SAFE TODAY, SAVE FOR TOMORROW.

Ajit Dayal
Founder - Quantum Advisors Pvt. Ltd.

A guide for steady, solid, long-term financial returns.

Thank you for taking time to read this guide.
This is the result of decades of experience in the financial markets; of making some good investment decisions; of many mistakes; of holding on to the practices and principles of investing – and the principles of life.

To be a guide to someone, one has to first undertake a journey in order to better understand the landscape and then – having absorbed the lessons presented along the journey - point out the path forward to others.

I founded the Quantum group of companies in 1990 and this has – like any long journey of 30 years – been filled with bouts of success and failure, of hope and despair, of satisfaction and doubt. What I have learnt over the years is that the most powerful messages and revealing truths do not need to be cloaked in difficult language.

But before you read what I have to tell you, let me tell you a bit about myself.

You may know me as the founder of the Quantum Group and the Quantum Mutual Funds, one of the most respected mutual fund houses in India – the fund house that will never compromise your interest in order to make a profit for itself.

Building an honest company, sharing honest opinions and doing honest work seem to be an unusual and alien idea in the field of finance where the ruling mantra seems to be: “How can I extract money from my client?”

This approach of building an honest and transparent company has earned me some strange descriptions!

The Economic Times has called me:

"The Insider who is an outsider"

Forbes branded me as...

"The Mutual Fund maverick"

Value Research introduced me as....

"Call him a maverick but the truth is Ajit Dayal's views about the investing world are bold and border on provocation."

The Financial Times of London put it bluntly:

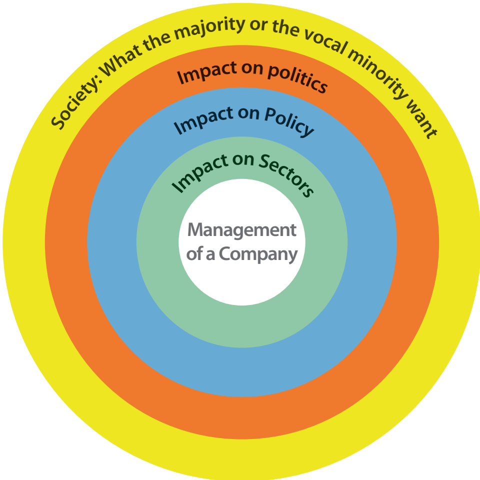
His outspoken nature has made him unpopular with many distributors and asset managers in India's nascent asset management industry… But he does not seem overly concerned about this.

That's funny.
I did not enter the field of finance to be a reformer; to fight for justice.
That's what revolutionaries do.

I am a professional, trying to offer my clients professional and honest advice: isn't that what any "professional" is supposed to do?

The Circle.

I chose a career in the field of finance because I enjoyed numbers and finance - and their interaction with the economy of a country and its politics. The politics of any country is determined by what society wants and wishes.



Take a look at this circle: it traces the fundamental relationship between society and economic activity and ends up at the core of any investment decision: the management.

The outer circle represents the society we live in – a chaotic rendition of all our wants, desires, wishes, expectations, hopes and fears. In a democracy like India, over 600 million eligible voters get to express their votes to determine the politics of the country. Take the elections of May 2014: many people were fed up with the UPA-2 government and wanted a change. That vote for *"Ache Din"* resulted in the landslide victory of the BJP, led by Prime Minister Modi.

The Modi 1.0 and 2.0 governments have initiated many economic policies since 2014. These policies have an impact on various sectors of the economy: some good, some bad. Investing in a sector that has been punished by government policy is not a good idea – that sector has to overcome "headwinds", represented by the obstacles placed on its path by government policy. Investing in a sector which has "tailwinds" is generally better – the company has the positive force of government policy to spur it along.

Within the many sectors of the economy, are many companies – some of whom will do better than their peer group and some not so well. There are many factors which make one company succeed and another fail - but the one factor that stands out is the quality of the management.

A poor management team can make a company go bankrupt even in a very good sector where government policy has created "tailwinds". A great management team can make a poor company stand out in a sector where government policy has created "headwinds". On needs to evaluate how capable is the management of a company which one may consider investing in. Can that management navigate the business of the company across good and difficult times? Are they honest? Are they smart? Do they focus on the long-term, or the short-term? The list of questions at the core of the investment-decision process of evaluating the management is extensive!

And, of course, there are managements that are so effective, so smart, and so successful that they can – from within that innermost circle, like a destructive nuclear bomb – influence the outer circles by buying votes, by buying governments and by having policies created that benefit them and destroy their competitors. Economies and societies built with such inside-out, management-influenced policies are likely to implode over time.

Since my childhood, I was fascinated by these linkages between society, politics and policy. This led me to study economics and do an MBA. But, when I started learning about stock markets and observing and experiencing the intricacies of the participants in the stock markets, I realised that the financial system is rigged. There are insiders who can make money because they have more information than the outsiders. There are manipulators who will create a falsehood and convert your loss into their profit. The regulator is always one-step behind the slippery, super-smart financial people. Just like a policeman is always outwitted by a smart thief. The system has become so corrupt and corruptible that this practice of a regulator joining a company or a company person being appointed as a regulator is known as the "Revolving Door" practice. To help them is an army of lobbyists and trade associations who wine, dine, and namaskaram their way to create policies which favour one company over another.

The Client is King.

My mother was a housewife but she would always fight for those she saw who were being mistreated. Seeing others hurt, hurt her. Seeing a trusting child misled, upset her.

My father was a doctor – and he never misled or harmed his patients.
The trusting patients revered my father – he was a professional.

My parents taught me that, when someone gives you a responsibility, you behave responsibly – and look after the interest of that person.
A professional never puts their self-interest above that of the person who has placed their trust in you.

Seeing investors treated unfairly angers me - even if they are not my clients.

I do not understand why individual clients who trust their brokers, their wealth managers, their relationship managers, and their fund managers should be treated badly by them. I do not understand why breaking the trust of a person is second nature to many people in the field of finance. I fail to understand why the people who have skimmed and scammed millions of trusting investors and fattened their wallets, padded their net worth, and built mini empires at the cost of their clients are worshipped by the business and news media.

Shouldn't these unprofessional professionals be stripped off their wealth? Shouldn't they be stripped off their licenses and permits to practice – so that they cannot commit skullduggery again? For all the gods we worship each time we enter our office, for all the gods who adorn our walls and bookshelves – how did we end up as such callous, uncaring and money-minded individuals? Is Money the new supreme god?

When I got my first job in the field of finance in 1984, I was innocent about the inner workings of the financial services industry. I thought being a financial intermediary was a matter of great pride and a task with an immense responsibility. After all, the role of the financial intermediary is to find a way to take the savings of millions of individuals and funnel them into areas of the economy to ensure there is future, faster economic growth – the growth that is required to make India into a wealthy country and uplift the lives of hundreds of millions. It is a noble task - as noble as a farmer who digs an irrigation canal to connect the river to his parched farmland.

I have met with, worked with - and chosen not to work with - many people.
The financial industry is a den of many thieves.
Of course, not everyone is a thief. But very few of the good people speak out. They are scared to speak out. Those who are not stealing are watching the theft and choose to stay quiet because - somewhere down the line - they, too, derive a benefit from the chain of theft. Like a witness handed an envelope as a share of the crime money, they are given a wink and asked to look the other way.

Very few employees in financial firms are willing to fight against questionable practices that they may discover in their own company: the questionable practice, they may rationalise, is an industry standard - everyone does it. So, what is the point of complaining?

The self-acquittal speech of the quiet majority goes something like this: "If I give up my job in protest and act as per my conscience, then there will be another 100 people willing to take my job and stay quiet while my company continues to adopt a questionable practice. So, what good will come out of my objecting to a bad practice? Nothing will change!"

The world, the silent majority of financial professionals argue, will be the same and they will have lost their chance to make a lot of money.
So, why should they do anything? Why should they speak out? This makes many professionals in the field of finance file their conscience in the lower draw of their mahogany veneered desks, lock it up, put their head down, and carry on with the work assigned to them – and collect their hafta!"

But that is not how I was brought up to think. That is not how my colleagues who joined me in the joyful journey to build Quantum Mutual Fund as the most respected mutual fund house were brought up to think.

We are "the insiders who are the outsiders"! For us, the sole reason of our existence is to work for our clients, for our investors. We are humbled and honoured to be guardians of your savings and steer you on a course to long term prosperity - by allocating your savings for Long term wealth preservation and long term wealth creation.

A Pioneer in Indian financial markets!

Since I have been investing in the Indian stock markets for over 40 years now – before my 12th standard exams - I have been witness to many cycles of boom and bust. I have had my fair share of winners and losers in my investment portfolio.

My advice has made money for our investors – and lost money.
From the perspective of a client, the ideal combination for any professional is to have high integrity and high competence.

Happy Client = Integrity + Competence

As an investor with decades of experience of investing in the Indian and international markets, I would like to share with you a very simple formula on how you should invest your savings:

1) *To ensure that you never have to worry about whether you will get a salary cheque for the next few months or have the money to meet your expenses for a few months, and*
2) *To put you on a path to building a pool of capital that will earn you more money over time and allow you to live a comfortable life*

It is something that I have used myself.
It is not a theoretical guide – it is based on my existing portfolio.
It is real.
It has worked for me.

But please do not blindly mirror what I do - use it as a foundation and modify it for your needs.

The beauty is that you don't need a lot of money to start off on this journey: you can start with Rs. 500 per month. Do this for about 10 years and you will be on your way to potentially having lakhs in the future. The earlier your start investing, the larger is likely to be the pool of money you end up with when you are ready to retire. That is the power of compounding – of keeping money aside and allowing that money to work for you, even as you go about your daily life.

An exciting professional career.

But, before we get there, I want to share with you a bit of my background.
No, not the fact that I went to one of the best high schools in India. That was the luck of me being in the right geography in the right decade. It was not only my qualifications which got me there – I may have been a beneficiary of an accidental advantage of geography.

And it's not the fact that I studied at Jai Hind College in Bombay and got a B.A. in Economics – with an un-inspiring second class mark sheet.

While impressive, the fact that I went to study at University of North Carolina at Chapel Hill for my MBA is noteworthy - but many people have an MBA now and it is hardly a unique qualification.

Or the fact that, in 1988, I wrote a comic book on why investing in shares was important – and then followed that up with the publication of India's first easy-to-read Stock Market Yearbook, covering the major listed companies of India.

Or the fact that I started India's first joint-venture with an FII, a Foreign Institutional Investor, in April 1992 – at the age of 32 years! Unlike many, I had no family history in stock markets to back me.

Or helped launch India's first venture capital fund in 1996.

Or helped launched India's first financial website, www.QuantumIndia.com in April 1996 - which has evolved into what is now known as www.Equitymaster.com and www.PersonalFN.com

Nor is it the fact that, in 2003, I was offered the job of a CEO & CIO of a USA-based global investment management company. Hansberger Global Investors was one of the most respected value fund managers in the world. Tom Hansberger - the co-founder of the legendary Templeton, Galbraith & Hansberger - wanted me to take over HGI as he retired.

There is a moment that was a marker I am proud of. In 1999, I was the first person of Indian origin to be a lead-manager on an international fund managed by the revered Vanguard. That was a deeply satisfying moment of professional recognition - but there will be others who will surpass that achievement. These days, people of Indian origin populate the ladders of leading financial, technology, manufacturing and service companies.

No, what was unique was my childhood.
Just as yours was.

We all have our unique childhood experiences.
These experiences are ingrained in us and they mould us in a subtle way into adulthood. And then they stay with us in our sub-conscious and determine the many paths we take in life.

As I look back over the defining 50 years of my life, it seems that I was placed on the path that I am now on since my childhood. Of course, I did not know it then – but realise it now.

People, Politics and Policy: a lesson from the 1970's.

In June 1975, Mrs Gandhi was found guilty of using government resources to win an election. Today that has been made legal by amendments to the election processes where election jaunts can be paid for by the government. In 1975, it was not. The Allahabad High Court ruled that Mrs Gandhi had to resign her office as Prime Minister.

Rather than seeing Mrs Gandhi resign, her son Sanjay Gandhi and his coterie reportedly convinced Mrs Gandhi to stay on as Prime Minister by suspending the freedom of 600 million citizens. India got its Emergency. Members of the Opposition parties and anyone seen as a threat to the Congress-led dictatorship, was jailed. By January 1977 Mrs Gandhi called for a general election. By March 1977 she was booted out. A ragtag bunch of political opponents got together to win the elections under the banner of Janata Party, a coalition cobbled up to defeat the draconian Mrs. Gandhi. Outer circle of "Society" had spoken.

Well-meaning but clueless the Janata Party was like a circus show passing through the books of Indian history. The economy which was already weak under Mrs Gandhi was drifting and there was a surge in inflation and the use of black money. On the morning of January 16, 1978 then Prime Minister Morarji Desai of the Janata Party announced his government's desire to demonetise Rs. 500, Rs. 1,000 and Rs. 10,000 notes.


INDIAN EXPRESS

CAREERS DIGEST

High-denomination notes demonetised

Banks closed for the day

19 dacoits shot dead in UP

Jha panel for big cut in import duties

Janata to finalise

Tap solar energy for

Source: Indian express newspaper

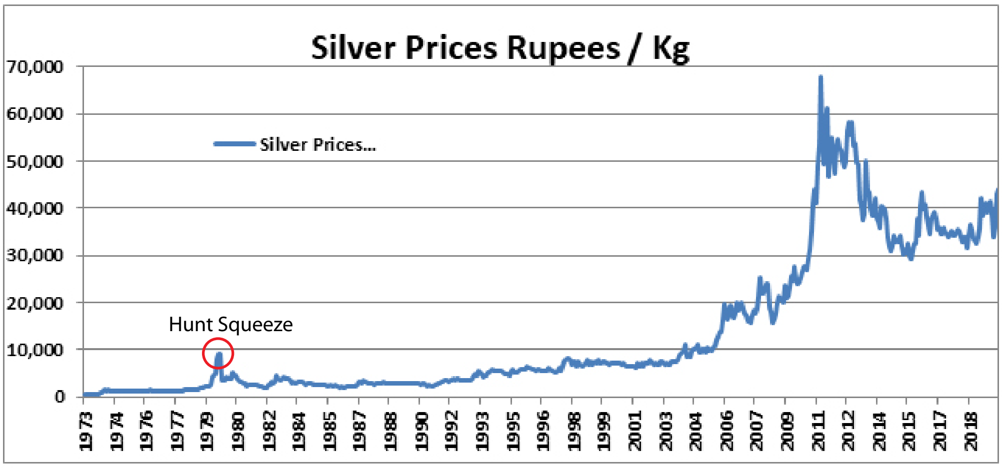
During the demonetisation of January 1978 by the Janata Party government, people who had these high denomination notes and who could not explain to the tax authorities how they had obtained these notes (that is why it was black money) were desperately trying to get rid of them.

Eager to know what was happening on the business streets, I visited Zaveri Bazaar where I saw crates of money stacked tightly against paan-stained walls. People wanted to sell their Rs. 1,000 note to anyone for Rs. 300. Much of the gold, silver and property were obviously being purchased in "cash" - in black money. Now that these Rs. 1,000 notes were soon to be worthless and would shortly be a crime to hold on to, the traders at Zaveri Bazaar were desperate to sell the unaccounted notes.

Governments, as we now know, will come up with silly laws to create a parallel economy – and then find another law to punish you for trying to profit from the parallel economy which they helped create in the first place because of their misguided policies!

When the Hunt brothers in USA tried to corner the silver market in 1979, I went to silver shops in Colaba market in Bombay and bought bars of silver with my savings. Gold had risen in price, too, but that was as a by-product of the silver binge. The attempt by the Hunt brothers to corner the silver market collapsed as the government of India allowed Indians to export silver – lifting a previous ban on the export of silver.

Chart 1: Silver Prices Rupees/Kg



With the price of silver surging over 8x in a few weeks Indian households rushed to melt their silver utensils and exported the silver bricks to USA. The Hunt brothers did not expect so much silver to land up for delivery and, eventually, they were unable to purchase all the silver that landed up at their doorstep. The trade collapsed and the Hunt brothers went bankrupt. The price of silver did not reach the Hunt-market levels till 2006 – 26 years later. Gold, which generally moves in tandem with silver had risen in sympathy with silver and also suffered a similar fate as silver and collapsed. Gold was also in a bear market for over two decades.

History is a good teacher.

Over the past few decades, I have seen a fair number of bubbles and crashes – and survived them all.

Black Swan Events: 3 unexpected events

1997	Asian Financial Crisis
2000	The Dot-Com Crash
2001	9/11 terrorist attacks
2003	SARS
2008	Global Financial Meltdown
2009	European Sovereign Debt Crisis
2001	Fukushima Nuclear Disaster
2014	Crude Oil Crisis
2015	Black Monday China
2016	BREXIT
2019	COVID-19

I was witness to opportunities, crashes, greed, fear and the impact of government regulation. And I was witness to 3 “black swan” events. A black swan event is something which is rare, which happens once in a lifetime. Well, they are not that rare anymore. They happen often. The degree of damage they can do to one’s financial health – and overall life, as we are witnessing now as we live through COVID-19 – can threaten even companies built on seemingly-solid foundations.

But, because of my tried and black-swan tested approach to investing my money, I have withstood the shocks of bear markets and black swans.

Though conservative by nature – with the occasional wild bet with a very small amount of my capital – I was always keen to find a mix of "portfolio allocation" that would:

1) Give me enough cushion to survive a downturn in the stock markets and the economy and a possible loss of job or salary,
2) Leave me invested in the downturn without getting into a panic – and possibly give me the ability to stay invested in stocks at the time when everyone else was in panic mode and clueless on what to do, and
3) Give me some appreciation when my investment in stocks would be battered.

So, what is the portfolio mix which has let me find my nirvana?
What was the solution to not letting a bubble burst and blow up my hard-earned savings?
What was the secret formula for surviving the collapse of the global financial markets in 2008?
What is the secret to not letting a COVID-19 crisis threaten my lifestyle – even if my invested money has been severely eroded like everyone else?

24-80-20

Under most circumstance, the 24-80-20 number would be an ugly, unattractive number.

Any dietician would warn you that you are about to explode and you need to get onto a crash-course of a diet to survive with an 80 in the middle.

But the 24-80-20 is my secret to a successful, stress-free lifestyle even as the world is crumbling around you.

For my portfolio allocation, it is the secret sauce which has prevented me from being sunk or even jolted by any financial meltdown.

And don't let the fund managers on TV fool you and mislead you: in the past 24 years, there have been over a dozen dislocations and meltdowns which has resulted in many investors declaring bankruptcy, has led to many companies shutting their factories, and seen many mutual funds decimate your savings.

My conservative approach has got me through the many cycles and led me to a higher level of financial security as we emerge from every crisis.

Don't get me wrong: I have had my wild days.
I have bet on horses under the guidance of my late father, a doctor by profession, a saint by heart and a mathematician by neuron design.

I have played flush, rummy, and dabbled in bridge – under the tutelage of my father who represented India in 3 Bridge Olympiads.

I have lived and worked in Chapel Hill, New York, Singapore, Jakarta, Hong Kong, Palo Alto, London, Zurich and Fort Lauderdale – and, of course, Bombay and Mumbai.

And I have realised this one truth of financial planning:
It does not matter which country you live in.
It does not matter which currency you earn in.
It does not matter how much you earn.

What matters is how much you spend.
It takes time for the human mind to adjust to a change in spending habits.

Look at your own life: how much did you pay for a cup of coffee in 1980?
In 1990?
In 2000?
In 2010?
And in 2020?

What if I told you to drink the same coffee you were drinking in 1980 or 1990?
Your consumption of tea or coffee has changed over the decades – not just the price of the tea or coffee, or where you get the tea or coffee from, but even the flavour of the tea or coffee you now enjoy. And the cup you drink it in.

It took you decades to drift your consumption pattern upwards to the more refined, the more expensive.
It would be a huge shock to your system if you were out of a job in 2020 and were forced to drink the same tea or coffee you drank in 1980.
It would be a shock to your family if you had to downsize your mode of transport from the one you have today to the mode of transport you had in 1990.
Or to move to the smaller place you probably lived in 30 years ago.

Not only does it come as a shock to you and your family, but your friends may start feeling sorry for you because you would be seen to have failed and are slipping down the ladder. For many, it takes time to feel comfortable that others around them know that there has been a "downgrade" in consumption patterns, that should really not bother you – but, somewhere in the back of our minds, it does.

The point is that reducing the level of your lifestyle from what you are accustomed to a lower level is not easy. You have now gotten accustomed to a "base" level of expenditure.

The "24" that is the sacred core.

So, the first thing to do is to have enough money in the bank that can keep your consumption pattern chugging along for 12, 24 or 36 months – no matter what happens around you.
My preferred range is 24 months to 36 months.

So, if I spend Rs. 1 lakh every month – I want to ensure that I have at the very minimum Rs. 24 lakh in very safe, very liquid investments.

This is what I have done:

(a) Rs. 3 lakh in Savings Bank accounts (be careful which bank!), this represents 3 months of expenses;
(b) Rs. 21 lakh in Quantum Liquid Fund (Rs. 12 lakh or 12 months of expenses) and Quantum Multi Asset Fund of Funds (Rs. 9 lakh or 9 months of expenses).

Table 1: Keeping my money for a rainy day so that I can still pay monthly expenses.

Fund, Inception Date	10 year	7 year	5 year	3 year	1 year
Quantum Liquid Fund (April 7, 2006)	7.45%	7.04%	6.35%	6.01%	5.11%
Quantum Multi Asset Fund of Funds (July 11, 2004)	NA	8.42%	6.69%	4.92%	2.04%

Note: *Performance as of 31ST May, 2020; All returns are compounded annualized;*
For QMAFOF the Direct Plan has been in existence for more than 7 years but less than 10 years from inception
Data Source: Data from Respective Factsheets, compiled by Quantum Mutual Fund

Take the case of the COVID-19 crisis.
Many of us are unsure when we will start to work again.
Will our businesses survive? (Note: I know Quantum will because we built the same buffers in the business that I have built in my personal finances!)
Will our jobs still be there?
Will we earn less in the year 2020 than we did last year?
When will our incomes from our job, profession or business get back to normal?

If you had done the “24” it would not matter!
Think about it: what date did the lockdown begin? The night of March 24, 2020.
When will a vaccine be ready? Maybe June 2021 – one year from now...
That is a 15 month time line from the day COVID hit us to the day we will be more comfortable to resume the economic activity of life before COVID.

And, if there is no vaccine, it does not matter. We will still live – but maybe with a few adjustments to our lifestyles.
With 24 months of expenses tucked away in the savings bank account, the Quantum Liquid Fund, or the Quantum Multi Asset Fund of Funds, I am not nervous because stock markets

have fallen or because many mutual fund houses have made some wild bets that they should never have made in some of their fixed income and debt funds.

No – there is no need to be nervous…
I have 24 months of money easily accessible.

I don't need to cut my expenses.
I don't need to change my lifestyle, or the kind of tea or coffee that I drink.

So the very first thing to do today, right now, is to start to build your fort of safe money.

Future planning with the "80-20"

This brings us to another aspect of life: what we wish to consume or own in the future.

We all have desires and needs.
We need comfortable home to live in – even with COVID and because of COVID – we realise the need for more space. One does not need to be extravagant but, given the pressures of modern life "having more space" for those who live in crowded cities is important.

While our jobs, professions and businesses do give us incomes – which we need to maintain our monthly expenses – we need our savings to also work alongside us to attain the dream of sending the children to good universities, to buy a larger property.
This is where the "80-20" comes in handy.

Let's rewind. I had kept Rs. 24 lakhs in the savings bank account and the Quantum Liquid Fund and the Quantum Multi Asset Fund of Funds. Let's say my total pool of money is Rs. 50 lakhs. This means I have Rs. 50 lakh – Rs. 24 lakh = Rs. 26 lakh left to invest for the future:

a) 80% in equity mutual funds, Rs. 20.8 lakh
b) 20% in gold, Rs. 5.2 lakh

Given that I helped create the Quantum Mutual Funds to give honest, transparent and relevant solutions for investor, we designed products and solutions that would solve the needs of millions of people – including my needs.

So, the Rs. 20.8 lakh in equity mutual funds can be invested in (a) the Quantum Equity Fund of Funds, Rs. 16.6 lakhs (80%) and (b) the Quantum Long Term Equity Value Fund, Rs. 4.2 lakh (20%).
Finally, the "20" in the 24-80-20 formula: Rs. 5.2 lakh in the Quantum Gold Saving Fund.

Table 2: *The 80-20 that can grow your wealth for future needs.*

Fund, Inception Date	10 year	7 year	5 year	3 year	1 year
Quantum Equity Fund of Funds (July 20, 2009)	8.90%	10.71%	3.58%	-1.66%	-17.45%
Quantum Long Term Equity Value Fund (March 13, 2006)	8.07%	7.70%	1.62%	-5.87%	-25.82%
Quantum Gold Savings Fund (May 18, 2011)	NA	6.76%	10.46%	15.87%	43.95%

Note: *Performance as of 31st May, 2020; All returns are compounded annualized;*
For QGSF the Direct Plan has been in existence for more than 7 years but less than 10 years from inception
Data Source: Data from Respective Factsheets, compiled by Quantum Mutual Fund

On a 1-year time horizon, the 80-20 is not doing well in the last few years because the collapse of stock markets has eroded much of the gain.
That is fine; I have a decades-long view on my investment in stock markets. Remember, there is 24 months of "safe" money to tide me over difficult times and wait out any downturn in stock markets.

Gold has appreciated, though, and made some part of my portfolio look good. Gold balances out my portfolio and protects the erosion of my wealth in situations like COVID.

Chart 2: Asset Allocation grow and contract in cycles

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020*
Sensex 49%	Sensex 49%	Gold 26%	Sensex 83%	Gold 23%	Gold 32%	Sensex 28%	Sensex 11%	Sensex 32%	Bonds 9%	Bonds 13%	Sensex 30%	Gold 8%	Gold 16%	Gold 23%
Gold 20%	Gold 16%	Bonds 9%	Gold 24%	Sensex 19%	Bonds 7%	Gold 12%	Bonds 4%	Bonds 14%	Sensex -4%	Gold 11%	Gold 5%	Sensex 7%	Sensex 14%	Bonds 7%
Bonds 4%	Bonds 7%	Sensex -52%	Bonds 4%	Bonds 5%	Sensex -24%	Bonds 9%	Gold -5%	Gold -8%	Gold -7%	Sensex 3%	Bonds 5%	Bonds 6%	Bonds 11%	Sensex -15%

Imagine someone holding an all equity portfolio in 2008, or holding none in the equity rally that followed?

The chart ranks the best to worst performing indexes per calendar year from top to bottom
Past performance may or may not be sustained in future.
Indices Used: *S&P BSE Sensex Total Return Index; MCX Gold Commodity Index and CRISIL Composite Bond Fund Index*
Source: *Bloomberg*

As the chart above indicates, no asset class has performed the best every year: Diversify your investments across asset classes.

Please remember, that I am not your financial planner or your financial advisor.
I don't know your specific needs, your incomes, and your situation.
But please consider using this as a base.
Change the suggested pattern and mix to suit your needs, your situation.
What I have described above are the principles of allocating your savings into simple

investment buckets. This has worked for me and guided me. It has allowed me to continue to live my life without losing sleep over how I am supposed to meet my monthly known expenses.

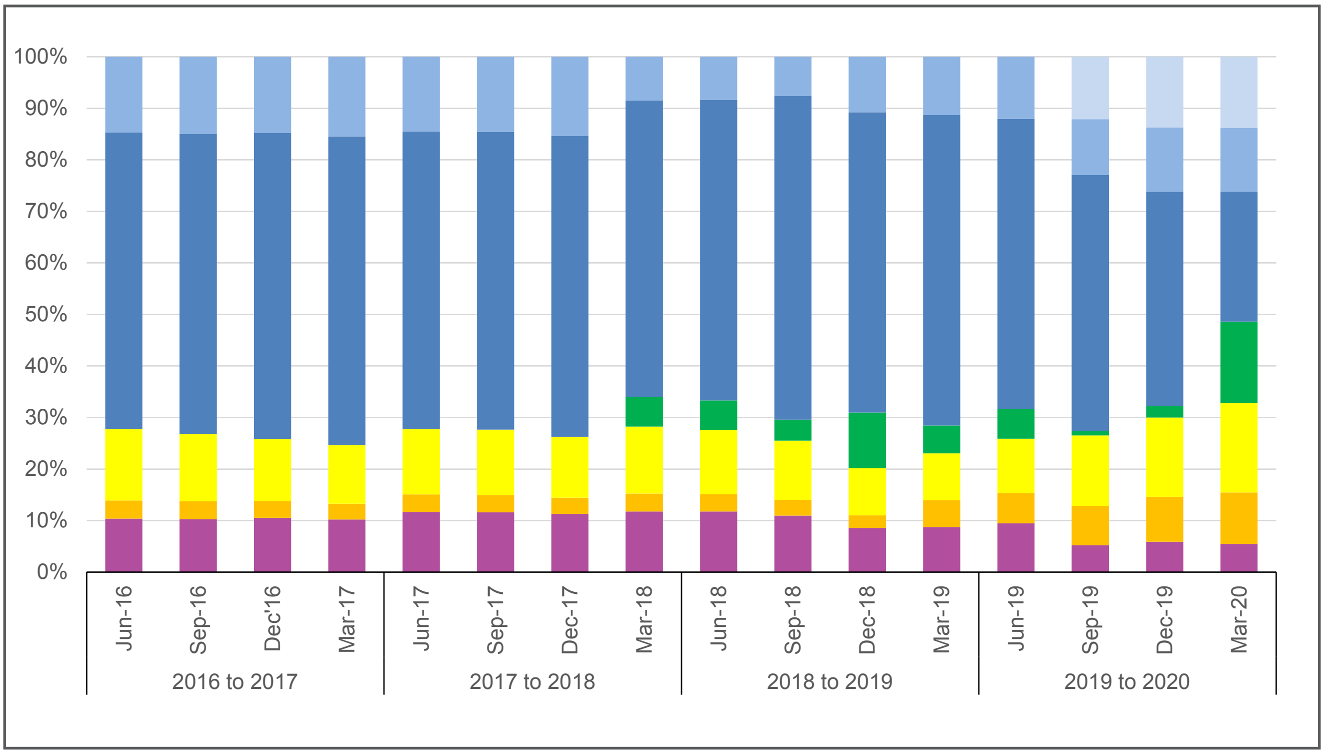
There are many other problems in life that we have to deal with – but how and where to invest your money should not be a problem that keeps you awake at night.

Try this simple, easily-implementable solution as a base to build your own model.
It works for me: I can walk around as if I have a 56-inch chest!
Now you need to make it work for you.

Table 3: Ajit Dayal's suggested asset allocation

Money I have with me	Rs 50 lakhs
Monthly expenses	Rs 1 lakh
Money for 12 months expenses	Rs 24 lakh (Rs 3 lakh in bank accounts, Rs 9 lakh in Quantum Liquid Fund)
Balance Money	Rs 26 lakh – Rs 12 lakh = Rs 63 lakh
80% in Equity Funds	Rs 20.8 lakh (80% or Rs 15.2 lakh in Q E Fund of F, and 20% or Rs 5.6 lakh in QLTEVF)
20% in Quantum Gold Savings Fund	Rs 5.2 lakh in Quantum Gold Savings Fund

Source: Based on estimates of risk levels and returns required; this may vary for every individual



Quantum Multi Asset Fund of Funds

Quantum Gold Saving Fund

Quantum Gold Fund ETF

Quantum Liquid Fund

Quantum Long Term Equity Value Fund

Quantum Equity Fund of Fund

Quantum India ESG Equity Fund

A Journey: a life complete

According to the sages, there are 4 stages in a person's life:

1) The student who learns, Brahmacharya
2) The energetic young man who earns and has a family, Grihastha
3) The family man who has built a protection for the family, Vanaprastha
4) The one who wishes to share and renunciates the fruits of the labour, Sannyasa

I am blessed to be on a wonderful journey of life and have had the honour and joy of sharing this journey with many of my colleagues. After I left Quantum in 2017, they have taken on the responsibility to continue to build Quantum Mutual Fund and fight for ensuring the adoption of ethical practices by the mutual fund industry. To ensure that investors in mutual funds are never sacrificed at the altar by the mutual fund industry in order to maximise the profits of asset-gathering fund house.

A list of practices that Quantum Mutual Fund initiated – and which the large fund houses could have initiated if they had the desire to do so – is set out for you to see. Sadly, the field of finance wishes to extract from your wallet, rather than contribute to your wealth.

As an investor in the Quantum Mutual Funds, we commit to you that we will always work in your interest. To ensure that the principles which brought us together as members of the teams that built Quantum Mutual Fund will always be there to guide us - long after the passing on of any individual star or the founder - we have enshrined these in the Charter of Principles.

Stay Blessed. Stay Healthy. And stay invested.

The Charter of Principles: The Quantum Pledge to you

- The customer is the reason for our very existence. The Customers are not to be taken advantage of or exploited, but to be provided relevant and necessary range of products and solutions;

- Any rewards or benefits that people who work in Quantum receive must be for providing fair advice and exceptional service to the customers – and these rewards shall be back-ended so that there is adequate incentive to provide long-term workable solutions for the customers which match the payout period of the rewards to the team members of Quantum;

- Quantum shall work in unison as a team and not be reliant on the perceived star status of any single individual; teams led by well-trained, ethical individuals overseeing well-defined and constantly-monitored processes have a greater prospect of lasting success as a guiding light to customers seeking financial advice rather than a single star which could flame out and lose its shine at any point in time;

- The teams should be rewarded in a manner which is both fair and equitable and which recognizes the exceptional contributions of staff working across the levels of the organization - marching in step to a single beat tuned to the needs of the customer.

- The current ESOP and Compensation guidelines have been in place since 2012. They are fair and equitable as they recognize and reward merit and nurture the philosophy of partnership between shareholders and team members;

- Since there can be long periods of time when advice given for the benefit of a customer may have the potential impact of subduing current revenue streams of Quantum, the balance sheet of Quantum should always be strong and stable.

- Quantum should endeavour it's very best to have sufficient cash and investments on hand to pay for 36 months of expenses on a zero revenue basis. As such, the Dividend Policy adopted by the Board and the shareholders should aim to build the reserves of Quantum to this level in a transparent, methodical and measured manner.

- This will ensure that there is no need ever to compromise the main principle of focusing on what is best for the customer. There will never be any pressure to earn an immediate revenue to pay for Quantum's known and predictable monthly costs by selling products and solutions unsuitable for our customers;

- In the spirit of free enterprise and capitalism, Quantum should also engage in activities that support the efforts of society to evolve and give its team members and members of its communities the opportunities to further their progress. Following on the government-ordained rule of CSR which limits contributions to a specified list of activities, the benevolent capitalism adopted by Quantum should aim to give 10% of Profits Before Tax for such specified activities;

- Those in senior positions at Quantum should plan their succession well in advance and, as they pass on the baton to the next generation of leaders, they should recognize the principle of Pay It Forward: the good that was done to them by their predecessors should in turn be passed on to those entrusted to carry the torch of Quantum into the future years;
- Being in an industry that will inevitably see more regulations over time, Quantum must continue to follow the spirit of the law with unwavering focus on ethical practices and transparency; never deviating from the letter of the law.

Quantum Mutual Fund has adopted best practices - SEBI converted many of these into Regulations to force the other fund houses to do so, despite the fact that many fund houses tried hard to stick to opaque practices.

	Quantum Mutual Fund	SEBI Imposes Rule on MF Industry
Refused to follow the opaque Entry Load Model	Mar 2006	Jun 2009
Pioneered Direct to Investor, despite Slow Internet Speed and No Smart Phones	Mar 2006	Jan 2013
One Scheme / product per asset class	Mar 2006	Oct 2017
Exit Load swept into funds for the benefit of Unit Holders	Mar 2006	Nov 2012
No Discrimination against Retail Investors	Mar 2006	Sep 2012
Introduced the practice of following Total Return Index (TRI) as benchmark for Equity Fund	Mar 2006	Jan 2018
Majority of Independent Directors on AMC Board	Mar 2006	?
Path to Profit (Investor Education & Awareness Program)	Aug 2009	Sep 2012
100% Independent Board of Trustees	Oct 2010	?
Mark to Market valuation in Liquid Fund, irrespective of the maturity	Jul 2012	April 2020
ZERO Upfront Distributor Commission and uniform trail commission across all partners on Regular Plan	Apr 2017	Sep 2018
TER based on AUM Slabs	Feb 2017	April 2019
Launched the SMILE facility, a seamless charity giving mechanism. This enables an investor to contribute a percentage of their investment, towards a charitable cause to any NGO registered with the "HelpYourNGO" Foundation (HYNGO).	Mar 2017	-

PLEDGE TO YOURSELF: THE MUTUAL FUND MANIFESTO

1. I am a Mutual Fund Investor. I will not follow a strategy of Buy As Many Funds As Possible.

2. I invest in Mutual Funds because I don't have the time and skillset to build and manage a portfolio on my own. An honest, professional team is paid to do exactly that.

3. Asset Allocation is more important in Financial Planning than Aimless Allocation into multiple mutual funds.

4. I will diversify my mutual fund holdings by style (for example, value and growth and/or active and passive; large-cap and small/mid cap).

5. I trust the Fund Manager/Team to make the right investment decisions over market cycles. There will be periods of underperformance of a particular style of management and I am willing to tolerate this for the right reasons.

6. Mutual Fund is not just about investing in equities. My portfolio of mutual funds must also include fixed income and gold as asset classes. Chosen wisely, a judicious portfolio will offer adequate risk adjusted returns in line with my chosen Asset Allocation.

7. Expense ratios eat into my returns. Lower the expense ratio, the better it is for me.

8. I gauge my mutual fund investments to my return expectation - not only to an Index or a benchmark.

9. Sector Funds are for speculators; credit funds are for the brave; bond funds are for sophisticated investors who track financial markets regularly.

10. The Association of Mutual Funds in India represents manufacturers of mutual fund products. I should know my rights as a mutual fund investor.

11. KYC is for the mutual fund to know me: I need to do a KYM: know your mutual fund house.

I pledge to be a sensible, long-term investor.

NAME: SIGNATURE: DATE:

KEEP THIS AND READ THIS EVERY TIME YOU ARE TEMPTED TO DO SOMETHING SILLY! 🙂

Pledge Authored by S. Natraj, senior investment professional at Quantum Group

"There is enough in the world for everyone's need, but not for everyone's greed."
Mahatama Gandhi, Father of the Nation

"The mutual fund industry has been built, in a sense, on witchcraft."
John Bogle, Founder, Vanguard

"There are two things that come to mind each time I meet someone: what can I learn from them - and what can I teach them?"

Tom L. Hansberger, co-founder of Templeton, Galbraith, Hansberger; and Hansberger Global Investors

"How selfish so ever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it, except the pleasure of seeing it."
Adam Smith, The Theory Of Moral Sentiments

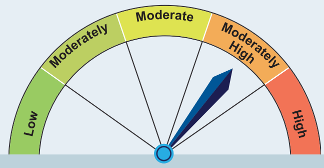
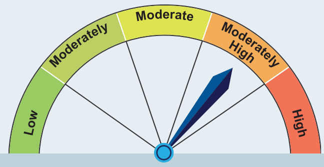
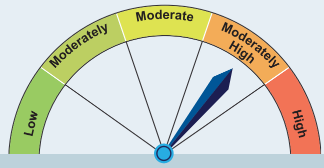
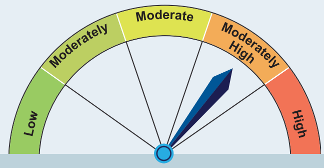
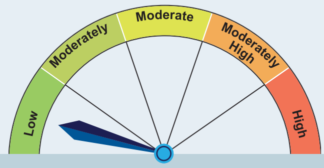
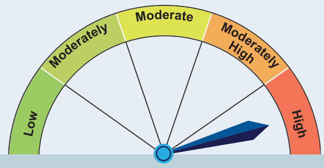
Capitalism is the postponement of consumption to the ever-postponable future. Saving is what you do to prepare for the future. And investing is how you get to enjoy the future.

Disclaimer:

This Guide is authored by Ajit Dayal – Founder, Quantum Group. The views mentioned herein in this Guide are that of the author only and not of Quantum Advisors Pvt. Ltd. which is the Sponsor of the Quantum Mutual Fund and Quantum Asset Management Company Pvt. Ltd – the Investment Manager of the Quantum Mutual Funds. The information provided herein is compiled on the basis of publicly available information, internally developed data and other sources believed to be reliable by the author. The information is meant for general reading purpose only and is not meant to serve as a professional guide / investment advice for the readers. Readers are advised to seek independent professional advice and arrive at an informed investment decision before making any investment. Whilst no specific action has been suggested or offered based upon the information provided herein, due care has been taken to endeavour that the facts are correct, accurate and reasonable as on date. None of the Author, Quantum Advisors, Quantum AMC, their Affiliates or Representative shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary losses or damages including lost profits arising in any way on account of any action taken basis the data / information / views provided in this Guide.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

Product Labeling

Name of the Scheme	This product is suitable for investors who are seeking*	Riskometer
Quantum Long Term Equity Value Fund An Open Ended Equity Scheme following a Value Investment Strategy	• Long term capital appreciation • Invests primarily in equity and equity related securities of companies in S&P BSE 200 index	 Investors understand that their principal will be at Moderately High Risk
Quantum Equity Fund of Funds An Open Ended Fund of Funds scheme Investing in Open Ended Diversified Equity Schemes of Mutual Funds	• Long term capital appreciation • Investments in portfolio of open-ended diversified equity schemes of mutual funds registered with SEBI whose underlying investments are in equity and equity related securities of diversified companies	 Investors understand that their principal will be at Moderately High Risk
Quantum Multi Asset Fund of Funds An Open Ended Fund of Funds Scheme Investing in schemes of Quantum Mutual Fund	• Long term capital appreciation and current income • Investments in portfolio of schemes of Quantum Mutual Fund whose underlying investments are in equity , debt / money market instruments and gold	 Investors understand that their principal will be at Moderately High Risk
Quantum Gold Savings Fund An Open Ended Fund of Fund Scheme Investing in Quantum Gold Fund	• Long term returns • Investments in units of Quantum Gold Fund – Exchange Traded Fund whose underlying investments are in physical gold	 Investors understand that their principal will be at Moderately High Risk
Quantum Liquid Fund An Open Ended Liquid Scheme	• Income over the short term • Investments in debt / money market instruments	 Investors understand that their principal will be at Low risk
Quantum India ESG Equity Fund An Open ended equity scheme investing in companies following Environment, Social and Governance (ESG) theme	• Long term capital appreciation • Invests in shares of companies that meet Quantum's Environment, Social, Governance (ESG) criteria.	 Investors understand that their principal will be at High Risk.

*Investors should consult their financial advisors if in doubt about whether the product is suitable for them.

Quantum MUTUAL FUND PROFIT WITH PROCESS

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Mutual Fund investments are subject to market risks, read all scheme related documents carefully.