



QUANTUM MUTUAL FUND

FOR THOUGHTFUL INVESTORS

Investment Manager: Quantum Asset Management Company Private Limited

6th Floor, Hoechst House, Nariman Point, Mumbai - 400021, India

Toll Free No.: 1800-209-3863/1800-22-3863; Email: CustomerCare@QuantumAMC.com

Website: www.QuantumAMC.com CIN: U65990MH2005PTC156152

ADDENDUM NO. 03/ 2024

NOTICE CUM ADDENDUM

Notice Cum Addendum to the Scheme Information Document (SID) and Key Information Memorandum (KIM) of Quantum India ESG Equity Fund

NOTICE IS HEREBY GIVEN THAT in accordance with SEBI Circular No. SEBI / HO/IMD/IMD-I – PoD1/P/CIR/2023 /125 dated July 20,2023 – New Category of Mutual Fund Schemes for Environmental, Social and Governance(“ESG”) investing and related disclosure by Mutual Funds, the name of Quantum India ESG Equity Fund will be changed to Quantum ESG Best In Class Strategy Fund (Scheme) reflecting the ESG Investment Strategy of the Scheme with effect from February 1,2024. SEBI vide its email dated January 19,2024 has taken on its records change of Scheme name to Quantum ESG Best In Class Strategy Fund. Accordingly, the following are the scheme features have been revised:

Sr. No.	Particulars	Existing Scheme Features	Revised Scheme Features																														
1	Name of the Scheme	Quantum India ESG Equity Fund`	Quantum ESG Best In Class Strategy Fund																														
2	Type of the Scheme	An Open-ended equity scheme investing in companies following Environment, Social and Governance (ESG) theme.	An Open-ended equity scheme investing in companies following Environment, Social and Governance (ESG) theme assessed through a Best In Class Strategy																														
3	Investment Objectives	<p>The Investment Objective of the scheme is to achieve long-term capital appreciation by investing in share of companies that meet Quantum's Environment, Social and Governance (ESG) criteria.</p> <p>The sustainability objectives of the ESG strategy are:</p> <ol style="list-style-type: none">achieving positive and above-average ESG profilemitigating ESG risks and harnessing ESG opportunities, andinfluencing overall positive behavior by investing in companies that promote sustainable products and services.	<p>The Investment Objective of the scheme is to achieve long-term capital appreciation by investing in share of companies identified based on the Environment, Social and Governance (ESG) theme following Best in Class Strategy.</p> <p>There is no assurance that the Investment Objective of the Scheme will be achieved.</p>																														
4	Asset Allocation Pattern	<table><thead><tr><th rowspan="2">Instruments</th><th colspan="2">Indicative Allocation (% of Total Assets)</th><th>Risk Profile</th></tr><tr><th>Minimum</th><th>Maximum</th><th>High/ Medium / Low</th></tr></thead><tbody><tr><td>Equity & Equity Related Instruments of Companies following ESG Criteria</td><td>80</td><td>100</td><td>Very High</td></tr><tr><td>Money Market Instruments and Liquid Schemes of Mutual Funds</td><td>0</td><td>20</td><td>Low to Moderately High</td></tr></tbody></table>	Instruments	Indicative Allocation (% of Total Assets)		Risk Profile	Minimum	Maximum	High/ Medium / Low	Equity & Equity Related Instruments of Companies following ESG Criteria	80	100	Very High	Money Market Instruments and Liquid Schemes of Mutual Funds	0	20	Low to Moderately High	<table><thead><tr><th rowspan="2">Instruments</th><th colspan="2">Indicative Allocation (% of Total Assets)</th><th>Risk Profile</th></tr><tr><th>Minimum</th><th>Maximum</th><th>High/ Medium / Low</th></tr></thead><tbody><tr><td>Equity & Equity Related Instruments of Companies identified based on ESG theme following Best In Class Strategy</td><td>80</td><td>100</td><td>Very High</td></tr><tr><td>Money Market Instruments and Liquid Schemes of Mutual Funds</td><td>0</td><td>20</td><td>Low to Moderately High</td></tr></tbody></table>	Instruments	Indicative Allocation (% of Total Assets)		Risk Profile	Minimum	Maximum	High/ Medium / Low	Equity & Equity Related Instruments of Companies identified based on ESG theme following Best In Class Strategy	80	100	Very High	Money Market Instruments and Liquid Schemes of Mutual Funds	0	20	Low to Moderately High
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5	Investment Strategy	<p>Investment Philosophy/Strategy</p> <p>India has embarked upon a national level cleanliness movement- “Swachh Bharat Abhiyan”. The aim was to clean length and breadth of country, provide cleaner natural resources, improve hygiene and health and contribute towards achieving the sustainable development goal established by the United Nations in 2015.</p> <p>Supporting the mass movement for cleanliness and sustainability, Quantum India ESG Equity Fund is a step towards ensuring that investments flow into greener and cleaner business. The focus of this scheme would be on investing in businesses, which are ensuring sustainable management of natural and human resources, diversity within the organizational structure, prudent management and socially responsible framework of business. The aim of this scheme is to provide the investors an opportunity to have an exposure to sustainable investment option.</p> <p>The investment strategy determines sector weightages to reflect that of broad well diversified indices for the Indian equity markets. Further, the strategy aims to invest in companies within each sector that stand high on the Environmental, Social and Governance parameters.</p> <p>The investment strategy of the Scheme will be to invest in a basket of stocks after intensive analysis on the environmental, social and governance aspects of the company. The aim is to follow a comprehensive 'ESG Framework' in order to develop deeper understanding into a company's management practices, sustainable businesses and risk profile, which would thereby help us in understanding the impact on long-term sustainability that drives performance.</p> <p>The primary focus of the Scheme will be on companies based on two criteria. First is for selecting companies under coverage and second is for selecting companies in the portfolio. The first criteria are selecting companies generally trading with liquidity of minimum US \$ 1 million on an average over the last 12 months and second criteria based on their ESG score.</p> <p>Each security, which is filtered on the basis of first criteria, will be scored on ESG parameters using data sources such as sustainability reports (GRI Framework), Business Responsibility Reports (BRR) and other publicly available documents. Active weights of a security within their respective sector will be determined by a composite ESG score. A higher ESG score of a security within the sector will have higher relative weight and vice versa. The selection process ensures eliminating exposure to companies that rank poorly on ESG criteria completely. The sum total of the weights of securities in a sector will equal to track sector weights of broad well-diversified indices. The allocations focus on governance and sustainability; hence will be agnostic to valuations.</p> <p>The investment strategy is broadly a combination of the following ESG approaches:</p> <ul style="list-style-type: none">➤ Exclusions: The investment strategy excludes companies in the sectors – Alcohol, Gambling and Tobacco.➤ Integration: The investment strategy incorporates certain key financial filters that the company needs to comply with. These filters include long-term return on capital employed, leverage, and growth rates.➤ Best-in-class & Positive Screening: The investment strategy is based on a positive screening and Best-in-Class approach subject to adherence of the company incorporating favorable ESG practices in core/material within each of the E, S, and G dimensions. <p>The contribution to 'positive environmental change', an investor might reasonably expect:</p> <ul style="list-style-type: none">➤ The Scheme fund invests in companies that meet Quantum ESG criteria and has a positive ESG score which means the company stands relatively better as compared to other companies in their sectors on their ESG performance. While evaluating companies, the Team assess if the company has gone beyond their traditional remit and have made conscious effort to recognize the environment and society as important stake holders and have achieved a reasonable progress on their environmental footprint and social recognition and contribution. The Team also look for companies efforts in adapting and mitigating climate change and thereby reducing the carbon footprint, improving the resource efficiency, water usage and waste reduction and disposal. Similarly, on the social aspects, companies should work towards being more equitable, encourage diversity, positively contribute towards the society through judicious use of CSR, encouraging worker representation and health & safety at workplace, upholding best standards for data privacy and cyber security.➤ The Team do not only measure these aspects through the ESG framework but monitor and engage companies to become better at their ESG performance. One can reasonably expect a gradual improvement and many of these material ESG measure impacting the companies' operations. <p>Decision-making process for Investing:</p> <ul style="list-style-type: none">➤ Decision-making process for investing is based on the use of proprietary ESG scoring methodology. The broad comparisons made by the analysts of various companies within the sector and also taking clues from global companies evolution provides great insights into any ambiguous claims made by the company being researched. The Research is not restricted We do not restrict our research to self-declared company disclosures. We try to do a 360-degree company check is done by talking to various stakeholders like suppliers, vendors, customers, channel checks, employees, etc. to get more information to get a granular understanding of the true state of the company's affairs. We also try to get the information is also obtained from unorthodox sources like pollution control boards, NGOs, local communities in our bid to gather more information to verify the sustainability claims made by the company. <p>Investment Portfolio</p> <p>The Scheme's investment portfolio typically will consist of investments made in shares of Indian companies listed on a stock exchange in India. The Scheme will invest primarily in equity securities of Indian issuers listed on an Indian stock exchange.</p> <p>While the majority of the assets will be invested in the securities of Indian companies, the Scheme may also invest in money market instruments or in units of liquid schemes under the Quantum AMC or any other Mutual Fund, subject to the applicable SEBI Regulation limits, for brief periods of time pending investment in equities or other securities more generally associated with the Scheme's portfolio. The Scheme shall endeavor to have a higher proportion of the assets under the ESG theme.</p> <p>Generally speaking, the portfolio will tend to include shares of all companies above a particular threshold ESG composite score derived as a result of a thorough analysis of the Environmental, Social and Governance factors relevant to the company and the sector in which it operates.</p>	<p>Investment Philosophy/Strategy</p> <p>India has embarked upon a national level cleanliness movement- “Swachh Bharat Abhiyan”. The aim was to clean length and breadth of country, provide cleaner natural resources, improve hygiene and health and contribute towards achieving the sustainable development goal established by the United Nations in 2015.</p> <p>Supporting the mass movement for cleanliness and sustainability, Quantum ESG Best In Class Strategy Fund is a step towards ensuring that investments flow into greener and cleaner business. The focus of this scheme would be on investing in businesses, which are ensuring sustainable management of natural and human resources, diversity within the organizational structure, prudent management and socially responsible framework of business. The aim of this scheme is to provide the investors an opportunity to have an exposure to sustainable investment option.</p> <p>The sustainability objectives of the ESG Strategy to achieving positive and above-average ESG profile, mitigating ESG risks and harnessing ESG opportunities, and influencing overall positive behavior by investing in companies that promote sustainable products and services.</p> <p>The investment strategy determines sector weightages to reflect that of broad well diversified indices for the Indian equity markets. Further, the strategy aims to invest in companies within each sector that stand high on the Environmental, Social and Governance parameters assessed through Quantum Best In Class Strategy.</p> <p>The investment strategy of the Scheme will be to invest in a basket of stocks after intensive analysis on the environmental, social and governance aspects of the company. The aim is to follow a comprehensive 'ESG Framework' in order to develop deeper understanding into a company's management practices, sustainable businesses and risk profile, which would thereby help us in understanding the impact on long-term sustainability that drives performance.</p> <p>The primary focus of the Scheme will be on companies based on two criteria. First is for selecting companies under coverage and second is for selecting companies in the portfolio. The first criteria are selecting companies generally trading with liquidity of minimum US \$ 1 million on an average over the last 12 months and second criteria based on their ESG score.</p> <p>Each security, which is filtered on the basis of first criteria, will be scored on ESG parameters using data sources such as sustainability reports (GRI Framework), Business Responsibility Reports (BRR) and other publicly available documents. Active weights of a security within their respective sector will be determined by a composite Best in Class ESG score. A higher ESG score of a security within the sector will have higher relative weight and vice versa. The selection process ensures eliminating exposure to companies that rank poorly on ESG criteria completely. The sum total of the weights of securities in a sector will equal to track sector weights of broad well-diversified indices subject to companies meeting our threshold Best in Class ESG score. The allocations focus on governance and sustainability; hence will be agnostic to valuations.</p> <p>The investment strategy is broadly a combination of the following Best In Class ESG approach:</p> <ul style="list-style-type: none">➤ The Fund uses a best-in-class screening strategy for the companies assessed based on proprietary framework on ESG metrics which generally covers more than 200 parameters which are material to the company's ESG performance. The companies meeting a threshold ESG score is considered for inclusion in the portfolio.➤ The metric tracked by the fund to determine the best in class performance of investee companies is an aggregate ESG score determined through a materiality based assessment of companies E,S and G factors. Within each of the pillars there are certain materiality driven metric that would determine companies performance on each of the pillars. However, the factors chosen or its assessment may changes based on the sector or its materiality to companies operations. Examples of various metrics tracked under each pillar of ESG is given here: Emissions, carbon footprint, renewable energy mix, etc under Environment, gender diversity, gender pay parity, human rights, etc under Social and board composition and diversity, CSR spending, data privacy, etc under Governance. This is not an exhaustive list but examples to provide understanding of metrics under each E,S,G factor.➤ The strategy would tend to exclude companies in the sectors like Alcohol, Gambling and Tobacco. While the ESG factors determine the quality and sustainability of potential investee companies, it would also scan for financial soundness of companies to ascertain its viability as a good investment. Along with material factors, financial filter including long term return on capital employed, leverage and growth rates are analysed to ensure the financial soundness and operational longevity of the company.➤ The composite ESG score meeting our internal threshold assigned to the company on the basis of best-in-class ESG strategy is the one that broadly determines portfolio selection and corresponding weight is assigned to the company based on relative scores of companies within the respective sector, subject to investment guardrails. <p>The contribution to 'positive environmental change', an investor might reasonably expect:</p> <ul style="list-style-type: none">➤ The Scheme fund invests in companies that meet Quantum ESG criteria and has a positive Best In Class ESG score which means the company stands relatively better as compared to other companies in their sectors on their ESG performance. 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Every stock in portfolio will be bought and sold on the basis of weights allotted to it and will be value agnostic.</p> <p>The AMC will set sector weights for the portfolio in accordance with sector weights of a broad well diversified India equity Index.</p> <p>In case, there are no stocks with ESG score greater than or equal to the set threshold ESG composite score in a particular sector, the weightage of that sector is redistributed on a relative basis among other sectors, where the stocks meet the ESG criteria. Consequently, the weightages of individual stocks qualifying the ESG criteria within those sectors will also change accordingly.</p> <p>The AMC will periodically review and if necessary, rebalance the portfolio typically coinciding with rebalancing of the underlying indices and / or quarterly. The AMC will also seek to periodically rebalance the portfolio on account of a new addition of stock, company specific events and in case of change in the view of the sector or the company.</p> <p>From October 1, 2022, the Scheme shall only invest in securities that have Business Responsibility and Sustainability Report (BRSR) disclosures. The existing investments in the schemes for which there are no BRSR disclosures would be grandfathered by SEBI for a period of one year i.e., till September 30, 2023.</p>	<p>INVESTMENT PROCESS AND RECORDING OF INVESTMENT DECISIONS</p> <p>INVESTMENT PROCESS</p> <p>The investment process consists of:</p> <ul style="list-style-type: none">• Benchmarking Sector weights to that of broad well diversified indices in the Indian equity markets• Stock selection• Portfolio Construction <p>• STOCK SELECTION</p> <p>The AMC's stock selection approach is basically based on Best In Class ESG scores subject to them meeting our internal threshold.</p> <div><p>The stock with average liquidity of minimum US \$ 1 million over last 12 months will be identified by the analysts and ESG score will be calculated on the basis of company disclosures and qualitative factors.</p><p>The weightage for these two factors is 30% and 70% respectively.</p><p>Within the individual ESG factors, the appropriate weightages will be assigned to Environmental, Social and Governance factor.</p></div> <div><p>Final ESG composite score for each company within each sector is calculated on relative basis.</p></div> <div><p>Portfolio is constructed by selecting ESG compliant companies within each sector.</p></div> <p>• PORTFOLIO CONSTRUCTION</p> <p>The stock should generally have an average liquidity of minimum US\$ 1 million over last 12 months.</p> <p>Every Stock with Best In Class ESG composite score equal to or above the threshold ESG score will be part of the portfolio.</p> <p>The AMC would generally not try to time the market and will add stocks that meet the Best In Class ESG criteria on set rebalancing dates. 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Scheme Specific Risk Factors

(i) Greenwashing

- Greenwashing is the process of conveying a false impression or providing misleading information about how a company's business/products/services are more environmentally sound. The Team is well aware that there are many “greenwashing” incentives for companies from brand building to attracting investment flows. It is our fiduciary duty as custodians of investor capital to navigate any greenwashing attempts and endeavor to deliver investors true sustainability focused portfolio.
- ESG Audits are not yet popular in India. Therefore, companies may provide different baselines, scopes and boundaries of disclosures which make comparisons difficult. In such exceptional circumstances, the Fund may not be able to detect such practices and may buy/continue to hold such companies as part of the portfolio.

(ii) Risk of divergence in third-party rating providers' and Quantum MF's view on ESG scores/controversies etc:

The companies under ESG coverage of Quantum MF are assessed based on Quantum's Best In Class proprietary ESG framework. There is a high likelihood that the assessment provided by the third part provider and Quantum's Best In Class proprietary assessment differs materially. For instance, the depth of engagement with company, stakeholders, peers, third parties, vendors etc. would differ and that contributes to the overall ranking of the company. Therefore, it may happen that companies with low ESG score or stocks in excluded sectors as per Quantum's Best In Class assessment may go up in value and that may lead to lag in returns of the fund as compared to the market returns.

(iii) Risk Management Strategy - Green Washing

It is our fiduciary duty as custodians of investor capital to navigate any greenwashing attempts and endeavor to deliver investors true sustainability focused portfolio. The Team understands that ESG is not a “tick the box” desk research. The Research Team do not restrict the research to self-declared company disclosures. The Research Team try to do a 360-degree company check talking to various stakeholders like suppliers, vendors, customers, channel checks, employees, etc. to get more information to get a granular understanding of the true state of the company's affairs. The Team also try to get information from unorthodox sources like pollution control boards, NGOs, local communities in our bid to leave no stone unturned to follow and assess the companies on our Best In Class Strategy. There is also an attempt to verify the information with other available data and map with other companies in the sector and globally to identify any red flags.

All other features and terms and conditions of Quantum ESG Best In Class Strategy Fund shall remain unchanged.

This addendum forms an integral part of the Scheme Information Document and Key Information Memorandum of Quantum ESG Best In Class Strategy Fund as amended from time to time.

For Quantum Asset Management Company Private Limited

(Investment Manager - Quantum Mutual Fund)

Sd/-

Jimmy A Patel

Managing Director and Chief Executive Officer

DIN: 00109211

Place: Mumbai

Date: January 22, 2024

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