

**Item 1 – Cover Page**

**Part 2A of Form ADV**

**Brochure for:**

**Quantum Advisors Private Limited**

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**Originally Prepared on August 2011**

**Second amendment to ADV 2A on :- March - 2012**

This brochure provides information about the qualifications and business practices of Quantum Advisors Private Limited (Quantum). If you have any questions about the contents of this brochure, please contact us by telephone number and/or email address shown above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Quantum Advisors Private Limited is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

Additional information about Quantum Advisors Private Limited is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

We have included in this brochure references to products such as private investment funds *solely* for the purpose of describing our advisory business. This brochure is not intended as an offer of any of these products, which are privately offered only to qualified investors.

This ADV 2A is the second amendment of the ADV 2A originally prepared in August 2011.

**Item 2 – Material Changes**

This brochure is a new document prepared according to new SEC requirements and rules, which were published in “ Amendments to Form ADV,” SEC Release No IA- 3060, July 28, 2010. This Brochure replaces and is materially different in structure and provides additional content requirements for the Form ADV Part II and Schedule F, which was last updated on March 1, 2011. The difference primarily results from our compliance with new structure and content requirements for the Form ADV Part 2 (this Brochure) under the new rules. There has been no material changes to Quantum Advisors Private Limited’s investment advisory practice since our last update of Form ADV Part II and Schedule F.

**Item 3– Table of Contents**

<b>Sr No</b>	<b>Particulars</b>	<b>Page No</b>
Item 1	Cover page	<b>1</b>
Item 2	Material Changes	<b>2</b>
Item 3	Table Of Contents	<b>3</b>
Item 4	Advisory Business	<b>4</b>
Item 5	Fees and Compensation	<b>6</b>
Item 6	Performance – Based Fees and Side-By-Side Management	<b>9</b>
Item 7	Types of Clients	<b>10</b>
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss	<b>10</b>
Item 9	Disciplinary Information	<b>17</b>
Item 10	Other Financial Industry Activities and Affiliations	<b>17</b>
Item 11	Code of Ethics, Participation or Interests in Client Transactions and Personal Trading	<b>18</b>
	Code of Ethics	<b>18</b>
	Participation or Interests in Client Transactions	<b>19</b>
	Personal Securities Transactions	<b>20</b>
Item 12	Brokerage Practices	<b>21</b>
	Selection Criteria, Generally	<b>21</b>
	“Soft Dollars”	<b>22</b>
	Aggregation of Orders	<b>24</b>
Item 13	Review of Accounts	<b>24</b>
Item 14	Client Referrals and Other Compensation	<b>25</b>
Item 15	Custody	<b>26</b>
Item 16	Investment Discretion	<b>26</b>
Item 17	Voting Client Securities	<b>27</b>
Item 18	Financial Information	<b>27</b>
Item 19	Requirements for State Registered Advisors	<b>27</b>

**Item 4 – Advisory Business**

Quantum Advisors Private Limited ( (“we” or “Quantum”), is a limited liability company governed under the laws of India. We are also registered in India as a Portfolio Manager with Securities Exchange Board of India (SEBI), the Indian securities regulator. . We were originally established in the name of Quantum Financial Services Pvt Ltd in 1990 and later changed our name in 1998 to Quantum Advisors Pvt Ltd. Quantum was established by Mr. Ajit Dayal as India’s first equity research house. We pioneered a quantitative as well as qualitative analytical approach to equity investing in India, providing for the first time consistently applied valuation metrics to evaluate investment opportunities in India’s emerging stock markets. Over the years, we have continued and enhanced our tradition of extensive financial analysis and value investing, as we have evolved into an investment advisor and asset manager.

The principal owners of Quantum are Ajit Dayal, Hemang Dave and Alok Oberoi.

We currently provide non-discretionary investment advisory services to <sup>1</sup>three Equity Focused Private Accounts, based in Canada and United States, which we refer to collectively as “Non-Discretionary Equity Focused Private Accounts” and three Mauritius based private investment funds which we refer to collectively as our “Funds.” We have been appointed by the investment manager of the <sup>1</sup>Non-Discretionary Equity Focused Private Accounts” and ‘Funds’ under a sub-advisory agreement with the investment manager, QIEF Management LLC, Mauritius (QIEF). We advise each <sup>1</sup>Non-Discretionary Equity Focused Private Account and Fund pursuant to the objectives specified in the respective investment management agreements of such Private Account and the materials by which the Fund offers its ownership interests to investors. The <sup>1</sup>Non-Discretionary Equity Focused Private Accounts and the Funds’ boards of directors have the authority to determine the investment objectives, subject to QIEF’s agreement, and to supervise the investment and trading activities of the <sup>1</sup>Non-Discretionary Equity Focused Private Accounts and the Funds respectively. Our agreements with QIEF state that we must make recommendations for the <sup>1</sup>Non-Discretionary Equity Focused Private Accounts and Funds’ in line with the investment guidelines and restrictions as stipulated by, the respective investment management agreements of such Private Account and the Funds’ in their respective Fund offering memorandums. These guidelines generally impose limits on the types of securities or other instruments in which the <sup>1</sup>Non-Discretionary Equity Focused Private Accounts and Funds may invest, the types of positions they may take, the concentration of their investments by sector,

industry, fund, country, class or otherwise, the amount of leverage they may employ or the number or nature of short positions they may take. The Funds' investors do not have the right to specify, restrict, or influence their Funds' investment objectives or any investment or trading decisions.

We also provide discretionary investment advisory services to Indian individual clients (referred to as 'Indian Private Accounts'), and other institutional clients, all of which we refer to collectively as our "Private Accounts." Our Private Account clients are currently based in India, Europe, and the United States. We generally manage our Private Accounts with either a focus on the Indian equity market (our "Equity-Focused Private Accounts") or on the Indian fixed income securities market (our "Fixed Income-Focused Private Accounts").

We do not participate in wrap fee programs.

<sup>6</sup>As of February 29, 2012, the net asset value of our Funds and Private Accounts was approximately US\$ 1,405 million; this includes the net asset value of US\$ 683 million of the three Non-Discretionary Equity Focused Private Accounts and the three Funds that we advise on a non-discretionary basis

*This brochure is a general summary of Quantum's investment advisory services, fees and compensation, and advisory practices and is not specific to any one client. Clients should consult their agreements with Quantum for the specific terms and information applicable to their relationship with Quantum.*

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<sup>1</sup>Added on October 24, 2011 as an "other than annual amendment to Form ADV 2A"

<sup>6</sup>Amended on March 23, 2012 as an "other than annual amendment to Form ADV 2A"

**Item 5 – Fees and Compensation****Funds**

For the non-discretionary advisory services we provide to the Funds, we receive our advisory fees from the investment manager of these Funds (i.e QIEF). We do not receive any fees from the Funds. QIEF's management fees are based on the relevant Fund's net asset value (or "NAV") as of the fee calculation date. Depending on the Fund, the management fees to QIEF may be calculated on either a monthly or daily basis, and may be charged either in advance or in arrears. QIEF pays our fees directly from their assets, generally after they receive their management fees from the Funds.

Depending on the Fund and the nature of services we provide, QIEF's fee rates for our Funds range from 0.25% to 1.25% per year and the fees that QIEF pays us ranges between 4% to 7% of the fees received by QIEF from the Funds. Our agreement with QIEF allows for a review of our fee rates on an annual basis. However QIEF's Fee rates for our Funds are not generally negotiable.

**Private Accounts**

Each of our Private Account clients pays us a management fee based on the *net* asset value ("NAV") of the client's Private Account portfolio as of the fee calculation date. For purposes of calculating our management fees, we generally define the NAV of a client's Private Account to be the net asset value of securities and other investments held in the Account.

Our Equity-Focused Private Account clients typically pay us management fees quarterly in arrears. These management fees may be calculated by applying our rate schedule (described below) to either: (i) the NAV of the Private Account on the last trading day of each calendar quarter; or (ii) to the average NAV of the Private Account at the end of each month in the calendar quarter.

Our standard fee schedule for our Equity-Focused Private Account clients is as follows:

- as to the first USD100 million of NAV in the client's Private Account, 1% per year;
- as to the NAV in the client's Private Account above USD 100 million and at or under USD 200 million, 0.90% per year; and
- as to the NAV in the client's Private Account above USD 200 million, 0.80% per year.

For those Equity-Focused Private Accounts that are open for only part of a calendar quarter, we prorate our fees based on the number of days that the Private Account is open in that quarter.

We invoice our Equity-Focused Private Account clients quarterly for payment of our management fees.

Our Fixed Income-Focused Private Account clients will be charged management fees monthly in arrears. These management fees shall be calculated based on the net asset value of assets of the Private Account on the last trading day of each calendar month;

Our standard fee rate for our Fixed Income-Focused Private Account clients is 0.25% per year.

For those Fixed Income-Focused Private Accounts that are open for only part of a calendar month, we prorate our fees based on the number of days that the Private Account is open in that month.

Upon receipt of a management fee invoice, our Private Account clients may either pay the fees directly to us, or they may authorize and direct the qualified custodian of the Private Account to disburse funds to us from the Private Account. In case of the Indian Private Account clients, these clients authorise us to instruct the custodian to pay us the fees.

<sup>2</sup>For the non-discretionary advisory services we provide to the Non-Discretionary Equity Focused Private Accounts, we receive our advisory fees from the investment manager of these Private Accounts (i.e QIEF). We do not receive any fees from the Non-Discretionary Equity Focused Private Accounts. QIEF's management fees are based on the relevant Private Account's net asset value (or "NAV") as of the fee calculation date. The Non-Discretionary Equity-Focused Private Account clients typically pay QIEF management fees quarterly in arrears. QIEF pays our fees directly from their assets, generally after they receive their management fees from the private Accounts.

QIEF's fee rates for our Non-Discretionary Equity Focused Private Accounts are the same standard fee rates that are indicated in Page 6 above and the fees that QIEF pays us as our share is 27.50% of the fees received by QIEF from the Non-Discretionary Equity Focused Private Accounts. Our agreement with QIEF allows for a review of our fee rates on an annual basis.

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<sup>2</sup>*Added on October 24, 2011 as an "other than annual amendment to Form ADV 2A"*

The foregoing is only a description of our standard fee arrangements, and in some cases, we may negotiate our fees with individual clients. In particular, we may agree to charge individual Private Account clients management fees according to a rate schedule that is different from the schedule set forth above, and we may also agree to charge performance-based fees (that is, fees based on a share of capital gains on, or capital appreciation of, the client's assets that we manage). To the extent that fees are negotiated as indicated above, some clients may pay more, or less, than other clients for the same management services. If we charge performance-based fees, we will do so in a manner that complies with the Investment Advisors Act 1940, as amended, and relevant SEC rules (including Rule 205-3).

### **Other Expenses**

In addition to our fees, each of our Fund and Private Account clients also pays certain expenses related to the management and operation of the Fund or Private Account, as applicable, and the purchase, sale, or transmittal of the client's assets that we manage. These expenses include, among other things:

- brokerage commissions and other investment transaction costs
- custodial and sub-custodial fees;
- accounting, audit and other professional fees and expenses;
- legal fees (including fees charged to us for the benefit of the client);
- tax preparation fees;
- government fees and taxes;
- filing fees;
- costs of reporting;
- in the case of our Fund clients, costs of Fund governance activities (including but not limited to such as obtaining director and shareholder consents); and
- in the case of our Fund clients, fees paid to the Fund's administrator and registrar.



**Prepayment of Fees.** One of our Funds pays management fees to its investment manager, QIEF monthly in advance. We in turn receive our fees from QIEF out of the fees received by QIEF. Fund investors in that Fund are generally only allowed to withdraw capital as of the end of a month, however, at which time there generally will be no prepaid fees. QIEF is not required to refund any portion of its management fee to a Fund's investor if that Fund allows an investor to withdraw as of a time other than at the end of a month. However, if we were to terminate our status as investment adviser to a Fund at a time other than as of the end of a month, we would refund to QIEF a portion of the management fee that was paid at the beginning of the termination month, pro rated based on the number of days remaining in that month.

As noted above, our Equity-Focused Private Account clients typically pay us management fees quarterly in arrears and our Fixed Income-Focused Private Account clients typically pay us management fees monthly in arrears. For those Private Account clients (if any) that have agreed to pay our fees in advance over any period, we enter into investment management agreements that provide that if the client (or we) should terminate the agreement other than as of the end of that period, we will refund to the client a portion of any fee that was paid at the beginning of the termination period, pro rated based on the number of days remaining in that period.

**Other Compensation.** Neither we nor any of our personnel accept compensation for the sale of securities or other investment products.

We provide office personnel and space required for the performance of our services for our clients. Our clients do not reimburse us for doing so, except to the extent of our fees.

Please refer to "Item 12 - Brokerage Practices" below for more information about soft dollars, brokerage commissions and other transaction expenses.

#### **Item 6 - Performance-Based Fees and Side-By-Side Management**

Although, as noted above in "Item 5 – Fees and Compensation," our standard fee structure does not include performance-based fees, in some cases, we may negotiate fee arrangements with particular clients that include those types of fees. We serve as an investment adviser to a number of private account clients, and for some of those clients we receive performance-based fees. In serving as investment adviser to multiple clients, some of whom may pay performance-based fees, we face potential conflicts of interest, including the fact that we may have incentives to favour those clients who pay us performance-based fees.

To address these conflicts, we have developed allocation policies and procedures that seek to ensure that we allocate investment opportunities among our clients in a manner that we believe is fair and equitable.

**Item 7 – Types of Clients**

The Funds that we advise are privately-offered, Mauritius-based investment funds that are not regulated under the U.S. Investment Company Act of 1940, as amended (the “Investment Company Act”). Each Fund imposes minimum investor qualification standards and minimum investment requirements.

Our Private Account clients may include, Indian individuals or corporates (Indian Private Accounts), pension and profit sharing plans; trusts; estates; charitable organizations; university endowments; partnerships and other collective investment vehicles; corporations; and other business entities. The investment advisory services that we provide to our Equity-Focused Private Account clients are generally available to institutional accounts at a recommended minimum account size of US \$ 20,000,000 and the investment advisory services that we provide to our Fixed Income-Focused Private Account clients are generally available to institutional accounts at a recommended minimum account size of US \$ 50,000,000. Services are provided to Indian Private Accounts at a recommended minimum account size of INR 50 million (i.e US \$ 1.10 mn) Minimum account sizes may vary, however, depending on the type of investment advisory services to be performed and may be negotiable in certain circumstances.

**Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss****Our Investment Philosophy, Strategy and Process**

Our investment philosophy and strategy involves the use of intensive fundamental analysis, both quantitative and qualitative, to monitor our clients’ portfolios actively, while at the same time avoiding excessive trading, and to control risk by keeping our clients’ portfolio adequately diversified, both in terms of the sectors included in those portfolios, as well as with respect to the level of concentration in any specific security.

We believe that our investment process is unique as it is “team-driven” and not based on the existence of a “star” fund manager. In addition to the “team” structure, we believe that our investment process has a calibrated risk approach and a long-term orientation. We believe this is

the best way to participate in the benefits and growth anticipated to occur as a result of the long-term economic development in India.

We develop valuations of the companies in which we invest based on their businesses, the environments in which they operate, the skills and resources of their management teams, the strength of their balance sheets and cash flow relative to their long term goals, and other fundamental sector criteria.

We sell investments in companies when we believe the market price of those investments has exceeded our assessment of the long-term value of those companies, or when we believe adverse changes to a company's management, prospects or the markets in which it operates have occurred. We base our comparisons of company valuations against market prices on fundamental criteria (dividend yields, price to earnings, price to cash flow, price to book value, and other different measures of share price ratios), relative to a company's peer group, its history and the overall equity markets.

Although we believe market liquidity to be an important tool to mitigate investment risk, depending on the client-specific mandate, we may make opportunistic investments in relatively illiquid securities, including securities in unlisted companies.

### **Risk Factors**

Investment in securities involves risk of loss that clients should be prepared to bear. The following discussion describes some of the principal risks relevant to our clients.

### **General Risks**

#### **Reliance on the Advisory Team**

The success of our client portfolios depends largely on the abilities of our advisory team to develop and implement investment strategies to achieve the clients' investment objectives. We may change the members of our advisory team and there can be no assurance that each member of our advisory team will continue to be employed with us, which could adversely affect our performance. Finally, if any of the investment professionals or management team responsible for our investments were to become unwilling or unable to serve, as a result of death, illness, or otherwise, our performance could also be adversely affected.

**Not a complete Investment Program**

An investment with us is not intended as a complete investment program. If our strategies are not successful, or if we are unable to implement our strategies effectively, our clients could lose some or all of their capital.

**General Economic and Market Conditions**

The success of our client's investments may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, developments in government regulation and national and international political circumstances. These factors may affect the success of the businesses in which our clients' portfolio companies are engaged as well as the markets for the securities clients hold. Unexpected volatility or illiquidity could impair our client's profitability or result in losses.

**Certain Strategy Risks**

**Volatility.** The securities (both debt and equity) in which our clients invest are prone to price fluctuations on a daily basis due to both macro- and micro-factors, and this volatility may adversely affect clients.

**Liquidity and Settlement Risks.** Different segments of the financial markets have different settlement cycles, and these settlement cycles may be adversely impacted by unforeseen circumstances, leading to settlement risk and losses to our clients' portfolios. The liquidity of our clients' portfolios may be inherently restricted by trading volumes, transfer procedures and settlement periods. While we endeavor to avoid overly concentrated positions in securities of specific industries and sectors, because of liquidity restrictions or other factors, we cannot guarantee that our clients' portfolios will always be adequately diversified, which could amplify losses. Reduced liquidity may also have an adverse impact on market price and our ability to dispose of particular securities, when necessary, to meet our clients' liquidity needs or in response to specific economic events. Reduced liquidity may also impair our ability to restructure or rebalance our clients' portfolios when we believe such restructurings or rebalancing are necessary to protect performance.

**Certain Risk Factors Concerning India**

Because the focus of our investment strategy is to invest in India, the investment returns that our clients experience will depend heavily on general economic and business conditions in India. Accordingly, before opening an account with us, clients should consider the following:

**Economic Factors**

The success of our clients' portfolio investments depends in part on the stability of general economic and business conditions in India and on the continuation of the Indian government's current economic liberalisation and de-regulation policies. There is, however, no assurance that these liberalisation and de-regulation policies will continue in the future. The rate of economic liberalisation in India could change, and specific laws and policies affecting taxation, foreign investment, currency exchange and other matters affecting our clients' investments could change as well. In addition, laws and policies affecting the various portfolio companies held by us for client portfolios could change, adversely affecting the values or liquidity of securities issued by those companies.

**Political and Communal Factors**

India's relations with neighbouring countries have historically been tense. Since the separation of India and Pakistan upon their independence in 1947, India and Pakistan have fought three wars, and in the last several years both countries have conducted successful tests of nuclear weapons and missile delivery systems. More recently, terrorist attacks in November 2008 and July 2011 in Mumbai have heightened tensions and security risks in both countries. India's population is comprised of numerous ethnic groups with diverse religions and languages, sometimes resulting in communal conflict among groups. For instance, in recent years India has experienced considerable sectarian tension between Hindus and Muslims, marked by periodic violence that has caused considerable loss of property including a riot (in 1992) that resulted in the closure of the Bombay Stock Exchange for a period of three days.

Events of this nature in the future could influence the Indian economy and could have a material adverse effect on the market for securities of Indian companies, and on the market for the services of Indian companies in which we may have investments for clients.

**Indian Stock Market Risks**

The Indian securities markets are smaller and more volatile when compared to the securities markets of the United Kingdom, the U.S., and certain other OECD countries. Accordingly, the

Indian stock markets may decline significantly in response to adverse issuer, political, regulatory, market or economic developments. Issuer, political or economic developments may affect a single issuer, issuers within an industry, sector or geographic region, or the market as a whole. The Indian stock exchanges have been subject to broker defaults, failed trades and settlement delays in the past, and such events may have adverse impact on the NAV of our client portfolios.

Indian stock exchanges utilize ‘circuit breaker’ systems under which trading in particular stocks or entire trading could potentially be suspended on account of excessive volatility in a stock or on the market. Such disruptions could significantly impact our ability to sell the client investments. Factors like these could adversely affect our client portfolio performance.

The Securities and Exchange Board of India (“SEBI”) has wide powers and duties to regulate market practices in India, which include prohibition of fraudulent and unfair trade practices relating to the stock markets including insider trading and regulation of substantial acquisitions of shares and takeovers of companies. The securities law and regulations in India are continuously evolving, however, and the ability of SEBI to promulgate and effectively enforce rules regulating market practices is uncertain.

### **Limited Liquidity**

A disproportionately large percentage of market capitalization and trading value in the Indian stock exchanges is represented by a relatively small number of issues. There is a lower level of regulation and monitoring of the Indian securities market and the activities of investors, brokers and other participants as compared to certain OECD markets. It may, therefore, be difficult to invest client assets so as to obtain a satisfactory diversification of the portfolio or to realize our client investments at the places and times that we would wish to do so.

### **Capital Raising Constraints under Indian Law**

Except for the areas of housing and real estate (other than integrated township development) retail trading(except single brand product retailing), atomic energy, agriculture or plantation activities, gambling or lottery business or business of chit funds, foreign investment is permitted (either under the automatic; i.e without prior government approval or through the government approval route) subject to sector-specific limits, in various investment sectors. Most of the investment avenues for our client portfolios are expected to have an automatic approval. Each investment avenue is peculiar and lack of clarity in policy interpretation and dispensation of administrative

decisions could place constraints on our ability to expeditiously make potential investments for our clients.

### **Currency Exchange Rate Risks**

While the regulatory regime for hedging genuine currency risk in India has been relaxed in recent years, we believe that it remains impractical to hedge currency risks in India for more than relatively short periods of time, and even for short term hedging the cost can be high. Accordingly, currency risk in relation to the Indian rupee remains a significant risk factor for our investment program, and the cost of hedging this currency risk (if available) could reduce our clients' investment returns. Decreases in the value of the Indian rupee relative to other currencies (particularly the US dollar) should be expected to adversely affect investment returns, and such a decrease may be likely given India's current inflation rate and its budget deficits.

The operation of client bank accounts in India is also subject to significant regulation by the Reserve Bank of India ("RBI") under the Indian Foreign Exchange Regulations. The Indian domestic custodian acting also as the remitting banker will be authorized to convert currency and repatriate capital and income on behalf of the client. There can be no assurance that the Indian Government would not, in the future, impose restrictions on foreign exchange. The repatriation of capital may be hampered by changes in Indian regulations concerning exchange controls or political circumstances. In addition, the India Government may, in the future, re-introduce foreign exchange control regulations that limit the ability of clients to repatriate dividends, interest or other income from the investments or the proceeds from sale of securities. Any amendments to the Indian exchange control regulations may impact adversely on the performance of the client portfolios.

### **Indian Legal System**

The Indian civil judicial process to enforce remedies and legal rights is less developed, more lengthy and, therefore, more uncertain than that in developed countries. Enforcement by us of civil liabilities under the laws of a jurisdiction other than India may be adversely affected by the fact that our portfolio companies may have a significant amount of assets in India.

The laws and regulations in India can be subject to frequent changes as a result of economic, social and political instability. In addition, the level of legal and regulatory protections customary in countries with developed securities markets to protect investors and securities transactions, and to ensure market discipline, may not be available. Where the legal and regulatory framework is

in place, the enforcement may be inadequate or insufficient. Regulation by the exchanges and self-regulatory organizations may not be recognized as law that can be enforced through the judiciary or by means otherwise available to the investors in developed markets.

### **Agrarian Economy**

India is an agrarian economy and a significant portion of its GDP is derived from agriculture. As a result, severe monsoons or drought conditions could hurt India's agricultural production and dampen momentum in some sectors of the Indian economy, which could adversely affect the performance of our client portfolios.

### **Foreign Capital Flows**

In 2003, 2007 and 2010 the Indian stock market witnessed a surge in the inflow of foreign capital, which contributed to a sharp rise in the Sensex. In 2008, substantial foreign investment left the market as a result of worldwide financial stress, adding to sharp declines in the market. Foreign capital flows have significant impact on the Sensex, and even simple reductions in foreign investment can be a negative factor on the Sensex. There could be sharp declines in the market if substantial foreign investment leaves the market. Such an event could adversely impact the performance of our client portfolios.

### **Corporate Disclosure, Accounting and Regulatory Standards**

Indian disclosure and regulatory standards are in many respects less stringent than standards in certain OECD countries. There may be less publicly available information about Indian companies than is regularly published by or about companies in such other countries. The difficulty in obtaining such information may mean that we may experience difficulties in obtaining reliable information regarding any corporate actions and dividends of companies in which we have invested for clients which may, in turn, lead to difficulties in determining the value of our clients' portfolios with the same degree of accuracy which might be expected from more established markets..

### **Regulatory Risk**

Under current Indian regulations investments by Foreign Institutional Investors (FII's) in debt instruments in India is regulated by both the Securities and Exchange Board of India (SEBI) and the Reserve Bank of India (RBI). There are limits on the overall investments that all FII's can make in Indian debt instruments.



Before we can make any investments for our clients in Indian fixed income instruments we are required to obtain limits from SEBI, either under a first cum first served mechanism, where the desired investment size is less than a prescribed threshold amount or under an auction mechanism, where the desired investment size is greater than the said threshold amount. There is no certainty that the limit will be granted by SEBI. Even if a limit is granted by SEBI, the investments have to be made within a prescribed time period that ranges from 11 days to 90 days, depending upon the type of securities for which the limit has been obtained and the mechanism under which it has been obtained. The overall limits and the time frame for making the investments are subject to change from time to time.

**Item 9 – Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

**Item 10 – Other Financial Industry Activities and Affiliations**

Neither we nor any of our employees are registered, or have an application pending to register as, a broker-dealer or registered representative of a broker-dealer, futures commission merchant, or commodity pool operator.

**Affiliated Advisers**

We receive research services with respect to investments by our Funds and Private Account clients from our 100% subsidiary, Quantum Asset Management Company Pvt Ltd (QAMC) (our "Affiliated Adviser"). We pay QAMC for these research services out of the management fees that we receive from our clients. Our evaluation of our Affiliated Advisers' qualifications, suitability and performance as research providers involve inherent conflicts of interest that would not be present if we were instead evaluating independent research providers. Other than these inherent conflicts of interest, we do not believe that our relationships with our Affiliated Advisers creates a material conflict of interest with our clients..

**Investments in Affiliated Entities**

One of our Fund clients' currently invests in the Quantum Long Term Equity Fund ("QLTEF"), a fund launched by one of our affiliates, Quantum Mutual Fund ("QMF"). In addition, in the future we may cause other clients to invest in QLTEF or other funds associated with QMF (collectively, the "QMF Affiliated Funds"). Because of our relationship with QMF, we face inherent conflicts

of interest in causing our clients to invest in any QMF Affiliated Fund, including QLTEF, in preference to other funds whose sponsors are not affiliated with us. To address the conflict of interest that such investments present, we : (a) shall ensure that our clients do not bear excessive (or “double”) fees in connection with their investments in our Affiliated Funds and <sup>6</sup>(b) we make such investments only if : (i) in case of a Private Account client, the investment management agreement with that client (the client IMA) allows investments in our Affiliated Funds; and (ii) in case of a Fund client, the Fund’s offering memorandum permits investments in Affiliated Funds and contains adequate disclosures about the conflicts of interest that we face in connection with those investments and (iii) in the absence of a) client IMA’s allowing such investments or b) adequate disclosures of conflict of interests in the Fund offering document, informed consent of the client is obtained by us.

## **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **Code of Ethics**

We have adopted a Code of Ethics (the “Code”) that describes the standards of business conduct that we require of our personnel and establishes procedures intended to prevent Quantum and our personnel (as well as certain of their relatives) from inappropriately benefiting from Quantum’s relationships with our clients. The Code requires high standards of business conduct, compliance with United States federal securities laws, reporting and recordkeeping of personal securities transactions and holdings, reviews and sanctions. Among other things, the Code provides that:

- Our clients’ interests come before our employees’ interests and, except to the extent otherwise provided in client agreements, before our own interests;

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<sup>6</sup>*This amends the earlier paragraph effective from March 23, 2012 as an “other than annual amendment to Form ADV 2A” The earlier paragraph read as below:-*

(b) before causing any client to invest in any Affiliated Fund, we will seek that client’s informed consent to the investment.

- We must disclose all material facts about conflicts of which we are aware between ourselves and our employees' interests, on the one hand, and our clients' interests, on the other;
- Our employees must operate on our and their own behalf consistently with our disclosures to, and arrangements with, our clients regarding conflicts and our efforts to manage the impacts of those conflicts; and
- We and our employees must not take inappropriate advantage of our or their positions of trust with or responsibility to our clients.

The Code includes procedures for, and restrictions on, employee trading intended to prevent our employees from benefiting from, or appearing to benefit from, any price movement that may be caused by client transactions or our recommendations regarding securities. Among other things, these include requirements that employees make a written request for, and receive clearance from, our Chief Compliance Officer (or his or her designees) before they buy or sell any security (with limited exceptions) and prohibitions of transactions in securities that we are actively considering, or are, buying or selling for client accounts. The Code also contains restrictions on and procedures to prevent inappropriate trading while we are in possession of material non-public information (including information about our trading activity for clients).

A copy of our Code of Ethics is available to clients or prospective clients upon request.

#### **Participation or Interest in Client Transactions**

We may act as investment manager to numerous accounts. We have arrangements for sourcing of research and other services. We may give advice and take action with respect to any Client account or for our own account, or the account of our officers, directors, employees, members or agents, that may differ from action taken by us on behalf of other accounts. We are not obligated to recommend, buy or sell, or to refrain from recommending, buying or selling any security that Quantum or its officers, directors, employees, members or agents, may buy or sell, directly or indirectly, for its or their own accounts or for any other account Quantum manages. We are not obligated to refrain from investing in securities held in the accounts we manage except to the extent that such investments violate the Code of Ethics ("Code") adopted by us. From time to time, access persons of Quantum or its affiliate may have interests in securities owned by or recommended to Clients. We may purchase or sell for our advisory accounts securities of an issuer in which Quantum, its affiliate or their access persons also have a position or interest. As

these situations may represent a potential conflict of interest, We have implemented procedures relating to personal securities trading by our employees.

### **Personal Securities Transactions**

The Code permits our employees to maintain personal securities accounts, *provided* that any personal investing by any employee in any accounts in which the employee has a beneficial interest, including any accounts of the employee's spouse and any dependent family members, is consistent with our fiduciary duties to our clients and with regulatory requirements. Among other things, the Code requires that:

- Each employee must seek prior approval for all personal transactions in securities, other than certain government securities, shares of mutual funds not managed by us or our affiliates, and certain other types of securities that we do not believe create a potential for conflicts of interest;
- No employee is allowed to trade in securities during any period when those securities form part of any internal "priority list" of securities that the research team may be researching for clients;
- No employee is allowed to trade in securities that our portfolio management team intends to trade for clients; or in securities whose daily average annual turnover in the Indian markets is not less than USD one million
- No employee is allowed to trade in a security that we have traded for our clients at any time during the last 15 trading days;
- Transactions effected without pre-clearance are subject, in our Chief Compliance Officer's discretion (after consultation with other members of management, if appropriate), to being reversed or, if the employee made profits on the transaction, to disgorgement of those profits; and
- Each employee must report the holdings of securities covered by our personal trading policies and transactions in such securities to our Chief Compliance Officer (or his or her designee) on a quarterly basis.

**Item 12 – Brokerage Practices**

Each of our Funds and Private Accounts will incur substantial brokerage commissions and other transaction expenses. We generally have wide discretion in deciding what brokers, dealers, banks and other financial intermediaries and counterparties with or through which to execute or enter into portfolio transactions, including through entities that are affiliated with us (collectively, “Transacting Parties”). In addition to paying commissions to Transacting Parties in connection with transactions effected on any agency basis, our Funds or Private Accounts may buy or sell securities directly from or to Transacting Parties acting as principal (such as market-makers for over-the-counter securities) at prices that include markups or markdowns. The following describes some noteworthy aspects of our use of, and relationships with, Transacting Parties.

**Selection Criteria for Brokers**

As an SEC-registered investment adviser, we have a general duty to seek “best execution” for our clients’ securities transactions. What constitutes “best execution,” and determining how to achieve it, are inherently uncertain, however. In choosing Transacting Parties, we are not required to consider any particular criteria. In evaluating whether a Transacting Party will provide best execution, we consider a range of factors. These include:

- historical net prices (after markups or markdowns) on other transactions;
- the execution, clearance and settlement and error correction capabilities of the Transacting Party generally and in connection with securities of the type and in the amounts to be bought or sold;
- the Transacting Party’s reliability and financial stability;
- the market for the security; and
- as discussed more fully below, the nature, quantity and quality of research and other services and products provided by the Transacting Party.

We are not required to select the Transacting Party that charges the lowest transaction cost, even if that Transacting Party can provide execution quality comparable to other Transacting Parties, and our clients should be expected at times to pay more than the lowest transaction cost available in order to obtain for itself and/or for us services and products other than the execution of securities transactions.

**“Soft Dollars”**

We may select Transacting Parties in recognition of the value of various services or products, beyond transaction execution, that they provide to our Funds, to our Private Account clients, or to ourselves. Selecting a Transacting Party in recognition of the provision of services or products other than transaction execution is known as paying for those services or products with “soft dollars.”

**Conflicts of Interest.** When we use “soft dollars” to obtain research or other products and services, we receive a benefit because we do not have to produce or pay for that research or those other products or services using cash from other sources. And, because many products and services that we may receive from Transacting Parties may provide general benefits to us, our interests in allocating our clients’ securities transactional business may conflict with those of one or more of our clients. For example, we may have an incentive, in order to induce brokers and dealers to provide us with services or benefits to, among other things, cause a client to:

- pay higher commissions and other compensation than it would otherwise pay broker-dealers that do not provide soft dollar services or products;
- place more trades than would be optimal for a client’s investment strategy;
- use broker-dealers that do not obtain for a client the best possible price on portfolio transactions; and
- use (and pay) broker-dealers in effect to act as intermediaries with other broker-dealers who actually execute transactions.

The extent of the conflicts of interest arising out of the use of soft dollars depends in large part on the nature and uses of the services and products acquired with soft dollars.

**Section 28(e) Safe Harbor.** A U.S. federal statute, Section 28(e) of the Securities Exchange Act of 1934, as amended, recognizes the potential conflict of interest involved in the use by an investment manager (such as Quantum) of soft dollars generated by securities transactions to pay for various expenses but provides a “safe harbor” from breach of fiduciary duty claims if certain conditions and requirements are met. Under the Section 28(e) safe harbor, soft dollars may be used to acquire “research” and “brokerage” services and products for which a client would not otherwise be required to pay. Services or products generally constitute “research” under Section 28(e) if they constitute advice, analyses or reports any of which express reasoning or knowledge

as to the value of or investing in or trading securities, or as to issuers, industries, economic factors and trends, portfolio strategy or performance, but only to the extent we use them for lawful and appropriate assistance in making investment decisions for a client. “Brokerage” services and products are those used to effect portfolio transactions or for functions that are incidental to effecting those transactions (such as clearance, settlement or short-term custody related to effecting clearing or settling transactions) or regulatorily required in connection with transactions. Using soft dollars to pay for services and products other than research and brokerage is not protected by the safe harbor, but does not necessarily constitute a violation of any law or fiduciary duty. Similarly, use of non-commission soft dollars or otherwise failing to satisfy procedural elements of the Section 28(e) safe harbor are not protected but are not necessarily prohibited. Nevertheless, we generally intend to use soft dollars (including markups and markdowns on principal transactions where protected) for purposes, and in ways, that satisfy the requirements of the Section 28(e) “safe harbor.” Services obtained through “soft dollars” are used for the benefit of all our clients.

Even where our use of soft dollars to acquire research and brokerage is protected by Section 28(e), we will have a conflict of interest in connection with that use because we might otherwise have to pay cash for those services and products and we may have an incentive to use Transacting Parties who provide those services and products more than we otherwise would.

**Procedures**

A committee (the “Best Execution Committee”) composed of our senior management personnel , evaluates our brokers an ongoing basis by obtaining inputs from our dealer, research and back-office teams. The Best Execution Committee then rates the execution and other services provided by brokers based on those inputs to generate a ranking of our brokers. Our Chief Compliance Officer communicates the Best Execution Committee’s broker rankings to our Chief Investment Officer or the dealer, who may then take up the matter with any underperforming brokers to improve their performance. In addition, our compliance team compares, on a quarterly basis, the broker rankings with the broker turnover report to ensure that the broker turnover does not deviate significantly from the broker rankings.

**Directed Brokerage**

In some circumstances, we may permit Private Account clients to direct us to use particular brokers (“designated brokers”) to effect transactions in their accounts (“directed brokerage”). Clients who use directed brokerage (“directed brokerage clients”) may incur higher transaction costs (and therefore experience lower overall returns) than clients who do not use directed brokerage. For example, designated brokers may charge higher brokerage commission than brokers that we would otherwise use. In addition, designated brokers may execute trades for our directed brokerage clients at disadvantageous times – for example, a designated broker may buy (or sell) a particular security for a directed brokerage client before (or after) brokers that we have selected buy (or sell) identical or related securities for our other clients. Under those circumstances, a directed brokerage client may be subject to adverse price movements, particularly if the designated broker’s trades occur after large block trades, involve illiquid securities or occur in volatile markets.]

**Aggregation of Orders**

At present, Indian laws do not permit us to aggregate client transactions. Our inability to aggregate trades may result in our clients bearing higher transaction costs than they otherwise would

**Item 13 – Review of Accounts**

We generally monitor our clients’ aggregate portfolio holdings on a real-time basis. In addition, our Chief Investment Officer performs individual account-level reviews at least monthly, or more frequently as necessary to respond to significant changes in economic or market conditions. Our Chief Investment Officer also performs account reviews for Private Account clients when those clients inform us of changes in their financial circumstances or investment objectives.

We generally forward to our Private Account clients monthly, quarterly and annual reports. QIEF forwards these reports to the investors in the “Funds” These reports generally include a portfolio appraisal; statements of realized and unrealized gains and losses, interest, dividends and expenses; contributions and withdrawals; and statements of performance history.



**Item 14 – Client Referrals and Other Compensation**

<sup>3</sup>We do not receive any economic benefit other than the fees described in Clause 5 on Page no 6 above for providing investment advice and advisory services to the Funds and Private Account Clients.

However we have engaged QIEF an affiliate to act as our marketing agent under a solicitation agreement entered with them. Under the solicitation agreement QIEF is required to promote our Private Account client advisory services to all potential clients. <sup>5</sup>In addition to its own efforts to solicit separate account advisory services clients for us QIEF has also engaged its 100% subsidiary Q India Corp (Q India) a Connecticut based corporation to promote our Private Account client advisory services to US-based sophisticated private sector institutional clients such as university endowments and foundations.. Q India does not market our services to any governmental agencies, including, without limitation, any state, local or municipal pension funds, or state colleges or universities. <sup>4</sup>Q India Corp. receives its marketing fees, from QIEF on a “cost plus” basis that is reimbursement of all reasonable costs incurred by it plus an appropriate arms-length “mark up” (currently 10%) over these costs, under their agreement with QIEF. We do not pay any fees to Q India Corp. We compensate QIEF on a “cost” basis – that is, we reimburse all reasonable costs incurred by QIEF for its marketing effort in US.

<sup>5</sup>With regard to solicitation of non – USA clients, in addition to its own efforts, QIEF has also appointed a non-US third party solicitor (Solicitor) under a solicitation agreement with the Solicitor, to refer to us non-US clients situated in France, Switzerland, Luxembourg, Belgium and Monaco. QIEF compensates this Solicitor by way of a referral fee amounting to 12% of the fixed advisory fee received by us from the referred client. With regard to solicitation of non-US clients we compensate QIEF on a “cost plus” basis – that is, we reimburse all reasonable costs incurred by QIEF in serving as marketing agent, plus an appropriate arms-length “mark up” over these costs, which is currently at 12% of the costs. We do not directly pay any fees to this Solicitor.

<sup>5</sup>All referral fees paid to QIEF by us and by QIEF to Q India Corp. as regards solicitation of US clients, are in accordance with Rule 206(4)(3) of the Investment Advisers Act, 1940. In the event that the current solicitation agreement of QIEF with the non-US third party Solicitor were to change to involve the solicitation of US clients, we would comply with Rule 206(4)-3

under the Advisors Act, which is the rule governing solicitation of US clients on behalf of an advisor.

**Item 15 – Custody**

We do not maintain custody of any assets held in Private Accounts. With respect to our Fund clients, all of which are “offshore funds” (i.e., private funds organized and incorporated in a country other than the United States), we, as an “offshore adviser” (i.e., an adviser with a principal office and place of business outside the United States) are not required to comply with the SEC’s rules regarding custody of client assets. Investors in our Funds do, however, generally receive audited financial statements prepared in accordance with International Financial Reporting Standards within 120 days of the end of each fiscal year.

**Item 16 – Investment Discretion**

We usually receive discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, we exercise our discretion in a manner consistent with the stated investment objectives for the particular client account. For some clients, our authority to trade securities may also be limited by certain securities and tax laws that require diversification of investments and favor the holding of investments once made.

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<sup>3</sup>*This amends the earlier paragraph effective from October 24, 2011 as an “other than annual amendment to Form ADV 2A” The earlier paragraph read as below:-*

“We do not receive any economic benefit from a person who is not a client for providing investment advice or other advisory services to our clients”.

<sup>4</sup>*This amends the earlier paragraph effective from October 24, 2011 as an “other than annual amendment to Form ADV 2A” The earlier paragraph read as below:-*

“Q India Corp. receives its marketing fees from QIEF. We do not pay any fees to Q India Corp. We compensate QIEF on a “cost plus” basis – that is, we reimburse all reasonable costs incurred by QIEF in serving as marketing agent, plus an appropriate arms-length “mark up” over these costs, which is currently at 12% of the costs. We do not directly or indirectly compensate any other person who is not a supervised person of our for client referrals.”

<sup>5</sup>*Added on October 24, 2011 as an “other than annual amendment to Form ADV 2A”*

**Item 17 – Voting Client Securities**

We have adopted policies and procedures that address generally the guidelines we expect to follow in the exercise of our voting authority over proxies we receive on behalf of clients. We will vote client proxies in the best interest of our clients. We will consider a number of factors to determine whether exercising the clients' voting rights as to its securities is in the relevant clients' best interest, such as whether the securities are being held for a short or long period of time.

When voting a proxy, we will generally follow our voting guidelines. We attempt to identify conflicts of interest that may arise in the proxy decision making process. If a material conflict of interest over proxy voting arises between us and a client, we will seek to resolve the conflict and vote the proxies in a manner that is in the relevant clients' collective best interests.

We will provide, upon request, a copy of these policies and procedures and/or information concerning our voting record on account proxy matters. Such a request may be made by submitting a written request to us at the address on the cover page of this brochure.

**Item 18 – Financial Information**

We do not charge or solicit pre-payment of more than US \$ 1,200 in fees per client six months or more in advance. We have never filed for bankruptcy and are not aware of any financial conditions that are reasonably likely to impair our ability to meet our contractual obligations to clients.

**Item 19 – Requirements for State-Registered Advisers**

Not Applicable.