



QUANTUM MUTUAL FUND

Profit with Process

and only
India's 1st Direct to Investor
Mutual Fund

Investment Manager: Quantum Asset Management Company Private Limited

505 Regent Chambers, 5th floor, Nariman Point, Mumbai - 400 021, India

Toll Free No.: 1800-209-3863/1800-22-3863; Tel No.: 91-22-61447800; Toll Free Fax No.: 1800-22-3864

Email: CustomerCare@QuantumAMC.com ; Website: www.QuantumMF.com

ADDENDUM NO. 2/ 2013

Notice Cum Addendum

The Board of Directors of Quantum Trustee Company Private Limited, Trustee to Quantum Mutual Fund has approved the following changes in the Statement of Additional Information with effect from March 19, 2013:

Section V – Investment Valuation Norms for Securities and other Assets

1. The valuation of Debt and Money Market Instruments shall be done as follows:

Valuation policy for Debt and Money Market instruments:

Quantum Asset Management Company Private Limited (AMC) has appointed ICRA Management consultants (IMACS), an independent external valuation agency approved by AMFI, to carry out the daily valuation of all debt and money market instruments held by Quantum Mutual Fund (Mutual Fund) by following all the procedures as laid below and provide the daily MTM prices for valuation with suitable rationale and justification.

A. **CBLO, Repos and Fixed Deposits:**

These instruments will be valued on interest accrual/ amortization basis.

B. **Government securities (G-secs), treasury bills (T-bills), cash management bills and State Development Loans (SDLs):**

G-secs, T-bills and SDLs of any maturity would be valued based on the security level valuation as provided by IMACS based on their proprietary valuation methodology as approved by AMFI.

C. **Non convertible debentures and Money Market instruments:**

I. All securities would be valued daily based on available traded prices on FIMMDA's reporting platform (F-TRAC).

(I.1) Trade Size :

CP/CDs: There should be atleast 2 trades aggregating to Rs.100 Crores or more in multiples of Rs.5 Crores.

Bonds: In case of bonds there should be minimum of two trades aggregating to Rs.20 Crores or more in multiples of Rs.5 Crores.

(I.2) Weighted average yields of all trades would be taken for calculating traded price after ignoring all market inter-scheme trades and freak trades.

II. If traded price is not available for the security to be valued, then valuation could be carried out as per traded prices of securities of similar maturity issued by the same issuer which have a residual maturity (as per the table below) from the security held in the portfolio would be considered.

| | | | | |
|-------------------------------|----------------------------|----------------------------|----------------------------|---------------|
| Residual Maturity of security | Between 0 to 91 days | Between 91 days and 1 year | Between 1 year and 5 years | Above 5 years |
| Days Band within a | Fortnightly calendar month | Calendar month | Calendar Quarter | Same Year |

The traded yield so determined daily from (C.I) or (C.II) and the spread at which it has traded over its relevant benchmark matrix yield would be calculated. This spread would be used for pricing the security when its traded price is not available. This spread thus, automatically gets revised based on newly traded data.

III. If traded prices are not available and/or does not represent fair valuation then the security would be valued based on the benchmark matrices for the relevant maturity as being prepared by IMACS plus its last recorded spread over/under the matrix.

In the absence of traded prices, the spread would be reviewed regularly by using primary market trades, traded prices of securities of issuers having a similar long term credit rating and/or on the opinion of the external valuing agency in consultation with the AMC.

Other Points:-

- The Mutual Fund's first trade / self trade of Rs.5 Crores or more would be considered for valuation at the weighted average yield of its trades. But if on the same day, market traded price satisfying (C.I) or (C.II) is available, then market traded price for valuation would be considered over the AMC self trade and the spread over/under the matrix for the same will be recorded.
- Any security purchased in a lot size of less than Rs. 5 Crores will be valued at constant spread over matrices recorded at the time of first purchase till its maturity. In case of further purchases in same security, new spread will be calculated based on weighted average spreads of the purchases. This security will be mark to market based on traded prices only when the security holding is Rs.5 Crores or more.
- For securities with put and call option, the put/call date would be taken as maturity date for securities with only call option, the value would be lowest of all call or maturity and in case of securities with put option the values would be higher of all put or maturity.
- If the AMC believes that even after following all the process laid above, the security is not appropriately valued, the AMC would determine fair values by taking on record the assessment of the external valuing agency and the AMC investments team with a proper rationale for the same which would be documented and submitted to the Valuation Committee.

D. Perpetual Debt instruments, Derivatives, Securitized and structured debt instruments :

The Mutual fund will invest in these instruments only after the AMC formulates valuation methodology for these instruments.

2. Valuation of Exchange Traded Fund:

In case of Quantum Index Fund ETF units, if due to freak trades the closing price on the exchanges is 1% premium/discount to the NAV, then the units will be valued at closing NAV of the day.

3. Review of Investment Valuation norms

The Board of Directors of the AMC has constituted a Valuation Committee comprising of the executives of the AMC. The valuation Committee is to review investment valuation norms from time to time and the process / procedure as may be applicable. The Valuation Committee will identify and deal with the exception events / process / procedure as mentioned (or not) in this policy. The decision of the Valuation Committee for any exceptional events / process / procedure will be informed to the Board of the AMC and Trustee in their next board meeting for their reference and / or ratification if required.

4. Conflict of Interest

If any situation arises that leads to conflict of interest the same shall be raised to Valuation Committee and the Valuation Committee shall endeavor to resolve the same such that valuation provides for fair treatment to all investors including existing and prospective investors.

5. Disclosure and record keeping

Policy documents will be updated in SID / SAI, website and other documents as prescribed by SEBI Regulations and guidelines. All the documents which form the basis of valuation shall be maintained in electronic form or physical papers as feasible from time to time.

This addendum forms an integral part of the Statement of Additional Information (SAI) of Quantum Mutual Fund as amended from time to time. All other terms and conditions of the SAI will remain unchanged.

**For Quantum Asset Management Company Private Limited
(Investment Manager – Quantum Mutual Fund)**

Sd/-

Jimmy A Patel

Chief Executive Officer

Place: Mumbai

Date: March 18, 2013

Mutual fund investments are subject to market risks read all scheme related documents carefully. Please visit – www.QuantumMF.com to read scheme specific risk factors. Investors in the scheme are not being offered a guaranteed or assured rate of return and there can be no assurance that the schemes objective will be achieved and the NAV of the scheme may go up and down depending upon the factors and forces affecting securities market. Investment in mutual fund units involves investment risk such as trading volumes, settlement risk, liquidity risk, default risk including possible loss of capital. Past performance of the sponsor / AMC / Mutual Fund does not indicate the future performance of the Scheme. **Statutory Details:** Quantum Mutual 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. The Sponsor, Trustee and Investment Manager are incorporated under the Companies Act, 1956.