



SEC File No. – 801-72966

**ITEM 1 – COVER PAGE**

**Part 2A of Form ADV  
Brochure for**

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**Originally prepared on April 1, 2012**

**Eleventh Annual updating amendment dated March 29, 2023**

This brochure provides information about the qualifications and business practices of QIEF MANAGEMENT, LLC (“QIEF”). If you have any questions about the contents of this brochure, please contact us on the 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.

Additional information about QIEF MANAGEMENT LLC is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

QIEF MANAGEMENT, LLC is an SEC registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

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, in compliance of applicable laws and regulations.

**ITEM 2 – MATERIAL CHANGES**

Our last annual updation to the brochure was prepared on March 30, 2022 in accordance with the SEC's requirements and rules.

Below mentioned are the material changes that have been made since our last annual updation of the Form ADV 2A;

**Item 4:** We have updated the data on "Regulatory Assets under Management (RAUM)" as of February 28, 2023.

**Item 14:** Details of marketing agents and compensation structure have been updated.

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**ITEM 4 – ADVISORY BUSINESS**

- A.** QIEF Management LLC (“we” or “QIEF”) is a limited liability company governed under the laws of Mauritius. QIEF holds a CIS Manager and an Investment Adviser (Unrestricted) license issued by Financial Services Commission, Mauritius under the Securities Act 2005 of Mauritius. It is also registered as an Investment Advisor with the U.S. Securities and Exchange Commission<sup>1</sup> and as a Foreign Portfolio Investor (FPI) - Category I (non-investing FPI) with Securities and Exchange Board of India.

QIEF began operations as a Delaware limited liability company in September 2004 but migrated to Mauritius for operational convenience and reorganized itself as a Mauritius limited liability company in May 2006. Our principal place of business is currently located in Mauritius.

The principal owners of QIEF are Quantum India (Mauritius) Limited, Mr. Ajit Dayal and Fairfax Financial Holdings Limited (“FFHL”).

FFHL, a company listed on the Toronto Stock Exchange, is the ultimate parent entity of the Toronto based Fairfax group.

The day-to-day operations of QIEF are managed by a team of experienced professionals. FFHL is not involved in the day-to-day management of the business of QIEF including research and portfolio management. FFHL has indicated its intention to be a passive financial shareholder.

**B. Advisory Services**

We currently provide discretionary investment advisory services to an India focused Equity Private Fund (“Fund”) which is a Mauritius based Fund. We advise the Fund pursuant to the objectives specified in the materials by which the Fund offers its ownership interests to the investors. The board of directors of the Fund has the authority to determine that Fund’s objectives, and to supervise the Fund’s investment and trading activities.

We also offer discretionary investment advisory services to institutional clients, which we refer to herein collectively as our “Private Accounts”. We shall generally manage our Private Accounts with either a focus on the Indian equity market (our “Equity-India Focused Private Accounts”) through two strategies vis. (i) Q India Value Equity Strategy that follows a value

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<sup>1</sup> Registration of QIEF with the regulator does not imply any level of skill or training.

investment philosophy and employs a bottom-up process for portfolio construction and (ii) Q India Responsible Returns Strategy that is focused on investing in equity shares of companies that have relatively better environmental, social and governance (ESG) practices as measured through our proprietary ESG scoring methodology or on the Indian fixed income securities market (our “Fixed Income-India Focused Private Accounts”) through the Q India Sovereign Focus Bond Strategy that is fixed income focused. Presently, we do not have any “Equity-India Focused Private Accounts” or “Fixed Income-India Focused Private Accounts” as our clients.

- C. Our agreements with our clients state or shall state that we must make/ recommend investments for the clients in line with the investment guidelines and restrictions, as stipulated by them. These guidelines generally impose limits on the types of securities or other instruments which the clients may invest in, 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 and the number or nature of short positions they may take. In case of clients which are Funds, the Funds’ investors do not have the right to specify, restrict, or influence the Funds’ investment objectives or any investment or trading decisions.
- D. We do not participate in wrap fee programs.

**E. Assets under Management**

As of February 28, 2023, the Regulatory Assets under Management (“RAUM”) of the QIEF was approximately USD 22 million for the Fund we advise on discretionary basis.

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

<b>ITEM 5 – FEES AND COMPENSATION</b>
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**A Management Fees****Funds**

Currently, QIEF has only one fund, the Q India Fund Limited PCC (formerly known as Q India Equity Fund Limited) (the “Fund”), to whom we provide discretionary advisory services and the Fund pays us a management fee, based on the fund’s net asset value (“NAV”) as of the fee calculation date. This management fee is calculated on a weekly basis and on the last trading day of a month. The said fee is charged in arrears on a monthly basis.

The fee rate that we charge from the Fund under the Q India Value Equity Strategy is same as charged for Private Account Clients, as stated in below table. Fee rates for the Funds are not generally negotiable.

**Private Accounts**

**Our standard fee schedule for the “Discretionary Advisory Services under the “Q India Value Equity Strategy” for Private Account clients is as follows:**

NAV	Rate per annum as a % of NAV
On the first USD 100 million	1%
On the next USD 100 million	0.90%
On the assets in excess of USD 200 million	0.80%

**Our standard fee schedule for the Discretionary Advisory Service under the “Q India Responsible Returns Strategy” for Private Account clients is as follows:**

NAV in Client Account	Fixed Fee Structure, (As% of NAV p.a)	Variable Fee Structure (As % of NAV p.a)
On the first USD 50 mn	0.6%	0.5% Fixed Fee + Performance Fee
On the next USD 50 mn	0.5%	0.4% Fixed Fee + Performance Fee
On the assets in excess USD 100 mn	0.4%	0.3% Fixed Fee + Performance Fee

Performance Fee – 10% of outperformance over MSCI India Index, calculated annually. Levy of performance fee shall be subject to the Firm complying with applicable laws.

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

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

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

**Our standard fee schedule for the “Discretionary Advisory Services under the “Q India Sovereign Focus Bond Strategy” for Private Account Clients is as follows:**

NAV	Fees per annum as % of NAV
On the first US \$ 100 million	0.25%
On the assets in excess US \$ 100 million	0.20%

Our Fixed Income-India Focused Private Account clients will be charged management fees monthly in arrears. The management fees shall be calculated based on the NAV of the Private Account on the last trading day of each calendar month. For those Fixed Income-India Focused Private Accounts that will be open for only part of a calendar month, we shall prorate our fees based on the number of days that the Private Account will be open in that month.

**B.** 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.

The foregoing is only a description of our standard fee arrangements, and in some cases, we may negotiate our fees with individual Private Account clients. In particular, we may agree to charge individual Private Account clients management fees according to a rate schedule that is different from the schedules described above, and we may also agree with clients 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 USA based clients' performance-based fees, we will do so in a manner that complies with the Investment Advisers Act 1940, as amended, and relevant SEC rules (including Rule 205-3).

### **C. Other Expenses**

In addition to our fees, each of our clients may also incur certain expenses related to the management and operation of the client's account 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 expenses such as board meeting related expenses and other expenses for obtaining director's and shareholder's consents); and fees paid to the fund's administrator and registrar.

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

### **D. Prepayment of Fees**

Our Equity-India Focused Fund pays us management fees monthly in arrears. Our Equity – Focused Private Account Clients shall typically pay us management fees quarterly in arrears and our Fixed Income India-Focused Private Account Clients shall typically pay us management fees monthly in arrears. Further, for those Private Account clients (if any) that have agreed to pay our fees in advance over any period, we shall 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.

#### **E. Other Compensation.**

Neither we nor any of our Supervised Persons accept compensation for the sale of securities or other investment products.

<b>ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT</b>
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Although as noted above in “Item 5 – Fees and Compensation,” our standard fee structure for Q India Value Equity Strategy and Q India Sovereign Focus Bond Strategy do not include performance-based fees, in some cases, we may negotiate fee arrangements with particular private account clients that include such fees. In addition, as noted below in “Item 10 – Other Financial Industry Activities and Affiliations,” we are affiliated with, and receive investment advisory and research services from Quantum Advisors Private Limited, India (“Quantum Advisors”)<sup>2</sup>. Like us, Quantum Advisors also serves as an investment adviser to a number of private account clients, and for some of those clients Quantum Advisors receives performance-based fees. In serving as investment adviser to multiple clients, some of whom may pay performance-based fees; both we and Quantum Advisors face potential conflicts of interest, including the fact that both we and Quantum Advisors may have incentives to favour those clients who pay us performance-based fees.

To address these conflicts, both we and Quantum Advisors 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.

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<sup>2</sup>Quantum Advisors is an India-based investment advisor, registered as a “Portfolio Manager” with Securities and Exchange Board of India, as an “Investment Adviser” with the US Securities and Exchange Commission and as a “Restricted Portfolio Manager” in the Canadian provinces of British Columbia, Ontario and Quebec. Quantum Advisors’ registration with these regulators does not imply any level of skill or training.

**ITEM 7 – TYPES OF CLIENTS**

The India Equity Fund is a Mauritius-based investment fund which is privately offered in the United States and is not regulated under the U.S. Investment Company Act of 1940, as amended (the “Investment Company Act”). It imposes minimum investor qualification standards and minimum investment requirements.

Our Private Account clients may include 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 offer to Equity-India Focused Private Account clients are generally available to institutional accounts at a recommended minimum account size of USD 20,000,000 for the Q India Value Equity Strategy & USD 1,000,000 for the Q India Responsible Returns Strategy. The investment advisory services that we provide to Fixed Income-India Focused Private Account clients are generally available to institutional accounts at a recommended minimum account size of USD 50,000,000. 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****A. Our Investment Objective, Strategy and Process****(a) Equity Product****1. 1. Q India Value Equity Strategy:**

Our investment objective is to achieve long-term capital appreciation by investing in the listed equity shares of companies in India that are in a position to benefit from the anticipated growth and development of the Indian economy and its investment universe will be as far as possible the companies constituting the S&P BSE 200 or any appropriate additions made thereto and will be subject to any specific guidelines prescribed by clients. However, considering the market conditions, we may at our discretion, invest in one or more financial and money market instruments.

We follow the value investment philosophy and employ a bottom-up process for portfolio construction.

Our investment philosophy and strategy involves the use of intensive qualitative and quantitative fundamental analysis, to build and monitor our clients' portfolios actively while at the same time avoiding excessive trading, and to control risk by endeavouring to keep 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. Our investment strategy is to invest in companies which we believe are attractively priced in the market when compared to our valuation of the companies. We develop valuations of the companies in which we invest based on their businesses, the strength of their balance sheets and cash flow relative to their long-term goals and other factors including our assessment of the skill and expertise of the company's management team and the long-term potential for both the company and the markets in which it operates.

We generally buy stocks at a discount to what we believe is the intrinsic value of the stock. Such opportunities may arise for a variety of reasons ranging from the belief that the market has undervalued a company, to an assessment that there is opportunity for significant profit or market share growth given the dynamics of the sector a company operates in, or as a result of the company's competitive or proprietary advantages.

Generally speaking, our investment portfolio will consist of listed equity shares of companies in India having an average daily trading volume of USD 1 million or above in the preceding 12 months and the holdings in any one company will tend to be in the range of 2% to 6% of the total market value of the portfolio at cost. The process of creating the portfolio is a team driven process.

We will avoid investment in companies:

- With record of poor treatment of minority shareholders;
- that have blatantly violated environmental rules and regulations; that have acquired national properties from government through questionable means; that follow other similarly questionable practices
- With questionable accounting practices
- With weak business models
- Where it is not clear as to who exactly are the founders of the company

As a practice, we will generally not invest in companies that derive more than 20% of their total revenues from tobacco, hard liquor or gambling/casino activities. The term hard liquor does not

include wine and beer. We adopt a long-term approach for investing in equities, typically holding stocks for a 5 year period, suggesting an average portfolio turnover of 20%.

The stocks also pass through further screens (including integrity screens) such as:

- Are there too many related party transactions?
- Is there a succession plan in place?
- Is it a company where only one person runs it?
- Has the management changed and become better or become worse?

Each investment decision is supported by an approved research report and the investment justification. Such research report must have been approved at a research meeting held on a day not more than 180 days prior to the date of the release of the order to the broker.

- Generally, minimum holding in any one stock is 2% (at the time of initial investment) and the maximum is 6% at cost and 10% at current market prices. The portfolio is monitored regularly and rebalanced suitably whenever required. The portfolio manager may also rebalance a client portfolio in case of any fresh contribution in to or withdrawal from a client account.
- Minimum and Maximum portfolio holding: The Firm generally holds 25-40 stocks in a client portfolio.

**Suggested investment horizon:** 3 to 5 years and above.

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 evaluate the company valuations on fundamental criteria (dividend yields, price to earnings, price to cash flow, price to book value, and other different measures of share price ratios), and also do comparative evaluation against 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.

Benchmark Index: S&P BSE 200. Given that the BSE 200 comprises large cap stocks which are highly liquid, we believe it makes a good benchmark as the strategy has a bias towards highly liquid stocks. However, the strategy's performance may not be strictly comparable with the performance of the

Benchmark, due to inherent differences in the construction of the portfolios, and the volatility of the benchmark over any period may be materially different than that of the strategy's portfolio over the same period.

**Portfolio Construction:**

The stock has to be under active and current coverage with an average daily trading volume of USD 1 million over last 1 year. Each stock in our 'Estimates Database' has a pre-assigned Buy / Sell Limit. This is an INR price, based on underlying fundamental criteria. We, generally, buy a new stock at the pre-determined Buy Price (or below). We generally sell an existing stock at the pre-determined sell price or above. We may add to a stock we already own if it is between the pre-determined Buy and Sell price. We are benchmark agnostic and leaves it to the client to specify a benchmark against which we must be compared. The investment team takes the decision on portfolio weights. These are a function of:

1. Reliability of management
2. Quality of earnings
3. Stability of Earnings
4. Upside potential
5. Alternatives/cash

Higher importance is given to the first three points stated above in deciding the weights. For instance, if we are deciding between two stocks with similar upside potential, a stock that is rated higher on stability, quality and reliability will earn a larger portfolio weight.

We will let stocks run up to a maximum of 10% of the portfolio (current market price/NAV) before we begin to trim the position.

We sell when the stock price reaches our sell limit and there has been no revision in our sell limits or when we change our view on the management.

**1.2 Q India Responsible Returns Strategy:**

**Investment Objective:** The Investment Objective of the strategy is to achieve long-term capital appreciation by investing in equity shares of companies that have been found to have relatively better environmental, social and governance (ESG) practices as measured through our proprietary ESG scoring methodology.

**Investment Philosophy, Strategy and Portfolio Construction Process:** The strategy's focus is to follow a comprehensive 'ESG Framework' in order to develop a deeper understanding of 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. The aim is to invest 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 portfolio will include shares of all companies above a particular threshold ESG score. The score is derived using our proprietary methodology to analyse the Environmental, Social and Governance practices of the companies in our investment universe.

The primary focus will be on identifying companies based on two criteria. First is for selecting companies under coverage i.e., the investment universe and second is for selecting companies in the portfolio.

The first criterion is selecting companies generally trading with liquidity of minimum US \$ 1 million on an average over the last 12 months.

The second criterion is selection of companies based on their ESG score. Each company/security, which is filtered on the basis of the first criterion, will be scored on ESG parameters using data sources such as sustainability reports (Global Reporting Initiative 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 generally have a higher relative weight and vice versa. The selection process ensures completely eliminating exposure to companies that scores below the set threshold on ESG criteria. Ideally, the sum total of the weights of securities in a sector will closely endeavour to track sector weights of MSCI India Index, subject to the sector having enough ESG depth in terms of companies with their individual ESG scores to match the sector allocation given the guardrails around individual stock weights in relation to their ESG scores.

The allocations shall be based on governance and sustainability; hence allocations will be agnostic to valuations. However, the stocks would also be screened for a financial sustainability check before included in the portfolio. Stocks with weak financial stability will be completely excluded and ones not meeting the threshold but with improving financial profile will be adjusted to a lower weight as per the financial assessment of companies.

**Portfolio Construction Process:**

- For being considered for the portfolio, a stock should generally have an average liquidity (daily turnover) of minimum US\$ 1 million over the last 12 months.
- Generally, every Stock with an ESG composite score equal to or above the threshold ESG score and meeting the financial sustainability criteria may be expected to be part of the portfolio.
- The fund manager would generally not try to time the market and will add stocks that meet the ESG criteria. Every stock in the portfolio will be bought and sold on the basis of weights allotted to it and will be value agnostic.
- The fund manager will set sector weights for the portfolio in accordance with sector weights of a broad well diversified India equity Index like the MSCI India Index.
- 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.

**Underlying theme:** The underlying theme of this strategy is to build a portfolio of securities following an investment strategy that is valuation agnostic and focuses on identifying high governance based ESG driven listed Indian companies.

**Benchmark index:** We will compare the performance of this product with the MSCI India Index (benchmark). The benchmark is a widely used benchmark index that aims to provide exhaustive coverage of the investment opportunity in the Indian equity markets with a strong emphasis on index liquidity, investability and replicability. The strategy also endeavors to replicate the sector weights of this index to the extent possible. We believe that it appropriately represents the investment objective of the strategy. However, the strategy's performance may not be strictly comparable with the performance of the Benchmark, due to inherent differences in the construction of the portfolio, and the volatility of the benchmark over any period may be materially different than that of the strategy's portfolio over the same period.

**Suggested investment horizon:** 3 to 5 years and above.

**(b) Fixed Income Product****Q India Sovereign Focus Bond Strategy**

The objective of the fixed income product is to generate income and capital gains by investing in fixed income securities issued by the Central Government of India (Sovereign) and government owned companies (Public Sector Units – PSU) of Indian origin (PSU Corporate Debt).

The investment strategy is to take advantage of the long-term development in the Indian bond markets that is anticipated with the growth in the Indian economy.

We follow a top-down research and investment approach that involves analysis of long-term macroeconomic indicators, and company and instrument analysis.

The macro and micro analysis narrows down to buyable securities based on the investment objectives and risk parameters that includes maturity profile, credit profile and risk profile of the securities in the portfolio.

**B & C. Risk Factors**

An investment in any of our strategies involves risks, including the risk that a client can lose some or all of its capital. Some of the material risks involved in our investment strategies or a particular type of securities are described below. However, this could be materially different from what actually occurs in the future;

**General Risks**

- Past performance of the Investment Advisor does not indicate the future performance of the Investment Advisor. Equity and equity related, fixed income and money market related instruments are by nature volatile and prone to price fluctuations. The investor/client may lose money over short or long period in response to factors such as economic and political developments, changes in interest rates, market movements and over longer period during market downturn. There can be no assurance or guarantee that the investment objectives of different Investment Strategies would be achieved.
- The success of our client portfolios depends largely on the abilities of our advisory team (that includes our employees and employees of our affiliates) to develop and implement investment strategies to achieve the clients' investment objectives. There can be no assurance that each of



our affiliates will continue to provide services to us. This could adversely affect our performance. If any of the investment professionals or management team members responsible for advising or managing the clients' portfolio investments were to become unwilling or unable to serve, as a result of death, illness, or otherwise, the clients' portfolio performance could be adversely affected.

- Investors may note that Fund Manager's investment decisions may not always be profitable, as actual market movements may be at variance with anticipated trends.

### **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 clients' 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 clients' 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.

**Risk specific to Q India Responsible Return Strategy:**

The Strategy/Fund would primarily invest in equity stock of companies that have relatively better environmental, social and governance (ESG) practices as measured through our proprietary ESG scoring methodology. Evaluation of companies from ESG or sustainability perspective may result in exclusion of securities of certain issuers for non-investment reasons and therefore the strategy may forgo some market opportunities available to a strategy that do not use the ESG theme. Securities of companies with ESG practices may shift into and out of favour with stock market investors depending on market and economic conditions.

As our ESG research coverage increases accompanied by improvements in ESG disclosures and practices, we intend to maintain a well-diversified portfolio. However, there is a possibility that the majority of the holdings could be concentrated under a few sectors or groups of issuers. Consequently, the portfolio's performance may be adversely affected due to a risk associated with non-diversification as compared to a more diversified portfolio across sectors and issuer groups.

**Certain Risk Factors Concerning India**

Risks associated with the investments in India, including but not limited to the risks described below, could adversely affect the performance of the clients' portfolios and result in substantial losses. Investment in Indian markets involves risk factors and special considerations which may not be typically associated with investing in more developed markets. Political or economic change and instability may be more likely to occur and have a greater effect on the Indian economy and its markets. Adverse government policies, taxation, restrictions on foreign investment and on currency convertibility and repatriation, currency fluctuations and other developments in the Indian laws and regulations, including expropriation, nationalization or other confiscation could result in loss to the clients' portfolios.

**Risks include:**

- (i) Greater risk of expropriation, confiscatory taxation, nationalization, and social, political and economic instability;
- (ii) The small current size of the markets for securities of Indian issuers and the currently low or non-existent volume of trading, resulting in lack of liquidity and in price volatility;

- (iii) certain national policies which may restrict the investment opportunities for client portfolios including restrictions on investing in issuers or industries deemed sensitive to relevant national interests; and
- (iv) The absence of developed legal structures governing private or foreign investment and private property. No assurance can be given as to the ability of QIEF to achieve any return on its clients' portfolios and in case of Fund clients, in turn, any return on an investor's investment in the Fund.

By comparison with more developed securities markets, the Indian securities markets are comparatively small, less liquid and more volatile. This may result in greater volatility in the net asset value of the clients' portfolio than would be the case in relation to funds invested in more developed markets.

The Indian markets securities may incur brokerage or securities transaction taxes levied by the Indian governments which would have the effect of increasing the cost of investment and which may reduce the realized gain or increase the loss on such securities at the time of sale. The issuers of Indian markets securities, such as banks and other financial institutions may be subject to less stringent regulation than would be the case for issuers in developed countries, and therefore potentially carry greater risk. In addition, custodial expenses for Indian securities are generally higher than for developed market securities. Dividend and interest payments from, and capital gains in respect of, Indian securities may be subject to taxes that may or may not be reclaimable.

Accordingly, before opening an account with us, clients should consider the following:

#### **Political, Regulatory and Settlement Risk**

The value of the clients' portfolio assets may be affected by uncertainties such as international political developments, changes in government policies, changes in taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in the Indian laws and regulations. Furthermore, the legal infrastructure and accounting, auditing and reporting standards in India may not provide the same degree of investor protection or information to investors as would generally apply in major securities markets.

#### **Risks due to tense relations with neighbours**

The country's relations with certain neighbouring countries have been historically 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. India's population is comprised of numerous ethnic groups with diverse religions and languages, sometimes resulting in communal conflict among groups. For instance, in the past 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. The terrorist attacks in November 2008 and July 2011 in Mumbai heightened tensions and security risks in both countries. The border skirmishes between the Chinese and Indian armed forces at the Galwan valley in 2020 have heightened tensions between China and India.

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.

**Liquidity Risk**

The accumulation and disposal of holdings in some investments may be time consuming and if a large number of securities have to be realized at short notice to meet substantial client redemption requests such sales may have to be effected at unfavorable prices which may in turn have an adverse effect on the net asset value of the clients' portfolios. We may also encounter difficulties in disposing of assets at their fair price due to adverse market conditions leading to limited liquidity.

**Geographical Concentration Risk**

Clients' portfolios with a geographical focus may be more volatile than a broad-based client portfolio, such as a global equity client portfolio, as they are more susceptible to fluctuations in value resulting from adverse conditions in the countries in which they invest.

**Legal Risk**

Laws governing foreign investment and securities transactions in India may be less sophisticated than in developed countries. Accordingly, the clients' portfolios may be subject to additional risks, including inadequate investor protection, unclear or contradictory legislation or regulations and lack of enforcement thereof, ignorance or breach of legislation or regulations on the part of other market participants, lack of legal redress and breaches of confidentiality. It may be difficult to obtain and enforce a judgment or legal remedy may be inordinately delayed.

**Credit Risk**

There can be no assurance that issuers of the securities or other instruments in which the clients' portfolios invest will not be subject to credit difficulties leading to the loss of some or all of the sums invested in such securities or instruments or payments due on such securities or instruments.

**Reinvestment Risk**

This risk refers to the interest rate levels at which cash flows received from the securities under a particular Portfolio are reinvested. The additional income from reinvestment is the "interest on interest" component. The risk is that the rate at which interim cash flows can be re-invested may be lower than that originally assumed.

**Currency Exchange Rate Risk**

The clients' portfolios may from time to time enter into currency exchange transactions either on a spot basis or by buying currency exchange forward contracts. Neither spot transactions nor forward currency exchange contracts eliminate fluctuations in the prices of the clients' portfolio securities or in foreign exchange rates, or prevent loss if the prices of these securities should decline. Performance of the clients' portfolio may be strongly influenced by movements in foreign exchange rates because currency positions held by the clients' portfolio may not correspond with the securities positions held.

**Capital Gains Tax**

Sales of securities will be subject to capital gains tax in India, and this could significantly reduce returns of the clients' portfolios in the absence of an offset or credit for such tax under the tax laws or regulations of the client's domicile.

**Loss of Foreign Portfolio Investor (FPI) Registration**

For accessing the Indian securities market, the clients will be required to register with the Securities and Exchange Board of India (SEBI) as a foreign portfolio investor (FPI). Investment by the clients' portfolios in India is dependent on the continued registration of the clients. In the event the registration of the client is terminated or is not renewed, the client could potentially be forced to redeem the investments held in the client portfolio, and such forced redemption could adversely affect the returns to the clients.

**Cyber security risks**

We and our service providers are susceptible to operational and information security and related risks of cyber security incidents. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyber security attacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data or causing operational disruption. Cyber-attacks also may be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make services unavailable to intended users). Cyber security incidents affecting us or other service providers such as financial intermediaries have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, including violations of applicable privacy, data security or other laws. While information risk management systems and business continuity plans have been developed by QIEF, which are designed to reduce the risks associated with cyber security, there are inherent limitations in any cyber security risk management systems or business continuity plans, including the possibility that certain risks have not been identified.

**Risks related to unforeseen Market events, health epidemics, pandemics and similar outbreaks.**

Unpredictable events such as environmental or natural disasters, war, terrorism, pandemics, outbreaks of infectious diseases, and similar public health threats may significantly affect the economy and the markets and issuers in which we invest on behalf of our clients. Certain events may cause instability across global markets, including reduced liquidity and disruptions in trading markets, while some events may affect certain geographic regions, countries, sectors, and industries more significantly than others, and exacerbate other pre-existing political, social, and economic risks.

These types of events may also cause widespread fear and uncertainty, and result in, among other things: quarantines and travel restrictions, including border closings; disruptions to business operations and supply chains; exchange trading suspensions and closures, and overall reduced liquidity of securities, derivatives, and commodities trading markets; reductions in consumer demand and economic output; and significant challenges in healthcare service preparation and delivery. These disruptions could prevent us from executing advantageous investment decisions in a timely manner and negatively impact our ability to achieve investment objectives.

Currently, there is an ongoing outbreak of a novel and highly contagious form of coronavirus (“COVID-19”), which the World Health Organization formally declared in March 2020 to constitute a global “pandemic.” This outbreak has caused a worldwide public health emergency, straining healthcare resources and resulting in extensive and growing numbers of infections, hospitalizations and deaths. In an effort to contain COVID-19, national, regional and local governments, as well as private businesses and other organizations, have taken severely restrictive measures, including instituting local and regional quarantines, restricting travel (including closing certain international borders), prohibiting public activity (including “stay-at-home” and similar orders), and ordering the closure of large numbers of offices, businesses, schools, and other public venues. In many jurisdictions, restrictive measures have been re-imposed to address subsequent waves of infection. As a result, COVID-19 has significantly diminished global economic production and activity of all kinds and has contributed to both volatility and a severe decline in all financial markets. Among other things, these unprecedented developments have resulted in material reductions in demand across most categories of consumers and businesses, dislocation (or in some cases a complete halt) in the credit and capital markets, labour force and operational disruptions, slowing or complete idling of certain supply chains and manufacturing activity, steep increases in unemployment levels in India and/or other regions, and strain and uncertainty for businesses and households, with a particularly acute impact on industries dependent on travel and public accessibility, such as transportation, hospitality, tourism, retail, sports and entertainment.

The ultimate impact of COVID-19 — and the resulting precipitous decline in economic and commercial activity across almost all of the world’s largest economies — on global economic conditions, and on the operations, financial condition and performance of any particular industry or business, is impossible to predict, although ongoing and potential additional materially adverse effects, including a further global or regional economic downturn (including a recession) of indeterminate duration and severity, are possible. The extent of COVID-19’s impact will depend on many factors, including the ultimate duration and scope of the public health emergency and the restrictive countermeasures being undertaken, as well as the effectiveness of other governmental, legislative and financial and monetary policy interventions (including the effectiveness of vaccines and the implementation of vaccination programs) designed to mitigate the crisis and address its negative externalities, all of which are evolving rapidly and may have unpredictable results.

The ongoing COVID-19 crisis and any other similar outbreaks could have a significant adverse impact on the Company’s operations and result in significant losses to the Company.

**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**

**A.** Neither we nor any of our management persons are registered, or have an application pending to register as, a broker-dealer or registered representative of a broker-dealer.

**B.** Neither we nor any of our management persons are registered, or have an application pending to register as, futures commission merchant, commodity pool operator, commodity trading adviser or an associated person of the foregoing entities.

**C. Affiliated Advisers**

We receive investment advice and research inputs from Quantum Advisors in relation to the Equity focused and the Fixed income focused strategies; and research and advisory inputs from Quantum Asset Management Company Private Limited ("QAMC") - the 100% subsidiary of Quantum Advisors - with regard to investments by India Fund and Fixed Income Funds, in relation to our India focused equity and India focused fixed income products. Quantum Advisors and QAMC are collectively referred to as our "Affiliated Advisers." Like us, Quantum Advisors also serves as an investment adviser to a number of private account clients, and for some of those clients, Quantum Advisors receives performance-based fees. In serving as investment adviser to multiple clients, some of whom may pay performance-based fees, Quantum Advisors faces potential conflicts of interest, including the fact that Quantum Advisors may have incentives to favour those clients who pay them performance-based fees.

To address these conflicts, Quantum Advisors has developed allocation policies and procedures that seek to ensure that it allocates investment opportunities among its clients in a manner that it believes is fair and equitable and QIEF has adequate processes in place to oversee and ensure that Quantum Advisors' fair allocation policies and procedures are implemented, as stated in their policies and procedures.

We pay the Affiliated Advisers fees for these investment advisory services and research inputs out of the management fees that we receive from our clients. Our evaluation of the Affiliated Advisers' qualifications, suitability, and performance as investment advisers/research service providers involve inherent conflicts of interest that would not be present, if we were instead evaluating independent



investment advisers or research service providers. Other than these inherent conflicts of interest, we do not believe that our relationships with the Affiliated Advisers create a material conflict of interest with our clients.

### **Investments in Affiliated Entities**

Quantum Long Term Equity Value Fund (“QLTEVF”) is an India based retail mutual fund launched by one of our affiliates, Quantum Mutual Fund (“QMF”). We may cause our clients to invest in QLTEVF or other funds sponsored by our affiliates (collectively, the “Affiliated Funds”). We face inherent conflicts of interest in causing our clients to invest in the Affiliated Funds, including QLTEVF, in preference to other funds whose sponsors are not affiliated with us. To address the conflict of interest that such investments present, we shall ensure that: (a) our clients do not bear excessive “or double” fees in connection with their investments in the Affiliated Funds; and (b) in case the client is a fund, the aggregate expense ratio of the fund shall not under any circumstances exceed the maximum expense ratio permissible under the fund’s offering memorandum and (c) 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 the Affiliated Funds; and (ii) in case of a fund client, the Fund’s offering memorandum permits investments in the 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) appropriate provisions in the fund’s offering document (in case of fund clients) permitting such investments and adequate disclosures of conflict of interests in the fund’s offering document, informed consent of the client is obtained by us.

**D.** QIEF has appointed Quantum Advisors as a non-discretionary investment adviser, in relation to its India Fund. Quantum Advisors has appointed QIEF for providing marketing support in USA, and other international jurisdictions for its separately managed accounts. However, we do not believe that this business relationship between Quantum Advisors and QIEF creates any material conflict of interest.

**ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL SECURITIES TRANSACTIONS****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 QIEF and its personnel (as well as certain of their relatives) from inappropriately benefiting from QIEF’s relationships with its 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.

The Code is based upon the principle that QIEF and its employees owe a fiduciary duty to its clients to conduct their affairs, including their personal securities transactions, in such a manner as to avoid (i) serving their own personal interests ahead of clients, (ii) taking undue advantage of their position with QIEF and (iii) any actual or potential conflicts of interest or any abuse of their position of trust and responsibility.

The purpose of the Code is to preclude activities which may lead to or give the appearance of conflicts of interest, insider trading and other forms of prohibited or unethical business conduct.

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

It is QIEF’s policy not to engage, in any agency cross transactions, cross transactions and principal transactions unless permitted under applicable regulations and prior consent of the client is obtained.

The CCO or the designated officer monitors QIEF’s trading practices to check if any agency cross transactions, cross transactions or principal transactions have occurred for advisory clients unless applicable regulations permit such transactions and prior consent of the client was obtained as provided under the Investment Advisers Act and Rules.

Among other things, the Code provides that:

- a) Our clients’ interests come before our employees’ interests and, except to the extent otherwise provided in client agreements, before our own interests;
- b) We must disclose to all our clients 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;

- c) 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;
- d) We and our employees must not take advantage of our or their positions of trust with or responsibility to our clients; and

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 (“CCO”) (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).

The non – executive Directors of the Company do not -as a matter of fact-have access to non-public information regarding any clients’ purchases or sales of securities, and have no involvement in the client portfolio management or securities recommendation activity. Further they have no access to such recommendations that are non-public. Therefore, we believe that these directors are not Access Persons.

Accordingly, only certain specified sections of the Code of Ethics apply to the non- executive Directors of the company to the extent specifically provided in the Code of Ethics.

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

#### **Participation or Interests in Client Transactions**

We may act as an 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 QIEF 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 QIEF 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 adopted by us. From time to time, access persons of QIEF 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 QIEF, its affiliate or their access persons also have a position or interest in compliance with applicable regulations, if any. As these situations may represent a potential conflict of interest, we have implemented procedures relating to proprietary trades and personal securities trading by our employees.

The proprietary orders of the firm, if any shall be placed in such a manner that there is no conflict with the clients' orders. Proprietary accounts of the firm shall generally not be bunched with the client orders and are executed after client orders have been filled.

Our practice is not to engage, in any agency cross transactions, cross transactions and Principal transactions unless permitted under applicable regulations and prior consent of client is obtained.

### **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 immediate relatives, 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; except in case of the following;
  - a) Investment in securities where there is a Direct obligation of the Government of United states of America,
  - b) Investments in shares issued by money market funds,
  - c) Investment in Shares/units issued by open-end funds other than reportable funds (which are listed in QIEF's "Personal Securities Transaction Policy");
  - d) Certain other types of securities (which are listed in QIEF's "Personal Securities Transactions Policy") that we do not believe create a potential for conflicts of interest.
- No employee is permitted 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 permitted to trade in securities forming part of the client portfolios, securities that our portfolio management team intends to trade for clients; or in securities whose average daily turnover in the relevant markets in India in the preceding 12 months is not less than USD 1 million;

- No employee is permitted to trade in a security that we have traded for our clients at any time during the 15 trading days prior to or 15 days after the date on which we have traded in such security for clients;
- Transactions effected without pre-clearance are subject to, in the discretion of our Compliance Monitoring Committee, (after consultation with other members of the management, if appropriate), being reversed or, if the employee made profits on the transaction, to disgorgement of those profits;
- 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 the designated officer on a quarterly basis.
- Employees holding mutual fund units (other than liquid fund) are required to hold the units for a minimum period of 90 calendar days;
- No employee is permitted to execute a “contra trade” within 185 days in securities, other than Mutual funds;
- Employees from the research and investment department will have the following additional restrictions while dealing in securities. They shall not be allowed:
  - to deal or trade in securities that the concerned analyst recommends or follows within 30 days before and 5 days after the release of the research report.
  - to deal or trade directly or indirectly in securities that he reviews in a manner contrary to his/her given recommendation.
  - to purchase or receive securities of the Issuer before the issuer’s initial public offering, if the issuer is principally engaged in the same types of business as companies that the research analyst follows or recommends.

<b>ITEM 12 – BROKERAGE PRACTICES</b>
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Each of our clients 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 clients 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.

#### **A. 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 mark-ups 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;
- 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.

For an entity to be considered for appointment as a Broker dealer, it is not a necessary condition that such an entity should be making client referrals to us or to any of our related person. Currently none of the broker-dealers appointed by the firm for executing client’s trades are the Firm’s affiliates.

#### **1. 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 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. 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 to, in order to induce brokers and dealers to provide us with services or benefits, 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 QIEF) 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 mark ups and markdowns on principal transactions where protected) for purposes, and in ways, that satisfy the requirements of the Section 28(e) "safe harbor."

During the last fiscal year, we received the following proprietary research and other services from our brokers against "client brokerage commissions":

- (i) Proprietary research reports on macro-economic matters, securities markets and corporates / issuers as part of research services provided by them to their institutional clients on mass distribution basis;
- (ii) Support in arranging for meetings for the Firm's or its India Advisor's research staff with corporates, analysts or investors
- (iii) sales coverage; i.e. having their designated sales staff to attend to queries from the Firm or arranging meetings for the Firm's or its India Advisor's research staff with the broker's analysts or with the management of the company being researched.

Expenses incurred in relation to attending the meetings (referred to in (ii) and (iii) above) that are attributable to the Firm are borne by the Firm.

The Firm does not commit to any particular level of trading with a broker in order to be eligible to receive these services. Therefore, the Firm is free to consider a number of brokers based on who will provide best execution and research. The costs associated with the services received have historically been bundled with execution expenses, and the costs of paying brokers for proprietary research and other services indicated above are often not separable from execution expenses and may be known only to the broker. For this reason, it has not been feasible for us to conclusively establish that commissions paid match the proprietary services provided. However, the Firm makes a good faith determination that the value of the research and other services provided by these brokers is reasonable in relation to the amount of commissions paid, viewed in terms of the Firm's overall responsibilities to client accounts.

The services obtained through "soft dollars" are used for the benefit of all our clients including for those clients who do not pay for such benefits. Presently the only client of the Firm pays for these services.



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**

Our process for overseeing the use of soft dollars is summarized as follows:

We have a “Best Execution Committee” consisting of our senior management personnel that reviews our best execution processes and effectiveness on quarterly basis. The Committee evaluates our brokers on an on-going basis by obtaining inputs from the members of the research and investment teams of our India based Adviser and research provider and the Firm’s in house dealers and back-office teams. The Best Execution Committee then rates the execution and other services provided by brokers and rank them. Our Chief Compliance Officer or the designated officer communicates the Best Execution Committee’s broker rankings to our in-house dealer, who then takes up the matter with the underperforming brokers to improve their performance. In addition, the Best Execution Committee reviews, on a quarterly basis, the broker rankings and compares the same with the broker turnover report to check if the broker turnover deviates significantly from the broker rankings. In case of significant deviations, the in-house dealer takes up the issue with the broker concerned and ensures that the broker takes necessary steps to address the identified issues.

**Brokerage for client referrals**

While selecting broker-dealer, we don’t consider whether we or related person receive client referral from broker dealer or third party.

**2. Directed Brokerage**

a. Generally, all our Clients authorise us to select brokers that we may use to make transactions in the Client’s account.

b. Our Private Account clients may 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 commissions 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 whom 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.

## **B. Aggregation of Orders**

QIEF disseminates orders to brokers in a manner to ensure all clients are treated fairly. Where QIEF has to execute trades for multiple clients, subject to applicable laws & rules, it shall generally undertake aggregated trades and thereafter allocate executed trades amongst clients for whom such aggregation was made at the weighted average executed price in line with the allocation ratio decided prior to the execution of the aggregated trades. QIEF sends client wise orders to the brokers who aggregate these orders and release the aggregated order on the exchange. The executed trades (whether fully or partially filled) are allocated to the relevant clients based on an allocation ratio decided prior to the execution of trades, at the weighted average execution price of the securities aggregated or bunched on behalf of multiple clients.

Where we do not, or for some reason are unable to, aggregate trades for multiple clients we may use a random trade rotation process in which one group of clients may have a transaction effected before or after another group of clients. These trade rotation practices may result in a transaction being effected for your account near or at the end of the rotation, and this could be resulting in your account bearing the market price impact, if any, of the trades executed earlier in the rotation. This may result in your account receiving a less favorable net price for the trade. However, our trade rotation policies are typically designed to ensure clients are treated equitably and fairly over time.

However, in exceptional circumstances where QIEF is of the opinion that the random trade rotation process may not result into fair treatment to client(s), it may deviate from this process and adopt appropriate alternative mechanism of trade allocation and execution with the approval of the Investment Committee and the Chief Compliance Officer and for reasons recorded in writing.

## **ITEM 13 – REVIEW OF ACCOUNTS**

**A & B.** We generally monitor our clients' aggregate portfolio holdings on a regular basis. In addition, the concerned fund manager or the Investment Committee, as the case may be, performs individual account-level reviews at least monthly, or more frequently as necessary to respond to significant

changes in economic or market conditions. Our Investment Committee shall also perform account reviews for Private Account clients when those clients inform us of changes in their financial circumstances or investment objectives. Where we have delegated discretionary Investment Management authority to a Sub-Investment Manager, we ensure that the relevant Sub-Investment Manager performs an account review at least monthly or more frequently as necessary to respond to significant changes in economic or market conditions.

C. We generally forward to our Private Account clients and to investors in our Funds monthly, quarterly, and annual reports. 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.

<b>ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION</b>
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A. 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.

Quantum Advisors has engaged us to act as its marketing agent under a solicitation agreement entered with us. Under the solicitation agreement, we are required to promote Quantum Advisors' Private Account client advisory services to potential clients. In addition to our own efforts to solicit separate account advisory services for Quantum Advisors, we have also engaged our two 100% subsidiaries viz., (i) Q India Corp (Q USA), a Delaware corporation based in New York, to promote Quantum Advisor's Private Account client advisory services to US-based sophisticated non-government private sector institutional clients including but not limited to university endowments and foundations. Q USA does not market our services to any governmental agencies, including, without limitation, any state, local or municipal pension funds, or state colleges or universities. (ii) Q India (UK) Limited (Q UK), a company constituted in London, UK to market Quantum Advisors' services to sophisticated/accredited institutional client such as government entities, pension/retirement funds, sovereign wealth funds, asset managers etc. in other international jurisdictions outside USA. Quantum Advisors compensates us on a "cost" basis i.e., they reimburse all reasonable costs incurred by QIEF for its marketing effort in U.S.A and other jurisdictions. Q USA and Q UK receive marketing fees, from us on a "cost plus" basis i.e., reimbursement of all reasonable costs incurred by it plus an appropriate arms-length "mark-up" (currently 10%) over these costs, under its agreement with us. We compensate our employees/officers/sales representatives who are involved in activities or efforts to solicit separate account advisory services for us and Quantum Advisors in the U.S.A. or other international jurisdictions, on a fixed basis. The compensation paid by Q USA and Q India UK to its

sales representative includes a variable component that is linked to the income earned by Quantum Advisors from the assets raised by the concerned sales representative from SMA clients for Quantum Advisors subject to an overall cap on total (fixed plus variable) annual compensation.

Additionally, we have appointed Castle Hill Capital Partners, Inc. ("Castle Hill"), a New-York based corporation and an SEC registered broker- dealer as a non-exclusive placement agent to provide referrals and introductions of qualified Prospective Investors in the Fund and/or avail investment advisory services in form of QIEF's / Quantum Advisors' Private Account clients. A sales representative of Q USA is affiliated with Castle Hill as its registered representative dedicated for soliciting (a) institutional or otherwise accredited investors in the Fund and (b) government entities for Private Account Clients with QIEF or Quantum Advisors. The compensation paid by QIEF to Castle Hill includes a variable component that is linked to the income earned by QIEF and Quantum Advisors from the assets raised through Castle Hill subject to an overall cap on total (fixed plus variable) annual compensation.

With regard to solicitation of non – USA clients, some of our employees/officers/sales representatives get compensated on a fixed basis while the compensation paid to some employees/officers/sales representatives includes a variable component. The variable component in such cases is linked to the income earned by Quantum Advisors from the assets raised by the concerned sales representative from SMA clients for Quantum Advisors subject to an overall cap of total (fixed plus variable) annual compensation. 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 and Quantum Advisors, non-US clients situated in France, Switzerland, Luxembourg, Belgium and Monaco, subject to the Solicitor complying with applicable regulations. We compensate this Solicitor by way of a referral fee amounting to 12% of the fixed advisory fee received by us or Quantum Advisors from the referred client. In addition to this, the said Solicitor is also entitled to receive reimbursement for the expenses for facilitating marketing with a markup of 5% on these expenses.

In the event that the terms of the current solicitation agreements with the non-US third party Solicitor were to change to involve the solicitation of US clients, we would take necessary steps to comply with Rule 206(4)-1 under the Advisors Act, which is the rule governing solicitation of US clients on behalf of an advisor.

#### ITEM 15 – CUSTODY

We shall not maintain custody of assets held in Private Accounts. Our sole Fund client is an "offshore fund" (i.e., private fund organized and incorporated in a country other than the United States).

Because QIEF is an “offshore adviser” (i.e., an adviser with a principal office and place of business outside the United States), it is our understanding based on FAQ’s issued by SEC that the SEC Rule 206(4)-2 (the SEC’s “Custody Rule”) does not apply to QIEF in relation to the assets of its offshore funds. Nevertheless, it is QIEF’s policy to comply, to the extent practicable, with the substantive requirements of the Custody Rule.

In order to implement QIEF’s policy of substantive compliance with the Custody Rule, investors of the Fund client receive audited financial statements, prepared in accordance with International Financial Reporting Standards (IFRS) and audited by reputable independent accounting firm (subject to inspection by the US Public Accounting Company Oversight Board, or PCAOB), within 120 days of the end of each fiscal year. Although for practical reasons, these financial statements are prepared in accordance with IFRS (rather than US GAAP, as required by the Custody Rule); QIEF seeks to ensure that a statement reconciling the material differences with US GAAP is included in the audited financial statements provided to investors in the relevant funds.

#### **ITEM 16 – INVESTMENT DISCRETION**

We usually receive discretionary authority from the client at the outset of an advisory relationship under the client’s Investment Management Agreement 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 and restrictions stipulated 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 favour the holding of investments once made.

#### **ITEM 17 – VOTING CLIENT SECURITIES**

**A & B.** Generally, QIEF has the discretion to vote for proxies in the best interest of the clients. 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. In the absence of the specific guidelines from the clients we will vote client proxies in the best interest of our clients. However, clients may place reasonable restrictions on voting authority in the same manner that they may place such restrictions in the actual selection of the account securities. 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.

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 or through an e-mail to our Chief Compliance officer at [Compliance@Qindiafund.com](mailto:Compliance@Qindiafund.com), who will respond to any specific query from the client.

<b>ITEM 18 – FINANCIAL INFORMATION</b>
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We do not charge or solicit pre-payment of more than USD 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.

<b>ITEM 19 – REQUIREMENTS FOR STATE-REGISTERED ADVISERS</b>
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Not Applicable