



February 27, 2017

Quantum Asset Management Company Private Limited

Instrument	Rating Action
Quantum Dynamic Bond Fund	[ICRA]AAAmfs; reaffirmed
Quantum Liquid Fund	[ICRA]A1+mfs; reaffirmed

Rating Action

ICRA has reaffirmed the credit risk rating of [ICRA]AAAmfs (pronounced ICRA triple A m f s) to Quantum Dynamic Bond Fund and [ICRA]A1+mfs (pronounced ICRA A one plus m f s) to Quantum Liquid Fund of Quantum Mutual Fund. The ratings should however not be construed as an indication of expected returns, prospective performance of the Mutual Fund scheme, NAV or of volatility in its returns.

Rationale

As a measure of the credit quality of a debt fund's assets, ICRA uses the concept of "credit scores". These scores are based on ICRA's estimates of credit risk associated with each exposure of the portfolio taking into account its maturity. To quantify the credit risk scores, ICRA uses its database of historical default rates for various rating categories for various maturity buckets. The credit risk ratings incorporate ICRA's assessment of a debt fund's published investment objectives and policies, its management characteristics, and the creditworthiness of its investment portfolio. ICRA reviews relevant fund information on an ongoing basis to support its published rating opinions. If the portfolio credit score meets the benchmark of the assigned rating during the review, the rating is retained. In an event that the benchmark credit score is breached, ICRA gives a month's time to the debt fund manager to bring the portfolio credit score within the benchmark credit score. If the debt fund manager is able to reduce the portfolio credit score within the benchmark credit score, the rating is retained. If the portfolio still continues to breach the benchmark credit score, the rating is revised to reflect the change in credit quality.

The reaffirmation of ratings follows ICRA's monitoring of the credit risk profile of the month-end portfolio position for these schemes. The credit risk scores for these schemes were comfortably within the benchmark limits for their current level of ratings.

Analytical approach:

For arriving at the ratings, ICRA has assessed the credit risk profile of the month-end portfolio position for these schemes for the past 12 months.

Links to applicable Criteria:

[Rating Methodology for Mutual Funds](#)



Company Profile

Quantum Mutual Fund

Quantum Mutual Fund was established in 2006 as India's first and only Direct-to-Investor mutual fund. It is sponsored by Quantum Advisors Private Ltd. Quantum Asset Management Company Private Limited is the asset management company for the Quantum Mutual Fund. The quarterly average total asset managed by Quantum Asset Management Company Pvt. Ltd. in Q3FY2017 was Rs. 857.85 crore.

Quantum Liquid Fund

Launched on April 3, 2006, Quantum Liquid Fund (the Scheme) is an open-ended liquid scheme of Quantum Mutual Fund. The investment objective of the Scheme is to provide optimal returns with low to moderate level of risks and high liquidity through judicious investments in money market and debt instruments. Accordingly, the fund currently has a high proportion of its investments rated at highest credit quality. The scheme invests in a basket of short-term debt securities predominantly comprising of short-term instruments issued by banks and non-banking finance companies and government securities. The fund's corpus stood at Rs. 88.07 crore with an average residual maturity of around 57 days as on December 31, 2016. The fund has maintained average maturity in the range of 1 to 2 months in the previous two quarters.

Quantum Dynamic Bond Fund

Launched on May 19, 2015, Quantum Dynamic Bond Fund is an open-ended debt scheme of Quantum Mutual Fund. The investment objective of the Scheme is to generate income and capital appreciation through active management of a portfolio consisting of long-term debt and money market instruments. Accordingly, the scheme would have a high proportion of its investments rated at highest credit quality. The scheme will invest in a basket of long-term and short-term debt securities predominantly comprising of government securities and PSU bonds with the highest credit quality ratings. The fund's corpus stood at Rs. 52.15 crore with an average residual maturity of around 8 years as on December 31, 2016.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:
Table: Rating History

Sr. No.	Name of Scheme	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. crore)	February 2017	FY2017	FY2016	FY2015
1	Quantum Liquid Fund	Short Term	-	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs	[ICRA]A1+mfs
2	Quantum Dynamic Bond Fund	Long Term	-	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs	[ICRA]AAAmfs

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

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About ICRA Limited:

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Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

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