

Tactical Asset Allocation with Quantum Multi Asset Fund of Funds amidst **COVID-19**



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About Quantum Mutual Fund

Started in 2006 Quantum Mutual Fund offers 10 simple and easy-to-understand schemes across all 3 asset classes i.e. equity, debt and gold.

Embracing our 'investor first' approach, we understand your long-term financial goals, based on which we will help you invest your savings in suitable Quantum funds. Regardless of whether you are new to investing or not, regardless of the value or size of your investment, we follow a consistent investment philosophy for all, which orbits the ideology of managing your money in the right way with utmost honesty and transparency.

We hold the firm credence that we are Asset Managers, not Asset Gatherers - we don't believe in gathering money, but believe in working for the investor by faithfully and diligently managing what you entrust to us. We follow a thorough process that ensures all the stocks in the portfolio have predictable characteristics and gives the portfolio a probable behavioral pattern.

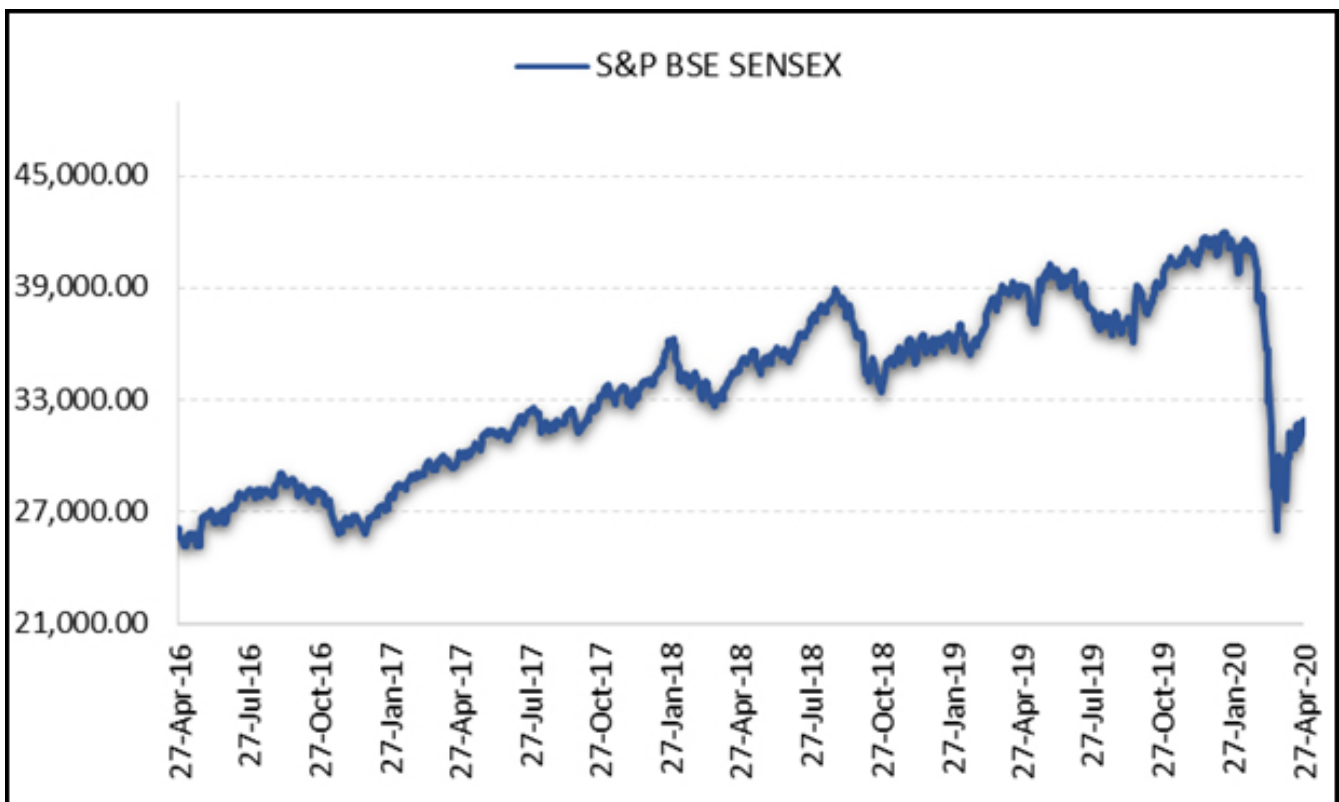
At Quantum Mutual Fund, we are striving to improve the investment ecosystem for you **REGARDLESS** - wherein you can create long-term wealth for yourself by wisely investing your money, at low costs, into simple mutual funds which remove clutter and add value to your overall investment portfolio.

Coronavirus or Covid-19 is showing no signs of receding. On the contrary, the number of cases is increasing by the day and the situation is rather depressing, as almost every region of the world and country is infected.

Sadly, there is [no antidote or a vaccine conclusively developed to fight this deadly pathogen yet](#). And according to the World Health Organisation (WHO), Coronavirus will be with us for a long time. Most cases are still in the early phase of the epidemic and some countries which were affected early in the pandemic, are now seeing a resurgence in the number of cases, said the WHO Chief.

COVID-19 is truly playing havoc and may be followed with a financial crisis owing to the lockdowns imposed to contain the spread. The risk of global recession undeniably looms large. *“This crisis is like no other”*, as what the International Monetary Fund’s (IMF), Chief Economist, Ms Gita Gopinath wrote in the foreword to the [World Economic Outlook, April 2020](#).

Graph I: *The virus has spread even to Indian equities*

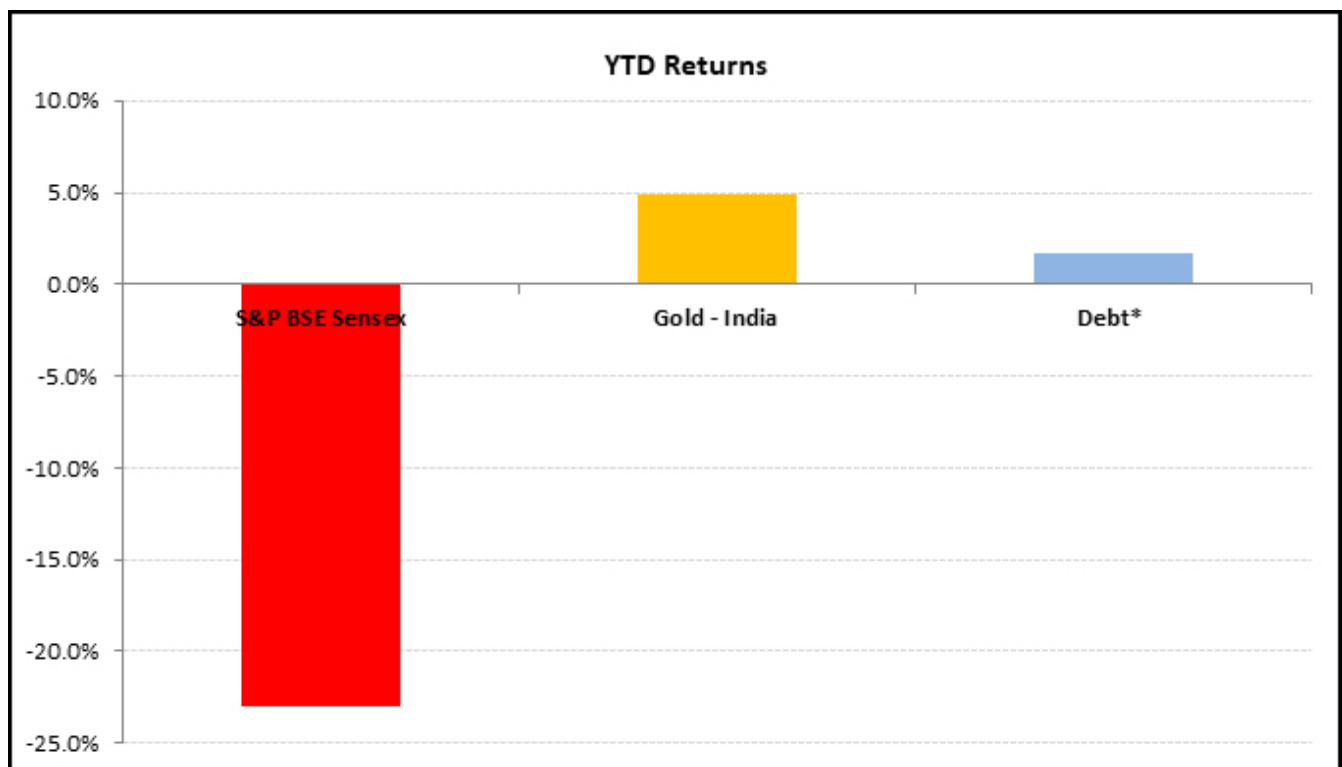


Data as of April 27, 2020
(Source: bseindia.com, PersonalFN Research)

The graph above depicts the S&P BSE Sensex falling off the cliff and investors' wealth being eroded. Since the all-time high of the S&P BSE Sensex (42,273.87 points made on January 20, 2020), we have fallen more than -25% and overall sentiments seem downbeat and volatility has heightened.

On a year-to-date basis, Indian equity is down nearly -23.2% (as of April 27, 2020), while **gold -- with uncertainty looming around the world --** has exhibited its sheen and demonstrated its trait of safe haven and an effective portfolio diversifier, clocking nearly +5.0% absolute return as of April 27, 2020.

Graph 2: YTD Performance of key asset classes



Data as of April 27, 2020

After the imposition of lockdown to fight COVID-19, the spot market prices were not updated.

*Category average returns of Liquid Funds considered

(Source: bseindia.com, MCX Gold, PersonalFN Research)

The graph above validates the importance of tactical asset allocation. The key lesson here is: all asset classes will not necessarily move in the same direction (up or down) always – over the long-term; some may even move in the opposite direction as what we have seen in the recent past (in the case of equities and gold).

As we (the world) continue to fighting COVID-19 and the aftereffects of it are conceivable, a further correction cannot be ruled out and the bottom is unknown. COVID-19 is likely to impact corporate earnings amidst a time when India is already facing slowdown blues. As people are quarantined, demand would remain muted and inflation risk will begin to surface, particularly in food prices.

So, although the current levels offer a decent [value-buying opportunity](#), skewing your portfolio completely to equity as an asset class could endanger wealth creation. In such times you, as an investor, need to follow tactical asset allocation while you aim to generate wealth.

Tactical Asset Allocation with Quantum Multi Asset Fund of Funds

To invest sensibly in the current times, you need a Multi-Asset Fund that invests in mainly three asset classes: equity, debt and gold; and is truly balanced.

Among the plethora of Multi-Asset Funds, the [Quantum Multi Asset Fund of Funds \(QMAFOF\)](#) inceptioned on July 11, 2012, is truly balanced and holds well-diversified portfolio (across the three key asset classes: equity, debt and gold) at all the times -- unlikely many of its peers who swayed by the excess exuberance in equities, lost sense, and eroded investors wealth.

Table I: Asset Allocation of Quantum Multi Asset Fund of Funds

Instruments	Indicative allocations (% of Total Assets)		Risk Profile
	Minimum	Maximum	High/Medium/Low
Units of Equity Schemes	25%	65%	Medium to High
Units of Debt / Money Market Schemes	25%	65%	Low to Medium
Units of Gold Scheme	10%	20%	Medium
Money Market instruments, Short-term Corporate debt securities, CBLO, Repo / Reverse Repo in government securities and treasury bills only	0%	5%	Low

(Source: [Scheme Information Document](#))

The Scheme predominantly invests in the units of Equity, Debt / Money Markets and Gold schemes of [Quantum Mutual Fund](#). Currently, the following schemes are used to gain exposure to a particular asset class:

For equity – Quantum Long Term Equity Value Fund, Quantum Nifty ETF

For debt & money market instruments - Quantum Liquid Fund, Quantum Dynamic Bond Fund

For Gold - Quantum Gold Fund (ETF)

The Units of any other Equity and Debt / Money Markets scheme launched by Quantum Mutual Fund from time to time would be eligible to be part of the above asset allocation components.

Although QMAFOF aims to invest predominantly only in the schemes launched by Quantum Mutual Fund, QMAFOF may seek to invest in the units of similar schemes of other mutual fund houses in case of any investment and regulatory constraints that arise that prevent the Scheme from increasing investments in the schemes of Quantum Mutual Fund.

The investment objective of Quantum Multi Asset Fund of Funds is, “to generate modest capital appreciation while trying to reduce risk (by diversifying risks across asset classes) from a combined portfolio of equity, debt/money markets and gold schemes of Quantum Mutual Fund”

QMAFOF benchmarks it against the Crisil Composite Bond Fund Index (40%) + S&P BSE Sensex Total Return Index (40%) + Domestic price of Gold (20%).

Being a fund of fund, this benchmark is most suitable to compare QMAFOF’s performance. The unique combination clubs together the relatively risky assets with other stable asset classes in the portfolio.

Backed by an astute investment strategy, taking the relative valuations between asset classes into consideration such as Price-to-Earnings relative to historical averages; the relationship between earning yield to bond yield relative to historical averages; and macroeconomic factors prevailing globally and within India, the two fund managers of QMAFOF, namely Mr Chirag Mehta (MMS - Finance, M.Com, and CAIA with over 13 years’ experience in research and investments) and Mr Nilesh Shetty (B.Com, MMS -Finance, and CFA with collectively 16 years in equity markets), have generated respectable returns for investors.

Table 2: Report card of QMAFOF versus some of its peers

Scheme Name	AuM (Cr)	Returns since Shri Narendra Modi first took oath as Prime Minister of India on May 26, 2014		Returns since the all-time high of the S&P BSE Sensex (From Jan 20, 2020 to April 27, 2020)
		Absolute Returns	Annualized Returns	Absolute Returns
SBI Multi Asset Allocation Fund	220.63	65.5%	8.9%	-4.6%
ICICI Prudential Multi-Asset Fund	9022.56	50.5%	7.2%	-18.9%
Quantum Multi Asset Fund of Funds	16.23	49.7%	7.1%	-4.4%
Axis Triple Advantage Fund	258.60	46.9%	6.7%	-14.3%
HDFC Multi-Asset Fund	198.05	36.1%	5.3%	-14.0%
UTI Multi Asset Fund	564.10	28.4%	4.3%	-12.0%

Data as of April 27, 2020

Direct Plan considered and the peer list is not exhaustive

(Source: moneycontrol.com)

Even as the equity market is panting for breath attributable to COVID-19 and volatility has intensified, QMAFOF due to its sensible asset allocation to equity, debt and gold through its underlying portfolio, has fared relatively better than some of the peers.

[ICICI Prudential Multi-Asset Fund](#), [Axis Triple Advantage Fund](#), [HDFC Multi-Asset Fund](#), and [UTI Multi-Asset Fund](#), on the other hand, have all eroded investors wealth posting double-digit negative returns (see Table 2) in this downturn. Some of these schemes have fared well during upswings by keeping to the allocation to equities high, but on the downside, they have not managed the risk very sensibly. Investors, as a result, have experienced a roller-coaster ride in the journey of wealth creation.

A multi-asset fund, ideally, is expected to be truly balanced and sensibly allocate its assets whereby the downside risk of one asset class is compensated by the positive returns of the other asset classes.

Here are five good reasons to invest in Quantum Multi Asset Fund of Funds

1. **You gain from a diversified portfolio across asset class** which, in turn, reduces risk and optimizes returns.
2. **You do not have to worry about portfolio rebalancing**; the fund manager will astutely do it for you at regular intervals in the endeavour to achieve the set-out investment objective of the fund.
3. **Portfolio tracking will be easy for you** instead of tracking 10 different schemes
4. **You will benefit from the lowest expense ratio** in the category
5. And above all, **Quantum Mutual Fund's strong research capabilities** across various asset markets - equity, debt and gold, -- with robust investment processes & systems followed at the fund house.

Suitability of Quantum Multi Asset Fund of Funds

QMAFOF is a perfect fund for investors looking to tactically diversify the portfolio with a single fund across equity, debt and gold, plus leave the aspect of rebalancing to the discretion and expertise of the fund manager.

Furthermore, the fund is appropriate for investors seeking long term capital appreciation, who have a moderately high-risk appetite, and an investment time horizon of 3 to 5 years.

It is the best time to invest in the Quantum Multi Asset Fund of Funds. Valuation-wise, Indian equities look attractive and there appears to be a decent margin of safety (with a high return potential if the equity markets ascend).

Similarly, given the uncertainty surrounding the world, gold is expected to display its lustre. The economic uncertainty surrounded by the COVID-19, GDP growth rates being revised downwards, easy monetary policy action and stance followed by central bank across the world, geopolitical tensions, trade tension, and increased stock market volatility are likely to keep spotlights on gold.

Likewise, with credit risk getting amplified, it makes sense to have exposure to a pure Liquid Fund (that does not take exposure to Commercial Papers issued by private entities). Now that policy rates are already lowered by RBI to address growth concerns, it does not make much sense to take exposure to the longer end of the yield curve; it could prove less rewarding and risky (may encounter high volatility) in the foreseeable future. Deploying your hard-earned money in short-end of the maturity curve, would be far better.

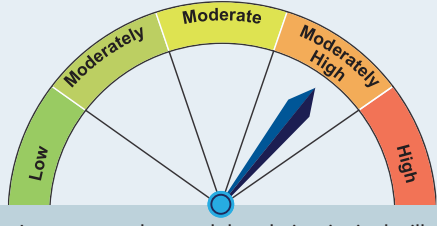
By investing in Quantum Multi Asset Fund of Funds, you will be able to balance the risk better with a sensible investment strategy in place.

Just as an excess drug dosage cannot treat COVID-19, your investment portfolio, too, needs just a fair amount of diversification to clock optimal risk-adjusted returns in the journey of wealth creation.

Go ahead and consider investing in [Quantum Multi Asset Fund of Funds](#).

Happy Investing!

Product Labeling

Name of the Scheme	This product is suitable for investors who are seeking*	Riskometer
<p>Quantum Multi Asset Fund of Funds</p> <p>An Open Ended Fund of Funds Scheme Investing in schemes of Quantum Mutual Fund</p>	<ul style="list-style-type: none"> • 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 	 <p>Investors understand that their principal will be at Moderately High Risk</p>

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

Conclusion

Mutual funds are a promising investment avenue for wealth creation. But avoid basing your investment decision looking at only returns. Also, recognise the risk involved.

While there are star ratings available, don't blindly and solely rely on star-rated funds; it can be used just as a starting point.

After SEBI re-categorisation norms, a number of schemes have been merged with each other, undergone changes in the portfolio, and hence, the past performance of star-rated is not indicative of how they would perform in the future. Be careful before you go by star-rated funds.

Instead, as discussed in this guide, study both quantitative and qualitative factors before you zero-in on the best mutual fund schemes for your portfolio.

While equity funds may have generated the best returns over the past few years, don't forget that past performance is not indicative of future returns. Always make it a point to read the scheme information document carefully before investing.

If you do not possess the skills nor have the time to select winning mutual funds, please reach out to your SEBI registered investments adviser who can help you build a portfolio of equity-oriented mutual funds.

Visit: www.QuantumMF.com

Happy Investing!

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



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