QUANTUM DYNAMIC BOND FUND
(An Open ended Debt Scheme)

Fact Sheet as on 27-May-16

Fund Size as on (Rs. in crores) 27-May-16	Absolute AUM
Growth Option	35.57
Monthly Dividend Option	1.19
Total	**36.76**

Net Asset Value as on 27-May-16	(Rs./Unit)
Growth Option	10.9864
Monthly Dividend Option	10.1011

Weighted Average Maturity	No of years
At the end of the week	7.59
Modified Duration	4.53

Sr.No.	Name of Instrument	Rating	Residual Maturity (in days)	Market Value (Rs Lakhs)	% to Net Asset
	DEBT INSTRUEMENTS				
a	**Listed/awaiting listing on Stock Exchanges**				
i)	**Government Securities**				
1	7.88% GOI (MD 19/03/2030)	Sovereign	5044	2019.51	54.94%
b	**Privately Placed/Unlisted**			**NIL**	**NIL**
c	**Securitized Debt Instruments**			**NIL**	**NIL**
	Total of Debt instruments			**2,019.51**	**54.94%**
	MONEY MARKET INSTRUEMENTS				
a	**Treasury Bills (T-bill)**				
1	364 Days Tbill (MD 09/06/2016)	Sovereign	13	49.89	1.36%
	Total of T-Bills			**49.89**	**1.36%**
b	**Collateralised Borrowing & Lending Obligation (CBLO) ***			**2,089.94**	**56.85%**
	Total of Money Market Instruments			**2,139.83**	**58.21%**
	Net Receivable / (Payable)			**(483.24)**	**-13.15%**
	Grand Total			**3,676.10**	**100.00%**

* Cash & cash Equivalents

Quantum Dynamic Bond Fund (QDBF)

- Post the RBI monetary policy, the two most important markets metric to track will be government bond auction and OMO announcements by the RBI.

- RBI announced open market purchase of Rs 15000 Crores on 31st May 2016; this takes the total OMO purchase of Government securities for the current month to Rs 40,000 Crores. RBI has been aggressive in doing Open Market Operations as the core deficit has gone to Rs 67,700 Crores for the week ending 20th May 2016. The Government bond auction for Rs 15000 Crores saw muted bidding interest with Yields moving up by 2 to 3 basis points ahead of U.S Fed Chairperson speech on Saturday. The new 14 year papers cut came 10 paise lower than market expectation with the cut off coming at RS 99.52 levels at a yield of 7.67 % levels. There was demand for shorter maturity papers like 8.27 2020, 7.88 2021 papers as traders shifted their positions to lower maturity due to uncertainty created on the timing of Fed Fund rates hike.

- U.S Federal Reserve minutes surprised the market as the details of the Federal Reserve minutes indicated a June hike is a possibility. Janet Yellen re iterated the Federal Reserve would be hiking rates in the coming months. Data on Employment pertaining to hiring continued to be robust with April non-farm payroll data showing an increase of 1.6 Lakh. U.S Core CPI for the month of April is now at 2.1 % levels, even though CPI Year on Year is lower due at 1.1 % due to lower energy and fuel costs. The Fed feels lower energy and food prices are transient factors which would dissipate in the coming months. The Federal Reserve also indicated the labour force participation rates are 63%, an indication of strong labour markets which is able to absorb the unemployed people. The dollar index surged to 95.89 levels with the dollar strengthening against major economies. The rupee is trading at RS 66.37 against the dollar.

- Banking system Liquidity eased during the week to Rs 88,230 bln vs Rs 1,12,254 bn last week. Liquidity is expected to ease further during this week due to government spending for salaries and pension payments. RBI OMO Purchase of Rs 15000 Crores on 31st May would neutralize the central government auction payment of Rs 15000 Crores on 30th May 2016. The ten year benchmark yield is expected to trade in the band of 7.45 – 7.50 levels during this week. One negative is CPI inflation for May is expected to come around 5.7 % levels due to higher prices of pulses, vegetables and increase in petrol and diesel prices. However, the expectation of normal monsoon could cool down food inflation in the coming months.

- Short term rates remain range bound with the 1 months CDs trading around 6.8%-7.0% levels and 3 months around 7.15%-7.25%. Going forward, we expect short term rates to range bound as liquidity is expected to improve from June onwards due to RBI dividend, forex inflows due to forward maturity and banking system deposit increase in the month of June and July.

Portfolio Strategy

In view of recent rise in crude oil prices and increased volatility in currency markets, we reduced duration of Quantum Dynamic Bond Fund as a short term tactical shift. However; we remain bullish on bond markets over medium to long term due to

- The first advanced estimates by the met department points to a normal monsoon during this year. This should keep food inflation down which will allow RBI to achieve its CPI target of 5 % during the current financial year.

- US fed expected to raise rates during the course of the year and expected USD outflow due to Iran oil payment of 6 billion and FCNR B of USD 24 billion will put pressure on RBI to do more OMOs to enhance domestic liquidity.

- 25 basis of further repo rate cut from RBI if we have a good monsoon and food prices remain low.

As on 27th May 2016, the **Quantum Dynamic Bond Fund (QDBF)** had a portfolio modified duration of 4.6 Yrs with a yield to maturity of 7.28 %.

Credit Exposures:
Staying true to its mandate of high liquidity and low credit risk; QDBF has significant majority holdings in Government securities; Treasury bills and PSU securities**.**

Please click here to access the weekly portfolio disclosures of Quantum Dynamic Bond Fund.

If you need to know more about the fund and wish to speak to the fund manager, please write in or call:

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