THE QUANTUM THEORY OF INVESTMENT

QUANTUM MUTUAL FUND
Profit with Process

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The Quantum Theory of Investment

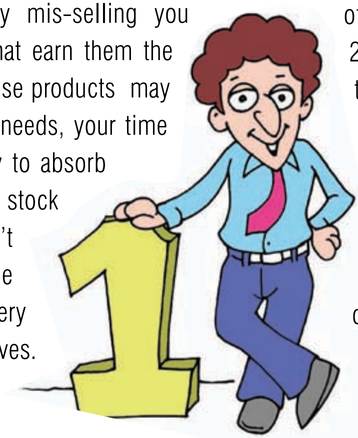
Most of us have been made to believe that sending a man to walk on the moon is a lot easier than making a decent return on our savings.

That putting aside a portion of our income every month and then using these regular savings to build a nice sum of money for our future use when we retire (or for meeting our obligations as sensible parents who wish to educate our children) is a really difficult task.

The Quantum Theory of Investment defies all this bunkum. Investing is easy and is not complicated. Building a sizeable pool of investments to take care of your child's education or marriage is easy, and not rocket science. And selecting a basket of products to achieve these goals is something that you can do in 30 minutes.

But, the financial geniuses who run the large investment firms and brokerage houses, will never tell you that investing is easy. Because, if they did, they would not get their oversized salaries and fancy bonuses. The squadrons of smooth-talking geniuses who run these financial conglomerates need to frighten you and scare you into making investments sound complicated. Landing a man on the moon is made to sound easy. Showing you a path to follow for your long term investments is shown to be complicated and fraught with danger. Frightened by their quick-talking, MBA-suited (or short-skirted) armies, the individual investor meekly surrenders with these famous words: *Arey, baba, this all sounds too complicated, why don't you just decide what is best for me!*

The battle has been won. The war is over. And no bullet was even fired. Victorious in their conquest – and with the full freedom to do as they please – the battalions of financial sales people go about demolishing the savings you have built up by mis-selling you investment products that earn them the best commissions. These products may not be suited for your needs, your time horizon, or your ability to absorb the wild swings in the stock markets. They don't care. They have made their money. Its every person for themselves. You, dear reader, are the victim born every second for them to feed on.



I started Quantum in 1990, with the simple objective that good research linked with good common sense would generate good returns for our clients. I was not smart enough to be a doctor or an engineer. My mediocre grades at school allowed me to learn economics, accounting, and business management. Quantum was my way of trying to build an honest career. But, over the years, I have realised – and experienced – the bitter truth that the financial services industry is the most corrupt industry in the world. As a friend of mine who works for one of these large "global financial companies" in New York told me: *the closer you get to the money, the more it stinks.*

And there was a global stink in 2008. The collapse of some of the largest financial companies in the world after the bankruptcy of Lehman Brothers in September 2008 is only another example of the blatant greed that brought the global economy to its knees. For all their sins, the blatant corruption in the system allowed the power of these masters of the universe to convince governments to give them your taxpayer money to bail them out. The flag-bearers of capitalism had gambled with your money, lost the bets – but still wanted their jobs to be safe and their bonuses to be secure. Their greed and willingness to swing their bats at you in broad daylight was there for you to see at the recent World Economic Forum in Davos, Switzerland. The CEOs of these financial juggernauts were out there patting themselves on their backs over the calm and the recovery – the recovery of their bonuses that is. Not the recovery of the money that they lost for you.

Our job at Quantum has changed since that idealistic dream of taking Indian finance from its lower level of orbit to the next, higher level of its evolution. I was 30 years young then and full of energy, full of Quantum energy. Now I am a little older. And I realise the "badness" around us and am even more committed to spreading the message of what we do, and why we do it. We still pursue our research with the same vigour and enthusiasm that we did then. We still wish to make an honest living by giving you honest – and simple - advice.

Being one of the most respected investors - and learning from our past mistakes - is still our focus. But we have taken it upon ourselves to broaden our reach – to make investors aware that most of the advice you get from most financial intermediaries and firms is bad advice. We are banging the drums, we are jumping on the table, we are letting you be aware that there is an option. There is a simpler path for you to take. We can march with you right up to the sea, fill the cup with water, and help you make your own salt. We can save you the "taxes" and "fees" that have been wrongly imposed on you. We can save you the nightmare of dealing with a room full of disjointed statements and reports. We can clear all this clutter and noise and leakage in hidden costs. Yes, we are fighting for your liberation.

And since we recognise that we don't have all the answers, we have asked six well-known, independent thinkers to share with you their views on investing.

The Quantum Theory of Investment focuses on the factors that will make you a successful investor.

With these simple rules, you will shatter the myth that landing a man on the moon is far easier than the challenge of building your own wealth. Investing is easy.

Come, discover the joy and simplicity of Quantum Mutual Fund.

And join the revolution.

Ajit Dayal

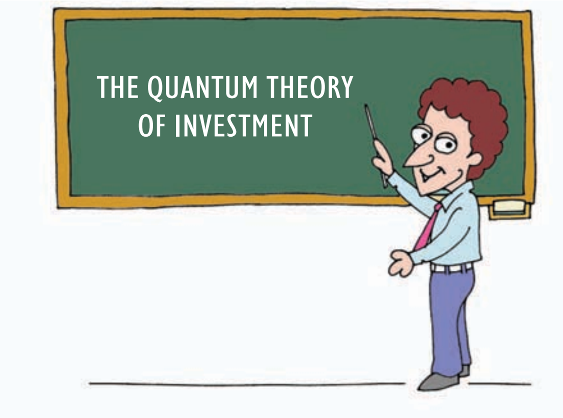
Director, Quantum Advisors Private Limited –

the proud Sponsor of the Quantum Mutual Fund.

IN THE PAGES AHEAD

Voices of Reason

LET'S START AT THE BEGINNING.



Did you know a small saving
can go a long way in making a fortune?

“A small saving can go a long way in making you a tidy fortune.”

Assume you skip your daily cappuccino and save Rs 30 every day, have a look at what it would result in over a period of time.

What you save every day	How much it could earn every year	…and after…	You will have
Rs.30	10.00%	25 years	Rs.1,184,590
Rs.30	12.00%	25 years	Rs.1,635,207
Rs.30	15.00%	25 years	Rs.2,679,596

The numbers used in the table above are for illustrative purposes only

Of course, we’re assuming the rate of returns to be at a moderate level; and it’s not too difficult to invest in avenues where you would get such interest rates. Just to give you an analogy, the BSE Sensex over the last decade (March 31, 2000 to March 31, 2010) has given an annualized return of approximately 15% (Source - Bloomberg).

That’s simply the power of compounding! And like Albert Einstein says, *“The power of compounding is the most powerful force in the universe”*

So, start with a simple resolve – keeping aside a little everyday for the long term. But where do you keep this dear little pool of hard earned savings? Who do you entrust your little fortune with?

LET'S START AT THE BEGINNING.

Surprisingly, most people start investing without any real strategy. They park their hard earned money across asset classes without as much as a second glance at their personal risk taking capacity. And that's pretty tragic considering that your risk profile would be starkly different from that of your next door neighbour. It's time to learn about the magic of correct Asset Allocation!

So you have a dear corpus that you have kept aside from your earnings, and are now faced with a million dollar question – Where do you invest your money? How do you allocate your investments across the different asset classes?

First up, ensure that you reserve some liquid cash for a rainy day stashed away in a savings account. With your emergency requirements taken care of, you can now start thinking about spreading your investing corpus across the other asset classes.

Oh! In case you were wondering about the other classes, here they are:

1. Debt/Liquid Assets: Your good old Savings Account, interesting Liquid Funds, reliable Bank and Company Fixed Deposits, and steady Government Bonds and Postal Deposits – all form a part of this asset class.

2. Equities: Risky, yes! But in the long run equities can help create wealth out of your savings. You can again choose to indulge direct equity and invest in stocks, or you could pick a good mutual fund to manage your money.

3. Gold: All that glitters is gold! Really! Especially in times like today, when global economic instability threatens to impact financial markets. With a glittering history of keeping value and increasing in worth, gold today helps to insure your portfolio against any economic calamity.

4. Real estate: Owning a home of your own is still very much a part of the great Indian dream. And with property rates skyrocketing, Real Estate promises to be an avenue worth investing in.

So where should you begin? Well, start with a simple understanding that each asset class has a different risk, and will offer separate returns. Balance this risk-return in your overall portfolio and you should be just fine!

Here's a tentative asset allocation grid that should give you an idea of how you could diversify your investments based on your status.

Single				
	30 yrs	30-45 yrs	45-55 yrs	>55 yrs
Property	50.00%	40.00%	30.00%	30.00%
Equity	30-45%	35-45%	45-50%	30-40%
Gold	5-10%	10-15%	10-15%	10-15%
Reliable Cash	5-10%	5-10%	10-15%	20-25%

Married – No Kids				
	30 yrs	30-45 yrs	45-55 yrs	>55 yrs
Property	50.00%	50.00%	30.00%	30.00%
Equity	30-45%	30-40%	40-50%	25-35%
Gold	5-10%	5-10%	10-15%	10-15%
Reliable Cash	5-10%	5-10%	10-15%	20-25%

Married – 2 Kids				
	30 yrs	30-45 yrs	45-55 yrs	>55 yrs
Property	50.00%	40.00%	40.00%	25.00%
Equity	30-45%	35-45%	40-50%	35-40%
Gold	5-10%	10-15%	10-15%	10-15%
Reliable Cash	5-10%	5-10%	10-15%	20-25%

Please note that the above tables are for illustrative purposes only. The information provided here is not meant to be considered as investment advice/ recommendation. Please seek independent professional advice and arrive at an informed investment decision before making any investments.

Asset Allocation and diversifying assets requires time, experience and lots of research. Serious! But all's not lost. Mutual Funds help you in creating a perfect asset allocation plan which is why you should, in all probability, consider a mutual fund for your investments.

"Selecting a mutual fund is like selecting a spouse!"

Now that you know where you want to get, and have a decent idea on how you want to get there, spend a little time to get to know your mutual fund, because they pretty much exert the same control like your spouse.

For instance:

- It's almost like they have the keys to your cupboard
- They surely have a huge influence on what you eat, which school your kids go to, what kind of house you will live in
- And like an "arranged" or "love" marriage – there is a filtering process

So how do you pick a good mutual fund?

Remember the 4Ps:

Philosophy: Does the fund house follow a value philosophy, or do they follow a growth philosophy? All fund houses cannot be good in following all philosophies. Normally they would tend to be good in one or the other.

People: How long have they managed money for? Do they have the experience of seeing the markets during good and bad cycles?

Process: Does the fund have a good process to identify investments? Is the portfolio construction team biased? Or is it based on the whims and fancies of a star fund manager?

Performance: If all the above mentioned criteria are satisfactorily addressed then a good fund performance will automatically follow. It will be predictable and it will reflect the philosophy being followed.

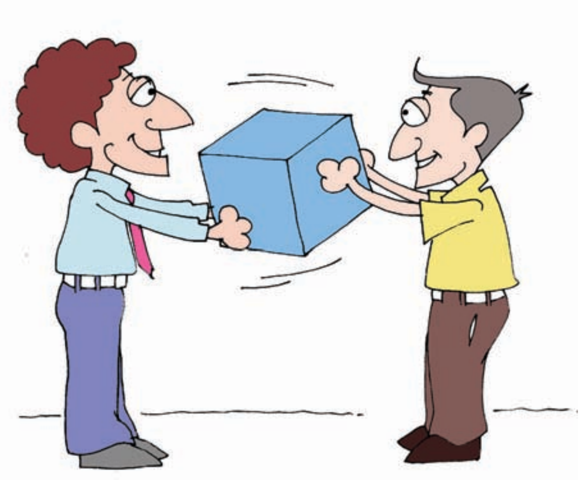
You now know how to select a good mutual fund – wonderful! Here's another key mantra to remember on your investing roadmap - Spread your investments across asset classes … **Diversify!**

While equities may look really attractive, and gold may seem steady, an over-commitment to any one particular asset is potentially quite dangerous. One more clarification: diversification is about picking and bringing together a basket of assets whose prices follow different kinds of patterns, and it's not really about multiplying the number of holdings.

A diversified portfolio manages risk-reward brilliantly, especially in times when financial markets somersault.

So, now that you know about how best to allocate your savings, we're all set to embark on the Path to Profit. And what could be better than having a guide who dares to be different.

THE PATH TO PROFIT

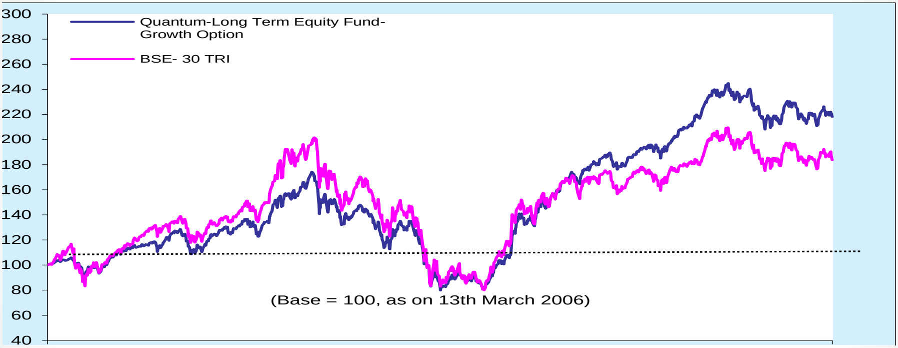


Let's get going then with India's first and only direct-to-investor mutual fund - Quantum Mutual Fund.

Have you heard of Quantum Mutual Fund? We're not surprised if you haven't! After all we are the mutual fund industry's best kept secret that no distributor will readily talk to you about. And that is, because we refused to pay undisclosed commissions to distributors. Quantum Mutual Fund is India's 1st and only direct-to-investor mutual fund.

Yes, that's probably why you have not heard about us, even though our performance numbers are noteworthy. Take a look at the performance of our flagship equity fund, Quantum Long Term Equity Fund, as on July 29, 2011. *(For a detailed performance of all our funds refer to Annexure on page no. 67)*

Performance as on July 29, 2011



Past performance may or may not be sustained in future and may not necessarily provide a basis for comparison with other investments.

Performance as on July 29, 2011

Period	Returns – Growth Option	Benchmark Returns – BSE 30 TRI
1 year	4.45%	2.98%
3 years	20.06%	9.41%
5 years	17.20%	12.79%
Since Inception	15.60%	11.97%

Past performance may or may not be sustained in future and may not necessarily provide a basis for comparison with other investments. Above returns are Compounded Annualized Returns. Date of Inception: March 13, 2006. Since Inception returns are calculated on NAV of Rs. 10 invested at Inception.

And now assuming that you had taken our small suggestion on **'Diversification'** seriously, and invested in a diversified model portfolio over a 3 year time horizon (assume March 31, 2008 to July 29z, 2011), here's a small illustration to show you how this diversified portfolio would perform.

So, we will begin with an assumption that you are between the age of 30-45 years and are married with kids. Now going by the indicative asset allocation model on page no. 9 we will make the allocations as mentioned in the table below to Equity, Gold and Liquid (considering the Quantum Long Term Equity Fund, the Quantum Gold Fund and the Quantum Liquid Fund respectively). Now let's call this diversified model portfolio the Q Funds Portfolio.

Asset Class	Equity		Gold		Liquid		Diversified Model Portfolio	
Investment Allocation	85%		10%		5%		100%	
	Quantum Long Term Equity Fund (QLTEF)		Quantum Gold Fund (QGF)		Quantum Liquid Fund (QLF)		Q Funds*	Q Index#
	Fund Returns	Benchmark Index Returns	Fund Returns	Benchmark Index Returns	Fund Returns	Benchmark Index Returns	Fund Returns	Index Returns
1 Year *(31 July 2010 - 29 July 2011)*	4.45%	2.98%	29.41%	30.70%	7.91%	7.34%	6.73%	6.24%
3 Years *(31 July 2008 - 29 July 2011)*	20.06%	9.41%	21.55%	22.75%	6.64%	6.23%	19.61%	10.74%
5 years (*(31 July 2006 - 29 July 2011)*	17.20%	12.79%			7.12%	6.59%		
Since Inception *(specific scheme Inception dates)*	15.60%	11.97%	20.27%	20.42%	7.05%	6.53%		

Allocations to Property are ignored.

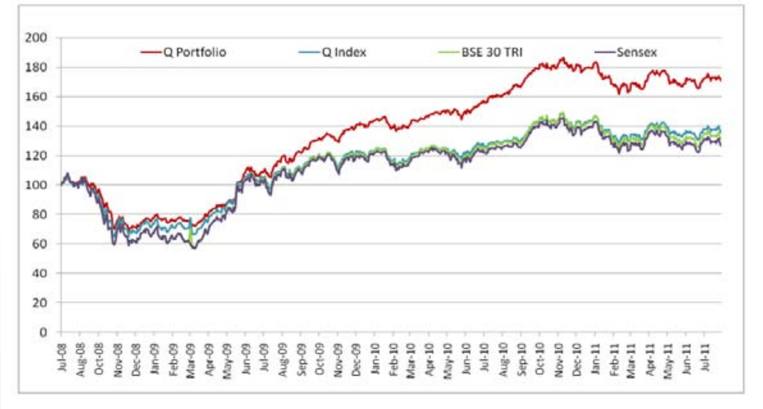
Date of Inception: QLTEF: March 13, 2006; QGF: February 22, 2008; QLF: April 7, 2006; Q Funds: assumed as March 31, 2008 **Benchmark:** QLTEF: BSE 30 Total Return Index (TRI); QGF: Domestic Price of Gold; QLF: CRISIL Liquid Fund Index; Q Funds: assumed as Q Index. **Past performance may or may not be sustained in future and may not necessarily provide a basis for comparison with other investments.** Above fund returns are Compounded Annualized Returns and are for the Growth Option of the funds. Since Inceptions returns are calculated on NAV of Rs.10 in case of QLTEF & QLF and Rs.100 in case of QGF invested at Inception. Since Inception returns for Q Funds are calculated on an assumed NAV of Rs.10.

***Q Funds Portfolio Returns** have been calculated on the basis of Compounded Annualized Returns and are for the Growth Option of the respective fund in the proportion of the investment allocation.

#Q Index is a composite index of the BSE 30 TRI, Domestic Price of Gold, and CRISIL Liquid Fund Index, and is calculated on the basis of proportion to the Investment Allocation. Q Index Returns calculated in the following allocations: 85% weight for the returns from BSE 30 TRI; 10% weight for the returns from Domestic Price of Gold; 5% weight for the returns from CRISIL Liquid Fund Index.

Please note that the above table is for illustrative purpose only to explain/understand the concept of "Diversification / Asset Allocation". The table shall not be considered constructed to ensure minimum / indicative / guaranteed returns / yield or safety of capital by Quantum Asset Management Company Private Limited / Quantum Mutual Fund. The information provided here is not meant to be considered as investment advice / recommendation. Please seek independent professional advice based on your financial needs and your financial situation and arrive at an informed investment decision before making any investments in any mutual fund or when making a decision on investment diversification or asset allocation.

And, if we were to plot the 3 year data *(for the period ending July 29, 2011)* from the table above on a line graph, and compare the performance of a diversified model portfolio (Q Funds Portfolio) to multiple equity indices like the – Q Index, BSE 30 TRI, and the BSE Sensex, it would give it a more interesting interpretation:



Data Source: Bloomberg / AMFI; Data Compilation: Quantum AMC

The above graph is for illustrative purpose. Past performance may or may not be sustained in future and may not necessarily provide a basis for comparison with other investments.

In the graph above, the blue line represents a diversified model portfolio – Q Funds – assuming that you had spread your investments across asset classes, and the other multicolour lines represent three different equity indices – Q Index, BSE 30 TRI, and BSE Sensex over a time horizon from March 31, 2008 till July 29, 2011.

Other than a performance race, there also is an interesting story. If you look at the chart, in March 2008, you would think the best place to be would be the equity markets. But the story in totality is that when markets started dipping from September 2008 onwards till March 2009, and if you were still a part of the equity rollercoaster ride then, you could be totally robbed of your peace of mind. But instead, if you were a part of the blue line of diversification (the Q Funds), you would probably enjoy a peaceful night's sleep. In fact, if you look at the recent dip in the markets, you would agree that being only in stocks is not a good thing for your mental or financial health!!

Don't get us wrong: investing in equity is essential for long term potential wealth generation but, as the lines in the chart above show, diversification helps you to:

- Reduce risk
- Protect your capital
- Disciplines your portfolio
- Sleep well at night

Where did the Quantum Story begin?

Setting up a mutual fund to invest in India was an idea that Ajit Dayal – the founder of Quantum – had when he was studying in USA in 1983. While waiting to qualify for a mutual fund license to launch mutual funds, in 1990 Ajit established Quantum Advisors Pvt. Ltd. (Quantum Advisors), the Sponsor and parent company of Quantum Asset Management Company Pvt. Ltd.

Quantum Advisors is an India focused, SEBI-registered Portfolio Manager and a SEC-registered Investment Advisor. From 1992 to 1995, Quantum was the local partner of Jardine Fleming, then one of the largest FIIs in India. In July 1998, Ajit met Tom Hansberger, the partner of the legendary investor Sir John Templeton, and co-founder of Templeton, Galbraith & Hansberger. Quantum Advisors and Hansberger Global Investors. Inc planned a joint venture to launch India-dedicated products for international investors.

Between 1996 and 2004, Quantum managed money for various FIIs.

This invaluable experience has helped Ajit over the years to put together a team that has allowed Quantum to adopt a very successful, process-driven approach to investing.

Finally in December 2005, Quantum Asset Management Company Pvt. Ltd. received its AMC license from SEBI.

And since then, it has stayed firm on the path to profit with process, being honest with investors, and keeping investing simple – just the way it should be.

Simple Products for a Simple Investor:

Date of Launch	Fund Name
13 March 2006	Quantum Long Term Equity Fund
7 April 2006	Quantum Liquid Fund
22 February 2008	Quantum Gold Fund ETF
10 July 2008	Quantum Index Fund ETF
23 December 2008	Quantum Tax Saving Fund
20 July 2009	Quantum Equity Fund of Funds
19 May 2011	Quantum Gold Savings Fund

THE RIGHT PATH

Just why should you be interested in a Mutual Fund that claims that they are different?

Maybe because it took us, the 29th established mutual fund house, to actually take a different path and work for you!

Yes, We Work for You!

That's why we are fighting for a better system, which ensures that you as an investor get:

- Mutual funds that work for the good of investors, not just for the benefit of the distributors.
- Simple products that make sense for the long run.
- Costs that are as low as possible.

The Quantum Vision Statement: To stay focused on the needs of our investors and be India's most respected mutual fund house by adhering to traditional values of simplicity, transparency and integrity while continuing to deliver steady performance over the long term.

The Quantum Mission Statement: Quantum Mutual Fund nurtures a partnership culture with our investors and employees to spread the goodness of investing.

Quantum Mutual Fund commits to providing you with:

- Investment options to convert savings to wealth
- Simple products that are easy to understand
- The ability to invest easily at a low cost
- Dependable standards of service
- Sensible, risk-adjusted returns over the long term through a disciplined research and investment process

THE QUANTUM WAY

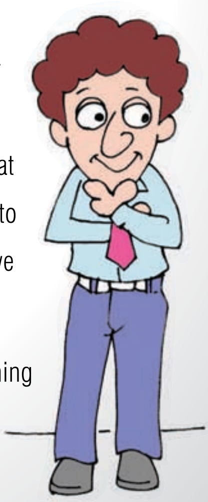
We're not a typical mutual fund.
In fact we're unlike any other mutual fund
that you would know. Serious!

Not your typical Mutual Fund

Yes, by all key definitions, Quantum Mutual Fund is a mutual fund – we are governed by SEBI regulations, we have the structure of a mutual fund, including a Trustee Company, Asset Management Company, fund managers, research analysts, an operations team, a compliance team, an investor servicing team, and a marketing and sales team all under the supervision of a CEO. But yet, we have never really been in the mutual fund "business". What's the difference, you ask?

Well, the difference lies in the thought process; in the way we manage money and which in turn translates into the Quantum way of investing:

- We have never been a part of the New Fund Offer frenzy – Only 6 basic products launched till date that offer you sufficient scope for portfolio diversification.
- We're Asset Managers, not Asset Gatherers. So, we don't follow AuM targets nor does the concept of "share-of-wallet" feature in our business discussions. In fact, we don't even have a market share objective.
- We don't sell our funds; we like to have investors buy into our products. We have backed each Quantum fund with a solid research and investment process that results in a track record. And, if that track record is good, then we believe that investors will choose to invest their savings with us. If our track record is not good, then we do not deserve your savings.
- We believe in creating wealth over the long term. Here's something interesting we would like to share - during the NFO of our Quantum Long Term Equity Fund in 2006, the few advertisements



we released clearly stated that if you weren't a long term investor, then this fund was not meant for you. Now, just how many fund houses do you know who would consciously narrow down their own potential investor base?

No, Quantum Mutual Fund is not a typical mutual fund. We're here to offer an avenue for long term investors to place their savings in simple products for sensible, risk-adjusted returns.

If you still need more matter to explain why Quantum Mutual Fund is not a typical mutual fund, try filling in the boxes below:

Questions to ask:	Quantum Mutual Fund	Any other Mutual Fund
How many products launched?	6	
Do we pay distributor commissions?	No	
Is it a low cost fund?	Yes	
Are we in the business of gathering AuM?	No	
Is track record everything?	Yes	

THE PROCESS

We don't believe in "Star Fund Managers". Because stars come and go.

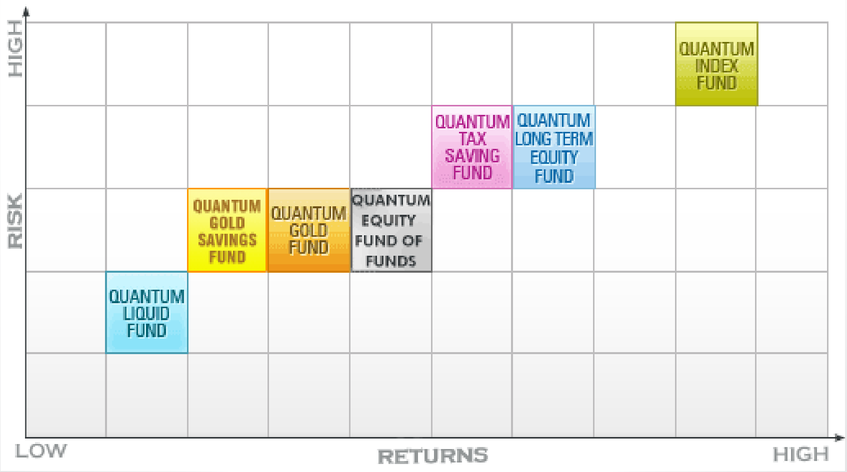
We have a team-driven approach, where everyone shares a common investment philosophy so that your overall portfolio never acts on a specific whim.

Our investment approach does not depend on any 'star' individual. It's the process that we follow in every decision that truly makes us exceptional. There is no way that we would subject your savings to the whim of any particular mind. Hence, because we have a process in place, even if some people choose to leave, the stocks owned in your portfolio would not change, because the decision was taken in keeping with the overall investment strategy.

Our investments are based on a research process that we have adopted and refined over a long term. Not on tips, suggestions and market *khabbar*, but on analysis. Whether the action is to buy; to sell; or to do nothing, everything we do is supported by a well defined research and investment process. We know, and you too should know that when markets fall, we will most likely fall less. And when markets rise, we will most likely rise less rapidly.

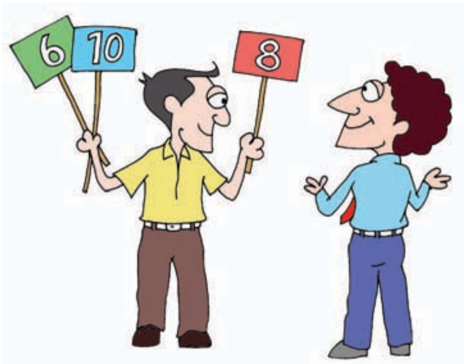
But, over a cycle of time, we will make you money – and make sure that you have not lost much sleep over the ups and downs of the stock markets.

Always consider the risk involved while investing in a mutual fund. Risk-Return analysis is an important aspect of mutual fund investing. Given below is the Risk-Return graph for Quantum Mutual Fund products.



The table above is for illustrative purposes only, and over long periods of time like 5 to 10 years.

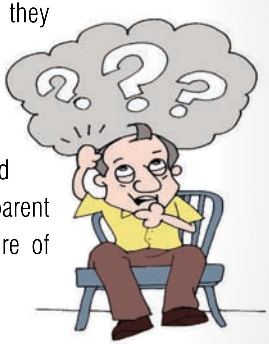
"Never buy a fund merely for its ranking or rating"



Assume you are locked in a room. No access to a phone. No internet. No CNBC, Bloomberg, NDTV Profit or any other channel. After being locked up in a room and disconnected from the "real-time" world, if you were then asked to pick one criteria, just one, based on which you were asked to give your money to a fund house to manage for the next 5 to 10 years. What would you say? "Show me the rankings". Wrong. We would say, "Show us as much history and as much detail as possible".

Of course, we would study the ranking and rating tables, too. But we would want to know a lot more than the 2-minute noodle that these numbers are used to cook up a portfolio for individuals. For instance:

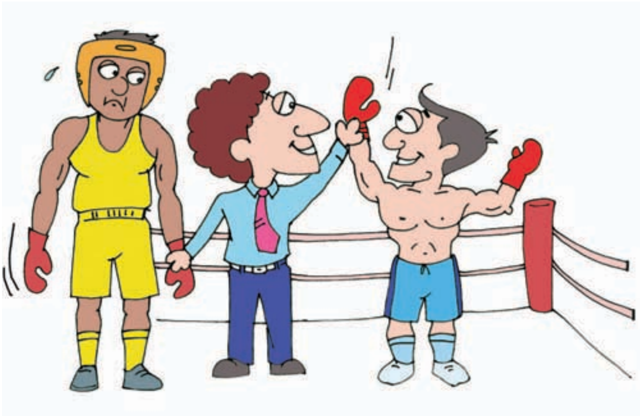
- We would wish to know about the consistency of the rankings and ratings - over different time periods, over different market conditions.
- We would wish to know the rationale of the buy and sell decisions: what makes the fund manager deploy your savings into a stock? Is there some valuation methodology, some technical chart, or some market *khabbar*?
- Have there been any changes in the investment management approach? Why were these changes made? When were they implemented? Show us how these changes are reflected in the portfolio over time.
- How much time does the fund manager spend on the portfolio - on the fund that you have invested in? How many other mutual funds with different mandates does he manage? How does he decide which stock ends up in which mutual fund?
- What is the philosophy behind the founder or the Sponsor? Why are they in this business? What is their objective? And how do they manage conflicts that may arise?
- Is the fund truly transparent in its disclosure of



Yes, there is more to selecting a fund manager than a ranking or rating table. Far more important than the ranking or the rating, is the thought process and the research and investment rules that the fund management and research teams follow.

No ranking or rating table will give you the answer. There are no short-cuts to hard study and analysis. To be a successful investor, you must make the effort to understand what you invest in and why you invest.

“Big funds don’t necessarily mean bigger returns or smaller risks.”



And that’s one hilarious myth that we’ve observed over the years – The Myth of Size!

Does size really matter?
Maybe it does – but surely not in mutual funds.

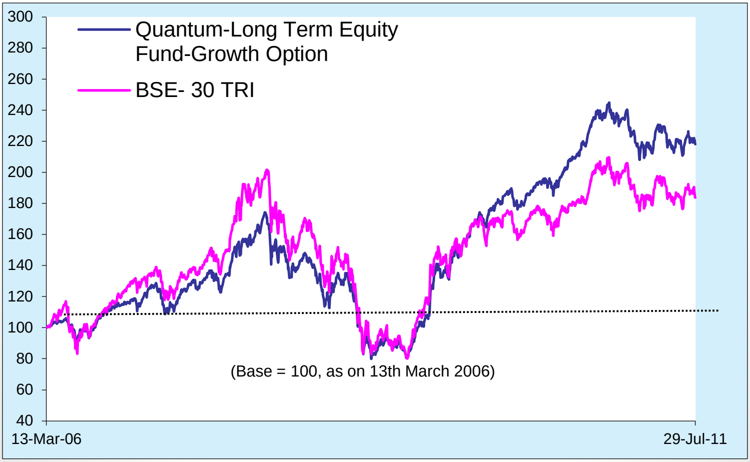
Here’s a simple logic - all mutual funds invest in the stock markets, so they are all equally safe or unsafe. As long as the markets are open, even a small fund can return your money. Look at the track record of the fund house, and the process they have in place to ascertain the risk you are taking.

And with regards to returns, the Quantum Long Term Equity Fund (QLTEF) was launched in March 2006 with a corpus of Rs 10.57 crore. You can simply refer to the Performance Table of our fund mentioned on page no. 67 to quell any doubts you may have with regards to returns.

It helps to know that these so-called big mutual funds are big because you chose to put your money there. Your money makes them big.

Consider this, in March 2006 - when we launched the Quantum Long Term Equity Fund - the 5 largest equity fund schemes in the country at that time had a total of average assets under management (AAuM) of Rs. 17,008 crore put together(AuM source: AMFI).

So how did these 5 Large Funds perform? And how did the Quantum Long Term Equity Fund perform? Have a look at the graph and the table below which shows this performance from March 13, 2006 – the date we calculated our first NAV; the Inception date of the Quantum Long Term Equity Fund:



Performance as of July 29, 2011

	Quantum Long Term Equity Fund (QLTEF)		Average of Large 5
Period	Fund Returns	Benchmark Index – BSE 30 TRI	Returns
1 Year	4.45%	2.98%	0.89%
3 Years	20.06%	9.41%	15.31%
5 years	17.20%	12.79%	14.23%
Since Inception *(calculated from the date of inception of QLTEF - March 13, 2006)*	15.60%	11.97%	11.45%

Data Source : AMFI; **Data Compilation :** Quantum AMC

The above graph and table are for illustrative purposes. All returns are Compounded Annualized Returns and are for the Growth Option of the funds. **Past performance may or may not be sustained in future and may not necessarily provide a basis for comparison with other investments.** Since Inception returns of QLTEF are calculated on NAV of Rs. 10 invested at inception.

Methodology Average of Large 5 Funds: Large 5 Funds average has been created considering the five open-ended diversified equity schemes which were the largest in terms of Average Assets Under Management (AAuM) as on March 13, 2006 as per the AUM data available on AMFI website. Compounded Annualized Returns for the large 5 Funds are calculated assuming that 20% of one's capital was invested in each of the 5 largest funds, and averaged by taking into consideration NAV of growth option of the respective scheme from March 13, 2006 to July 29, 2011. Returns Since Inception are calculated with effect from March 13, 2006, which is the date of inception of the Quantum Long Term Equity Fund.

....

Well as displayed in the tables above, from March 13, 2006 till July 29, 2011, the average performance of these 5 Large Funds showed a return of 11.45%, vis-à-vis the performance of the BSE 30 TRI benchmark which was 11.97%: *Pretty Good!* But, for the same time period, the Quantum Long Term Equity Fund showed a return of 15.60%. *Not bad for a "small fund"!*

Please remember that every fund house has its own investment strategy and process. The graph earlier was simply to convey that it doesn't work to get blindly led by the size of a fund house; and all the advertising they can afford; and all the distribution commissions they can pay from your money! It makes better sense to consider the long term investment philosophy and style of investing, and more importantly the track record before you entrust your savings to the care of any specific mutual fund.

Remember, the returns that a mutual fund can make is not a function of size. Rather, it's a reflection of how well they can select a portfolio of stocks for the long term without taking any wild risks.

It's been 5 years since the launch of the Quantum Long Term Equity Fund in March 2006. We were small then, with Rs. 10.57 crore of AuM. We still are small, with about Rs. 83.07 crore in the Quantum Long Term Equity Fund as of July 29, 2011. But we are committed to generating consistent returns over the long term through safe thinking and careful planning. Which is why we may be small in size, but we have a long term perspective towards wealth generation.

"Largeness" is not a reliable indicator of good or bad performance - just as "smallness" does not guarantee good or bad results. One should invest in a fund, not because of size, but because it matches your needs and your ability to take risks as a long term investor in the stock markets.

"Always insist on transparency."

It took the 29th established fund house to refuse to be a party to an opaque distribution system that, in many ways did not protect the interest of the investors.

The smallest fund house was willing to fight the giants to do what was right for you.

We were the smallest fund house to be launched, and still we chose to refuse to compromise the interests of the investor by not following a rate card given to us. The rate card stated that if we agreed to pay distributors a certain percentage, they were willing to give us your money for a defined period of time.

Don't get us wrong: we have nothing against paying commissions to distributors. Our problem is that the commission paid is not disclosed.

The costs and payments to every service provider in a mutual fund is known and declared: the cost of managing your money charged by the Asset Management Company; the cost of the auditor to audit the accounts; the cost of the custodian for offering custodial services to keep all the securities bought by the Fund; the cost of the registrar to record all the units that you purchase or redeem; the cost of the Trustees to oversee that your savings are being managed as per the investment objectives and the various rules and regulations.

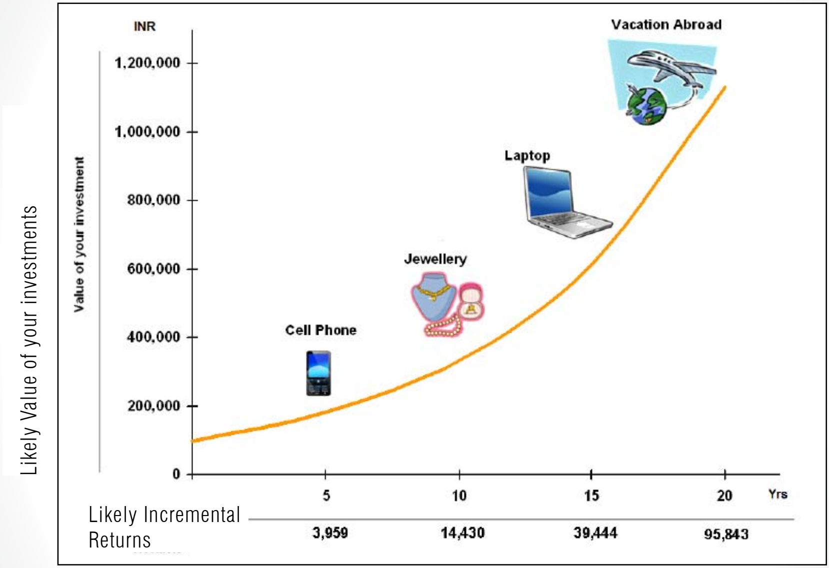
Yes, all these costs are known and declared.

But what your distributor or financial advisor got paid from the mutual fund house when they piled your savings into their many unnecessary mutual fund products was never declared.

Quantum Mutual Fund is the only one of its kind in the country to cut out the middleman and deal directly with the investor with complete honesty and transparency. You know exactly where your money is going and that it's serving your interests first.

So when it comes to long term wealth generation that puts the investor first, it may make sense to invest in a fund which focuses on transparency and controlling costs – rather than investing in a typical high-cost mutual fund that consciously uses distributors and big ads (usually paid for by the investor) to attract your money!

Here's what you might save by investing in a low cost, direct-to-investor fund that pays 'No Trail Commission'



**The numbers used in graph above are for illustrative purposes only*

"Avoid speculation and plan for the long term"

If you are a speculator, you probably live in continuous panic. And more so, in times when economic instability is threatening financial markets.

But if you are an investor, there is no need to panic. Not even in times when there is economic instability.

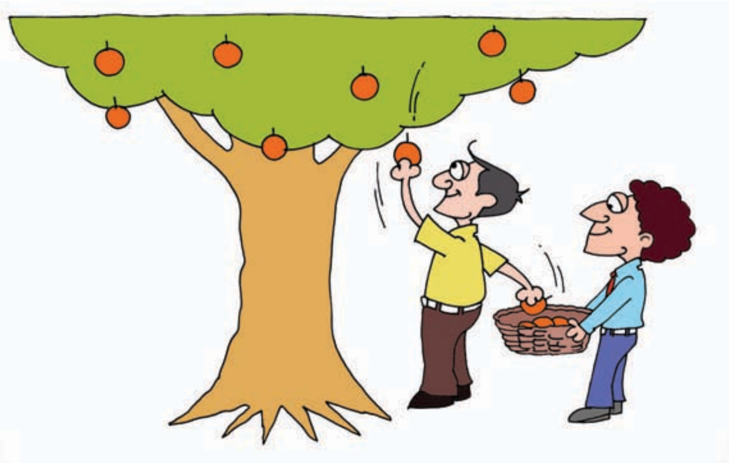
Speculators generally take short term views on where the price of a stock or the price of a property - or any other asset - is headed. They have little interest in understanding the underlying businesses or assets that they have invested in. They love to trade and zip from one stock to another with the confidence of a "guaranteed return". All a speculator wishes to know is, *"can I sell this at a higher price tomorrow?"* Investors, on the other hand, are a little more balanced. They study the underlying businesses of the companies they have invested in before they invest in it.

An investor will run through various scenarios in his or her head and try to understand the impact of the various possible scenarios on the underlying business of the company or the underlying asset that he owns. Most importantly, investors generally tend to hold for the long term and do not react to short term movements in share prices. An investor – by definition – will stay invested till he needs the money.

At Quantum AMC, we are investors. We don't panic. We make measured judgements. Your hard earned savings are too precious to speculate with.

And what about you?
Are you a speculator or
an investor?

"Invest in a fund that lets you declare your own dividends."



A few investors have asked us why we don't declare a dividend. *"Your NAV has nearly doubled since launch,"* they say with praise. Then they question, *"But where is our dividend?"*

By definition, dividends are transfers of a portion of profit earned by the company to its shareholders/investors.

Why should we force you to take money back?

Well, there is a problem with declaring a dividend: what if you don't need the money, or need more of it, or need less of it?

A mutual fund gives one dividend to all its investors, it cannot give you a tailor-made payout for exactly the amount of money you need. So, giving a dividend may not solve your problem.

Instead, we leave that decision up to you.

Another fact is that, for regular dividends to be paid out, a certain number of holdings must be sold off in order to raise the money. Now this sell off might not be at the most appropriate timing, or rather might not be when the valuations for the stocks were at their optimum levels – thus losing out on a better opportunity.

Be nice to yourself: Give yourself a dividend whenever you want to!

But that does not stop you from paying a dividend to yourself for any amount that you wish, whenever you wish.

You have a family occasion coming up and need money. You don't have to depend on your mutual fund to pay out your dividend. Instead, you can redeem as many units as would provide you the required amount and effectively pay yourself a handsome "dividend".

The question you need to ask yourself here is – Would you rather invest in a fund that pays out dividend and dilutes your NAV or would you rather let the fund manage its NAV that in turn increases the value of your overall investment, and pay yourself a dividend whenever you require one?

Yes, we have not paid out dividends since our inception in March, 2006, but, we do know how to manage your money, and manage it well – take a look at our perfomance numbers on page no. 67.

Why not try a Systematic Withdrawal Plan (SWP) instead?

A Systematic Withdrawal Plan is a more convenient way to receive a regular stream of payouts in a defined frequency. This facility allows you to redeem specified amounts from your fund at a pre-defined frequency. You can choose to regularly withdraw either a fixed sum or even just the appreciation on your investment, which will not disturb your capital contribution. Companies that pay dividends are not necessarily the most efficient investors of the capital entrusted to them. By giving the investor a dividend they may be effectively saying, *"Take the money because you probably know what to do with it and we have no use of your money."*

We will simply focus on investing your savings in a sensible way, focusing on the long term and on the need to identify and minimise risks that we take to give you a chance to earn better long term returns.

We hope you enjoyed our Theory of Investment

This is just a part of the Quantum world of investing!

In these few pages we have tried to share with you our perspective on investing in mutual funds. You may call it unusual, we call it – Different.

Yes, being honest is quite a differentiation to have and own, wouldn't you say? But, as India's 1st and only direct-to-investor mutual fund, honesty to us is not a choice, but an identity we are proud to reflect.

So, we've been honest with you, as we have been with our investors over the years. And we've tried to keep it simple, as we have kept our product offerings simple. And we sincerely hope, that at the end of it, you would have found our theory interesting enough to adopt it as your own.

Voices of Reason

The views expressed in the article(s) are the personal views of the author(s). The views constitute only opinions and do not constitute any guidelines or recommendations on any course of action to be followed by the reader. The article(s) are meant for general reading purpose only and are not meant to serve as a professional guide/investment advice for the readers. The data / information, if used in the article(s) have been sourced by the author(s) from publicly available information and other sources believed to be reliable. Readers are advised to seek independent professional advice and arrive at an informed investment decision before making any investments.

On why a mutual fund basher would recommend them for the lay investor

J Mulraj

The writer is author of Straight from the Hip, a weekly column on issues that concern individual investors, including concerns over corporate and public governance.

I have generally been anti mutual funds, and I'll tell you why.

When mutual funds are sold, the selling point is that a fund manager is better equipped, in terms of ability and of resources, than a lay investor, to be able to make more informed investment decisions. Yet, when it comes to selling at what may be perceived to be peaks, the same ability and resources do not work. *The selling decision is yours* – say the fund managers to the investors. What I have never been able to understand is why, if the fund manager is a better judge to buy, given his abilities and the aggregated resources at his disposal, he prefers to leave the selling decision to the investor. But that is how it is!

This riles me.

At the very least I would have expected him to alert his investors that, perhaps, it was time they considered moving part of their equity exposure to other asset classes. Warren Buffett once did that, writing to his shareholders, returning their money, stating that he could not find attractive investing opportunities!

SEBI assists funds in this, by mandating a minimum percentage of funds to be kept in equity, if the fund is classified as an equity mutual fund.

What this, effectively, means for the investor is that he rides the wave all the way up and all the way down. Had he been given a view by the fund manager to be cautious, perhaps some of the investors may decide to allocate more towards fixed income.

Another thing I lament about mutual funds is that almost all of them are open ended funds. This is so as to give the investor the ability to sell at any time, and get the NAV (net asset value). However, this, in turn, makes the life of the fund manager hell, because he always has to keep one eye on short term performance and the other on short term performance! He would be loath to invest with a longer horizon because if his NAV lags competition in the interim, investors would flee.

The pressure on improved short term performance imposed on fund managers in turn translates to pressure on corporate management by the fund managers!

Many companies have been ruined because of this pressure to show better results quarter after quarter. Lucent Technologies, formerly Bell Labs of AT&T, is a classic example. Once known for its research and innovation, its management, after the company was listed, succumbed to pressure by fund managers to show improved profits quarter after quarter, which they did by sacrificing long term innovations. It ultimately went into bankruptcy. Enron, WorldCom and others are similar examples.

One wishes that some fund houses would bring out closed ended funds, but with a bi-annual or an annual exit window at NAV. IDBI Mutual Fund had once done this but others haven't followed suit. The exit, in the case of IDBI Mutual Fund, was provided by IDBI, the parent, which was happy to invest in units of its own fund.

What I also hate about mutual funds is that exit is at the end of day NAV, thus exposing investors to a one day risk. Suppose you correctly judged that the market had peaked today, and had surrendered your units this morning before close of market hours. The NAV would be based on today's closing price, exposing you to a 1 day risk. I think SEBI needs to look into this and have a discussion on whether or not it is fair to investors. To me, it protects the fund more than the investor.

Having said all this, I would still recommend, to the lay reader, investing in mutual funds, especially through SIP (Systematic Investment Plan).

SIP would be especially advisable for young people with a good job and a steady salary income. It allows for them to invest in equity in a disciplined manner, leaving investment decisions to fund managers. Over a longer horizon, of 10-15-20 years, the returns would be excellent, especially if compounded.

For those who want the adrenalin rush of watching the market behave as they predicted it would, a good alternative is ETF (Exchange Traded Fund). As the name suggests, these funds, which are mutual funds, are traded on an exchange. Hence entry and exit is through a broker of a stock exchange and not by surrendering them to the fund. ETFs have some advantages over mutual funds which is why the 2 largest fund houses in the world manage ETFs. Blackrock and State Street both manage over $ 2 trillion. ETFs mimic the underlying index and neither outperform nor underperform it. Since they merely mimic the index, there is no research and hence lower costs.

Alas, ETFs have not caught on in India. The two biggest are the Nifty BeES, floated by Benchmark, and ICICI Pru's Spice. Yet several firms, like Blackrock, have set up ETFs, listed abroad, which have larger AuMs than Nifty BeES or Spice. Perhaps the latter should be better marketed and popularised.

Benchmark had, in fact, applied to SEBI to set up an Inverse Fund, one which moves in the exact opposite direction to the underlying index. SEBI has, for some reason, not granted it. That's a pity. Were it to permit Inverse funds, then lay investors have a good way to approach the market.

They simply take a view on the market without needing to take a view on a stock. So if an investor thinks that the market is headed up, he buys ETF. At the end of the rally, if he feels it is headed down, he sells the ETF and buys the Inverse fund, which would move in the opposite direction.

But why does a mutual fund basher recommend the lay investor to go for it?

The world of investing is getting increasingly complicated and influenced by too many factors. Most individual investors do not have the ability or the finances, to properly research companies prior to investing in them. Access to top corporate management is very restricted, and limited to large institutional investors. In most industries, product life cycles are getting shorter as disruptive technologies challenge them. Unless corporate managers move to the next inflection point, even good names (like Lucent) vanish. A fund manager has more resources, and more access to top management than a lay investor and most funds have performed well. The investor would need to look at the consistency of performance, not just the past 3 months or 6 months performance.

But perhaps the most important point about investing, and one that is rarely mentioned, is that one must enjoy it. If one is the type who gets stressed with every blip of the index, one should either relinquish the construction of the portfolio to a fund manager or a PMS scheme, for larger investors. To be an investor, you have to be able to enjoy the ride!

Your financial life is OK when...

Monika Halan

The writer works in the area of financial literacy and financial intermediation policy and is a certified financial planner. She is currently Editor, Mint Money.

Your job is to keep the fantastic stories of multiplier returns and land deals of your peer group from pushing you to make rash moves.

As I read through the pages and pages of questions from viewers sent by my producer for the weekly show that Mint does with NDTV, one distinct pattern emerges. Most people have the makings of a financial plan, but are simply unsure of how to proceed. Going to the next step means knowing that so far is so good. *"Am I doing OK?"* is possibly the question most often asked at the end of viewers' mail. Each person is different and each piece of advice I give is customized to a particular situation. But are there some basic running rules that we can still distil out that are not purely theoretical and take into account the fact that we live very complicated lives with little time for nuanced attention to different parts of our lives?

The answer lies in building a grid that is robust and then allowing it to play out. Your job is to keep the fantastic stories of multiplier returns and land deals of your peer group from pushing you to make rash moves. If we can do this—keep our own expectations in check; there is a set of rules that will ensure basic financial hygiene. You're doing OK if you are doing the following things:

1) You're doing OK if you are getting a full 12% of your basic deducted towards your Employees' Provident Fund. This ensures that the employer is pulling in 12% as well into your retirement fund. One calculation says that somebody who begins work in early 20's at Rs 20,000 a month salary and sees a 10% increment each year will end his career at 60 years of age with a provident fund (PF) corpus of Rs. 2.6 crore. Most of us have fragmented earning lives due to job changes or breaks in career (specially true for women) and don't allow PF to build up. To get the best of this tax-free government largesse, just don't break your PF thread. Don't withdraw, allow it to grow. In addition, if you are contributing the full Rs 70,000 to your PPF account each year and not dipping into it, you're are doing fine.

2) You're doing OK if the house in which you live is fully owned or there is a property that is in your name. In addition, if you decide to take a loan and buy another property as another real estate investment, the math becomes a bit more complicated. It will work if the rent you get covers about half the equated monthly instalment (EMI). It will work if the EMI can be covered easily by one income in a two-income household. Real estate gets complicated and very specific to the person because the ability to leverage future income differs across people, incomes and appetite for risk. The safest way is to own the roof over your head fully. Then, as a retirement planning tool, it is fine to buy a second property that you let out. Of course, the ability to deal with the seamier side of India as soon as you get into any property deal is something you need to be able to stomach. Makes me sick—but that's another story.

3) You're doing OK if you have a pure life insurance cover that gives between Rs 25 lakh and Rs 2 crore to your family in your absence. An income of Rs 12 lakh a year will usually need about Rs 50-70 lakh as cover. Keep adding cover for the loans you take. You're doing OK if you top up your office mediclaim with individual policies for self and spouse. Or if there is no office cover, individual policies for the family topped with a floater. You're doing OK if a household insurance policy covers the house and its contents.

4) You're doing OK if you have some cash in the bank towards an emergency—think of three months without income if you are trying to wrap your mind around the "how much" question. In addition, notice that investment in equity is coming last after all of the above. You are doing OK if you have a portfolio of mutual fund schemes that follow the Mint 50 list of funds. You're choosing four to six schemes and funding them every month, never mind the boom and bust cycles.

How much should you be investing? Save your age. If you are 20 years of age, 20% of your income is good. At 30, with no assets to your name, you need 30%. At 40 and 50, likewise. Most people do have some asset build-up by the time they hit 35-40, so after counting in the 24% of basic that goes into risk-free EPF, it is safe to put the incremental amount into equity funds. We tend to make baskets of our investments and break up the monthly savings further into equity funds and safe fixed deposits. After all of the above steps are over and you have a number that you know you can save in addition to all the premiums, EMI, PF cuts, tax and all the rest, go solidly for equity funds. And you'll do OK.

The Secret to a Wealthy Future

Rahul Goel

The writer is CEO of www.Equitymaster.com, India's leading independent equity research initiative.

... is to watch business television day in and day out.

To listen to every expert on television, and in print.

To swear by your broker... and his commandment - *Thou shall trade to make money.*

And of course, to attend every cocktail party to get *khabbar*.

Now, I can go on and on, but I sense you are no longer interested. In fact you are sceptical.

So, I will stop.

And ask you to ponder over this one simple question – If you actually do not believe in what I just said, then, after putting down this guide, why go back to doing these very same things?!

Isn't that true? At least for most of us.

Theoretically we are all PhDs, but when it comes to practicals, it goes all downhill!

And that's because we don't trust that one thing that we have – common sense.

And that is also possibly the secret we are all searching for.

It's something we have. But we choose to ignore when it comes to taking critical decisions. Or for that matter most decisions.

These are reserved for the experts. For unless we shell out a fat bundle of cash, we will not believe we have got the correct advice.

Now, I am not about to take on the task of proving that this is the secret... that I leave to you!

But let me try and apply common sense and answer some questions that people keep putting to us:

Should one invest in stocks or mutual funds?

Well, we know that investing and managing a portfolio of stocks is a very time consuming job.

In the case of mutual funds however, if carefully selected, there's not much for you to do. Maybe review once or twice a year. That's it.

So, common sense tells us, irrespective of whether you are an expert in picking stocks or not, what should drive the decision to invest in stocks or mutual funds is the spare time available with you.

If you don't have much free time, don't invest a lot of money in stocks. Focus your investments on well managed mutual funds.

On the other hand if you have the time then stocks it is for you. You can still have some funds to benefit from the expertise of a smart fund manager.

Should you trust the advice given by a stock broker?

Let me answer this by asking a question – When was the last time your broker told you to buy so and so stock and keep it for the next 10 years?

Most would say probably never. Or rarely.

And the reason for this is not far to seek. A broker's income is directly linked to the trading activity of his clients. The more you trade, the more money they make.

So, common sense tells us that it is likely that a broker will encourage you to trade, even though that may not be your goal.

And if that's the case, you need to be cautious. (But most of us still blindly trust all brokers!)

But then where do you go for the right advice?

To my mind there is no alternative to an "independent" opinion.

- Opinion that is independent of broking commissions.
- Opinion that is independent of any side investment/corporate banking deals that may be happening.
- Opinion that is independent of any side income or fee that may influence it.

When an opinion is truly "independent" the only thing that matters is the opinion itself.

And the beneficiary is solely the recipient of this opinion.

So, what about the originator of the opinion? Does he not make money?

Well, he does. Only if over time his opinions hit the mark i.e. when you profit from his advice.

In other words, he is incentivised only when you make a profit!

Now, that's common sense telling us that this is a good deal... he makes a profit, when you make a profit!

And that's precisely why you need to have access to an "independent" opinion when buying stocks, or even funds for that matter.

To conclude, here's proof that common sense is not so common after all!

A search on Google for "common sense investing" generated 2.6 million results.

For "broker tips" the count was 27.1 million!

Importance of Asset Allocation

Sandeep Shanbhag
The writer is Director, Wonderland Consultants, a tax and financial planning firm.

I have generally found that the investing process for most investors means deliberating over which particular instrument to invest in. Asset allocation is paid little attention to. In spite of the fact that the starting point of any investment plan is a properly devised asset allocation strategy. Basically asset allocation refers to the process of consciously spreading your investments across various asset classes in order to insulate your entire portfolio from the poor performance of any one single class of securities. The objective is to balance risk by means of diversifying.

Actually, most investors don't really put all their eggs in one basket. In all probability you would have invested some money in direct equity, some in mutual funds...there would be a PPF account or two. Gold and bank deposits would probably round off your diversified portfolio. However, notice that I have referred to 'consciously spreading your investments'. Do you know exactly what proportion of your investments are contained in which assets and why? Though we all do eventually park our money in diverse instruments, the resultant asset allocation is more of an accident than design. For example, we tend to succumb to current market sentiment and the flavours of the season. Some time back it was equity. Now since the market is falling and interest rates rising, it is FMPs all the way. Equity linked debentures are also being sold aggressively. So in all probability, over the next year or two, one would find that the percentage of money invested in the above mentioned assets has gone up substantially as compared to equity and equity funds. This throws your portfolio off kilter thereby sub-optimizing total return.

Now, if a tailor-made, suitable asset allocation strategy were in place, it would have indicated that rather than going overboard on FMPs, during current times, you should actually be adding a little to your equity portfolio. Basically sticking to your allocation pattern would discipline you to buy low. And then eventually when the market picks up and the aggressively promoted equity funds make a comeback, it is your asset allocation that would prevent you from succumbing to the seduction. Sticking to the allocation pattern would have you actually reducing the equity component in your portfolio. In effect, you would have booked profits and sold high. And as everyone knows but seldom practices, buying low and selling high is the only way to make money in the stock market.

Therefore, while investing is important, asset allocation is critical. Since one does not know beforehand what tomorrow's economic situation would be like, it is but logical to invest in more than one asset class. In other words your selection of specific stocks, bonds or deposits is actually secondary to the decision of how much to allocate between the high and low-risk investments.

Determine Your Goals

That being said, we come to another aspect of the planning process and that is setting achievable goals. Without having carefully thought out financial goals, any asset allocation or investment plan will be meaningless. It will be like starting on a journey without any particular destination in mind. Note however that the goals have to be realistic and objective.

For example, you may wish to start a small business after retirement, your daughter wonders if you could lend a little financial support for her education abroad, you also want something in hand for her marriage when the time comes and then there is this small row house that you always wanted to buy at your native place.....yes the wants are many and all may or may not be fulfilled. However, the thing to do is to put it down on paper, in terms of cold numbers. This way, you have graduated from having a hazy idea about your requirement to being fully seized with at least a broad ball park figure.

Now in the case of your post-retirement needs, you need not worry about short-term fluctuations in the stock market. A large part of your investment for this purpose should go into stocks and mutual funds. But if your daughter is say four years from entering college or getting married, you may need to tilt your asset allocation to safer fixed-income investments.

To put it differently, asset allocation has to be optimized as per one's life situation – this is also known as life cycle based asset allocation. The investment mix comprises equities, fixed income securities, gold and of course money market instruments or cash.

	Single	With Family	Nearing Retirement
Equities	65%	40%	20%
Fixed Income	10%	30%	40%
Gold	15%	20%	25%
Cash / Money Market	10%	10%	15%

When you are single, obviously your ability to take risk is higher and hence almost 65% of your money may be invested in equities. Note that this figure is not cast in stone – rather it has to be adjusted as per your risk appetite. Equity exposure at this stage in life could even be higher. However once you are married and have kids, your responsibilities towards family, education etc. increases and consequently the ability to take risk reduces. Therefore in this stage of life, the risk allocation gets scaled down and the proportion of safer assets increases. The last stage of course is nearing retirement where almost 80% or more of the portfolio comprises safe assets with a small proportion devoted to equities.

Then there is rebalancing. As you must have figured out by now, by definition, asset allocation can never be a one time exercise. Therefore, it is important to conduct periodic portfolio reviews, since over time the value of the various assets within your portfolio will change thereby affecting the weighting of each asset class.

So in order to reset your portfolio back to its original state you need to rebalance your portfolio. Therefore you would need to sell portions of your assets that have increased significantly and channel those funds to purchase additional assets that have fallen in value or increased at a lesser rate.

Time Is Your Best Friend

Last but not the least, do start early. Though it is never too early or ever too late to start the financial planning process – starting early definitely will give you a great advantage.

Actually, successful investing is combination of the powerful twin forces of compound interest and time. Compound interest in solitude means little. And time without the company of compound interest is equally meaningless

Which is why it is said that for every ten years you delay saving for retirement you will have to save three times as much each month to catch up.

We take the example of two persons – one a youth in his twenties and the other being in the middle of his career in his forties.

	Early Starter	Late Starter
Current age in years	25	45
Age at retirement	60	60
Difference	35	15
Amount invested per year (Rs.)	24,000	24,000
Growth rate	10%	10%
Maturity Value (Rs.)	65,04,585	7,62,540

Both plan to retire by 60 years of age and towards this end invest say Rs. 24,000 per year. Notice that in the end the difference in the total amount invested between the two is just Rs. 4,80,000 – however note the difference in the maturity amounts – it is a whopping Rs. 57 lakh. This is nothing but the power of compounding combined with time.

Just to match the total absolute return of the early starter – the late starter will have to invest almost Rs. 1,81,000 more each year.

To sum up, as Shauna Carther of Investopedia so succinctly puts it, the eventual goal of any investor is to maximize return for a chosen level of risk or stated another way to minimize risk given a certain expected level of return. The only way to achieve this goal on a consistent basis is by conscious asset allocation. Or as they say, failing to plan is planning to fail.

Who is your guide in walking through the investment jungle?

Vipin Khandelwal

The writer is CEO, PersonalFN, an independent personal finance research and financial planning company. PersonalFN, since 1999, has been providing unbiased financial planning and investment advice to thousands of individuals across the world.

As an investor, at some point in your investing life, you might have been mis-sold, or might have bought, investment products that do not fit in with for your personal life goals. Or you may have invested into mutual funds based on the advice of a friend, a neighbor, a bank Relationship Manager, or a good ad campaign running across various media.

Result: Your life's financial graph is not at its optimum point and high costs are eating into returns.

Stories abound of investors who have made financial decisions that were not the best for them, based on 'popular' advice.

One such recent case was that of an investor who had been sold 54 endowment policies – identical insurance policies only with varying tenures. The agent who had sold him these policies had told him that this was the perfect way to deploy his funds, as every year he would receive the maturity value of at least one of these policies, so he would have guaranteed income every year, starting in 10 years.

Yes, he would, but the guaranteed return would have been 4.5% per annum for the rest of this investor's life. And this investor was not aware of what exactly an endowment policy was.

Another example is of an investor who had invested in a total of 66 mutual fund schemes – some with a track record of a few years, but mostly NFOs. The value of his portfolio was Rs. 10.35 lakhs.

There are also cases of senior citizens who had been sold Unit Linked Insurance Plans (ULIPs) to grow their wealth – ULIPs being high equity exposure products that are slated to do well over a horizon of 10 years or more.

These individual examples are representative of a larger problem.

Investors are often unaware, busy living their own lives and working hard to provide the best for their families. Unfortunately, earning money and building your wealth are different things that require different skill sets. And you need to develop both in order to survive in this investment jungle where several money-eaters abound.

Brokers and money managers will use their investment knowledge, and your lack of it, to their benefit and not yours. Regulation currently is sorely lacking a means to protect the individual retail investor from falling prey to a hungry agent looking to make a quick buck.

This is aided by the fact that until now, most investors would focus purely on acquiring the investment instrument. They would buy the mutual fund and the insurance policy, invest into the PMS and the risky corporate FD. This was rarely an informed, aware decision and was almost never backed by a thought on financial planning to achieve one's life goals.

Things are changing.

In the last couple of years and especially after SEBI banned entry loads in mutual funds over a year ago, there has been a sea of change in the perception about financial planning, both in the minds of investors as well as service providers. Ironically, media has contributed to the awareness created, as most investors now seem to get the idea of doing planning.

Financial Planning as a concept in itself is fairly straightforward.

If you have a goal (of say, sending your child to college in 10 years), and you're going to need say Rs. 20 lakhs for this goal in today's terms, then just factor in inflation to see what you're going to need in 10 years (Rs. 52 lakhs at 10% inflation per year) and start investing in the right proportion, in the right place, to achieve this corpus, keeping in mind your risk appetite and cash flows.

Keys to a Safe Financial Journey

- Consider multiple life goals
- Factor in existing investments
- Make sure to have enough (and the right kind of) insurance
- Above all – build a contingency fund
- Add in the right (unbiased) recommendations – and you're on the road to financial well-being.

Your Financial Planner will be able to put together a customized, specific financial plan for you that takes into account your life goals, your cash inflows and outflows, your existing assets, your personal risk profile and other data specific to you, and build you a financial plan that you can safely implement to help you achieve your life goals. It's very simple.

The key lies in choosing the right Planner.

There has been a sea change in the perception about financial planning, both in the minds of investors as well as service providers.

Today, everybody from your bank to your insurance agent claims to do Financial Planning.

Your bank RM most likely will make you fill up a 3 page form, tell you that you are a 'moderately aggressive' investor and sell you something you might not really need.

Your insurance agent will do something very similar and sell you an endowment policy until ULIPs become fashionable again.

The truth is, building a strong Financial Plan is much more than just a three-page, 20 minute process.

Like all good things, it takes time.

The right Financial Planner will understand your life as it stands financially today, and help you quantify your life goals. Your age, risk appetite and tolerance, financial commitments and desired lifestyle will be assessed. The right Financial Planner will most importantly be unbiased.

An unbiased Financial Planner will act in your best interests.

An unbiased Financial Planner will have a moral responsibility to help you achieve the best that you can achieve with optimum risk.

Your Financial Planner will consider not only where you stand today and what you want to maintain, but also what you want to achieve, how you want your wealth to grow, how you want to take care of your loved ones, and what options you can consider to do so.

Before you sign on with someone who is going to prepare a Plan for your financial life, ask some simple questions:

i. What is the business model of the Financial Planning firm? How does it earn its revenues?

ii. What is the process they follow in building a financial plan? Have a look at a sample plan.

iii. What is the team size? Their experience and qualifications?

iv. Are their recommendations based on solid research or driven by commissions?

v. How long has the individual or the organization been in business? How many clients have they made financial plans for?

vi. Can they give references of existing clients with whom you can speak to? you're on the road to financial well-being.

Do a detailed discussion with your prospective financial planner. Once you are satisfied on all these parameters, then go ahead and sign up.

Your Planner's job is to evaluate available options for you – should you buy that house now or in 3 years?

Should you re-evaluate your current insurance now that there's a new member in the family?

How much and more importantly how should you invest in different asset classes to achieve your goal corpuses?

Your Planner will help you make the right choices with your money.

A Financial Plan can take up to a month to get just right, with multiple levels of work and re-work involved. Your Planner will be doing a lot of work for you. A lot more than just helping you fill up a three page form.

Remember there's only one person responsible for what happens to your savings and investments – and that's you. On your part, you can make yourself even more aware, educate yourself. Know what you need.

Know that there are no free lunches. If you want financial peace of mind and you want your wealth to grow in an optimum manner, then get your guide to walk you through the investment jungle. Get the right Planner!

Investing in Mutual Funds

Vivek Law

The writer is Editor, Bloomberg UTV, and has over 17 years of journalism experience in covering Indian financial markets including personal finance, real estate, economic crime, and investor grievances.

Here is a true life story that plays out every day. The script is the same, only the cast changes. An investor with Rs 10,000 worth of mutual fund investments through a systematic investment plan (SIP), spread across a minimum of 10 schemes! In fact, the other day an investor called in holding 27 schemes, and a day later, an elderly gentleman called in with, hold your breath, 40 schemes!

The misconception investors carry, and one that is very happily perpetrated by many agents to fill their own pockets, is that a mutual fund scheme is like a stock. The more shares you buy, the lesser you are at risk of losing money. It's called the power of diversification.

What investors forget is that a mutual fund scheme is in itself a diversification tool. You invest in a mutual fund because you prefer to allow a professional fund manager to pick the right basket of shares for you, rather than building a portfolio of shares yourself. And there are various types of equity mutual fund schemes. You have the diversified funds that pick up stocks across all sizes...big companies, medium sized companies and sometime even smaller companies. You have the large cap funds which as the name suggests focus on only the larger companies. Mid cap funds that go lower down to pick some medium sized companies that have the potential to grow fast. And some small cap schemes that go further down the ladder and pick even smaller companies.

As is clear, the risk in each of these categories varies e.g. it would be less risky to invest in a big company than in a small company that may or may not become big. At the same time, an already large company may not grow as fast as a smaller company would. And that simply put is the risk versus reward balance that each investor has to consider depending on his/her risk capability.

So now comes the question: How many schemes do I need to invest in? Now supposing you have decided to invest in a large cap fund. Please remember there are only that many large companies in India. So isn't it obvious that there would not be too much-the operative word is too much-of a difference in the companies one good mutual fund scheme picks from any other equally good scheme? The next question would be: So do I need to not take care of something going wrong at a mutual fund house? Agreed. So you can opt for two or maybe at best three. But do you need more?

Look at any research, there is very little to differentiate between the top few schemes in terms of returns. Moreover, if you have like a prudent investor looked well into the past track record of a scheme over many years, your fears are minimised. So if you buy 5 large cap funds, you have actually bought the same Reliance stock for example, through five different schemes!

The key to good investing through mutual funds is not the number of schemes you have but a right balance. A balanced dose of large companies, mid caps, and only then sectoral or thematic schemes. And equally importantly, a good dose of balanced and debt funds as well to ensure all your money is not parked in a risky asset like equity, that does give good returns in the long run but also comes with a risk.

So the next question is: So how do I land up with so many schemes? That's because you are convinced to buy them! Every time your agent sells you a scheme he gets a commission! So the next time you decide to invest in mutual funds, follow these steps.

Decide clearly your risk taking ability. Then a quick search on the internet will tell you which are the best performing schemes in a category. Do look at the past track record as well. The way to go is SIP. First pick a diversified scheme and then expand over time to mid caps and then sectoral schemes if you are fine with equity, or else opt for a balanced fund scheme. And finally, remember it's not the number of schemes you have but the number of years you have to invest in them that matters. Happy investing!

AT A GLANCE

We have given you a glimpse of what the world of investing is like and why it is important to follow a few principles of investment.

And we have given you the rationale for why, at Quantum Mutual Fund, we do what we do.

And now we would like to leave you with a few universal truths of investing:

What we call the Quantum Theory of Investment.

Here they are.

Saving money is a great idea. Capitalism has been defined as the postponement of consumption to the ever-postponable future. Debt is what makes the banks rich and makes you poor.

Putting that savings to work in an intelligent manner for your long term benefit is investing.

Where you invest should be a function of what you are investing for - not a function of what is fashionable, or what your neighbour is doing. If you have no children, there is no reason to invest in properties. If you have children and wish them to have some security of ownership, you could consider investing in an “extra” property.

No matter how dumb it may sound to others around you, you must invest in gold. No paper currency has been in existence for more than 100 years. Ever.

Even the present US Dollar as we know it was only “born” on August 15, 1971.

And it has lost 98% of its value when measured in gold since then. Or, to put it another way, gold has gained about 45x against the US Dollar in the past 30 years.

How much you invest in each asset class should be driven by discipline and study

– and you should be regular in your review of your investments.

You can invest directly in shares – or invest in mutual funds that ultimately buy the shares.

If you invest directly in shares, you need to have the time to “stay on top of it”.

If you invest in mutual funds, you must take time to understand how investment decisions are made by the mutual fund houses.

Recognize that all returns are expectations of gain. No one can ever predict a return for you, but you can predict the costs. In general, every investment vehicle that has a lower cost attached to it, is likely to do better than a similar investment with a higher cost base attached to it.

Listen to what everyone has to say, educate yourself, and then make the decision with your eyes wide open. Never try hitting a six with every ball:

Life is not a 20/20 cricket game. Hire the batsmen who are consistent and who can deliver results under all circumstances. If you wish to gamble, fly to Macau or Las Vegas. The drinks are free and the food is good. At least you can enjoy your money as you lose it.

And, the one rule that we were taught many years ago: if you shake someone’s hands, and you don’t get 5 fingers back – don’t shake their hands again. No matter how sweet the investment opportunity sounds.

This, then is the Quantum Theory of Investment. Which we hope you can use to let your savings work for you for sensible, long-term returns and to create wealth for you and your family.

Happy Investing!

ANNEXURE

Quantum Mutual Fund Performance as on July 29, 2011

Quantum Long Term Equity Fund

Period	Returns – Growth Option	Benchmark Returns – BSE 30 TRI
1 year	4.45%	2.98%
3 years	20.06%	9.41
5 years	17.20%	12.79%
Since Inception	15.60%	11.97%

Past performance may or may not sustained in future and may not necessarily provide a basis for comparison with other investments.

Above returns are Compounded Annualized Returns. Date of inception : March 13, 2006. Since inception returns are calculated on NAV of Rs. 10 invested at inception.

Quantum Tax Saving Fund

Period	Returns – Growth Option	Benchmark Returns – BSE 30 TRI
1 year	3.34%	2.98%
Since Inception	34.40%	28.82%

Past performance may or may not sustained in future and may not necessarily provide a basis for comparison with other investments.

Above returns are Compounded Annualized Returns. Date of inception : December 23, 2008. Since inception returns are calculated on NAV of Rs. 10 invested at inception.

Quantum Equity Fund of Funds

Period	Returns – Growth Option	Benchmark Returns – BSE 200 Index
1 year	3.06%	-1.10%
Since Inception	18.02%	10.34%

Past Performance may or may not be sustained in the future and may not necessarily provide a basis for comparison with other investments.

Above returns are Compounded Annualized Returns. Date of Inception - July 20, 2009. Since inception returns are calculated on NAV of Rs. 10 invested at inception.

Quantum Liquid Fund (as on July 31, 2011)

Period	Returns – Growth Option	Benchmark Returns – Crisil Liquid Fund Index
7 days*	0.1610%	0.1409%
15 days*	0.3674%	0.2828%
30 days*	0.7114%	0.5785%
3 months*	2.1963%	1.9237%
6 months*	4.2464%	3.8676%
1 year**	7.9063%	7.3391%
3 years**	6.6380%	6.2308%
Since Inception**	7.0500%	6.5319%

* Absolute returns ** Compounded Annualized Returns.

Past Performance may or may not be sustained in the future and may not necessarily provide a basis for comparison with other investments.

Date of Inception - April 07, 2006. Since inception returns are calculated on NAV of Rs. 10 invested at inception.

Quantum Gold Savings Fund

Period	Returns – Growth Option	Benchmark Returns – S&P CNX Nifty Index
Since Inception	5.16%	6.29%

Past Performance may or may not be sustained in the future and may not necessarily provide a basis for comparison with other investments.

Above returns are Absolute Returns. Date of Inception - May 19, 2011. Since inception returns are calculated on NAV of Rs. 10 invested at inception

Quantum Gold Fund ETF

Period	Returns – Growth Option	Benchmark Returns – Domestic Price of Gold
1 year	29.41%	30.70%
3 years	21.55%	22.75%
Since Inception	20.27%	20.42%

Past Performance may or may not be sustained in the future and may not necessarily provide a basis for comparison with other investments.

Above returns are Compounded Annualized Returns. Date of Inception – February 22, 2008. Since inception returns are calculated on NAV of Rs. 100 invested at inception

Quantum Index Fund ETF

Period	Returns – Growth Option	Benchmark Returns – S&P CNX Nifty Index
1 year	2.85%	2.13%
Since Inception	11.27%	9.44%

Past Performance may or may not be sustained in the future and may not necessarily provide a basis for comparison with other investments.

Above returns are Compounded Annualized Returns. Date of Inception - July 10, 2008. Since inception returns are calculated on NAV of Rs. 100 invested at inception

STATUORY DETAILS, DISCLAIMERS AND RISK FACTORS:

The cost of this booklet is not paid for by the investor.

Wealth Generation, Wealth Creation and Path to Profit do not mean guaranteed future results.

The views expressed here in this booklet constitute only the opinions and do not constitute any guidelines or recommendation on any course of action to be followed by the reader. The data / information / opinions are meant for general reading purposes only and are not meant to serve as a professional guide / investment advice for the readers. This booklet has been prepared on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst no action has been suggested or offered based upon the information provided herein, due care has been taken to endeavor that the facts are accurate and opinions given are fair and reasonable as on date. The data / information / opinions are not intended to be an offer for the purchase or sale of any financial product or instrument or units of the mutual fund. Readers are advised to seek independent professional advice and arrive at an informed investment decision before making any investments.

Neither of The Sponsor, nor The Investment Manager, nor The Trustee, nor their respective directors, employees, affiliates or representatives shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way from the data / information / opinions contained in this booklet.

Investment Objective: Quantum Long-Term Equity Fund (QLTEF): An open ended equity scheme with an objective 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) :** An open ended Liquid scheme with an objective 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 (QGF) :** An open ended gold exchange traded fund with an objective 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) : An open ended exchange traded fund with an objective 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) :** An open ended equity linked savings scheme with an objective 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) :** An open ended equity fund of funds scheme with an objective 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. **Quantum Gold Savings Fund (QGSF):** The investment objective of the Scheme is to provide capital appreciation by predominantly investing in units of Quantum Gold Fund - Exchange Traded Fund (QGF). The performance of the Scheme may differ from that of Quantum Gold Fund and the domestic prices of gold due to expenses and certain other factors. There can be no assurance or guarantee that the investment objective of the Scheme will be achieved. **Entry Load:** Not applicable. **Exit Load: QLTEF:** On repurchase/redemption/switch-out within 6 months from the date allotment- 4%, after 6 months but within 12 months from the date of allotment- 3%, after 12 months but within 18 months from the date of allotment - 2%, after 18 months but within 24 months from the date of allotment - 1%, after 24 months of allotment - Nil. **QLF :** Nil; **QGF:** Nil in case of both Authorised Participants and 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 schemes 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 the names of the schemes and does not in any manner indicate either the quality of the Schemes, their 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. Under Liquid Schemes changes in interest rate may affect the Scheme's NAV. The QGF's NAV will react to the Gold price movements. 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. QEFOF's performance will depend upon the performance of the underlying schemes. Past performance of the Sponsor and its 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'. **Statutory Details:** Quantum Mutual Fund (the Fund) has been constituted as a Trust under the Indian Trusts Act, 1882.**Sponsor:** 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 Investment Manager are incorporated under the Companies Act, 1956. **Mutual Funds investments are subject to market risks. Please read the Scheme Information Document / Key Information Memorandum / Statement of Additional Information / Addendums carefully before investing. Scheme Information Document / Key Information Memorandum / 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 the website www.QuantumMF.com.** Published on 19.08.2011