

**WHAT ARE QUANT FUNDS?**

Quant Funds select stocks in their portfolio based on quantitative decision-making frameworks. In case of actively managed funds, buying and selling decisions are undertaken by the Fund Manager. In Quant Funds, by contrast, statistical algorithms recommend buy or sell decisions.

**TATA QUANT FUND**

Tata Quant Fund is a quant model-based fund which uses internally developed machine learning based algorithms to make investment decisions. The framework employs a multi-factor strategy wherein predictive models periodically select factor strategies which in turn are used to create investment portfolios

The investment objective of the scheme is to generate medium to long-term capital appreciation by investing in equity and equity related instruments selected based on a Quantitative Model. However, there is no assurance or guarantee that the investment objective of the Scheme will be achieved. The scheme does not assure or guarantee any returns.

**FUND PERFORMANCE**

Quant investing is often seen as a very different category of mutual fund by investors and distributors. It should nevertheless be seen as an equity investment style alongside others such as Growth, Value and GARP strategies.

At any given time, some style of investment works well, while others see periods of underperformance. In the past 5 years, value investing has seen hard times while growth investing has done better as expensive stocks continued to see valuations rise while cheaper stocks stagnated. However, in the recent months, growth portfolios underperformed value strategies.

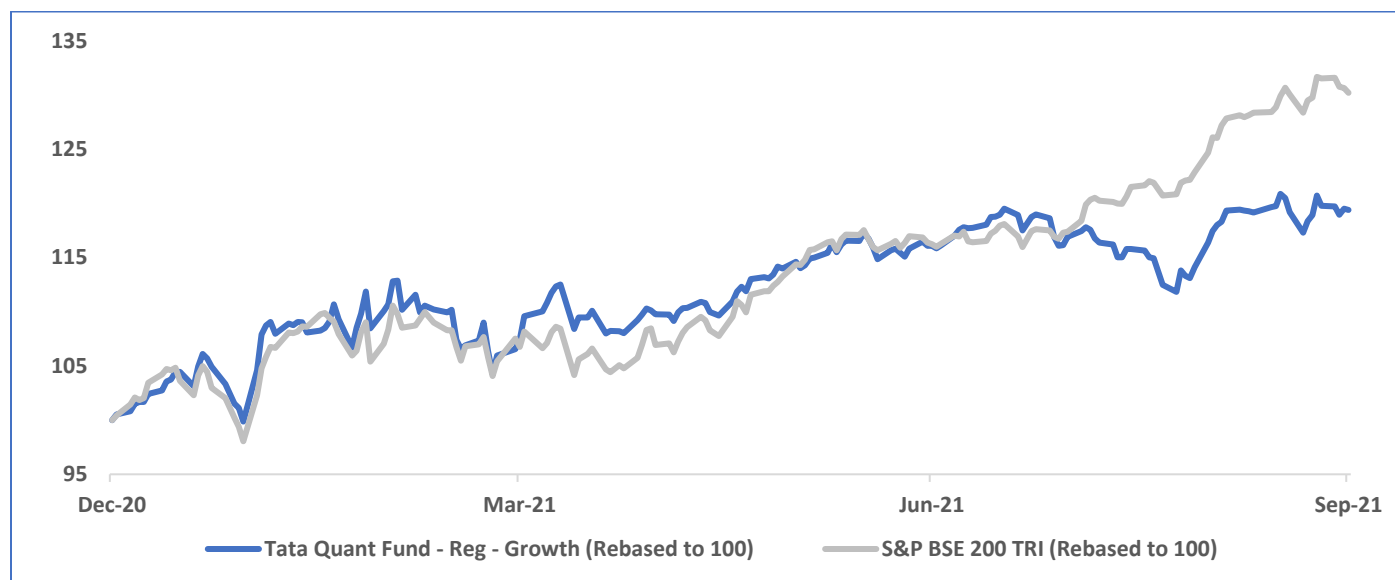
The investment philosophy of the Tata Quant Fund stands on two pillars:

- a) Data Driven: The investing depends on the algorithm interpreting the data signals from the market
- b) Discipline: The fund invests according to the positions made by the algorithm and tunes out all other 'noise' from the markets.

The Fund must be seen as another Equity Fund which means a 3-5-year investment horizon. Examining the fund returns every month may not be prudent if viewed from this perspective.

The fund is suitable for investors who wish to create a diversified portfolio of funds across fund houses, asset classes and investment styles and with the patience to see compounded growth over a medium-to-long term horizon.

## NAV Movement of the Fund



In this calendar year, the fund was generally able to match the performance and even outperform its benchmark (BSE200) till the end of July. Since then, there has been a significant diversion between performance of the fund and its benchmark.

In the month of August, the fund took a higher allocation to midcaps (~38% of the portfolio) compared to the benchmark. However, in August, the performance of the large cap segment of the markets outperformed the broader market, leading to underperformance of the fund compared to the benchmark.

Furthermore, the lag between the selection of the month's strategy and implementation of the strategy in the portfolio also is the cause of some of the differential in performance between the fund and the benchmark.

### Selection of Strategies and Sectoral Allocation:

Depending on a variety of factors, the fund's algorithm selects a predictive model for specific time periods and makes investment decisions accordingly. As can be seen in the table below, the fund has evolved its strategy over time.

Sector/Strategy	Sep-21	Aug-21	Jul-21	Jun-21	May-21	Apr-21	Mar-21	Feb-21	Jan-21
<b>Strategy</b>	<b>Momentum</b>	<b>Low Volatility</b>	<b>Value Low Volatility</b>	<b>Value Low Volatility</b>	<b>Value Quality</b>	<b>Quality</b>	<b>Momentum</b>	<b>Low Volatility</b>	<b>Low Volatility</b>
Financial Services	19.76	41.49	29.94	16.64	31.35	29.39	32.16	14.05	38.52
Consumer Goods	18.84	4.80	9.60	13.59	27.73	24.56	5.92	15.77	8.06
Cement	18.54	4.79	10.25	6.67	2.52	6.17	3.34	6.33	5.53
Oil & Gas	17.08	7.83	9.81	6.93	0.00	8.21	16.06	13.56	4.16
Chemicals	6.02	4.11	0.00	0.00	0.00	4.34	0.00	0.00	0.00
IT	5.63	0.20	0.00	0.00	9.15	5.33	0.00	2.52	6.44
Healthcare Services	5.08	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Construction	3.11	12.63	0.00	0.00	0.00	2.46	0.00	3.18	2.64
Industrials	2.14	0.00	6.60	3.01	4.83	0.00	7.15	10.22	0.00

<b>Power</b>	2.06	8.62	0.00	0.00	0.00	0.00	9.04	0.00	6.30
<b>Automobile</b>	0.00	0.77	6.77	9.55	6.66	3.99	10.35	18.28	10.50
<b>Consumer Services</b>	0.00	10.23	3.42	3.81	0.00	0.00	2.19	0.00	2.61
<b>Fertilizers &amp; Pesticides</b>	0.00	0.00	0.00	3.81	2.85	3.50	0.00	0.00	2.93
<b>Media &amp; Ent.</b>	0.00	0.00	3.18	3.36	0.00	0.00	0.00	3.08	0.00
<b>Metals</b>	0.00	1.88	0.00	0.00	0.00	0.00	9.12	0.00	0.00
<b>Pharma</b>	0.00	0.00	19.80	27.11	11.49	11.69	0.00	0.00	0.00
<b>Services</b>	0.00	0.00	0.00	3.31	0.00	0.00	0.00	4.29	2.41
<b>Telecom</b>	0.00	0.00	0.00	0.00	0.00	0.00	2.40	3.68	8.23
<b>Textiles</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.45	0.00

**This product is suitable for investors who are seeking\*:**

- Medium to Long Term Capital Appreciation.
- Investment in equity & equity related instruments selected based on quant model.

**\*Investors should consult their financial advisors if in doubt about whether the product is suitable for them**



Investors understand that their principal will be at Very High Risk

**Mutual Fund Investments are subject to market risks, read all scheme related documents carefully**