Date : July 23, 2010

**QUANTUM TAX SAVING FUND  
REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010**

|  | Schedule | March 31, 2010<br>Amount (Rs) | March 31, 2009<br>Amount (Rs) |
|--|----------|-------------------------------|-------------------------------|
| <b>INCOME</b>  |          |                               |                               |
| Dividend   |          | 110,268                       | 7,585                         |
| Interest   |          | 26,569                        | 4,056                         |
| Profit on sale / redemption of investments (Other than inter-scheme transfer / sale) |          | 1,135,842                     | -                             |
| <b>Total</b>   |          | <b>1,272,679</b>              | <b>11,641</b>                 |
| <b>EXPENSES AND LOSSES</b>   |          |                               |                               |
| Management Fees  |          | 124,327                       | 8,738                         |
| Trusteeship Fees   |          | 22,060                        | 514                           |
| Marketing & Selling Expenses   |          | 46,847                        | -                             |
| Audit Fees   |          | 11,030                        | 5,515                         |
| Custodian Fees   |          | 59,547                        | 18,636                        |
| Registrar & Transfer Agent's fees  |          | 42,603                        | 13,921                        |
| Insurance Premium  |          | 3,801                         | -                             |
| Other operating expenses   |          | 80,897                        | 2,223                         |
| <b>Less: Excess of Expenditure over permissible limit recovered from AMC</b>         |          | <b>(142,459)</b>              | <b>(32,072)</b>               |
| <b>Total</b>   |          | <b>248,653</b>                | <b>17,475</b>                 |
| <b>Net Surplus / ( Deficit ) for the period</b>                                      |          | <b>1,024,026</b>              | <b>(5,834)</b>                |

**APPROPRIATION ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010**

|  |                  |                |
|--|------------------|----------------|
| Net Surplus brought forward from previous year   | (5,834)          | -              |
| Net Surplus / (Deficit) for the period           | 1,024,026        | (5,834)        |
| Transferred (to) / from Equalisation Account     | 479,301          | -              |
| <b>Net Surplus / ( Deficit ) carried forward</b> | <b>1,497,493</b> | <b>(5,834)</b> |

Notes forming parts of Accounts

F

**QUANTUM**

As per our report of even date attached

**For Haribhakti & Co.**

Chartered Accountants

sd/-

**Chetan Desai**

Partner

Membership No: 17000

**For Quantum Trustee Company Private Limited**

sd/-

**Mr. Jagdish Capoor**  
(Chairman)

sd/-

**Mr. Satish Mehta**  
(Director)

**For Quantum Asset Management  
Company Private Limited**

sd/-

**Mr. Ajit Dayal**  
(Chairman)

sd/-

**Mr. I.V. Subramaniam**  
(Director)

sd/-

**Mr. Jimmy A. Patel**  
(Chief Executive Officer)

sd/-

**Mr. Atul Kumar**  
(Fund Manager)

Place : Mumbai

Date : July 23, 2010

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2010

|  | Units           | March 31, 2010<br>Amount (Rs) | Units           | March 31, 2009<br>Amount (Rs) |
|--|-----------------|-------------------------------|-----------------|-------------------------------|
| <b>SCHEDULE 'A'</b>  |                 |                               |                 |                               |
| <b>UNIT CAPITAL</b>  |                 |                               |                 |                               |
| <b>(Face Value of Rs. 10 Each)</b>                                 |                 |                               |                 |                               |
| Unit Capital (Opening Balance)                                     | 4,76,420        | 4,764,198                     | -               | -                             |
| Add : Subscription during initial Offer period                     | -               | -                             | 180,501         | 1,805,010                     |
| Add : Subscription during the period                               | 3,83,108        | 3,831,079                     | 295,919         | 2,959,188                     |
| Unit Capital (Closing Balance)                                     | <u>8,59,528</u> | <u>8,595,277</u>              | <u>4,76,420</u> | <u>4,764,198</u>              |
| <b>SCHEDULE 'B'</b>  |                 |                               |                 |                               |
| <b>RESERVES &amp; SURPLUS</b>                                      |                 |                               |                 |                               |
| <b>Unit Premium</b>  |                 |                               |                 |                               |
| Opening Balance  |                 | (87,890)                      |                 | -                             |
| Add/(Less) : Net Additions/(Deduction) during the period           |                 | 2,679,501                     |                 | (87,890)                      |
| Add/(Less) : Transferred (to) / from Equalisation Account          |                 | (479,301)                     |                 | -                             |
| <b>Closing Balance</b>   |                 | <u>2,112,310</u>              |                 | <u>(87,890)</u>               |
| <b>Equalisation Account</b>  |                 |                               |                 |                               |
| Transferred from / (to) Unit Premium Reserve                       |                 | 479,301                       |                 | -                             |
| Add/(Less) : Transferred to / (from) Revenue Account               |                 | (479,301)                     |                 | -                             |
| <b>Closing Balance</b>   |                 | <u>-</u>                      |                 | <u>-</u>                      |
| <b>UNREALISED APPRECIATION IN THE VALUE OF INVESTMENTS</b>         |                 |                               |                 |                               |
| Opening Balance  |                 | 82,422                        |                 | -                             |
| Add : Net change during the year                                   |                 | 4,106,878                     |                 | 82,422                        |
|  |                 | <u>4,189,300</u>              |                 | <u>82,422</u>                 |
| <b>Appropriation Account</b>                                       |                 |                               |                 |                               |
| Surplus/Deficit carried forward                                    |                 | 1,497,493                     |                 | (5,834)                       |
| <b>Total Reserves &amp; Surplus</b>                                |                 | <u>7,799,103</u>              |                 | <u>(11,302)</u>               |
| <b>SCHEDULE 'C'</b>  |                 |                               |                 |                               |
| <b>CURRENT LIABILITIES &amp; PROVISIONS</b>                        |                 |                               |                 |                               |
| Purchase contract outstanding                                      |                 | -                             |                 | 1,47,318                      |
| Management Fees Payable  |                 | 15,854                        |                 | 3,898                         |
| Audit Fees Payable   |                 | 9,927                         |                 | 4,947                         |
| Custody Fees Payable   |                 | 3,937                         |                 | 8,499                         |
| Registrar Fees Payable   |                 | 37,674                        |                 | 446                           |
| Other Expense Payable  |                 | 6,150                         |                 | 190                           |
| TDS Payable  |                 | 8,383                         |                 | 641                           |
| Units Pending allotment  |                 | -                             |                 | 7000                          |
| <b>Total</b>   |                 | <u>81,925</u>                 |                 | <u>1,72,939</u>               |
| <b>SCHEDULE 'D'</b>  |                 |                               |                 |                               |
| <b>INVESTMENTS</b>   |                 |                               |                 |                               |
| Equity Shares  |                 | 13,203,374                    |                 | 2,707,942                     |
| Collateralised Borrowing & Lending Obligation                      |                 | 2,498,381                     |                 | 9,49,765                      |
| <b>Total</b>   |                 | <u>15,701,755</u>             |                 | <u>3,657,707</u>              |
| <b>SCHEDULE 'E'</b>  |                 |                               |                 |                               |
| <b>OTHER CURRENT ASSETS</b>  |                 |                               |                 |                               |
| Balances with Banks in Current Account, including cheques on hand  |                 | 111,340                       |                 | 900,191                       |
| Subscription Receivable (Other than Inter Scheme)                  |                 | 538,554                       |                 | 355,000                       |
| Receivable from Quantum Asset Management Co Pvt Ltd for Scheme exp |                 | 113,292                       |                 | 12,557                        |
| Sales Contract Outstanding   |                 | 10,807                        |                 | -                             |
| Dividend / Interest Receivable                                     |                 | 324                           |                 | 380                           |
| <b>Prepaid Expense</b>   |                 | <u>233</u>                    |                 | <u>-</u>                      |
| <b>Total</b>   |                 | <u>774,550</u>                |                 | <u>1,268,128</u>              |

**SCHEDULE 'F'**

**Notes:**

**1. ORGANISATION**

Quantum Tax Saving Fund ("the Scheme") is an open-ended Equity Linked Savings Scheme of Quantum Mutual Fund and was launched on December 10, 2008. Quantum Mutual Fund has been sponsored by Quantum Advisors Private Ltd. Quantum Asset Management Company Private Limited incorporated under the Companies Act, 1956 has been appointed as Asset Management Company. The duration of the scheme is perpetual. The Scheme closed for initial subscription on December 13, 2008, and is currently open for ongoing subscription.

In accordance with the SEBI (Mutual Funds) Regulations, 1996 ('the SEBI Regulations'), the Board of Directors of Quantum Trustee Company Private Limited ('the Trustee') has appointed Quantum Asset Management Company Private Limited ('the AMC') to manage the Fund's affairs and operate its Schemes. The investment objective of the scheme is to achieve long-term capital appreciation by investing primarily in shares of companies that will typically be included in the BSE 200 Index and are in a position to benefit from the anticipated growth and development of the Indian economy and its markets. The Scheme offers its investors a Dividend Plan and Growth Plan (collectively 'the Plans').

**2. SIGNIFICANT ACCOUNTING POLICIES**

**(2.1) BASIS OF ACCOUNTING**

The scheme maintains its books of account on an accrual basis. These financial statements have been prepared in accordance with the accounting policies and standards specified in the ninth schedule of SEBI Regulations and amendments thereto as applicable.

**(2.2) INVESTMENTS**

Investments are accounted on the trade date. The Scheme uses the average cost method for determining the realized gain or loss in sale of investment. In case of interest bearing securities though investments are accounted on the trade date, interest accrues from the settlement date. However, the effect of all investments traded during the financial year is recorded and reflected in the financial statement for that year. The cost of investment includes cost of acquisition, brokerage, stamp duty and any charge included in broker's brought note.

Rights/Bonus entitlements, if any, are accounted on ex-right/ex-bonus date of the principal stock exchange.

**(2.3) PORTFOLIO VALUATION**

Investments are stated at market / fair value at the Balance Sheet date / date of determination. The net

asset value of the units of the scheme is determined separately for the units issued under the Plans in valuing the Scheme's investments.

I. Equity securities listed on a recognized stock exchange are valued at the last quoted closing price on National Stock Exchange of India Limited (NSE) on which the security is traded. If on a particular valuation day a security is not traded on NSE the value at which it is traded on the Bombay Stock Exchange Limited (BSE) is used. If no sale is recorded at that time the last quoted closing price of the NSE is used when it is not more than thirty days prior to the valuation date.

Till 31st August, 2009 BSE was the primary exchange for valuation of Securities.

II. Non traded and thinly traded equity securities including those not traded within thirty days prior to valuation date are valued at fair value as determined in good faith by AMC under a procedure that is approved by the trustee of Quantum Mutual Fund in accordance with the provision contained in the Eight Schedule of the SEBI Regulations read with guidelines for valuation of securities for mutual funds dated September 18, 2000 and amendments thereto, as applicable, issued by the Securities and Exchange Board of India (SEBI)

III. Privately placed equity securities are valued at fair value as determined in good faith by AMC under a procedure that is approved by the Trustee of Quantum Mutual Fund in accordance with the guidelines for valuation of unlisted equity securities for mutual fund dated May 9, 2002 issued by SEBI.

IV. Equity Securities awaiting listing are valued at fair value as determined in good faith by AMC under a procedure that is approved by the Trustee of Quantum Mutual Fund.

V. Debt Securities listed on recognized stock exchange are valued at the last quoted closing price on the principal exchange on which the security is traded. If no sale is reported at that time such security is valued at fair value as determined in good faith by AMC under a procedure that is approved by the Trustee of Quantum Mutual Fund.

VI. Non traded and thinly traded debt securities are valued at fair value as determined in good faith by the AMC under a procedure that is approved by the Trustee of Quantum Mutual Fund in accordance with the provision contained in the Eight Schedule of the SEBI (MF) regulations 1996, as amended up to date with relevant circulars read with guidelines

for valuation of securities for mutual funds dated September 18, 2000 and subsequent amendments thereto, as applicable, issued by SEBI.

- VII. Privately placed debt securities are valued at fair value as determined in good faith by AMC under a procedure that is approved by the Trustee of Quantum Mutual Fund.
- VIII. Money market instruments are valued at cost plus accrued interest, traded money market securities are valued at the yield at which they are traded on the valuation date. If no sale is reported at that time, such security is valued at the last traded price plus accretion of the difference between the face value and the last traded price. Non traded money market instruments are valued at cost plus accrued interest.
- IX. Instruments bought on 'repo' basis are valued at the resale price after deduction of applicable interest upto the date of resale.
- X. There were no investments recognized as Non-performing Assets (NPAs), as on March 31, 2010. An Investment is regarded as non-performing, if the interest and/or principal amount has not been received or remains outstanding for one quarter from the day such income or installment has fallen due.
- XI. The above policies followed by the fund as and when applicable.
- XII. Following the issue of the guidance note on accounting for investment in the financial statements of mutual funds by The Institute of Chartered Accountant of India (pursuant to the Eleventh Schedule of the Regulation 1996 and pending further clarification from SEBI) net unrealized appreciation/depreciation in the value of investments is determined separately for each category of investments. Further the change in net unrealized appreciation/depreciation, if any between the two balance sheet dates/date of determination is recognized in the Revenue Account. Unrealized appreciation is reduced from the distributable income at the time of distribution of income. At the end of this financial year, the balance in the revenue account including change in the net unrealised appreciation/depreciation in the value of investments is transferred to Reserve Fund.

#### (2.4) INVESTMENT INCOME

Interest income is recorded on an accrual basis. In respect of interest bearing instruments income has been accrued on a day to day basis as it is earned. Where fixed income securities are acquired at premium or discount to the redemption value, such premium or discount is amortized on a straight

line basis over the period of redemption. Dividend income earned by the scheme has been recognised on the date the share is quoted on an ex-dividend basis. Profit/loss on sale of investment is accounted for in the year in which the contract for sale is entered into. The cost is calculated on the basis of weighted average cost of investment.

#### (2.5) NET ASSET VALUE FOR GROWTH / DIVIDEND PLAN

The net asset value of the units of the scheme is determined separately for units issued under the Growth / Dividend Plans.

For reporting the net asset value for the Plans, daily income earned, including realized and unrealized gain or loss in the value of investments and expenses incurred by the Scheme are allocated to the Plans in proportion to the value of units outstanding.

#### (2.6) UNIT PREMIUM RESERVE

Upon issue and redemption of units, the net premium or discount to the face value of units is adjusted against the unit premium reserve of the scheme, after an appropriate portion of the issue proceeds and redemption payout is credited or debited respectively to the income equalization reserve.

#### (2.7) EQUALISATION RESERVE

The purpose of Equalization Account is to maintain per unit distributable surplus so that continuing unitholders' share of distributable surplus remains unchanged on issue or redemption of units. The total distributable surplus (without considering unrealised appreciation) upto the date of issue/redemption of units have been taken into account for the purpose of ascertaining the amount to be transferred to Equalization Account. The net balance in this account is transferred to the Revenue Account at the end of the year.

#### (2.8) CUSTODY FEES

Deutsche Bank provides custodial services to the scheme for which it receives custody fees.

#### (2.9) INVESTMENT MANAGEMENT FEES

The Scheme has paid or provided for investment management fees payable to Quantum Asset Management Company Private Limited for managing the Scheme at a percentage of the average daily net asset values recorded by the Scheme, such that the investment manager fees chargeable to the Scheme does not exceeds 1.25% of the average daily net asset values recorded by the Scheme upto Rs.100 crores and 1% of the excess over Rs.100 crores. All costs, charges and expenses incurred by Quantum Asset Management Company Private Limited in the administration and execution of the activities of the Scheme, except costs allowed to be charged to the Scheme under the SEBI Regulations and

amendments thereto, as applicable, are on their own account for which they receive investment manager fees.

**(2.10) TRUSTEE FEES**

Pursuant to the Trust Deed dated October 7, 2005 between Quantum Advisors Private Limited (Settlor) and Quantum Trustee Company Private Limited (Trustee) and the offer document of the scheme, the Fund is authorized to pay the Trustee a fee, for rendering service as a Trustee of the Fund.

**(2.11) REGISTRAR & TRANSFER AGENT FEES**

Karvy Computershare Private Limited provides registrar and share transfer services to the scheme for which it receives registrar and share transfer fees.

**(2.12) INCOME TAX**

No Provision for taxation has been made as the schemes qualify as recognized mutual fund under section 10(23D) of the Income –Tax Act, 1961.

**3. NOTES TO ACCOUNTS**

**(1) PLANS**

The Scheme has two Plans - Growth Plan and Dividend Plan. A combined Balance Sheet and Revenue Account is prepared for the Scheme.

**(2) VALUE OF INVESTMENT AS ON MARCH 31, 2010**

The Cost and Market Value/Fair Value of Investment as on March 31, 2010 is given below.

| SR. NO. | SECURITIES         | COST (Rs.)            | MARKET VALUE (Rs.) | March 31, 2010        |                    |
|---------|--------------------|-----------------------|--------------------|-----------------------|--------------------|
|         |                    |                       |                    | COST (Rs.)            | MARKET VALUE (Rs.) |
|         |                    | <b>March 31, 2010</b> |                    | <b>March 31, 2009</b> |                    |
| 1.      | Equity             | 9,014,074.52          | 13,203,374.15      | 2,625,520.28          | 2,707,942.10       |
| 2.      | CBLO/ Reverse Repo | 2,498,381.18          | 2,498,381.18       | 949,765.81            | 949,765.81         |
|         | TOTAL              | 11,512,455.70         | 15,701,755.33      | 3,575,286.09          | 3,657,707.91       |

**(3) NON PERFORMING INVESTMENTS**

| Type of Investments | Carrying Value Amount (Rs.) | Market value Amount (Rs.) | Provisions |
|---------------------|-----------------------------|---------------------------|------------|
| NIL                 | NIL                         | NIL                       | NIL        |

**(4) NAV**

Net Asset Value (NAV) per unit having a face value of Rs. 10/- as on March 31, 2010.

| SCHEME        | NAV (March 31, 2010) | NAV (March 31, 2009) |
|---------------|----------------------|----------------------|
| Growth Plan   | 19.076               | 9.979                |
| Dividend Plan | 19.070               | 9.972                |

**(5) AGGREGATE APPRECIATION AND DEPRECIATION IN THE VALUE OF INVESTMENTS**

Aggregate appreciation and depreciation in value of investments as on March 31, 2010 is as follows:

| Particulars      | March 31, 2010 (Rs.) | March 31, 2009 (Rs.) |
|------------------|----------------------|----------------------|
| <b>Equity</b>    |                      |                      |
| Appreciation     | 4,268,938.09         | 177,871.96           |
| Depreciation     | 79,638.46            | 95,450.14            |
| Net Appreciation | 4,189,299.63         | 82,421.82            |

**(6) AGGREGATE VALUE OF PURCHASE AND SALE OF INVESTMENTS**

Purchases (excluding Reverse repos, Call money & Fixed deposits) – Rs. 8,134,790.03

- As a percentage of average daily net assets is 81.79 %

Sales / Redemptions (excluding Reverse repos, Call money & Fixed deposits) – Rs. 2,882,078.39

- As a percentage of average daily net assets is 28.98 %

**(7) INCOME AND EXPENDITURE**

The total income and expenditure and these amounts as a percentage of the Scheme's average daily net assets on an annualized basis are provided below:

**Income (excluding unrealized appreciation)**

- Amount Rs. 1,272,679.00
- As a percentage of average daily net assets 12.80%

**Expenditure**

- Amount Rs. 248,652.00
- As a percentage of average daily net assets 2.50%

**(8) INVESTMENT MANAGEMENT FEES**

Investment Management Fees has been computed on the basis of Average Daily Net Asset of the Scheme accrued on a daily basis. Average daily Net Asset is Rs. 9,945,791.08 & fees charged 1.25% Management Fees accrued during the period is Rs. 124,327 /-.

**(9) CONTRACTS PENDING DELIVERIES**

Sale of securities by the Scheme, the deliveries of which were pending as on March 2010, amounted to Rs. 10,807 There were no contracts for Purchase pending deliveries as on March 31, 2010.

**(10) MOVEMENT IN UNIT CAPITAL**

| Particulars                         | 2009-10     |           | 2008-09     |           |
|-------------------------------------|-------------|-----------|-------------|-----------|
|                                     | Units       | Amount    | Units       | Amount    |
| Units of Rs 10/- each fully paid up |             |           |             |           |
| <b>Growth Plan</b>                  |             |           |             |           |
| Opening                             | 312,062.856 | 3,120,629 | -           | -         |
| Issued                              | -           | -         | -           | -         |
| -New Fund Offer                     | -           | -         | 103,000.961 | 1,030,010 |
| -During the period                  | 246,791.105 | 2,467,911 | 209,061.895 | 2,090,619 |
| Redeemed during the period          | -           | -         | -           | -         |
| Outstanding, end of period          | 558,853.961 | 5,588,540 | 312,062.856 | 3,120,629 |
| <b>Dividend Plan</b>                |             |           |             |           |
| Opening                             | 164,356.978 | 1,643,570 | -           | -         |
| Issued                              | -           | -         | -           | -         |
| -New Fund Offer                     | -           | -         | 77,500.080  | 775,001   |
| -During the period                  | 136,316.791 | 1,363,168 | 86,856.898  | 868,569   |
| Redeemed during the period          | -           | -         | -           | -         |
| Outstanding, end of period          | 300,673.769 | 3,006,738 | 164,356.978 | 1,643,570 |
| <b>Grand Total</b>                  |             |           |             |           |
| Opening                             | 476,419.834 | 4,764,198 | -           | -         |
| Issued                              | -           | -         | -           | -         |
| -New Fund Offer                     | -           | -         | 180,501.041 | 1,805,010 |
| -During the period                  | 383,107.896 | 3,83,1079 | 295,918.793 | 2,959,188 |
| Redeemed during the period          | -           | -         | -           | -         |
| Outstanding, end of period          | 859,527.730 | 8,595,277 | 476,419.834 | 4,764,198 |

**(11) DISCLOSURE UNDER REGULATIONS 25 (8) OF THE SEBI REGULATIONS – PAYMENTS OF FEES TO ASSOCIATE COMPANIES**

Quantum Tax Saving Fund has made payment to Associate companies during the year ended March 31, 2010

**(12) INVESTMENTS IN GROUP COMPANIES**

Quantum Tax Saving Fund has made NIL investment in group companies during the year ended March 31, 2010

**(13) ACCOUNTING POLICY**

There is no change in the accounting policy during the year ended March 31, 2010

**(14) LARGE HOLDINGS**

Unit holders holding over 25% of the Scheme of NAV is NIL as at the end of the year March 31, 2010

**(15) DISCLOSURE UNDER REGULATION 25(11) OF THE SECURITY AND EXCHANGE BOARD OF INDIA (MUTUAL FUNDS) REGULATIONS, 1996 AS AMENDED - NIL**

**(16) SUPPLEMENTARY INVESTMENT PORTFOLIO INFORMATION AND INDUSTRYWISE CLASSIFICATION**

Details of investment portfolio and industry wise classification of the Scheme's investments in each category of investments at March 31, 2010, are presented below. The industry and company exposures are stated as a percentage of the Scheme's net assets as at March 31, 2010, as well as the aggregate investments in each investment category.

| Sr. No. | Name of the Instrument                     | Industry Classification  | Quantity | Market value Amount (Rs. Lakhs) | % to Investment Category | % of Net Assets |
|---------|--|--------------------------|----------|---------------------------------|--------------------------|-----------------|
|         | <b>Equity &amp; Equity related</b>         |                          |          |                                 |                          |                 |
| a)      | Listed/ awaiting listing on Stock Exchange |                          |          |                                 |                          |                 |
| 1       | Housing Development Finance Cor Ltd        | FINANCE                  | 316.00   | 8.59                            | 6.50%                    |                 |
| 2       | Tata Consultancy Services Ltd.             | SOFTWARE                 | 1,048.00 | 8.18                            | 6.20%                    |                 |
| 3       | HDFC Bank Ltd.                             | BANKS                    | 411.00   | 7.95                            | 6.02%                    |                 |
| 4       | Infosys Technologies Ltd.                  | SOFTWARE                 | 298.00   | 7.80                            | 5.90%                    |                 |
| 5       | Titan Industries Ltd.                      | CONSUMER NON DURABLES    | 402.00   | 7.40                            | 5.60%                    |                 |
| 6       | Bajaj Auto Ltd                             | AUTO                     | 361.00   | 7.27                            | 5.51%                    |                 |
| 7       | Zee Entertainment Enterprises Ltd          | MEDIA & ENTERTAINMENT    | 2,442.00 | 6.55                            | 4.96%                    |                 |
| 8       | Oil & Natural Gas Corporation Ltd.         | OIL                      | 567.00   | 6.23                            | 4.72%                    |                 |
| 9       | Container Corporation of India Ltd.        | TRANSPORTATION           | 468.00   | 6.17                            | 4.67%                    |                 |
| 10      | Hindustan UniLever Ltd.                    | DIVERSIFIED              | 2,432.00 | 5.83                            | 4.41%                    |                 |
| 11      | Crompton Greaves Ltd.                      | INDUSTRIAL CAPITAL GOODS | 2,066.00 | 5.39                            | 4.08%                    |                 |
| 12      | Indian Hotels Co Ltd.                      | HOTELS                   | 5,270.00 | 5.39                            | 4.08%                    |                 |
| 13      | Tata Tea Ltd.                              | CONSUMER NON DURABLES    | 539.00   | 5.28                            | 4.00%                    |                 |
| 14      | Tata Steel Ltd.                            | FERROUS METALS           | 827.00   | 5.23                            | 3.96%                    |                 |
| 15      | Bharat Petroleum Corporation Ltd.          | PETROLEUM PRODUCTS       | 884.00   | 4.58                            | 3.47%                    |                 |
| 16      | ING Vysya Bank Ltd.                        | BANKS                    | 1,624.00 | 4.49                            | 3.40%                    |                 |
| 17      | State Bank of India                        | BANKS                    | 215.00   | 4.47                            | 3.38%                    |                 |
| 18      | PTC INDIA Ltd.                             | POWER                    | 3,904.00 | 4.37                            | 3.31%                    |                 |
| 19      | Raymond Ltd.                               | TEXTILE PRODUCTS         | 1,592.00 | 3.81                            | 2.89%                    |                 |
| 20      | Bharti Airtel Ltd.                         | TELECOM - SERVICES       | 1,073.00 | 3.35                            | 2.54%                    |                 |
| 21      | Cummins India Ltd.                         | INDUSTRIAL PRODUCTS      | 619.00   | 3.18                            | 2.41%                    |                 |
| 22      | Aventis Pharma Ltd.                        | PHARMACEUTICALS          | 143.00   | 2.58                            | 1.95%                    |                 |
| 23      | 3i Infotech Ltd.                           | SOFTWARE                 | 3,174.00 | 2.49                            | 1.89%                    |                 |
| 24      | Trent Ltd.                                 | RETAILING                | 304.00   | 2.44                            | 1.85%                    |                 |
| 25      | Jet Airways (India) Ltd.                   | TRANSPORTATION           | 321.00   | 1.54                            | 1.17%                    |                 |
| 26      | Dr. Reddys Laboratories Ltd.               | PHARMACEUTICALS          | 117.00   | 1.49                            | 1.13%                    |                 |
|         | <b>Total</b>                               |                          |          | <b>132.03</b>                   | <b>100.00%</b>           | <b>81.33%</b>   |
| b)      | 1 Cash & Equivalent                        |                          |          |                                 |                          |                 |
|         | CBLO/Reverse Repo Investment               |                          |          | 24.98                           |                          | 15.39%          |
| 2       | Net Receivables/ (Payables)                |                          |          | 5.33                            |                          | 3.28%           |
|         | <b>Total</b>                               |                          |          | <b>30.31</b>                    |                          | <b>18.67%</b>   |
|         | <b>GRAND TOTAL</b>                         |                          |          | <b>162.34</b>                   |                          | <b>100.00%</b>  |

**(17) INITIAL ISSUE EXPENSES**

No initial Issue Expenses were charged to the Quantum Tax Saving Fund

**(18) BORROWING**

The scheme has not made any borrowing during the period March 31, 2010

**(19) DERIVATIVES**

The scheme has no exposure to derivative products, foreign securities, ADR's and GDR's.

**(20) TRUST DEED**

On written request, present and prospective unit holder/investors can obtain copy of the Trust Deed, the Annual Report (at a price) and the text of the relevant scheme.

**(21) BONUS**

No bonus has been declared by the Scheme during the period ended March 31, 2010

**(22) ANNUAL REPORT REQUEST**

The unit holders, if they so desire, may request for the annual report of the AMC.

**(23) UNDERWRITING**

The scheme has not undertaken any underwriting obligation during the period March 31, 2010

**(24) PRIOR PERIOD COMPARATIVES**

Previous year's figures have been regrouped /re-arranged where appropriate.

**(25) SEGMENT REPORTING**

As per disclosure requirement under Accounting Standard 17 on 'Segment Reporting' issued by ICAI the scheme operates only in one segment viz. to primarily generate returns, based on schemes' investment objective.

**(26) CONTINGENT LIABILITIES**

The Contingent Liabilities as on 31st March 2010 is NIL

**(27) RELATED PARTY TRANSACTIONS**

The scheme has entered into transactions with various related parties. The information required in this regard in accordance with Accounting Standards 18 i.e. Related Party Disclosure issued by the ICAI and Regulation 25(8) of the SEBI Regulation is provided below.

**Related party relationships**

| <b>Name</b>  | <b>Description of relationship</b> |
|--|------------------------------------|
| Quantum Advisors Private Limited                     | Sponsor                            |
| Quantum Asset Management Co Private Limited          | Asset Management Company           |
| Quantum Trustee Company Private Limited              | Trustee                            |
| Quantum Information Services Private Limited         | Associate                          |
| Helpyourngo.com India Private Limited                | Associate                          |
| Equitymaster India Limited                           | Associate                          |
| Equitymaster Agora Research Private Limited          | Associate                          |
| Personalfn Insurance Services India Limited          | Associate                          |
| Mymakaan Private Limited                             | Associate                          |
| Menlo Oak Venture Investments                        | Associate                          |
| Primary Real Estate Advisors Private Limited         | Associate                          |
| Primary Real Estate Advisors Limited, Mauritius      | Associate                          |
| QIEF Management LLC                                  | Associate                          |
| Principal Real Estate Investment Private Limited     | Associate                          |
| Centre for Monitoring Indian Economy Private Limited | Associate                          |
| Geojit Financial Services Limited                    | Associate                          |
| Geojit Credits Private Limited                       | Associate                          |
| Soltrix India Private Limited                        | Associate                          |
| Quantum Equity Advisors Private Limited              | Sponsor's subsidiary               |

**Other Schemes of the Fund**

Quantum Long Term Equity Fund

Quantum Liquid Fund

Quantum Gold Fund

Quantum Index Fund

Quantum Equity Fund of Funds

Transaction, if any with the above mentioned related parties as defined under Accounting Standard 18 and Regulation 25(8) of the SEBI Regulation are provided below:

| Name of the related party                        | Nature of transactions                      | Year ended March 2010 | Bal as at Mar 31, 2010 | Year ended March 2009 | Bal as at Mar 31, 2009 |
|--|---|-----------------------|------------------------|-----------------------|------------------------|
| Quantum Asset Management Company Private Limited | Management Fees                             | 124,326.25            | 15,853.49              | 8,737.99              | 3,898.09               |
| Quantum Trustee Company Private Limited          | Trusteeship Fees (inclusive of Service Tax) | 22,060.00             | -                      | 514.84                | -                      |

**Brokerage and commission paid to associates as per SEBI circular SEBI/IMD/CIR No 18/198647/2010 dated March 15, 2010.**

a) Brokerage paid to Associates Companies during the last two fiscal years:-

| Name of Associate Company | Nature of Association/ Nature of relation | Period covered                  | Value of transaction (in Rs. Cr. & % of total value of transaction of the fund) |       | Brokerage (Rs Cr & % of total brokerage paid by the fund) |       |
|---------------------------|---|---------------------------------|---|-------|---|-------|
| HDFC Securities Limited   | Associate Broker                          | April 01, 2008 - March 31, 2009 | Nil   | Nil   | Nil   | Nil   |
| HDFC Securities Limited   | Associate Broker                          | April 01, 2009 - March 31, 2010 | 0.01 Cr.  | 1.24% | @   | 1.22% |

b) Commission paid to Associate Companies during the last two fiscal years:-

| Name of Associate Company                    | Nature of Association/ Nature of relation | Period covered                  | Business given (Rs. Cr. & % of total business received by the fund) | Commission paid (Rs & % of total commission paid by the fund) |
|--|---|---------------------------------|---|---|
| Quantum Information Services Private Limited | Associate Company                         | April 01, 2008 - March 31, 2009 | 0.11 Cr. & 0.23%  | Nil   |
| Quantum Information Services Private Limited | Associate Company                         | April 01, 2009 - March 31, 2010 | @ & 0.01%   | Nil   |

@ Figures less than 0.01 crores

**(28) CASH FLOW STATEMENT**

As per applicability norms of Accounting Standard 3 on 'Cash Flow Statement' issued by ICAI, disclosure is not required, as the scheme turnover (revenues) are not exceeding the applicable norms.

**As per our report of even date attached**

**For Haribhakti & Co.**

Chartered Accountants

sd/-

**Chetan Desai**

Partner

Membership No: 17000

**For Quantum Trustee Company Private Limited**

sd/-

**Mr. Jagdish Capoor**  
(Chairman)

sd/-

**Mr. Satish Mehta**  
(Director)

**For Quantum Asset Management Company Private Limited**

sd/-

**Mr. Ajit Dayal**  
(Chairman)

sd/-

**Mr. I.V. Subramaniam**  
(Director)

sd/-

**Mr. Jimmy A. Patel**  
(Chief Executive Officer)

sd/-

**Mr. Atul Kumar**  
(Fund Manager)

Place : Mumbai

Date : July 23, 2010

## HISTORICAL PER UNIT STATISTICS

| Sr. No. | Particulars  | Quantum Tax Saving Fund As on March 31, 2010 | Quantum Tax Saving Fund As on March 31, 2009 |
|---------|--|--|--|
|         | <b>Face Value</b>  | <b>Rs. 10/-</b>                              | <b>Rs. 10/-</b>                              |
| (a)     | <b>Net Assets Value, per unit</b>  |  |  |
|         | i) Growth Plan   | 19.076                                       | 9.979  |
|         | ii) Dividend Plan  | 19.070                                       | 9.972  |
| (b)     | <b>Gross Income per-unit broken up into the following components</b>   |  |  |
|         | (i) income other than profit on sale of investment, per unit   | 0.1592                                       | 0.0244                                       |
|         | (ii) income from profit on inter scheme sales / transfer of investment per unit  | -  | -  |
|         | (iii) income from profit on sale of investment to third party, per unit  | 1.3215                                       | -  |
|         | (iv) transfer to revenue account from past years' reserve, per unit  | -  | -  |
| (c)     | <b>Aggregate of expenses, write off, amortisation and charges, per-unit</b>  | 0.2893                                       | 0.0367                                       |
| (d)     | <b>Net unrealized appreciation in value of investments</b>   | 4.7781                                       | 0.1730                                       |
| (e)     | <b>Net Income per unit (excluding unrealized appreciation)</b>   | 1.1914                                       | (0.0122)                                     |
| (f)     | <b>i) Highest sale price per unit</b>  |  |  |
|         | Growth Plan  | 19.145                                       | 10.371                                       |
|         | Dividend Plan  | 19.139                                       | 10.371                                       |
|         | <b>ii) Lowest sale price per unit</b>  |  |  |
|         | Growth Plan  | 10.060                                       | 9.086  |
|         | Dividend Plan  | 10.053                                       | 9.086  |
|         | <b>iii) Highest repurchase price per unit</b>  |  |  |
|         | Growth Plan  | 19.145                                       | 10.371                                       |
|         | Dividend Plan  | 19.139                                       | 10.371                                       |
|         | <b>iv) Lowest repurchase price per unit</b>  |  |  |
|         | Growth Plan  | 10.060                                       | 9.086  |
|         | Dividend Plan  | 10.053                                       | 9.086  |
| (g)     | <b>Ratio of expenses to average daily net assets by % (Excluding unrealized depreciation and amortization of deferred revenue expenditure)</b> | 2.50%  | 0.68%  |
| (h)     | <b>Ratio of income to Average daily net assets by % (exclusive of unrealized appreciation)</b>   | 12.80%                                       | 0.45%  |

## AUDITORS' REPORT

TO

THE BOARD OF TRUSTEES OF

QUANTUM MUTUAL FUND

We have audited the attached Balance Sheet of the "Quantum Equity Fund of Funds" of Quantum Mutual Fund as at March 31, 2010 and the Revenue Account for the period ended on that date, which we have signed under reference to this report. These financial statements are the responsibility of the Management of the Trustees and Asset Management companies. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that:

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. The Balance Sheet and the Revenue Account dealt with by this report are in agreement with the books of account of the scheme.
3. In our opinion, the valuation methods for non-traded securities are fair and reasonable and are in accordance with the guidelines for valuation issued by SEBI, under the regulation.
4. In our opinion, the Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with the Accounting Policies and Standards as specified in the Ninth Schedule of the SEBI (Mutual Funds) Regulations, 1996 as amended up to date.
5. In our opinion, and to the best of our information and according to the explanations given to us, the said financial statements give the information required by the SEBI (Mutual Funds) Regulations, 1996 as applicable and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - i) in the case of the Balance Sheet, of the state of affairs of the Scheme as at March 31, 2010 ; and
  - ii) in the case of the Revenue Account, of the surplus of the Scheme for the period ended on that date

For **HARIBHAKTI & CO.**

Chartered Accountants

sd/-

**CHETAN DESAI**

Partner

Membership No 17000

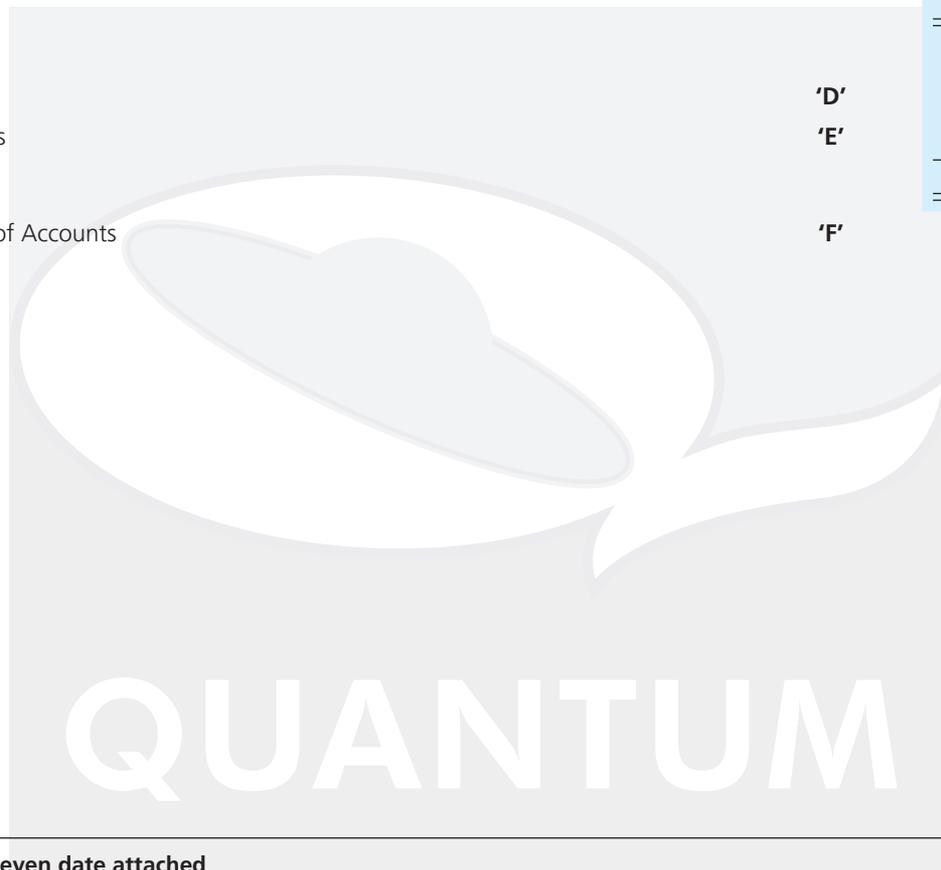
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Place: Mumbai

Date: July 23, 2010

**QUANTUM EQUITY FUND OF FUNDS**  
**BALANCE SHEET AS AT MARCH 31, 2010**

|                                    | Schedule | March 31, 2010<br>Amount (Rs) |
|------------------------------------|----------|-------------------------------|
| <b>LIABILITIES</b>                 |          |                               |
| Unit Capital                       | 'A'      | 10,087,980                    |
| Reserves and Surplus               | 'B'      | 2,660,043                     |
| Current Liabilities and Provisions | 'C'      | 46,157                        |
| <b>Total</b>                       |          | <u>12,794,180</u>             |
| <b>ASSETS</b>                      |          |                               |
| Investments                        | 'D'      | 12,647,446                    |
| Other Current Assets               | 'E'      | 146,734                       |
| <b>Total</b>                       |          | <u>12,794,180</u>             |
| Notes forming part of Accounts     | 'F'      |                               |



As per our report of even date attached

**For Haribhakti & Co.**

Chartered Accountants

sd/-

**Chetan Desai**

Partner

Membership No: 17000

**For Quantum Trustee Company Private Limited**

sd/-

**Mr. Jagdish Capoor**  
(Chairman)

sd/-

**Mr. Satish Mehta**  
(Director)

**For Quantum Asset Management  
Company Private Limited**

sd/-

**Mr. Ajit Dayal**  
(Chairman)

sd/-

**Mr. I.V. Subramaniam**  
(Director)

sd/-

**Mr. Jimmy A. Patel**  
(Chief Executive Officer)

sd/-

**Mr. Arvind Chari**  
(Fund Manager)

Place : Mumbai

Date : July 23, 2010

**QUANTUM EQUITY FUND OF FUNDS  
REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010**

| Schedule   | March 31, 2010<br>Amount (Rs) |
|--|-------------------------------|
| <b>INCOME</b>  |                               |
| Interest   | 12,102                        |
| Profit on sale / redemption of investments (Other than inter-scheme transfer / sale) | 125,305                       |
| Load Income  | 11,639                        |
| <b>Total</b>   | <b>149,046</b>                |
| <b>EXPENSES AND LOSSES</b>   |                               |
| Management Fees  | 33,576                        |
| Marketing & Selling Expenses   | 9,164                         |
| Audit Fees   | 11,030                        |
| Registrar & Transfer Agent's fees  | 27,519                        |
| Other operating expenses   | 38,680                        |
| Insurance Premium  | 3,014                         |
| <b>Less : Excess of Expenditure over permissible limit recovered from AMC</b>        | <b>(72,619)</b>               |
| <b>Total</b>   | <b>50,364</b>                 |
| <b>Net Surplus / ( Deficit ) for the period</b>                                      | <b>98,682</b>                 |
| <b>APPROPRIATION ACCOUNT FOR THE PERIOD ENDED MARCH 31, 2010</b>                     |                               |
| Net Surplus brought forward from previous year                                       | -                             |
| Net Surplus / (Deficit) for the period   | 98,682                        |
| Transferred (to) / from Equalisation Account   | 19,926                        |
| <b>Net Surplus / ( Deficit ) carried forward</b>                                     | <b>118,608</b>                |

Notes forming parts of Accounts F

**QUANTUM**

**As per our report of even date attached**

**For Haribhakti & Co.**

Chartered Accountants

sd/-

**Chetan Desai**

Partner

Membership No: 17000

**For Quantum Trustee Company Private Limited**

sd/-

**Mr. Jagdish Capoor**  
(Chairman)

sd/-

**Mr. Satish Mehta**  
(Director)

**For Quantum Asset Management  
Company Private Limited**

sd/-

**Mr. Ajit Dayal**  
(Chairman)

sd/-

**Mr. I.V. Subramaniam**  
(Director)

sd/-

**Mr. Jimmy A. Patel**  
(Chief Executive Officer)

sd/-

**Mr. Arvind Chari**  
(Fund Manager)

Place : Mumbai

Date : July 23, 2010

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2010

|   | Units            | March 31, 2010<br>Amount (Rs) |
|---|------------------|-------------------------------|
| <b>SCHEDULE 'A'</b>   |                  |                               |
| <b>UNIT CAPITAL</b>   |                  |                               |
| <b>(Face Value of Rs. 10 Each)</b>                                |                  |                               |
| Unit Capital (Opening Balance)                                    | -                | -                             |
| <b>Add</b> : Subscription during new fund offer period            | <b>585,425</b>   | <b>5,854,249</b>              |
| <b>Add</b> : Subscription during the period                       | <b>494,249</b>   | <b>4,942,490</b>              |
| <b>Less</b> : Redemption during the period                        | <b>70,876</b>    | <b>708,759</b>                |
| <b>Unit Capital (Closing Balance)</b>                             | <b>1,008,798</b> | <b>10,087,980</b>             |
| <b>SCHEDULE 'B'</b>   |                  |                               |
| <b>RESERVES &amp; SURPLUS</b>                                     |                  |                               |
| <b>Unit Premium</b>   |                  |                               |
| Opening Balance   |                  | -                             |
| <b>Add/(Less)</b> : Net Additions/(Deduction) during the period   |                  | <b>771,631</b>                |
| <b>Less</b> : Transferred (to) / from Equalisation Account        |                  | <b>(19,926)</b>               |
| <b>Closing Balance</b>  |                  | <b>751,705</b>                |
| <b>Equalisation Account</b>                                       |                  |                               |
| Transferred from / (to) Unit Premium Reserve                      |                  | <b>19,926</b>                 |
| <b>Less</b> : Transferred to / (from) Revenue Account             |                  | <b>(19,926)</b>               |
| <b>Closing Balance</b>  |                  | -                             |
| <b>Unrealised appreciation in the value of Investments</b>        |                  |                               |
| Opening Balance   |                  | -                             |
| <b>Add</b> : Net change during the year                           |                  | <b>1,789,730</b>              |
|   |                  | <b>1,789,730</b>              |
| <b>Appropriation Account</b>                                      |                  |                               |
| Surplus/Deficit carried forward                                   |                  | <b>118,608</b>                |
| <b>Total Reserves &amp; Surplus</b>                               |                  | <b>2,660,043</b>              |
| <b>SCHEDULE 'C'</b>   |                  |                               |
| <b>CURRENT LIABILITIES &amp; PROVISIONS</b>                       |                  |                               |
| Management Fees Payable   |                  | <b>5,176</b>                  |
| Audit Fees Payable  |                  | <b>9,927</b>                  |
| Registrar Fees Payable  |                  | <b>25,498</b>                 |
| Other Expense Payable   |                  | <b>720</b>                    |
| TDS Payable   |                  | <b>4,836</b>                  |
| <b>Total</b>  |                  | <b>46,157</b>                 |
| <b>SCHEDULE 'D'</b>   |                  |                               |
| <b>INVESTMENTS</b>  |                  |                               |
| Mutual Fund Units   |                  | <b>11,947,901</b>             |
| Collateralised Borrowing & Lending Obligation                     |                  | <b>699,545</b>                |
| <b>Total</b>  |                  | <b>12,647,446</b>             |
| <b>SCHEDULE 'E'</b>   |                  |                               |
| <b>OTHER CURRENT ASSETS</b>                                       |                  |                               |
| Balances with Banks in Current Account, including cheques on hand |                  | <b>86,172</b>                 |
| Receivable from AMC   |                  | <b>60,471</b>                 |
| Interest Receivable   |                  | <b>91</b>                     |
| <b>Total</b>  |                  | <b>146,734</b>                |

**SCHEDULE 'F'**

**Notes:**

**1. ORGANISATION**

Quantum Equity Fund of Funds ("the Scheme") is an open-ended Equity Fund of Funds Scheme of Quantum Mutual Fund and was launched on June 26, 2009. Quantum Mutual Fund has been sponsored by Quantum Advisors Private Ltd. Quantum Asset Management Company Private Limited incorporated under the Companies Act, 1956 has been appointed as an Asset Management Company. The duration of the scheme is perpetual. The Scheme closed for initial subscription on July 13, 2009, and is currently open for ongoing subscription.

In accordance with the SEBI (Mutual Funds) Regulations, 1996 ('the SEBI Regulations'), the Board of Directors of Quantum Trustee Company Private Limited ('the Trustee') has appointed Quantum Asset Management Company Private Limited ('the AMC') to manage the Fund's affairs and operate its Schemes. The investment objective of the scheme is to generate long-term capital appreciation by investing in a portfolio of open-ended diversified equity schemes of mutual funds registered with SEBI. There can be no assurance of positive returns from following the stated investment strategy. The Scheme offers its investors a Dividend Plan and Growth Plan (collectively 'the Plans').

**2. SIGNIFICANT ACCOUNTING POLICIES**

**(2.1) BASIS OF ACCOUNTING**

The scheme maintains its books of accounts on an accrual basis. These financial statement have been prepared in accordance with the accounting policies and standards specified in the ninth schedule of SEBI Regulations and amendments thereto as applicable.

**(2.2) INVESTMENTS**

Investments are accounted on the trade date. The Scheme uses the average cost method for determining the realized gain or loss on sale of investments. In case of interest bearing securities though investments are accounted on the trade date, interest accrues from the settlement date. However, the effect of all investments traded during the financial year is recorded and reflected in the financial statements for that year. The cost of investments includes cost of acquisition, brokerage, stamp duty and any charge included in broker's brought note.

**(2.3) PORTFOLIO VALUATION**

- I. Investments in Mutual Funds are valued at the last declared net assets value (NAV) per unit.
- II. Instruments bought on 'repo' basis are valued at the resale price after deduction of applicable interest upto the date of resale.
- III. Following the issue of the guidance note on accounting for investment in the financial statements of mutual funds by The Institute of Chartered Accountant of India (pursuant to the Eleventh Schedule of the Regulation 1996 and pending further clarification from SEBI) net unrealized appreciation/depreciation in the value of investments is

determined separately for each category of investments. Further the change in net unrealized appreciation/depreciation, if any between the two balance sheet dates/date of determination is recognized in the Revenue Account. Unrealized appreciation is reduced from the distributable income at the time of distribution of income. At the end of this financial year, the balance in the revenue account including change in the net unrealised appreciation/depreciation in the value of investments is transferred to Reserve Fund.

**(2.4) INVESTMENT INCOME**

Interest income is recorded on an accrual basis. In respect of interest bearing instruments income has been accrued on a day to day basis as it is earned. Where fixed income securities are acquired at premium or discount to the redemption value, such premium or discount is amortized on a straight line basis over the period of redemption. Dividend income earned by the scheme has been recognised on the date the share is quoted on an ex-dividend basis. Profit/loss on sale of investment is accounted for in the year in which the contract for sale is entered into. The cost is calculated on the basis of weighted average cost of investment.

**(2.5) EXIT LOAD INCOME**

Exit Load collected from the investor is credited to the revenue account.

**(2.6) NET ASSET VALUE FOR GROWTH / DIVIDEND PLANS**

The net asset value of the units of the scheme is determined separately for units issued under the Growth / Dividend Plans.

For reporting the net asset value for the Plans, daily income earned, including realized and unrealized gain or loss in the value of investments and expenses incurred by the Scheme are allocated to the Plans in proportion to the value of units outstanding.

**(2.7) UNIT PREMIUM RESERVE**

Upon issue and redemption of units, the net premium or discount to the face value of units is adjusted against the unit premium reserve of the scheme, after an appropriate portion of the issue proceeds and redemption payout is credited or debited respectively to the income equalization reserve.

**(2.8) EQUALISATION RESERVE**

The purpose of Equalization Account is to maintain per unit distributable surplus so that continuing unitholders' share of distributable surplus remains unchanged on issue or redemption of units. The total distributable surplus (without considering unrealised appreciation) upto the date of issue/redemption of units have been taken into account for the purpose of ascertaining the amount to be transferred to Equalization Account. The net balance in this account is transferred to the Revenue Account at the end of the year.

**(2.9) INVESTMENT MANAGEMENT FEES**

The Scheme has paid or provided for investment management fees payable to the AMC for managing the Scheme at a percentage of the average daily net asset values recorded by the Scheme, such that the investment manager fees chargeable to the Scheme does not exceeds 0.75% of the average daily net asset values recorded by the Scheme. All costs, charges and expenses incurred by AMC in the administration and execution of the activities of the Scheme, except costs allowed to be charged to the Scheme under the Securities and Exchange Board of India (Mutual Fund) Regulation, 1996 and amendments thereto, as applicable, are on their own account for which they receive investment management fees.

**(2.10) TRUSTEE FEES**

Pursuant to the Trust Deed dated October 7, 2005 between Quantum Advisors Private Limited (Settlor) and Quantum Trustee Company Private Limited (Trustee) and the offer document of the scheme, the Fund is authorized to pay the Trustee a fee, for rendering service as a Trustee of the Fund .

**(2.11) REGISTRAR & TRANSFER AGENT FEES**

Karvy Computershare Private Limited provides registrar and share transfer services to the scheme for which it receives registrar and share transfer fees.

**(2.12) INCOME TAX**

No Provision for taxation has been made as the schemes qualify as recognized mutual fund under section 10(23D) of the Income –Tax Act, 1961.

**3. NOTES TO ACCOUNTS****(1) PLANS**

The Scheme has two Plans - Growth Plan and Dividend Plan. A combined Balance Sheet and Revenue Account is prepared for the Scheme.

**(2) VALUE OF INVESTMENT AS ON MARCH 31, 2010**

The Cost and Market Value/Fair Value of Investment as on March 31, 2010 is given below.

| SR. NO. | SECURITIES        | COST (Rs.)     | MARKET VALUE (Rs.) |
|---------|-------------------|----------------|--------------------|
|         |                   | March 31, 2010 |                    |
| 1.      | Mutual Fund Units | 10,158,170.29  | 11,947,901.88      |
| 2.      | CBLO/Reverse Repo | 699,544.82     | 699,544.82         |
|         | TOTAL             | 10,857,715.11  | 12,647,446.70      |

**(3) NON PERFORMING INVESTMENTS**

| Type of Investments | Carrying Value Amount (Rs.) | Market value Amount (Rs.) | Provisions |
|---------------------|-----------------------------|---------------------------|------------|
| NIL                 | NIL                         | NIL                       | NIL        |

**(4) NAV**

Net Asset Value (NAV) per unit having a Face Value of Rs. 10 as on March 31, 2010

| SCHEME        | March NAV (March 31, 2008) |
|---------------|----------------------------|
| Growth Plan   | 12.6360                    |
| Dividend Plan | 12.6380                    |

**(5) AGGREGATE APPRECIATION AND DEPRECIATION IN THE VALUE OF INVESTMENTS**

Aggregate appreciation and depreciation in value of investments as on March 31, 2010 is as follows:

| Particulars                    | March 31, 2010 (Rs.) |
|--------------------------------|----------------------|
| Mutual Fund Units              |                      |
| Appreciation                   | 1,789,730            |
| Depreciation                   | -                    |
| Net Appreciation/ Depreciation | 1,789,730            |

**(6) AGGREGATE VALUE OF PURCHASE AND SALE OF INVESTMENTS**

Purchases (excluding Reverse repos, Call money & Fixed deposits) – Rs. 11,212,000/-

- As a percentage of average daily net assets is 116.31 %

Sales / Redemptions (excluding Reverse repos, Call money & Fixed deposits) – Rs. 1,182,532/-

- As a percentage of average daily net assets is 12.27%

**(7) INCOME AND EXPENDITURE**

The total income and expenditure and these amounts as a percentage of the Scheme's average daily net assets on an annualized basis are provided below:

**Income (excluding unrealized appreciation)**

- Amount Rs. 149,046.00

- As a percentage of average daily net assets 1.55 %

**Expenditure**

- Amount Rs. 50,364.00

- As a percentage of average daily net assets 0.52 %

**(8) INVESTMENT MANAGEMENT FEES**

Investment Management Fees has been computed on the basis of Average Daily Net Asset of the Scheme accrued on a daily basis. Average daily Net Asset is Rs. 9,639,592.94 & fees charged 0.35%, Management Fees accrued during the period is Rs. 33,576 /-.

**(9) CONTRACTS PENDING DELIVERIES**

There were no contracts for sale or purchase pending deliveries as on March 31, 2010.

**(10) MOVEMENT IN UNIT CAPITAL**

| Particulars                                | 2009-10      |               |
|--|--------------|---------------|
|  | Units        | Amount        |
| <b>Units of Rs 10/- each fully paid up</b> |              |               |
| <b>Growth Plan</b>                         |              |               |
| Opening                                    | -            | -             |
| Issued                                     | -            | -             |
| - New Fund Offer                           | 497,550.45   | 4,975,504.50  |
| - During the period                        | 343,145.78   | 3,431,457.80  |
| Redeemed during the period                 | 58,830.86    | 588,308.60    |
| Outstanding, end of period                 | 781,865.37   | 7,818,653.70  |
| <b>Dividend Plan</b>                       |              |               |
| Opening                                    |              |               |
| Issued                                     |              |               |
| -New Fund Offer                            | 87,874.48    | 878,744.80    |
| -During the period                         | 151,103.27   | 1,511,032.70  |
| Redeemed during the period                 | 12,045.05    | 120,450.50    |
| Outstanding, end of period                 | 226,932.70   | 2,269,327.00  |
| <b>Grand Total</b>                         |              |               |
| Opening                                    |              |               |
| Issued                                     |              |               |
| - New Fund Offer                           | 585,424.93   | 5,854,249.30  |
| -During the period                         | 494,249.05   | 4,942,490.50  |
| Redeemed during the period                 | 70,875.91    | 708,759.10    |
| Outstanding, end of period                 | 1,008,798.07 | 10,087,980.70 |

**(11) DISCLOSURE UNDER REGULATIONS 25 (8) OF THE SEBI REGULATIONS – PAYMENTS OF FEES TO ASSOCIATE COMPANIES**

Quantum Equity Fund of Funds has made NIL payment to Associate companies during the year ended March 31, 2010

**(12) INVESTMENTS IN GROUP COMPANIES**

Quantum Equity Fund of Funds has made NIL investment in group companies during the year ended March 31, 2010

**(13) ACCOUNTING POLICY**

There is no change in the accounting policy during the year ended March 31, 2010

**(14) LARGE HOLDINGS**

Unit holders holding over 25% of the Scheme of NAV is NIL as at the end of the year March 31, 2010

**(15) DISCLOSURE UNDER REGULATION 25(11) OF THE SECURITY AND EXCHANGE BOARD OF INDIA (MUTUAL FUNDS) REGULATIONS, 1996 AS AMENDED - NIL****(16) SUPPLEMENTARY INVESTMENT PORTFOLIO INFORMATION AND INDUSTRYWISE CLASSIFICATION**

Details of investment portfolio and industry wise classification of the Scheme's investments in each category of investments at March 31, 2010, are presented below. The industry and company exposures are stated as a percentage of the Scheme's net assets as at March 31, 2010, as well as the aggregate investments in each investment category.

| S r . No. | Name of the Instrument                            | Industry Classification | Quantity   | Market value Amount (Rs. Lakhs) | % to Inv. Category | % of Net Assets |
|-----------|---|-------------------------|------------|---------------------------------|--------------------|-----------------|
|           | Equity & Equity related                           |                         |            |                                 |                    |                 |
| a)        | Mutual Fund                                       |                         |            |                                 |                    |                 |
| 1         | HDFC Equity Fund – Growth                         | Mutual Fund             | 10,148.68  | 23.98                           | 20.07%             |                 |
| 2         | DSP BlackRock Equity Fund - Regular Plan – Growth | Mutual Fund             | 157,967.09 | 23.32                           | 19.52%             |                 |
| 3         | HDFC Top 200 Fund – Growth                        | Mutual Fund             | 12,083.70  | 22.20                           | 18.58%             |                 |
| 4         | SBI Magnum Multiplier Plus Scheme - 93 –Growth    | Mutual Fund             | 29,185.99  | 21.95                           | 18.37%             |                 |
| 5         | HSBC Equity Fund – Growth                         | Mutual Fund             | 21,066.57  | 20.08                           | 16.81%             |                 |
| 6         | Sundaram BNP Paribas Select Focus-Growth          | Mutual Fund             | 9,478.05   | 7.94                            | 6.65%              |                 |
|           | <b>Total</b>                                      |                         |            | <b>119.47</b>                   | <b>100.00%</b>     | <b>93.72%</b>   |
| b)        | Cash & Equivalent                                 |                         |            |                                 |                    |                 |
| 1         | CBLO/Reverse Repo Investment                      |                         |            | 7.00                            |                    | 5.49%           |
| 2         | Net Receivables/ (Payables)                       |                         |            | 1.01                            |                    | 0.79%           |
|           | <b>Total</b>                                      |                         |            | <b>8.01</b>                     |                    | <b>6.28%</b>    |
|           | <b>GRAND TOTAL</b>                                |                         |            | <b>127.48</b>                   |                    | <b>100.00%</b>  |

**(17) INITIAL ISSUE EXPENSES**

No initial Issue Expenses were charged to Quantum Equity Fund of Funds

**(18) BORROWING**

The scheme has not made any borrowing during the period March 31, 2010

**(19) DERIVATIVES**

The scheme has no exposure to derivative products, foreign securities, ADR's and GDR's.

**(20) TRUST DEED**

On written request, present and prospective unit holder/investors can obtain copy of the Trust Deed, the Annual Report (at a price) and the text of the relevant scheme.

**(21) BONUS**

No bonus has been declared by the Scheme during the period ended March 31, 2010

**(22) ANNUAL REPORT REQUEST**

The unit holders, if they so desire, may request for the Annual Report of the AMC.

**(23) UNDERWRITING**

The scheme has not undertaken any underwriting obligation during the period March 31, 2010

**(24) PRIOR PERIOD COMPARATIVES**

As this is the first financial statement of the scheme since the date of its launch, there are no prior period comparisons.

**(25) SEGMENT REPORTING**

As per disclosure requirement under Accounting Standard 17 on 'Segment Reporting' issued by ICAI the scheme operates only in one segment viz. to primarily generate returns, based on schemes' investment objective.

**(26) CONTINGENT LIABILITIES**

The Contingent Liabilities as on 31st March 2010 is NIL

**(27) RELATED PARTY TRANSACTIONS**

The scheme has entered into transactions with various related parties. The information required in this regard in accordance with Accounting Standard 18 i.e. Related Party Disclosure issued by the ICAI and Regulation 25(8) of the SEBI Regulation is provided below.

**Related party relationships**

| Name   | Description of relationship |
|--|-----------------------------|
| Quantum Advisors Private Limited                     | Sponsor                     |
| Quantum Asset Management Co Private Limited          | Asset Management Company    |
| Quantum Trustee Company Private Limited              | Trustee                     |
| Quantum Information Services Private Limited         | Associate                   |
| Helpyourngo.com India Private Limited                | Associate                   |
| Equitymaster India Limited                           | Associate                   |
| Equitymaster Agora Research Private Limited          | Associate                   |
| Personalfn Insurance Services India Limited          | Associate                   |
| Mymakaan Private Limited                             | Associate                   |
| Menlo Oak Venture Investments                        | Associate                   |
| Primary Real Estate Advisors Private Limited         | Associate                   |
| Primary Real Estate Advisors Limited, Mauritius      | Associate                   |
| QIEF Management LLC                                  | Associate                   |
| Principal Real Estate Investment Private Limited     | Associate                   |
| Centre for Monitoring Indian Economy Private Limited | Associate                   |
| Geojit Financial Services Limited                    | Associate                   |
| Geojit Credits Private Limited                       | Associate                   |
| Soltrix India Private Limited                        | Associate                   |
| Quantum Equity Advisors Private Limited              | Sponsor's subsidiary        |

**Other Schemes of the Fund**

- Quantum Long Term Equity Fund
- Quantum Liquid Fund
- Quantum Gold Fund
- Quantum Index Fund
- Quantum Tax Saving Fund

Transaction, if any with the above mentioned related parties as defined under Accounting Standard 18 and Regulation 25(8) of the SEBI Regulation are provided below:

| Name of the related party                        | Nature of transactions | Year ended March 2010 | Balance as at March 31, 2010 | Year ended March 2009 | Balance as at March 31, 2009 |
|--|------------------------|-----------------------|------------------------------|-----------------------|------------------------------|
| Quantum Asset Management Company Private Limited | Management Fees        | 33,576.00             | 5,176.00                     | -                     | -                            |

**Brokerage and commission paid to associates as per SEBI circular SEBI/IMD/CIR No 18 / 198647 /2010 dated March 15, 2010.**

- a) Brokerage paid to Associates Companies during the last two fiscal years:- Nil  
 b) Commission paid to Associate Companies during the last two fiscal years:-

| Name of Associate Company                    | Nature of Association/ Nature of relation | Period covered                 | Business given (Rs. Cr. & % of total business received by the fund) | Commission paid (Rs & % of total commission paid by the fund) |
|--|---|--------------------------------|---|---|
| Quantum Information Services Private Limited | Associate Company                         | July 20, 2009 - March 31, 2010 | 0.03 cr. & 0.09%  | Nil   |

#### (28) CASH FLOW STATEMENT

As per applicability norms of Accounting Standard 3 on 'Cash Flow Statement' issued by ICAI, disclosure is not required, as the scheme turnover (revenues) is not exceeding than the applicable norms.

As per our report of even date attached

**For Haribhakti & Co.**  
Chartered Accountants

sd/-

**Chetan Desai**

Partner

Membership No: 17000

**For Quantum Trustee Company Private Limited**

sd/-

**Mr. Jagdish Capoor**  
(Chairman)

sd/-

**Mr. Satish Mehta**  
(Director)

**For Quantum Asset Management Company Private Limited**

sd/-

**Mr. Ajit Dayal**  
(Chairman)

sd/-

**Mr. I.V. Subramaniam**  
(Director)

sd/-

**Mr. Jimmy A. Patel**  
(Chief Executive Officer)

sd/-

**Mr. Arvind Chari**  
(Fund Manager)

Place : Mumbai

Date : July 23, 2010

**HISTORICAL PER UNIT STATISTICS**

| Sr. No.    | Particulars  | Quantum Equity Fund of Funds<br>As on<br>March 31, 2010 |
|------------|--|---|
|            | <b>Face Value</b>  | <b>Rs. 10/-</b>   |
| <b>(a)</b> | <b>Net Assets Value, per unit</b>  |   |
|            | (i) Growth Plan  | 12.636  |
|            | (ii) Dividend Plan   | 12.638  |
| <b>(b)</b> | <b>Gross Income per-unit broken up into the following components</b>   |   |
|            | (i) income other than profit on sale of investment, per unit   | 0.0120  |
|            | (ii) income from profit on inter scheme sales / transfer of investment per unit  | -   |
|            | (iii) income from profit on sale of investment to third party, per unit  | 0.1242  |
|            | (iv) transfer to revenue account from past years' reserve, per unit  | -   |
| <b>(c)</b> | <b>Aggregate of expenses, write off, amortisation and charges, per-unit</b>  | 0.0499  |
| <b>(d)</b> | <b>Net unrealized appreciation in value of investments</b>   | 1.7741  |
| <b>(e)</b> | <b>Net Income per unit (excluding unrealized appreciation)</b>   | 0.0863  |
| <b>(f)</b> | <b>(i) Highest sale price per unit</b>   |   |
|            | Growth Plan  | 12.794  |
|            | Dividend Plan  | 12.795  |
|            | <b>ii) Lowest sale price per unit</b>  |   |
|            | Growth Plan  | 10.292  |
|            | Dividend Plan  | 10.292  |
|            | <b>iii) Highest repurchase price per unit</b>  |   |
|            | Growth Plan  | 12.600  |
|            | Dividend Plan  | 12.600  |
|            | <b>iv) Lowest repurchase price per unit</b>  |   |
|            | Growth Plan  | 10.140  |
|            | Dividend Plan  | 10.140  |
| <b>(g)</b> | <b>Ratio of expenses to average daily net assets by % (Excluding unrealized depreciation and amortization of deferred revenue expenditure)</b> | 0.52%   |
| <b>(h)</b> | <b>Ratio of income to Average daily net assets by % (excluding of unrealized appreciation)</b>   | 1.55%   |

M U T U A L F U N D  
Profit with Process

NOTES



MUTUAL FUND  
Profit with Process

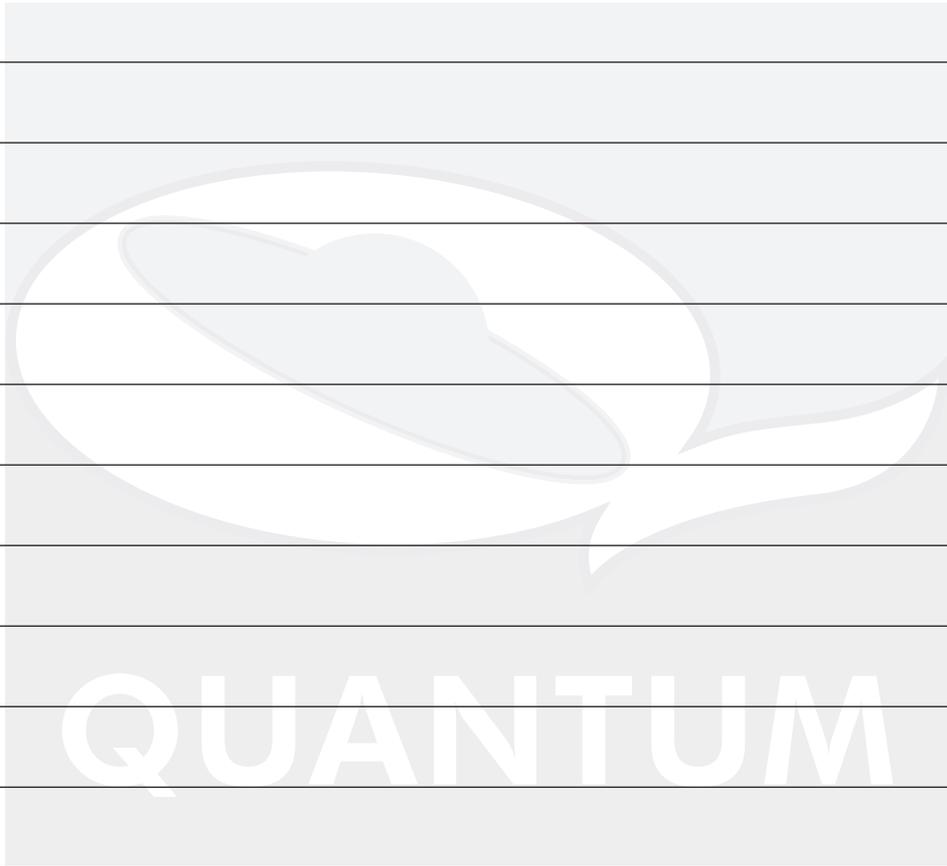
NOTES



M U T U A L F U N D

Profit with Process

NOTES



M U T U A L F U N D

Profit with Process

## The difference between...

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**| Email: [Info@QuantumAMC.com](mailto:Info@QuantumAMC.com) |**



**QUANTUM**

**MUTUAL FUND**

**Investment Objective:** Quantum Long –Term Equity Fund's (QLTEF) investment objective is to achieve long-term capital appreciation by investing primarily in shares of companies that will typically be included in the BSE 200 index and are in a position to benefit from the anticipated growth and development of the Indian economy and its markets. **Asset Allocation:** QLTEF will primarily invest in Equity and Equity related securities, but may invest in money market instruments and liquid schemes of mutual funds to meet liquidity needs. **Terms of Issue:** QLTEF is an open-ended Equity Scheme offering Growth and Dividend Options. The units can be subscribed/redeemed at the applicable NAV, subject to applicable load on all business days. **Entry Load:** N.A. **Exit Load:** On repurchase/redemption/switchout within 6 months of allotment- 4%, after 6 months but within 12 months of allotment- 3%, after 12 months but within 18 months of allotment-2%, after 18 months but within 24 months of allotment-1%, after 24 months of allotment- Nil. **Risk Factors:** All Mutual Funds and securities investments 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 securities markets and there is no assurance or guarantee that the objectives of the scheme will be achieved. **Quantum Long – Term Equity Fund, only the name of the scheme and does not in any manner indicate either the quality of the Scheme, its future prospects or returns. Scheme specific risk:** Equity and Equity related instruments are by nature volatile and prone to price fluctuations due to both macro and micro factors. The Investor may lose money over short or long period due to fluctuation in Scheme's NAV in response to factors such as economic and political developments, changes in interest rates and market movement and over longer periods during market downturns. Trading volumes, settlement periods and transfer procedures may restrict the liquidity of these investments of the QLTEF. **Statutory Details:** Quantum Mutual Fund (the Fund) has been constituted as a Trust under the Indian Trusts Act, 1882. **Sponsors:** Quantum Advisors Private Limited. (liability of Sponsor limited to Rs. 1,00,000/-) **Trustee:** Quantum Trustee Company Private Limited. **Investment Manager:** Quantum Asset Management Company Private Limited (AMC). The Sponsor, Trustee and the Investment Manager are incorporated under the Companies Act, 1956. The past performance of the Sponsor / AMC/ Fund has no bearing on the expected performance of the scheme. **Mutual Funds investments are subject to market risks. Please read the Scheme Information Document(s) / Key Information Memorandum(s) / Statement of Additional Information / Addendas carefully before investing. Scheme Information Document(s)/Key Information Memorandum(s)/ Statement of Additional Information can be obtained at any of our Investor Service Centers or at the office of the AMC at 505, Regent Chambers, 5th Floor, Nariman Point, Mumbai – 400 021 or on AMC website [www.QuantumAMC.Com/www.QuantumMF.com](http://www.QuantumAMC.Com/www.QuantumMF.com)**

## 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 sustain-able long-term returns with sensi-ble 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 andReligare 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.

Quantum AMC has refused to pay distributor commissions ever. It never subscribed to the NFO mania and has a limited, but well thought out, range of products

### 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

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