Mumbai PTP – Mar 05, 2022 – Q&A

1) What is the fund selection criteria we follow in QEFOF?

Ans: At the outset, the equity fund universe is filtered to include only Diversified Equity Funds (sector and thematic funds are disqualified) with a 5-Yr track record.
The filtered list of funds is then subjected to below parameters:

Quantitative parameters

1. Risk adjusted returns and other risk parameters

• Returns over various time periods that include different dimensions of performance
• Sharpe Ratio
• Information Ratio
• Stock concentration levels

2. Performance across market cycles

We prefer fund managers who have participated in multiple market cycles and proved their mettle across various cycles

3. Portfolio valuation

We also assign a fair share to the relative valuation attractiveness of the fund vis-à-vis its peer group

Qualitative parameters

1. Investment systems and process

Detailed Questionnaire & in person fund manager meetings
• Stock selection process
• Portfolio construction process including understanding portfolio changes in the fund
• Portfolio strategy including limits on exposure to a single stock or a particular sector
• Liquidity, Fund capacity and portfolio churn
• Measurement – against benchmark / peers – tracking error
• What is the limit on cash holdings, derivatives, etc?
• Other Funds managed by the fund manager
• Back up on the portfolio? 'Star' fund manager risk

2. Look for Red flags

Fund manager meetings provides us with an opportunity to verify if the Fund Manager walks the talks and we don't invest in funds where we see any red flags like major deviations from investment mandates

3. Consistency in characteristics of the portfolio

Subjective assessment

- Philosophy
- Strategy adherence
- Process orientation
- Team dependence
- Internal vs external research
- Succession planning

2) What is the expense ratio of QEFOF?

Ans: As of February 2022, the QEFOF has an expense ratio of 0.51%. If you account for the expense ratio of the underlying funds, the total expense ratio to the investor is 1.13%. Even after the 'double' expense ratio, the QEFOF overall expense ratio is very competitive, and it has generated 9.30% since its inception compared to its benchmark returns at 10.52%.

Performance of the Scheme — Direct Plan

Quantum Multi Asset Fund of Funds - Direct Plan

				Current Value ₹10,000 Invested at the beginning of a given period		
Period	Scheme Returns (%)	Tier 1 - Benchmark# Returns (%)	Additional Benchmark Returns (%)##	Scheme Returns (₹)	Tier 1 - Benchmark# Returns (₹)	Additional Benchmark Returns (₹)##
Since Inception (11th Jul 2012)	9.30%	10.52%	14.36%	23,574	26,239	36,482
Feb 27, 2015 to Feb 28, 2022 (7 years)	8.13%	9.63%	11.20%	17,297	19,052	21,037
Feb 28, 2017 to Feb 28, 2022 (5 years)	8.19%	11.42%	15.73%	14,823	17,177	20,766
Feb 28, 2019 to Feb 28, 2022 (3 years)	9.25%	12.93%	17.49%	13,044	14,409	16,224
Feb 26, 2021 to Feb 28, 2022 (1 year)	6.95%	10.31%	15.65%	10,699	11,036	11,574

#CRISIL Composite Bond Fund Index (20%) + CRISIL Liquid Index(25%) + S&P BSE Total Return Index (40+ Domestic Price of Gold (15%) - Direct ##S&P BSE Sensex TRI Data as of Feb 28, 2022. **Past performance may or may not be sustained in the future.**
Load is not taken into consideration in scheme returns calculation.
Different Plans shall have a different expense structure.
Returns are net of total expenses and are calculated on the basis of Compounded Annualized Growth Rate (CAGR).
The fund is managed by Chirag Mehta and Nilesh Shetty. For performance of other Schemes managed by them, please click here.

3) What is the reason for FII pulling out the money and when will be they investing back?

Ans: Foreigners were large investors in 2020-21 and given the run up in the market, they are booking profits. Also, India on a relative basis, has outperformed and is overvalued as compared to other EMs, hence they may be re-allocating to other EM.

Inflation in the US in January has surged a 40-year high at 7.5%. To bring down inflation and tighten the surplus liquidity, US Federal Reserve has decided to begin rate hikes sooner than later. The U.S. 10-year Treasury yields have shot up as a result, causing capital to move back to the developed economies from the emerging market economies such as India. Since the tapering of the bond-buying program in November 2021, we have seen Foreign Portfolio Investors (FPIs) becoming net sellers, whereas domestic mutual funds have been net buyers and continued to invest in Indian stocks.

However, it is not always the case that rate hikes could prove detrimental for the equity markets. In fact, rate hikes often are indicators of improved macroeconomic indicators – for instance, higher company earnings, GDP growth, and many others. However, India's long term growth story is still intact and once the geopolitical crisis eases and crude oil prices start lowering, India will continue to be an attractive market among emerging peers for investing in equity markets.

4) Which area is better for investment? (In terms of asset class)?

Ans: It seems difficult to predict the next best performing asset class. Different asset classes respond differently to macroeconomic developments and tend to move in cycles. There have been years when equity markets had a brilliant run, years when only bonds were dependable, and years when gold shined the brightest, and these periods did not typically overlap. This makes it imperative to spread your money across asset classes to smoothen out the ups and downs. This is simply known as asset allocation.

Also, the most important aspect of asset allocation is to understand is what is your objective, your goal, your risk appetite and your return expectation. Based on those, you create a portfolio.

5. Should we invest as per the rating of MF on Value research and money control?

Ans: We believe rankings do not give the complete story. The top-performing funds of today may not be among the top tomorrow. We believe different investment styles perform differently according to the market cycles. Such cyclical factors may take a mutual fund scheme performance up or down depending on the market conditions. To select a winning mutual fund portfolio, it is important to dig a little deeper and look at quantitative and qualitative factors. While quantitative metrics helps offer a good understanding of the fund's past performance, the qualitative aspects would help recognize how a mutual fund scheme is likely to perform in the future.

We would especially caution you against investing in debt funds based on star ratings. In debt, generally higher the risk would mean higher return, so, a fund with a high risk and high return may be accorded the highest ranking but may be completely unsuitable for your risk/return expectation.

6. Views on Liquid fund vis-a-vis saving account.

Ans: The best way to ride the imminent rate hiking cycle is to focus on the short maturity segments of the market. Investors in liquid funds and money markets funds should see their returns potentially improve as compared to a bank savings account.

As the rates increase, the underlying investment in a liquid fund keeps reinvesting in higher-yielding assets.

So, when interest rates are likely to go up, instead of keeping your money in a savings account where the interest rate is stagnant, in a rate hiking cycle, move that money into a liquid fund, which has the potential to increase.

7. Do we invest in Real Estate?

Ans: At Quantum, we do not invest in real estate as an asset class. We may invest in companies in the real estate sector but getting good companies meeting our corporate governance and integrity requirements is very difficult.

8. Do we have plan to launch Global funds?

Ans: We are working on some strategies to launch a global fund as well. If something works well from a research perspective and provided and we can add value, only then we will launch a fund. We will always keep it simple; we will not be launching funds every now and then, only when we see a purpose, only when we see a need, that is when we will launch a fund.
9. Due to global turmoil do you suggest investing in equity to generate FD+ returns?

if you are looking for FD+ returns, then please do not invest only in equities. The Quantum Multi Asset Fund is a suitable option for investors looking for a FD+ return. It invests in equities, debt and gold and seeks to achieve a balanced risk/return allocation.

During a global turmoil, equities will be volatile but that is the time which also provide some of the best opportunities to build your long-term wealth creation portfolio in equities by investing in good companies or even better by investing In diversified equity mutual funds.

10. Oil prices is increasing what will be effect on inflation and how it will affect the interest rate and what will be the govt action on the same?

Ans: Oil prices are India's biggest short term macro risk. When oil prices go up, we see an increase in the trade deficit, an increase in inflation and an increase in the government subsidy payments. High oil prices thus mean a weaker currency, higher commodity prices and higher interest rates. If the prices are up to $100/brl, itis manageable, but if it sustains above 100/brl for some time it will become a concern.

The government can buffer the consumer from some of the impact by reducing the taxes on fuel and taking on some of the hit.

11. Should we consider investing in Gold at current price?

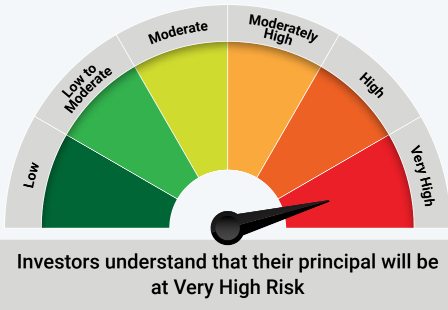
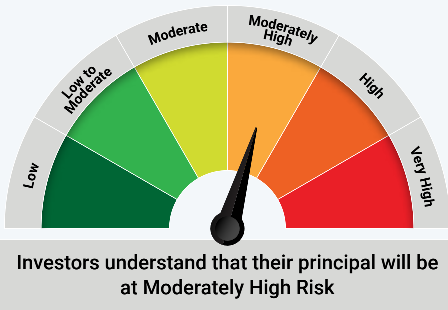
Ans: Geopolitical tensions, rising inflation due to rising Crude oil prices and weakening rupee can be tailwinds for gold for the short term. However, note that Gold prices will moderate in response to Fed's tightening monetary policy that will increase the interest rates thereby increasing the opportunity cost of holding non-interest bearing gold. Nevertheless, it makes sense to invest in gold for its strategic value and not a tactical play.

However, investors need to keep in mind that gold is not a tactical asset. You should stick to the asset allocation and allocate up to 20% of your portfolio to this strategic asset class.

Gold remains a risk-reducing portfolio diversifier due to its several properties.

• Ability to keep pace with inflation
• Long term Store of value
• Upholds value during macro-economic uncertainty

Product Labeling

Name of the Scheme	This product is suitable for investors who are seeking*	Riskometer
Quantum Equity Fund of Funds **An Open Ended Fund of Funds scheme Investing in Open Ended Diversified Equity Schemes of Mutual Funds**	• **Long term capital appreciation** • **Investments in portfolio of open-ended diversified equity schemes of mutual funds registered with SEBI whose underlying investments are in equity and equity related securities of diversified companies**	
Quantum Multi Asset Fund of Funds **An Open Ended Fund of Funds Scheme Investing in schemes of Quantum Mutual Fund**	• **Long term capital appreciation and current income** • **Investments in portfolio of schemes of Quantum Mutual Fund whose underlying investments are in equity , debt / money market instruments and gold**	

*Investors should consult their financial advisors if in doubt about whether the product is suitable for them.
The Risk Level of the Scheme in the Riskometer is based on the portfolio of the scheme as on February 28, 2022.

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