

# **KOTAK FUNDS**

**Société d'Investissement à Capital Variable (SICAV)**

**R.C.S. Luxembourg B 131.576**

## **ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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# KOTAK FUNDS

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# KOTAK FUNDS

## MANAGEMENT AND ADMINISTRATION

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### Directors

**Christopher Daniel**

Executive Vice President  
Kotak Mahindra (UK) Limited  
London EC3N 1LS  
United Kingdom

**Ruchit Puri**

Chief Executive Officer  
Kotak Mahindra (UK) Limited, Singapore Branch  
Singapore 048581

**Shek Chee Seng**

Independent Director  
143 Duchesse Avenue  
Singapore 269167

**Jérôme Wigny**

Partner  
Elvinger Hoss Prussen, société anonyme  
2, place Winston Churchill  
L-1340 Luxembourg  
Grand Duchy of Luxembourg

**Registered Office**

16, boulevard d'Avranches  
L-1160 Luxembourg  
Grand Duchy of Luxembourg

**Investment Manager**

Kotak Mahindra Asset Management (Singapore) Pte. Ltd  
16 Raffles Quay,  
#35-02 Hong Leong Building,  
Singapore 048581

**Depositary Bank**

HSBC France, Luxembourg Branch  
(from 1 March 2019)  
16, boulevard d'Avranches  
L-1160 Luxembourg  
Grand Duchy of Luxembourg

HSBC Bank plc, Luxembourg Branch  
(until 28 February 2019)  
16, boulevard d'Avranches  
L-1160 Luxembourg  
Grand Duchy of Luxembourg

**Management Company**

FundRock Management Company S.A.  
33, rue de Gasperich  
L-5826 Hesperange  
Grand Duchy of Luxembourg

**Global Distributor**

Kotak Mahindra (UK) Limited  
8th Floor, Portsoken House  
155-157 Minories  
London EC3N 1LS, UK

**Auditors**

Ernst & Young, S.A.  
(from 24 April 2019)  
35E avenue John F. Kennedy  
L-1855 Luxembourg  
Grand Duchy of Luxembourg

KPMG Luxembourg, Société coopérative  
(until 23 April 2019)  
39, avenue John F. Kennedy  
L-1855 Luxembourg  
Grand Duchy of Luxembourg

**Administrator, Registrar and Transfer Agent and Domiciliary Agent**

HSBC France, Luxembourg Branch  
(from 1 March 2019)  
16, boulevard d'Avranches  
L-1160 Luxembourg  
Grand Duchy of Luxembourg

HSBC Bank plc, Luxembourg Branch  
(until 28 February 2019)  
16, boulevard d'Avranches  
L-1160 Luxembourg  
Grand Duchy of Luxembourg

**For the Mauritius Subsidiaries**

IQEQ (Mauritius)  
33, Edith Cavell Street,  
Port Louis,  
Mauritius

# KOTAK FUNDS

## MANAGEMENT AND ADMINISTRATION

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### **Legal Advisers in Luxembourg**

Elvinger Hoss Prussen, société anonyme  
2, place Winston Churchill  
L-1340 Luxembourg  
Grand Duchy of Luxembourg

### **Legal Advisers in India**

Khaitan & Co  
One Indiabulls Centre  
13th Floor, Tower 1  
841 Senapati Bapat Marg  
Mumbai 400013  
India

# KOTAK FUNDS

## INVESTMENT OBJECTIVES

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### **Kotak Funds - India Growth Fund**

The objective of the Sub-Fund is to achieve long term capital appreciation by primarily investing at least two thirds of its total assets in equity and equity linked securities of companies registered in India or deriving a significant portion of their business from India. The Sub-Fund will invest at least 50% of its total assets in equity securities.

The Sub-Fund will invest directly and/or indirectly in equity and equity-linked securities of companies that in the opinion of the Investment Manager have one or more of the following characteristics:

- a) Companies which are expected to sustain high growth due to their ability to create new markets, develop nascent business segments, operate successfully in niche segments with scale-up potential.
- b) Companies expected to create and deliver long term value due to innovation and intellectual property rights development.
- c) Companies with the potential for value unlocking in the medium to long term due to strategic sale, change in management, deregulation, economic legislation and reform.
- d) Companies which are sectoral leaders and enjoy leadership in their respective segments.
- e) Companies which are strong asset plays.
- f) Companies which are expected to witness operational and financial improvement due to positive swing in their business cycles.

The Sub-Fund can invest up to one third of its total assets temporarily in liquid assets, including money-market instruments having a residual maturity not exceeding twelve months and demand or time deposits.

The Sub-Fund may also invest, for the exclusive purposes of hedging and efficient portfolio management, in financial derivative instruments such as futures, equity swaps, options and forward currency contracts and in other currency and equity derivatives including index based derivative instruments.

### **Kotak Funds - India Midcap Fund**

The objective of the Sub-Fund is to achieve long term capital appreciation by investing at least two thirds of its total assets (excluding cash) in equity and equity linked securities of mid-capitalisation companies (as defined by the Investment Manager from time to time) registered in India or deriving a significant portion of their business from India.

The Sub-Fund will have the flexibility to invest up to a third of its assets in equity and equity-linked instruments of large-capitalisation companies. Large-capitalisation companies are those that have a market capitalisation greater than or equal to that of the company which has the 50th largest market capitalisation amongst the companies listed in India at the time of making an investment in that company. The Sub-Fund will invest at least 50% of its total assets in equity securities.

The Sub-Fund can invest up to one third of its total assets temporarily in liquid assets, including money-market instruments having a residual maturity not exceeding twelve months and demand or time deposits.

The Sub-Fund may also invest, for the exclusive purposes of hedging and efficient portfolio management, in financial derivative instruments such as futures, equity swaps, options and forward currency contracts and in other currency and equity derivatives including index based derivative instruments.

### **Kotak Funds - India Fixed Income Fund**

The objective of the Sub-Fund is to generate total returns by primarily investing in debt securities issued by the central or state governments of India or issued by companies of Indian origin or deriving a significant portion of their business in India.

# KOTAK FUNDS

## INVESTMENT OBJECTIVES (CONTINUED)

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### **Kotak Funds - India Fixed Income Fund (continued)**

The Sub-Fund will principally gain exposure to the following instruments:

- a) Debt securities issued by the Central and State Governments in India (including but not limited to coupon bearing bonds, zero coupon bonds and treasury bills).
- b) Debt securities issued by Indian governmental agencies and statutory bodies, which may or may not carry a Central/ State Government guarantee in India.
- c) Corporate debt securities denominated in INR and issued by companies of Indian origin or deriving a significant portion of their business from India (including but not limited to Commercial Paper, Non-Convertible Debentures and bonds including zero coupon bonds).
- d) Corporate debt securities denominated in currencies other than INR and issued by companies of Indian origin or deriving a significant portion of their business from India.
- e) Mutual funds domiciled in India and regulated by Securities and Exchange Board of India.

The Sub-Fund will principally invest, directly or indirectly, in debt securities issued by the Central Government of India, State Governments of India, Indian governmental agencies, or by companies of Indian origin or deriving a significant portion of their business in India. The Sub-Fund will gain exposure to INR denominated debt securities and/or denominated in currencies other than in INR.

The Sub-Fund may invest more than 35% of its net asset value in debt securities issued and/or guaranteed by the Indian government in accordance with section III c) of the Investment Restrictions as laid down in Prospectus of the Fund. If such limit of 35% is exceeded, section III f) of the Investment Restrictions as laid down in Prospectus of the Fund will apply.

The Sub-Fund may on an ancillary basis, invest directly or indirectly in sovereign debt securities issued by developed world countries (including US treasury bills and bonds) denominated in any currency.

All three Sub-Funds will not invest more than 10% of their assets in other Undertaking for Collective Investments (UCIs).

The Investment Manager may convert all or part of non INR exposure of the portfolio of the Sub-Fund to INR through the use of financial derivative instruments. The Sub-Fund may also use financial derivative instruments for the purposes of hedging risks (such as currency and/or interest rates) as well as for efficient portfolio management purposes.

Where the Sub-Fund invests in INR denominated debt securities of issuers of Indian origin, at least 85% of such investments will, under normal circumstances, be in instruments having a domestic rating of at least AA or A1+ or equivalent by any one of the domestic rating agencies such as CRISIL / Fitch / CARE / ICRA.

On an ancillary basis, the Sub-Fund may hold cash and cash equivalents. In exceptional circumstances and on a temporary basis only, the Sub-Fund may hold up to 100% of its assets in cash or cash equivalents, money market instruments or UCIs investing in such assets if the Investment Manager believes that this is in the best interest of shareholders.

# KOTAK FUNDS

## DIRECTORS' REPORT

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### Markets and Performance

During the year 2019 the Indian equity market (Nifty-50 Index) was among the better performers with a return of 10% in USD terms. Debt markets were mostly stable due to (1) weak inflation due to demand slowdown and low food prices, (2) surplus liquidity being provided by Reserve Bank of India and (3) stable FPI (“Foreign Portfolio Investor”) inflows. The period saw net FPI inflows to the tune of around USD 14 billion to the Indian equity market and inflows of around USD 3.5 billion into debt markets. On the currency side, the INR depreciated by about 2.4% through the year.

On the global front, the past year was dominated by (1) trade negotiations between USA and China, (2) weak growth in Emerging Markets (3) falling interest rates in debt markets, and (4) fragile macro-economic positions in certain emerging markets. On the domestic front, much of focus was on (1) slowdown in GDP growth, (2) weakness in credit markets and consequent weak credit growth, and (3) government pursuing reform measures such as corporate tax cut, strategic disinvestments, bailout package for stressed real estate projects, etc. to counter the slowdown.

India witnessed gradual slowdown in business conditions in Calendar Year 2019, as consumption slumped steadily through the year. As such, growth also deteriorated with quarterly real Gross Domestic Product (GDP) growth averaging 5.5% between Fourth Quarter of Calendar Year 2019 and Third Quarter of Calendar Year 2020 compared to 7.7% between Fourth Quarter of Calendar Year 2018 and Third Quarter of Calendar Year 2019. Meanwhile, benign Consumer Price Index during first nine months in Calendar Year 2019 (averaging 3%) led Reserve Bank of India to cut repo rates by 135 bps in Calendar Year 2019; however, inflation rose sharply in Fourth Quarter Calendar Year 2019 to average 5.8%. Consequently, the RBI revised up its inflation forecasts; it now expects CPI at 5.1-4.7% towards the end of Calendar Year 2020 (3.5-3.7% earlier) and First Half Calendar Year 2021 inflation at 4.0-3.8%, with risks evenly balanced. It however expects inflation to moderate below 4% by Third Quarter of Calendar Year 2021.

Meanwhile, 10-year G-Sec yields witnessed steady decline to 6.56% in December 2019 from 7.37% in December 2018.

On the external front, India had a comfortable year, as crude prices were in reasonable levels and imports were sluggish. As such, Current Account Deficit (CAD) was at 2% in Second Quarter of Financial Year 2019 and 0.9% in Third Quarter of Financial Year 2019.

On political front, the ruling Government in India won the general elections in May 2019 and returned to power.

### Kotak Funds - India Growth Fund

For the year ended December 2019, Kotak Funds: India Growth Fund returned 6.64%^ and the Nifty 50 Index returned 10 %. The fund witnessed net outflow of USD 25.37 million during year and ended with an asset under management of USD 113.43 million.

### Kotak Funds - India Midcap Fund

For the year ended December 2019, Kotak Funds: India Midcap Fund yielded a return of 1.82%^ with the Nifty Midcap 100 Index returning -6.48% for the same period. The fund witnessed net outflow of USD 146.58 million during year and ended with an asset under management of USD 1.97 billion.

# KOTAK FUNDS

## DIRECTORS' REPORT (CONTINUED)

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### Kotak Funds - India Fixed Income Fund

For the year ended December 2019, Kotak Funds: India Fixed Income Fund yielded a return of 5.82%\*. The fund witnessed net inflow of USD 6.48 million during year and ended with an asset under management of USD 33.11 million.

<sup>^</sup> *The performance mentioned for the sub-funds are for Class A USD Accumulation Shares.*

<sup>\*</sup> *The performance mentioned for the sub-funds are for Class I USD Accumulation Shares.*

*All percentage (%) returns mentioned above are in USD.*

### **Corporate Governance Statement**

The Board of Directors confirms its adoption of the principles of the ALFI (Association Luxembourgeoise des Fonds d'Investissement) Code of Conduct for Luxembourg Investment Funds and its compliance with such principles for the year ended December 2019.

### **Subsequent disclosure on Covid-19**

The COVID 19 virus epidemic which originated in China during late December 2019 spread across the globe in a span of two months and was declared a global pandemic by the World Health Organisation on 11 March 2020. The pandemic has created an unprecedented situation across the world and continues to remain fluid as at the date of the Directors' report. While at one end the incremental data points on the slowdown in the spread of the virus in China are encouraging, the rapid spread in Europe and increasing worries for the US are disconcerting. In India, the second most populated country, the outbreak surfaced later than in most other countries and fortunately the spread and impact so far has also been slower. The Government of India announced a complete lock down of the country for twenty days from 25 March 2020 to contain the spread of the virus. The Fund along with the Investment Manager is watchful of the scale of collateral damage this will cause to the economy

On a positive note India may stand to benefit due to the impact the pandemic has had on the Chinese economy as it has abundant and one of the lowest cost of labour, one of the lowest tax regime, and one of the largest home markets. Should the global supply chains look to diversify from a single source concentration, India could potentially be among the main beneficiaries. India also stands to benefit from the drastic fall in crude oil prices during the month of March 2020 as the country imports a major portion of its oil requirements.

The positive aspects may play out in the long term as the economy turns around post the lockdown situation and normalizes business which is completely disrupted at the moment. The Indian capital markets have reacted sharply to the crisis which engulfed across the world with the NSE NIFTY index correcting as much as 39.76% (in USD terms) from 31st December 2019 to 24th March 2020. The fall in markets along with redemptions has led to a fall in the NAV of the sub-funds as summarized below:

| Sub-Fund  | NAV as at<br>31 <sup>st</sup> December 2019 | NAV as at<br>24 <sup>th</sup> March 2020 |
|---|---|--|
| KOTAK FUNDS - INDIA MID CAP FUND (I ACC USD)      | 19.487                                      | 12.153                                   |
| KOTAK FUNDS - INDIA FIXED INCOME FUND (I ACC USD) | 13.725                                      | 13.049                                   |
| KOTAK FUNDS - INDIA GROWTH FUND (A ACC USD)       | 16.931                                      | 10.191                                   |

The fall in NAV of the sub-funds has however not led to any liquidity concerns in the portfolio in meeting any redemptions nor has there been any disruption in the operational or investment activities of the Fund (due to lock-down or near lock-down situations in Singapore, India and Luxembourg).

The Board of Directors  
03 April 2020



## Independent auditor's report

To the Shareholders of  
Kotak Funds  
16, boulevard d'Avranches  
L-1160 Luxembourg

### Opinion

We have audited the financial statements of Kotak Funds (the "Fund") and each of its sub-funds, which comprise the statement of net assets and schedule of investments as at 31 December 2019, and the statements of operations and changes in net assets for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund and each of its sub-funds as at 31 December 2019, and of the results of their operations and changes in their net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

### Basis for Opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the Law of 23 July 2016 and ISAs are further described in the "responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements" section of our report. We are also independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other matter

The financial statements of the Fund for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements dated 28 March 2019.

### Other information

The Board of Directors of the Fund is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our report of the "réviseur d'entreprises agréé" thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

### Responsibilities of the Board of Directors of the Fund for the financial statements

The Board of Directors of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and

presentation of the financial statements, and for such internal control as the Board of Directors of the Fund determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors of the Fund is responsible for assessing the Fund's and each of its sub-funds' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors of the Fund either intends to liquidate the Fund or any of its sub-funds or to cease operations, or has no realistic alternative but to do so.

### **Responsibilities of the “réviseur d'entreprises agréé” for the audit of the financial statements**

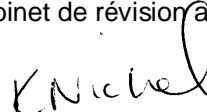
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the “réviseur d'entreprises agréé” that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors of the Fund.
- Conclude on the appropriateness of the Board of Directors of the Fund's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's or any of its sub-funds' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the “réviseur d'entreprises agréé” to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the “réviseur d'entreprises agréé”. However, future events or conditions may cause the Fund or any of its sub-funds' to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young  
Société anonyme  
Cabinet de révision agréé



Kerry Nichol

# KOTAK FUNDS

## STATEMENT OF NET ASSETS AS AT 31 DECEMBER 2019

|  |                      | INDIA<br>GROWTH<br>FUND<br>USD | INDIA<br>MIDCAP<br>FUND<br>USD | INDIA<br>FIXED INCOME<br>FUND<br>USD |
|--|----------------------|--------------------------------|--------------------------------|--------------------------------------|
| NOTES  | COMBINED<br>USD      |                                |                                |                                      |
| <b>Investments</b>                             |                      |                                |                                |                                      |
| Investments in securities at cost              | 1,825,969,928        | 83,707,650                     | 1,711,703,193                  | 30,559,085                           |
| Unrealised appreciation                        | 174,629,574          | 28,867,578                     | 145,636,226                    | 125,770                              |
| Investments in securities at market value      | 2,000,599,502        | 112,575,228                    | 1,857,339,419                  | 30,684,855                           |
| <b>Other Assets</b>                            |                      |                                |                                |                                      |
| Cash at bank                                   | 122,977,231          | 3,442,309                      | 118,350,313                    | 1,184,609                            |
| Receivable resulting from sales of securities  | 7,364,299            | 1,528,471                      | 4,341,342                      | 1,494,486                            |
| Due from shareholders on subscriptions         | 1,450,290            | 168,055                        | 705,951                        | 576,284                              |
| Interest receivable                            | 685,816              | 895                            | -                              | 684,921                              |
| Sundry debtors and prepayments                 | 84,204               | -                              | -                              | 84,204                               |
|  | 132,561,840          | 5,139,730                      | 123,397,606                    | 4,024,504                            |
| <b>Total Assets</b>                            | <b>2,133,161,342</b> | <b>117,714,958</b>             | <b>1,980,737,025</b>           | <b>34,709,359</b>                    |
| <b>Liabilities</b>                             |                      |                                |                                |                                      |
| Unrealised depreciation on futures contracts   | 333,984              | -                              | 333,984                        | -                                    |
| Payable resulting from purchases of securities | 1,403,298            | -                              | -                              | 1,403,298                            |
| Due to shareholders on redemptions             | 5,457,013            | 2,217,473                      | 3,130,149                      | 109,391                              |
| Capital gain tax payable                       | 4,588,603            | 1,481,202                      | 3,099,581                      | 7,820                                |
| Sundry creditors and accruals                  | 4,431,817            | 589,698                        | 3,758,529                      | 83,590                               |
| <b>Total Liabilities</b>                       | <b>16,214,715</b>    | <b>4,288,373</b>               | <b>10,322,243</b>              | <b>1,604,099</b>                     |
| <b>Net Assets</b>                              | <b>2,116,946,627</b> | <b>113,426,585</b>             | <b>1,970,414,782</b>           | <b>33,105,260</b>                    |

The accompanying notes form an integral part of these financial statements.

# KOTAK FUNDS

## STATEMENT OF OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2019

|   |       | INDIA<br>GROWTH<br>FUND<br>USD | INDIA<br>MIDCAP<br>FUND<br>USD | INDIA<br>FIXED INCOME<br>FUND<br>USD |
|---|-------|--------------------------------|--------------------------------|--------------------------------------|
| Income  | NOTES | COMBINED<br>USD                |                                |                                      |
| Dividend income   | 2.e   | 14,365,750                     | 1,335,050                      | 13,030,700                           |
| Interest income from fixed income securities                | 2.e   | 2,320,667                      | -                              | 2,320,667                            |
| Interest income from bank deposits                          |       | 471,087                        | 21,261                         | 447,994                              |
| Other income  |       | 217,333                        | -                              | 141,312                              |
| <b>Total income</b>   |       | <b>17,374,837</b>              | <b>1,356,311</b>               | <b>13,620,006</b>                    |
| <b>Expenses</b>   |       |                                |                                |                                      |
| Investment management fees                                  | 3     | 20,160,570                     | 2,331,824                      | 17,650,851                           |
| Administration and depositary fees                          | 4     | 1,751,700                      | 186,923                        | 1,531,285                            |
| Audit and professional fees                                 |       | 260,745                        | 12,026                         | 247,362                              |
| Management company fees                                     | 8     | 731,596                        | 62,206                         | 658,472                              |
| Subscription tax  | 5     | 905,299                        | 57,197                         | 844,181                              |
| Transaction costs   | 9     | 122,006                        | 48,929                         | 54,519                               |
| Directors' fees and expenses                                | 7     | 63,444                         | 12,024                         | 50,977                               |
| Bank interest and charges                                   |       | 103,353                        | 13,001                         | 90,352                               |
| Capital gain tax  | 6     | 3,284,216                      | 886,628                        | -                                    |
| Other expenses  |       | 959,914                        | 291,922                        | 581,791                              |
| <b>Total expenses</b>                                       |       | <b>28,342,843</b>              | <b>3,902,680</b>               | <b>24,107,378</b>                    |
| <b>Net (Loss)/Profit from Investments</b>                   |       | <b>(10,968,006)</b>            | <b>(2,546,369)</b>             | <b>(10,487,372)</b>                  |
| Net (loss)/profit realised on:                              |       |                                |                                |                                      |
| - investments portfolio                                     | 2.d   | (33,940,488)                   | 1,962,481                      | (36,309,249)                         |
| - futures contracts   | 2.g   | 9,604,227                      | -                              | 9,604,227                            |
| - foreign exchange transactions                             | 2.c   | (4,785,396)                    | (130,055)                      | (3,479,985)                          |
| <b>Net Realised (Loss)/Profit</b>                           |       | <b>(29,121,657)</b>            | <b>1,832,426</b>               | <b>(30,185,007)</b>                  |
| Net change in unrealised appreciation/(depreciation) on:    |       |                                |                                |                                      |
| - investment portfolio                                      | 2.d   | 108,009,315                    | 7,912,131                      | 100,217,831                          |
| - futures contracts   | 2.g   | (1,785,483)                    | -                              | (1,785,483)                          |
| <b>Net Change in Unrealised Appreciation/(Depreciation)</b> |       | <b>106,223,832</b>             | <b>7,912,131</b>               | <b>98,432,348</b>                    |
| <b>Results from Operations</b>                              |       | <b>66,134,169</b>              | <b>7,198,188</b>               | <b>57,759,969</b>                    |

The accompanying notes form an integral part of these financial statements.

# KOTAK FUNDS

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 DECEMBER 2019

|  | NOTES | COMBINED<br>USD | INDIA<br>GROWTH<br>FUND<br>USD | INDIA<br>MIDCAP<br>FUND<br>USD | INDIA<br>FIXED INCOME<br>FUND<br>USD |
|--|-------|-----------------|--------------------------------|--------------------------------|--------------------------------------|
| <b>Net Assets at beginning of the year</b>                                       |       | 2,228,806,610   | 131,628,255                    | 2,071,637,631                  | 25,540,724                           |
| <b>Increase in Net Assets as a Result of Operations</b>                          |       | 66,134,169      | 7,198,188                      | 57,759,969                     | 1,176,012                            |
| <b>Capital Transactions</b>  |       |                 |                                |                                |                                      |
| Subscriptions received   |       | 332,735,497     | 31,422,618                     | 283,813,282                    | 17,499,597                           |
| Redemptions paid   |       | (498,204,302)   | (56,794,003)                   | (430,392,629)                  | (11,017,670)                         |
| <b>Dividends and distributions</b>   |       |                 |                                |                                |                                      |
| Dividends paid   | 2.i   | (12,525,347)    | (28,473)                       | (12,403,471)                   | (93,403)                             |
| <b>Net (Decrease)/Increase in Net Assets as a Result of Capital Transactions</b> |       | (177,994,152)   | (25,399,858)                   | (158,982,818)                  | 6,388,524                            |
| <b>Total (Decrease)/Increase in Net Assets in the year</b>                       |       | (111,859,983)   | (18,201,670)                   | (101,222,849)                  | 7,564,536                            |
| <b>Net Assets at end of the year</b>   |       | 2,116,946,627   | 113,426,585                    | 1,970,414,782                  | 33,105,260                           |

The accompanying notes form an integral part of these financial statements.

# KOTAK FUNDS

## STATISTICAL INFORMATION

|                         | INDIA<br>GROWTH<br>FUND<br>USD | INDIA<br>MIDCAP<br>FUND<br>USD | INDIA<br>FIXED INCOME<br>FUND<br>USD |
|-------------------------|--------------------------------|--------------------------------|--------------------------------------|
| <b>Net asset value</b>  |                                |                                |                                      |
| <b>31 December 2019</b> | USD 113,426,585                | USD 1,970,414,782              | USD 33,105,260                       |
| <b>31 December 2018</b> | USD 131,628,255                | USD 2,071,637,631              | USD 25,540,724                       |
| <b>31 December 2017</b> | USD 148,056,900                | USD 1,701,032,726              | USD 54,512,420                       |
| <b>Number of shares</b> |                                |                                |                                      |
| <b>31 December 2019</b> |                                |                                |                                      |
|                         | 10,990                         | 69,917                         | -                                    |
|                         | -                              | 64,105                         | -                                    |
|                         | 20,354                         | 3,101                          | -                                    |
|                         | 57,144                         | 307,091                        | -                                    |
|                         | 5,011,642                      | 5,492,325                      | 210,744                              |
|                         | -                              | 2,317                          | -                                    |
|                         | -                              | 1,592                          | -                                    |
|                         | 206,597                        | 156,803                        | -                                    |
|                         | -                              | 58,023                         | 16,142                               |
|                         | 34,019                         | 364,248                        | 37,060                               |
|                         | -                              | 1,221,372                      | 48,864                               |
|                         | -                              | -                              | 166,003                              |
|                         | -                              | -                              | 434,513                              |
|                         | -                              | -                              | 117,000                              |
|                         | 1,125,202                      | 646,646                        | 1,263,546                            |
|                         | -                              | 888,352                        | -                                    |
|                         | -                              | 28,597,109                     | -                                    |
|                         | -                              | 4,888,256                      | -                                    |
| <b>31 December 2018</b> |                                |                                |                                      |
|                         | 10,044                         | 106,898                        | -                                    |
|                         | 53,095                         | 67,868                         | -                                    |
|                         | 79,140                         | 396,517                        | -                                    |
|                         | 6,753,046                      | 5,523,756                      | 342,405                              |
|                         | -                              | 3,068                          | -                                    |
|                         | -                              | 12,182                         | -                                    |
|                         | 331,120                        | 103,794                        | -                                    |
|                         | -                              | 46,004                         | 23,243                               |
|                         | 67,826                         | 982,848                        | 55,889                               |
|                         | -                              | 1,395,155                      | 42,567                               |
|                         | -                              | -                              | 169,096                              |
|                         | -                              | -                              | 182,895                              |
|                         | -                              | -                              | 20,000                               |
|                         | 870,497                        | 1,440,063                      | 1,114,051                            |
|                         | -                              | 262,556                        | -                                    |
|                         | -                              | 20,054,482                     | -                                    |
|                         | -                              | 5,873,010                      | -                                    |
| <b>31 December 2017</b> |                                |                                |                                      |
|                         | 11,864                         | 137,397                        | -                                    |
|                         | 41,326                         | 85,036                         | -                                    |
|                         | 84,037                         | 534,809                        | -                                    |
|                         | 6,161,928                      | 5,558,604                      | 507,506                              |
|                         | -                              | 751                            | -                                    |
|                         | -                              | 15,666                         | -                                    |
|                         | 56,144                         | 53,092                         | -                                    |
|                         | -                              | 43,780                         | 115,641                              |
|                         | 37,006                         | 843,722                        | 56,769                               |
|                         | 30,000                         | 407,879                        | 23,216                               |
|                         | -                              | -                              | 160,844                              |
|                         | 10,937                         | -                              | 366,247                              |
|                         | -                              | -                              | 20,000                               |
|                         | 1,545,610                      | 1,983,284                      | 2,651,335                            |
|                         | -                              | 372,154                        | -                                    |
|                         | -                              | 15,851,716                     | -                                    |
|                         | -                              | 3,735,110                      | -                                    |

# KOTAK FUNDS

## STATISTICAL INFORMATION (CONTINUED)

|                                  |                                 | INDIA<br>GROWTH<br>FUND<br>USD  | INDIA<br>MIDCAP<br>FUND<br>USD | INDIA<br>FIXED INCOME<br>FUND<br>USD |
|----------------------------------|---------------------------------|---------------------------------|--------------------------------|--------------------------------------|
| <b>Net asset value per share</b> |                                 |                                 |                                |                                      |
| <b>31 December 2019</b>          | Class A Distribution Shares GBP | GBP 21.88                       | GBP 25.03                      | -                                    |
|                                  | Class A Distribution Shares USD | -                               | USD 10.99                      | -                                    |
|                                  | Class A Shares EUR              | EUR 12.02                       | EUR 9.28                       | -                                    |
|                                  | Class A Shares GBP              | GBP 19.69                       | GBP 21.16                      | -                                    |
|                                  | Class A Shares USD              | USD 16.93                       | USD 20.78                      | USD 11.34                            |
|                                  | Class B Shares EUR              | -                               | EUR 25.26                      | -                                    |
|                                  | Class B Shares GBP              | -                               | GBP 24.63                      | -                                    |
|                                  | Class B Shares USD              | USD 10.38                       | USD 23.63                      | -                                    |
|                                  | Class C Distribution Shares GBP | -                               | GBP 15.16                      | GBP 12.41                            |
|                                  | Class C Shares GBP              | GBP 16.02                       | GBP 14.79                      | GBP 14.43                            |
|                                  | Class C Shares USD              | -                               | USD 12.99                      | USD 11.64                            |
|                                  | Class I Distribution Shares EUR | -                               | -                              | EUR 10.88                            |
|                                  | Class I Shares EUR              | -                               | -                              | EUR 16.83                            |
|                                  | Class I Shares GBP              | -                               | -                              | GBP 10.25                            |
|                                  | Class I Shares USD              | USD 21.00                       | USD 19.49                      | USD 13.73                            |
|                                  | Class J Shares EUR              | -                               | EUR 10.65                      | -                                    |
|                                  | Class J Shares USD              | -                               | USD 16.68                      | -                                    |
|                                  | Class X Distribution Shares JPY | -                               | JPY 29,227.05                  | -                                    |
| <b>31 December 2018</b>          | Class A Distribution Shares GBP | GBP 23.27                       | GBP 25.94                      | -                                    |
|                                  | Class A Shares EUR              | GBP 11.07                       | EUR 8.97                       | -                                    |
|                                  | Class A Shares GBP              | USD 19.08                       | GBP 21.48                      | -                                    |
|                                  | Class A Shares USD              | USD 15.88                       | USD 20.41                      | USD 10.77                            |
|                                  | Class B Shares EUR              | -                               | EUR 24.37                      | -                                    |
|                                  | Class B Shares GBP              | -                               | GBP 23.83                      | -                                    |
|                                  | Class B Shares USD              | USD 9.71                        | USD 23.14                      | -                                    |
|                                  | Class C Distribution Shares GBP | -                               | GBP 15.55                      | GBP 12.90                            |
|                                  | Class C Shares GBP              | GBP 15.37                       | GBP 14.87                      | GBP 14.11                            |
|                                  | Class C Shares USD              | -                               | USD 12.63                      | USD 10.99                            |
|                                  | Class I Distribution Shares EUR | -                               | -                              | EUR 10.47                            |
|                                  | Class I Shares EUR              | -                               | -                              | EUR 15.59                            |
|                                  | Class I Shares GBP              | -                               | -                              | GBP 9.97                             |
|                                  | Class I Shares USD              | USD 19.49                       | USD 19.14                      | USD 12.97                            |
|                                  | Class J Shares EUR              | -                               | EUR 10.16                      | -                                    |
|                                  | Class J Shares USD              | -                               | USD 16.21                      | -                                    |
|                                  | Class X Distribution Shares JPY | -                               | JPY 28,999.40                  | -                                    |
|                                  | <b>31 December 2017</b>         | Class A Distribution Shares GBP | GBP 26.31                      | GBP 30.75                            |
| Class A Shares EUR               |                                 | EUR 11.83                       | EUR 10.17                      | -                                    |
| Class A Shares GBP               |                                 | GBP 20.19                       | GBP 24.12                      | -                                    |
| Class A Shares USD               |                                 | USD 17.77                       | USD 24.25                      | USD 11.36                            |
| Class B Shares EUR               |                                 | -                               | EUR 27.92                      | -                                    |
| Class B Shares GBP               |                                 | -                               | GBP 27.03                      | -                                    |
| Class B Shares USD               |                                 | USD 10.97                       | USD 27.70                      | -                                    |
| Class C Distribution Shares GBP  |                                 | -                               | GBP 18.37                      | GBP 13.28                            |
| Class C Shares GBP               |                                 | GBP 16.10                       | GBP 16.53                      | GBP 14.01                            |
| Class C Shares USD               |                                 | USD 10.44                       | USD 14.85                      | USD 11.55                            |
| Class I Distribution Shares EUR  |                                 | -                               | -                              | EUR 10.81                            |
| Class I Shares EUR               |                                 | EUR 11.42                       | -                              | EUR 15.63                            |
| Class I Shares GBP               |                                 | -                               | -                              | GBP 9.90                             |
| Class I Shares USD               |                                 | USD 21.59                       | USD 22.73                      | USD 13.62                            |
| Class J Shares EUR               |                                 | -                               | EUR 11.41                      | -                                    |
| Class J Shares USD               |                                 | -                               | USD 19.06                      | -                                    |
| Class X Distribution Shares JPY  |                                 | -                               | JPY 35,005.36                  | -                                    |

# KOTAK FUNDS

## SCHEDULE OF INVESTMENTS

### INDIA GROWTH FUND

31 December 2019

| Number of shares/<br>Nominal Value   | Security                            | Market Value<br>USD | Market Value as<br>a percentage<br>of Net Assets |
|--|-------------------------------------|---------------------|--|
| <b>Transferable securities and money market instruments admitted to an<br/>official exchange listing or dealt in on another regulated market</b> |                                     |                     |  |
| <b>Equities</b>  |                                     |                     |  |
| <b>India</b>   |                                     |                     |  |
| 374,159  | Aegis Logistics                     | 1,013,953           | 0.89   |
| 38,968   | Alkem Laboratories                  | 1,099,358           | 0.97   |
| 516,185  | Ashoka Buildcon                     | 740,816             | 0.65   |
| 51,851   | Astral Poly Technik                 | 854,850             | 0.75   |
| 222,448  | AU Small Finance Bank               | 2,502,598           | 2.21   |
| 118,267  | Aurobindo Pharma                    | 756,886             | 0.67   |
| 528,475  | Axis Bank                           | 5,582,727           | 4.92   |
| 45,335   | Bajaj Finance                       | 2,689,394           | 2.37   |
| 509,910  | Bharat Petroleum                    | 3,511,189           | 3.10   |
| 200,587  | Bharti Airtel                       | 1,280,767           | 1.13   |
| 503,017  | Brigade Enterprises                 | 1,539,668           | 1.36   |
| 38,938   | Britannia Industries                | 1,651,558           | 1.46   |
| 267,716  | Cadila Healthcare                   | 953,704             | 0.84   |
| 538,832  | Crompton Greaves                    | 1,810,448           | 1.60   |
| 40,771   | Dalmia Bharat                       | 457,085             | 0.40   |
| 400,294  | Edelweiss Financial Services        | 612,343             | 0.54   |
| 267,517  | Emami                               | 1,161,358           | 1.02   |
| 318,881  | Exide Industries                    | 833,106             | 0.73   |
| 13,873   | GlaxoSmithkline Consumer Healthcare | 1,614,756           | 1.42   |
| 150,176  | HCL Technologies                    | 1,195,139           | 1.05   |
| 585,292  | HDFC Bank                           | 10,430,062          | 9.20   |
| 219,636  | HealthCare Global Enterprises       | 321,216             | 0.28   |
| 176,860  | Housing Development Finance         | 5,977,216           | 5.27   |
| 1,004,178  | ICICI Bank                          | 7,580,746           | 6.68   |
| 88,274   | ICICI Lombard General Insurance     | 1,714,903           | 1.51   |
| 162,335  | ICICI Prudential Life Insurance     | 1,097,129           | 0.97   |
| 156,663  | IndusInd Bank                       | 3,313,877           | 2.92   |

The accompanying notes form an integral part of these financial statements.



# KOTAK FUNDS

## SCHEDULE OF INVESTMENTS (CONTINUED)

### INDIA GROWTH FUND (CONTINUED)

31 December 2019

| Number of shares/<br>Nominal Value   | Security                      | Market Value<br>USD | Market Value as<br>a percentage<br>of Net Assets |
|--|-------------------------------|---------------------|--|
| <b>Transferable securities and money market instruments admitted to an<br/>official exchange listing or dealt in on another regulated market</b> |                               |                     |  |
| <b>Equities (continued)</b>  |                               |                     |  |
| <b>India (continued)</b>   |                               |                     |  |
| 515,486  | Infosys                       | 5,279,787           | 4.66   |
| 497,546  | Jindal Steel & Power          | 1,168,852           | 1.03   |
| 148,028  | Kajaria Ceramics              | 1,089,085           | 0.96   |
| 173,432  | Kalpataru Power Transmission  | 996,958             | 0.88   |
| 190,205  | Larsen & Toubro               | 3,459,048           | 3.05   |
| 102,263  | Lupin                         | 1,093,685           | 0.96   |
| 173,327  | Mahindra Lifespace Developers | 971,224             | 0.86   |
| 16,939   | Maruti Suzuki India           | 1,748,501           | 1.54   |
| 190,318  | Motherson Sumi Systems        | 390,714             | 0.34   |
| 2,151  | MRF                           | 1,998,690           | 1.76   |
| 68,147   | Oberoi Realty                 | 506,580             | 0.45   |
| 146,412  | RBL Bank                      | 707,294             | 0.62   |
| 373,341  | Reliance Industries           | 7,918,427           | 6.98   |
| 85,620   | SBI Life Insurance Company    | 1,153,354           | 1.02   |
| 6,995  | Shree Cement                  | 1,995,459           | 1.76   |
| 561,914  | State Bank of India           | 2,627,146           | 2.32   |
| 141,816  | Tata Consultancy Services     | 4,294,511           | 3.79   |
| 126,165  | Tech Mahindra                 | 1,347,280           | 1.19   |
| 210,969  | The Ramco Cements             | 2,230,269           | 1.97   |
| 88,548   | Thermax                       | 1,342,888           | 1.18   |
| 101,004  | Timken India                  | 1,304,555           | 1.15   |
| 93,248   | Titan Industries              | 1,551,782           | 1.37   |

The accompanying notes form an integral part of these financial statements.

# KOTAK FUNDS

## SCHEDULE OF INVESTMENTS (CONTINUED)

### INDIA GROWTH FUND (CONTINUED)

31 December 2019

| Number of shares/<br>Nominal Value   | Security           | Market Value<br>USD | Market Value as<br>a percentage<br>of Net Assets |
|--|--------------------|---------------------|--|
| <b>Transferable securities and money market instruments admitted to an<br/>official exchange listing or dealt in on another regulated market</b>           |                    |                     |  |
| <b>Equities (continued)</b>  |                    |                     |  |
| <b>India (continued)</b>   |                    |                     |  |
| 128,000  | United Spirits     | 1,075,049           | 0.95   |
| 586,521  | V-Guard Industries | 1,746,787           | 1.54   |
| <b>United States</b>   |                    |                     |  |
| 400  | HDFC Bank ADR      | 25,172              | 0.02   |
| 135,500  | ICICI Bank ADR     | 2,049,438           | 1.81   |
| 20,250   | Infosys ADR        | 205,841             | 0.18   |
| <b>Total Equities</b>  |                    | <b>112,575,228</b>  | <b>99.25</b>                                     |
| <b>Total Transferable securities and money market<br/>instruments admitted to an official exchange<br/>listing or dealt in on another regulated market</b> |                    | <b>112,575,228</b>  | <b>99.25</b>                                     |
| <b>Total Investments</b>   |                    | <b>112,575,228</b>  | <b>99.25</b>                                     |
| <b>Other Net Assets and Liabilities</b>  |                    | <b>851,357</b>      | <b>0.75</b>                                      |
| <b>Net Asset Value</b>   |                    | <b>113,426,585</b>  | <b>100.00</b>                                    |

No schedule of investment changes has been included into the report. Such information is available upon request from HSBC France, Luxembourg Branch, the Fund's Administrator.

The accompanying notes form an integral part of these financial statements.

# KOTAK FUNDS

## SCHEDULE OF INVESTMENTS (CONTINUED)

### INDIA MIDCAP FUND

31 December 2019

| Number of shares/<br>Nominal Value   | Security                         | Market Value<br>USD | Market Value as<br>a percentage<br>of Net Assets |
|--|----------------------------------|---------------------|--|
| <b>Transferable securities and money market instruments admitted to an<br/>official exchange listing or dealt in on another regulated market</b> |                                  |                     |  |
| <b>Equities</b>  |                                  |                     |  |
| <b>India</b>   |                                  |                     |  |
| 766,246  | Aavas Financiers                 | 21,265,111          | 1.08   |
| 2,679,000  | Aegis Logistics                  | 7,259,964           | 0.37   |
| 198,403  | Akzo Nobel India                 | 5,478,491           | 0.28   |
| 1,054,174  | Amara Raja Batteries             | 10,696,798          | 0.54   |
| 508,598  | Amber Enterprises India          | 7,959,379           | 0.40   |
| 1,804,400  | Apollo Hospitals Enterprise      | 36,449,461          | 1.85   |
| 10,844,812   | Apollo Tyres                     | 24,899,695          | 1.26   |
| 974,341  | Arvind Fashions                  | 5,369,556           | 0.27   |
| 4,085,179  | Ashoka Buildcon                  | 5,862,949           | 0.30   |
| 624,759  | Atul                             | 35,452,459          | 1.80   |
| 4,176,680  | AU Small Finance Bank            | 46,988,747          | 2.38   |
| 2,460,832  | Axis Bank                        | 25,995,845          | 1.32   |
| 778,120  | Bajaj Finance                    | 46,160,169          | 2.34   |
| 2,524,282  | Bata India                       | 61,937,468          | 3.14   |
| 5,855,313  | Brigade Enterprises              | 17,922,335          | 0.91   |
| 908,306  | Britannia Industries             | 38,525,865          | 1.96   |
| 4,787,972  | Cadila Healthcare                | 17,056,542          | 0.87   |
| 1,874,290  | Century Textiles                 | 12,533,338          | 0.64   |
| 1,898,970  | Cholamandalam Financial Holdings | 13,291,593          | 0.67   |
| 3,294,402  | City Union Bank                  | 10,796,741          | 0.55   |
| 7,822,264  | Crompton Greaves                 | 26,282,413          | 1.33   |
| 1,498,954  | Cummins India                    | 11,566,839          | 0.59   |
| 7,914,805  | Dabur India                      | 50,825,056          | 2.58   |
| 1,132,306  | Dalmia Bharat                    | 12,694,326          | 0.64   |

The accompanying notes form an integral part of these financial statements.

# KOTAK FUNDS

## SCHEDULE OF INVESTMENTS (CONTINUED)

### INDIA MIDCAP FUND (CONTINUED)

31 December 2019

| Number of shares/<br>Nominal Value   | Security                            | Market Value<br>USD | Market Value as<br>a percentage<br>of Net Assets |
|--|-------------------------------------|---------------------|--|
| <b>Transferable securities and money market instruments admitted to an<br/>official exchange listing or dealt in on another regulated market</b> |                                     |                     |  |
| <b>Equities (continued)</b>  |                                     |                     |  |
| <b>India (continued)</b>   |                                     |                     |  |
| 2,240,000  | Divis Laboratories                  | 57,919,619          | 2.94   |
| 6,821,088  | Edelweiss Financial Services        | 10,434,444          | 0.53   |
| 3,313,340  | Emami                               | 14,384,031          | 0.73   |
| 9,852,555  | Exide Industries                    | 25,740,723          | 1.31   |
| 30,659,414   | Federal Bank                        | 37,773,979          | 1.92   |
| 1,288,465  | Future Supply Chain Solutions       | 8,445,371           | 0.43   |
| 241,456  | GlaxoSmithkline Consumer Healthcare | 28,104,416          | 1.43   |
| 6,490,389  | Gujarat State Petronet              | 19,957,139          | 1.01   |
| 2,482,066  | Havells India                       | 22,501,492          | 1.14   |
| 2,210,000  | HDFC Standard Life Insurance        | 19,381,810          | 0.98   |
| 15,031,355   | ICICI Bank                          | 113,474,781         | 5.76   |
| 2,354,030  | ICICI Lombard General Insurance     | 45,731,860          | 2.32   |
| 4,530,000  | ICICI Prudential Life Insurance     | 30,615,655          | 1.55   |
| 6,418,759  | Indian Oil                          | 11,289,139          | 0.57   |
| 6,431,366  | Indraprastha Gas                    | 38,573,781          | 1.96   |
| 2,073,368  | IndusInd Bank                       | 43,857,753          | 2.23   |
| 328,865  | IPCA Laboratories                   | 5,234,613           | 0.27   |
| 11,824,412   | Jindal Steel & Power                | 27,778,299          | 1.41   |
| 1,429,612  | Jubilant Foodworks                  | 33,090,256          | 1.68   |
| 2,845,380  | Kajaria Ceramics                    | 20,934,280          | 1.06   |
| 9,641,348  | Mahindra & Mahindra Finance         | 43,550,503          | 2.21   |
| 3,015,277  | Mahindra Logistics                  | 16,988,785          | 0.86   |
| 1,400,187  | Mayur Uniquoters                    | 4,100,429           | 0.21   |
| 13,791,448   | Motherson Sumi Systems              | 28,313,185          | 1.44   |

The accompanying notes form an integral part of these financial statements.

# KOTAK FUNDS

## SCHEDULE OF INVESTMENTS (CONTINUED)

### INDIA MIDCAP FUND (CONTINUED)

31 December 2019

| Number of shares/<br>Nominal Value   | Security                             | Market Value<br>USD | Market Value as<br>a percentage<br>of Net Assets |
|--|--------------------------------------|---------------------|--|
| <b>Transferable securities and money market instruments admitted to an<br/>official exchange listing or dealt in on another regulated market</b> |                                      |                     |  |
| <b>Equities (continued)</b>  |                                      |                     |  |
| <b>India (continued)</b>   |                                      |                     |  |
| 30,791   | MRF                                  | 28,610,720          | 1.45   |
| 1,268,966  | Natco Pharma                         | 10,549,385          | 0.54   |
| 299,179  | Oracle Financial Services            | 11,482,045          | 0.58   |
| 1,280,699  | Persistent Systems                   | 12,094,743          | 0.61   |
| 1,402,870  | PI Industries                        | 28,415,070          | 1.44   |
| 6,097,756  | PNC Infratech                        | 16,370,875          | 0.83   |
| 7,906,707  | RBL Bank                             | 38,196,090          | 1.94   |
| 6,171,869  | Sadbhav Engineering                  | 9,307,301           | 0.47   |
| 180,371  | Sanofi India                         | 17,702,308          | 0.90   |
| 292,905  | Schaeffer India (FAG Bearings India) | 19,292,093          | 0.98   |
| 1,118,925  | Shalby                               | 1,453,027           | 0.07   |
| 483,498  | SKF India                            | 14,734,548          | 0.75   |
| 770,428  | Solar Industries India               | 11,443,907          | 0.58   |
| 1,043,344  | SRF                                  | 50,221,115          | 2.55   |
| 27,849,384   | Steel Authority of India             | 16,736,549          | 0.85   |
| 774,880  | Sun TV Network                       | 4,795,713           | 0.24   |
| 427,838  | Sundaram Finance                     | 9,774,017           | 0.50   |
| 1,737,443  | Supreme Industries                   | 28,070,225          | 1.42   |
| 3,428,186  | Syngene International                | 15,374,851          | 0.78   |
| 575,879  | Teamlease Services                   | 20,005,513          | 1.02   |
| 4,575,050  | Tech Mahindra                        | 48,855,651          | 2.48   |
| 2,497,272  | The Ramco Cements                    | 26,400,032          | 1.34   |
| 1,548,022  | Thermax                              | 23,476,762          | 1.19   |

The accompanying notes form an integral part of these financial statements.

# KOTAK FUNDS

## SCHEDULE OF INVESTMENTS (CONTINUED)

### INDIA MIDCAP FUND (CONTINUED)

31 December 2019

| Number of shares/<br>Nominal Value   | Security  | Market Value<br>USD  | Market Value as<br>a percentage<br>of Net Assets |
|--|---|----------------------|--|
| <b>Transferable securities and money market instruments admitted to an<br/>official exchange listing or dealt in on another regulated market</b>           |   |                      |  |
| <b>Equities (continued)</b>  |   |                      |  |
| <b>India (continued)</b>   |   |                      |  |
| 955,193  | Torrent Pharmaceuticals   | 24,741,887           | 1.26   |
| 220,500  | Ultratech Cement  | 12,497,780           | 0.63   |
| 1,897,960  | United Spirits  | 15,940,631           | 0.81   |
| 8,699,960  | V-Guard Industries  | 25,910,366           | 1.31   |
| 989,484  | Whirlpool of India  | 32,899,633           | 1.67   |
| 306,280  | WIM Plast   | 1,507,266            | 0.08   |
| <b>Total Equities</b>  |   | <b>1,838,307,586</b> | <b>93.29</b>                                     |
| <b>Total Transferable securities and money market<br/>instruments admitted to an official exchange<br/>listing or dealt in on another regulated market</b> |   | <b>1,838,307,586</b> | <b>93.29</b>                                     |
| <b>Other transferable securities</b>   |   |                      |  |
| <b>Investment funds</b>  |   |                      |  |
| <b>Ireland</b>   |   |                      |  |
| 1,795  | Goldman Sachs Funds - US\$ Liquidity Reserves<br>Funds - Inst. Acc. T | 19,031,833           | 0.97   |
| <b>Total Investment funds</b>  |   | <b>19,031,833</b>    | <b>0.97</b>                                      |
| <b>Total Other transferable securities</b>   |   | <b>19,031,833</b>    | <b>0.97</b>                                      |
| <b>Total Investments</b>   |   | <b>1,857,339,419</b> | <b>94.26</b>                                     |
| <b>Other Net Assets and Liabilities</b>  |   | <b>113,075,363</b>   | <b>5.74</b>                                      |
| <b>Net Asset Value</b>   |   | <b>1,970,414,782</b> | <b>100.00</b>                                    |

No schedule of investment changes has been included into the report. Such information is available upon request from HSBC France, Luxembourg Branch, the Fund's Administrator.

The accompanying notes form an integral part of these financial statements.

# KOTAK FUNDS

## SCHEDULE OF INVESTMENTS (CONTINUED)

### INDIA FIXED INCOME FUND

31 December 2019

| Number of shares/<br>Nominal Value   | Security   | Market Value<br>USD | Market Value as<br>a percentage<br>of Net Assets |
|--|--|---------------------|--|
| <b>Transferable securities and money market instruments admitted to an<br/>official exchange listing or dealt in on another regulated market</b> |  |                     |  |
| <b>Debt Instruments</b>  |  |                     |  |
| <b>India</b>   |  |                     |  |
| 100,000,000  | Air India Assets Holding 6.99% 16/12/2022          | 1,406,934           | 4.25   |
| 50,000,000   | Axis Bank Ltd 8.6% 28/12/2028                      | 742,275             | 2.24   |
| 100,000,000  | Food Corp of India 7.64% 12/12/2029                | 1,404,945           | 4.24   |
| 50,000,000   | Fullerton India Credit Co Limited 8.52% 08/06/2021 | 695,146             | 2.10   |
| 100,000,000  | HDFC Bank 8.44% 28/12/2028                         | 1,474,392           | 4.46   |
| 100,000,000  | India Government Bond 6.45% 07/10/2029             | 1,395,111           | 4.21   |
| 110,000,000  | India Government Bond 7.26% 14/01/2029             | 1,593,332           | 4.81   |
| 100,000,000  | India Government Bond 7.27% 08/04/2026             | 1,447,433           | 4.37   |
| 300,000,000  | India Government Bond 7.57% 17/06/2033             | 4,410,590           | 13.32  |
| 100,000,000  | India Government Bond 7.69% 17/06/2043             | 1,493,607           | 4.51   |
| 50,000,000   | Indian Oil Corp 7.41% 22/10/2029                   | 708,955             | 2.14   |
| 50,000,000   | Indian Railway Finance Corp Ltd 8.35% 13/03/2029   | 737,599             | 2.23   |
| 50,000,000   | Indian Railway Finance Corp Ltd 8.45% 04/12/2028   | 743,875             | 2.25   |
| 100,000,000  | Jamnagar Utilities and Power 7.7% 29/06/2023       | 1,392,582           | 4.21   |
| 50,000,000   | Muthoot Fin 9% 04/23                               | 680,076             | 2.05   |
| 50,000,000   | National Bank for Agriculture 8.24% 22/03/2029     | 740,324             | 2.24   |
| 50,000,000   | National Bank for Agriculture 8.29% 24/01/2029     | 743,714             | 2.25   |
| 100,000,000  | National Highways Authority of I 7.98% 23/12/2049  | 1,400,855           | 4.23   |

The accompanying notes form an integral part of these financial statements.

# KOTAK FUNDS

## SCHEDULE OF INVESTMENTS (CONTINUED)

### INDIA FIXED INCOME FUND (CONTINUED)

31 December 2019

| Number of shares/<br>Nominal Value   | Security                                     | Market Value<br>USD | Market Value as<br>a percentage<br>of Net Assets |
|--|--|---------------------|--|
| <b>Transferable securities and money market instruments admitted to an<br/>official exchange listing or dealt in on another regulated market</b>           |  |                     |  |
| <b>Debt Instruments (continued)</b>  |  |                     |  |
| <b>India (continued)</b>   |  |                     |  |
| 100,000,000  | NTPC 8.3% 15/01/2029                         | 1,477,815           | 4.47   |
| 100,000,000  | Power Finance Corp 8.85% 25/05/2029          | 1,467,871           | 4.44   |
| 50,000,000   | REC Limited 8.54% 11/28/2028                 | 749,461             | 2.26   |
| 50,000,000   | Reliance Ports 8.45% 6/23                    | 711,511             | 2.15   |
| 78,000,000   | Shriram Trans 9% 03/28                       | 866,819             | 2.62   |
| 50,000,000   | Sikka Ports and Terminals 7.9% 18/11/2026    | 698,386             | 2.11   |
| 50,000,000   | State of Madhya Pradesh India 8.63% 20/03/23 | 742,047             | 2.24   |
| 50,000,000   | State of Maharashtra India 9.11% 28/05/2024  | 759,200             | 2.29   |
| <b>Total Debt Instruments</b>  |  | <b>30,684,855</b>   | <b>92.69</b>                                     |
| <b>Total Transferable securities and money market<br/>instruments admitted to an official exchange listing<br/>or dealt in on another regulated market</b> |  | <b>30,684,855</b>   | <b>92.69</b>                                     |
| <b>Total Investments</b>   |  | <b>30,684,855</b>   | <b>92.69</b>                                     |
| <b>Other Net Assets and Liabilities</b>  |  | <b>2,420,405</b>    | <b>7.31</b>                                      |
| <b>Net Asset Value</b>   |  | <b>33,105,260</b>   | <b>100.00</b>                                    |

No schedule of investment changes has been included into the report. Such information is available upon request from HSBC France, Luxembourg Branch, the Fund's Administrator.

The accompanying notes form an integral part of these financial statements.



# KOTAK FUNDS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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### 1. General information

Kotak Funds (the “Fund”) is an investment company organised under the laws of the Grand Duchy of Luxembourg and is qualified as a Société d’Investissement à Capital Variable (“SICAV”). The Fund, incorporated on 12 September 2007, is registered under Part I of the Luxembourg Law of 17 December 2010 regarding undertakings for collective investment as amended.

The Fund offers investors the choice between several classes of shares (each a “class”) in a number of Sub-Funds. As at 31 December 2019, the Fund was composed of the following Sub-Funds:

- Kotak Funds - India Growth Fund;
- Kotak Funds - India Midcap Fund; and
- Kotak Funds - India Fixed Income Fund.

The following share classes were in issue as at 31 December 2019:

- (i) Class A shares which are available to all investors.
- (ii) Class I and Class J shares which are reserved to institutional investors in the meaning of article 174 of the Luxembourg Law of 17 December 2010 as amended. The Class J shares is only available in India Midcap Fund.
- (iii) Class B shares which are available to investors who at the time the relevant subscription order is received are customers of certain distributors appointed by the Global Distributor specifically for the purpose of distributing the Class B shares. The class is only available in India Growth Fund and India Midcap Fund.
- (iv) Class X shares which are only available in certain jurisdictions and shall be offered at the discretion of the Global Distributor.
- (v) Class C Shares may be offered in certain limited circumstances for distribution in certain countries and through certain distributors or sub-distributors who in the opinion of the Global Distributor, is wholly or partially impacted by the UK Retail Distribution Review.

The main objective of the Sub-Funds is to invest in sufficiently liquid transferable securities and other eligible assets in order to provide returns for investors.

The Fund has incorporated India Bluechip (Mauritius) Ltd (the “Bluechip Subsidiary”) on 14 December 2009, India Midcap (Mauritius) Ltd (the “Midcap Subsidiary”) on 19 April 2010 and K Debt (Mauritius) Limited (the “Debt Subsidiary”) on 27 September 2013 as wholly-owned subsidiaries.

K Debt (Mauritius) Limited is under liquidation and liquidator was appointed on 20 November 2018.

### 2. Summary of significant accounting policies

#### a) Basis of preparation

The financial statements have been prepared in accordance with Luxembourg Generally Accepted Accounting Principles (GAAP) applicable to investment funds.

#### b) Financial statements

Financial statements are presented for each Sub-Fund on a consolidated basis and the statements of net assets, operations and changes in net assets are presented in USD, based on the exchange rate ruling at the date of these financial statements.

# KOTAK FUNDS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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### 2. Summary of significant accounting policies (continued)

#### b) Financial statements (continued)

The combined statement of net assets, the combined statement of operations and the combined statement of changes in net assets are the sum of the statements of each Sub-Fund. As wholly-owned subsidiaries of the Fund all assets and liabilities, income and expenses of the subsidiaries are consolidated in the statements of net assets and operations of the respective Sub-Funds. Investments held by the subsidiaries are disclosed in the schedule of investments of the respective Sub-Funds.

#### c) Foreign currency translation

Assets and liabilities in currencies other than the Sub-Funds' base currency have been translated into that currency at exchange rates ruling at the date of these financial statements. Transactions occurring during the year in currencies other than the base currency are translated at rates of exchange ruling at the transaction dates. The exchange rates applicable as at 31 December 2019 are:

|         |          |
|---------|----------|
| USD/GBP | 0.7567   |
| USD/EUR | 0.8898   |
| USD/INR | 71.3850  |
| USD/JPY | 108.5150 |

#### d) Investments

Securities listed on Regulated Markets, which are recognized, operate regularly and are open to the public, are valued at the last available price of the main market for the relevant security.

Securities listed on the Indian stock exchanges are valued at the closing price on the National Stock Exchange failing which the closing price on the Stock Exchange, Mumbai (BSE) failing which the closing price on any other exchange whereat the security is traded shall be considered.

Securities not listed on Regulated Markets, which are recognized, operate regularly and are open to the public, are valued on the basis of their last available price.

In the event that extraordinary circumstances render such a valuation impracticable or inadequate, the Directors may, at their discretion, prudently and in good faith follow other methods of valuation to be used if they consider such method of valuation better reflects the value and is in accordance with good accounting practice in order to achieve a fair valuation of the assets of the Fund.

Gains or losses arising on the disposal of investments are calculated by reference to the net sales proceeds and the average cost attributable to those investments.

#### e) Income and expenses

Dividends arising on the Fund's equity investments are credited to the statement of operations when the security is quoted ex-dividend, net of withholding taxes where applicable. Interest income is recognised as the interest accrues (taking into account the coupon rate on the asset) unless recoverability is in doubt. Where the Fund incurs an expense which relates to any particular Sub-Fund or to any action taken in connection with a particular Sub-Fund, such liability shall be allocated to the relevant Sub-Fund. In the case where any expense of the Fund cannot be considered as being attributable to a particular Sub-Fund, such expense shall be allocated to all the Sub-Funds pro rata to their NAV's or in such other ways that the Directors deem equitable.

# KOTAK FUNDS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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### 2. Summary of significant accounting policies (continued)

#### e) Income and expenses (continued)

Notwithstanding the provisions of the preceding paragraph, all liabilities of the Fund, whatever Sub-Fund they are attributable to, shall, unless otherwise agreed upon with the creditors, be binding upon the Fund as a whole.

#### f) Forward foreign exchange contracts

The Fund may enter into forward foreign exchange contracts, into call or put options on currencies to hedge against exposures to foreign currency fluctuations. The carrying value of these contracts is the gain or loss that would be realised if the position were closed out on the valuation date, and is recorded as an unrealised gain or loss. Upon the closing of the contract, the gain or loss is recorded in the net realised gain or loss on foreign exchange. There were no open contracts as at 31 December 2019.

#### g) Futures contracts

Financial futures contracts are valued at the exchange quoted settlement price. Initial margin deposits are made upon entering into the contracts and can be either in cash or securities. During the year the contracts are open, changes in the value of the contracts are recognised as unrealised gains and losses by “marking-to-market” on a daily basis to reflect the market value of the contracts at the end of each business day’s trading. Variation margin payments are made or received, depending upon whether losses or gains are incurred. When a contract is closed, the Sub-Fund records a realised gain or loss equal to the difference between the proceeds from, or cost of, the closing transaction and the initial cost of the contract.

#### h) Option contracts

Premiums received on issued options are recorded as liabilities and premiums paid on the purchase of options are recorded as assets in the statement of net assets. Option contracts outstanding as at year end are valued at the last known price on the stock exchanges or regulated markets. Realised and change in unrealised gains and losses are recorded in the statement of operations. There were no open contracts as at 31 December 2019.

#### i) Dividends payable

Within each Sub-Fund, there may be created different Classes which are entitled to regular dividend payments (“Distribution Shares”) or with earnings reinvested (“Accumulation Shares”). If a dividend is declared by the Fund, it will be paid to each shareholder concerned in the currency of the relevant Sub-Fund or Class. During the year ended 31 December 2019, the Fund distributed the following dividends:

# KOTAK FUNDS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

### 2. Summary of significant accounting policies (continued)

#### i) Dividends payable (continued)

| India Growth Fund               | Ex Date          | Pay date         | Dividend per share | Total dividend paid (USD) |
|---------------------------------|------------------|------------------|--------------------|---------------------------|
| Class A Distribution Shares GBP | 12 February 2019 | 20 February 2019 | USD 0.9025         | 9,112                     |
| Class A Distribution Shares GBP | 13 May 2019      | 20 May 2019      | USD 0.6513         | 6,944                     |
| Class A Distribution Shares GBP | 14 August 2019   | 21 August 2019   | USD 0.6044         | 7,076                     |
| Class A Distribution Shares GBP | 13 November 2019 | 19 November 2019 | USD 0.4505         | 5,341                     |
|                                 |                  |                  |                    | <b>28,473</b>             |

| India Midcap Fund               | Ex Date          | Pay date         | Dividend per share | Total dividend paid (USD) |
|---------------------------------|------------------|------------------|--------------------|---------------------------|
| Class A Distribution Shares GBP | 13 May 2019      | 20 May 2019      | USD 0.6513         | 53,938                    |
| Class A Distribution Shares USD | 13 November 2019 | 19 November 2019 | USD 0.1500         | 8,454                     |
| Class C Distribution Shares GBP | 13 May 2019      | 20 May 2019      | USD 0.3908         | 23,878                    |
| Class X Distribution Shares JPY | 13 May 2019      | 20 May 2019      | USD 1.8234         | 9,960,635                 |
| Class X Distribution Shares JPY | 13 November 2019 | 19 November 2019 | USD 0.4589         | 2,356,566                 |
|                                 |                  |                  |                    | <b>12,403,471</b>         |

| India Fixed Income Fund         | Ex Date          | Pay date         | Dividend per share | Total dividend paid (USD) |
|---------------------------------|------------------|------------------|--------------------|---------------------------|
| Class C Distribution Shares GBP | 12 February 2019 | 20 February 2019 | USD 0.3223         | 7,494                     |
| Class C Distribution Shares GBP | 13 May 2019      | 20 May 2019      | USD 0.2605         | 5,663                     |
| Class C Distribution Shares GBP | 14 August 2019   | 21 August 2019   | USD 0.2418         | 4,223                     |
| Class C Distribution Shares GBP | 13 November 2019 | 19 November 2019 | USD 0.1931         | 3,334                     |
| Class I Distribution Shares EUR | 13 May 2019      | 20 May 2019      | USD 0.1237         | 20,664                    |
| Class I Distribution Shares EUR | 14 August 2019   | 21 August 2019   | USD 0.1570         | 26,371                    |
| Class I Distribution Shares EUR | 13 November 2019 | 19 November 2019 | USD 0.1545         | 25,654                    |
|                                 |                  |                  |                    | <b>93,403</b>             |

#### j) Swing Pricing

Under certain circumstances (for example, large volumes of deals) investment and/or disinvestment costs may have an adverse effect on the Shareholders' interests in a Sub-Fund. In order to prevent this effect, called "dilution", the Directors have the authority to allow for the Net Asset Value per Share to be adjusted by effective dealing and other costs and fiscal charges which would be payable on the effective acquisition or disposal of assets in the relevant Sub-Fund if the net capital activity exceeds, as a consequence of the sum of all subscriptions, redemptions or conversions in such a Sub-Fund, such threshold percentage (the "Threshold") as may be determined from time to time by the Directors, of the Sub-Fund's total net assets on a given Valuation Day. Such adjustment may vary from Sub-Fund to Sub-Fund and will not exceed 0.5% of the original Net Asset Value per Share.

# KOTAK FUNDS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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### 2. Summary of significant accounting policies (continued)

#### j) Swing Pricing (continued)

Description of the swing pricing procedure:

If the net capital activity on a given Valuation Day leads to a net inflow of assets in excess of the Threshold in the relevant Sub-Fund, the Net Asset Value used to process all subscriptions, redemptions or conversions in such a Sub-Fund is adjusted upwards by the swing factor that shall be determined from time to time by the Directors.

If the net capital activity on a given Valuation Day leads to a net outflow of assets in excess of the Threshold in the relevant Sub-Fund, the Net Asset Value used to process all subscriptions, redemptions or conversions in such a Sub-Fund is adjusted downwards by the swing factor that shall be determined from time to time by the Directors.

Dilution adjustment for the year ended 31 December 2019 amounted to USD 16,914 for the India Fixed Income Fund.

### 3. Investment management fees

Kotak Mahindra Asset Management (Singapore) Pte. Ltd as Investment Manager is entitled to receive fees from the Fund in respect of their respective investment management services. The investment management fees are calculated based on a certain percentage per annum of the net asset values of the various Sub-Funds.

The percentages of investment management fees at 31 December 2019 are as follows:

#### **Kotak Funds - India Growth Fund**

Class A: 2.00% Class I: 1.00% Class B: 2.00% Class X: 1.00% Class C: 1.00%

#### **Kotak Funds - India Midcap Fund**

Class A: 2.00% Class I: 2.00% Class B: 2.00% Class X: 1.00%\* Class J: 1.00% Class C: 1.00%

#### **Kotak Funds - India Fixed Income Fund**

Class A: 1.20% Class I: 0.75% Class C: 0.75%

\*The Investment Manager has agreed with the Fund to contractually waive 0.25% of the investment management fees on behalf of Class X of the India Midcap Sub-Fund since the launch of the Class.

Investment management fees for the year ended 31 December 2019 amounted to USD 2,331,824 for the India Growth Fund, USD 17,650,851 for the India Midcap Fund and USD 177,895 for the India Fixed Income Fund.

# KOTAK FUNDS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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### 4. Administration and depositary fees

HSBC France, Luxembourg Branch, as administrator and depositary is entitled to receive from the Fund fees payable monthly based on the average Net Asset Value of each Sub-Fund. These fees are as follows:

|                                   | <b>Administration<br/>fee rate</b> | <b>Depositary<br/>fee rate</b> | <b>Depositary<br/>fee rate</b> |
|-----------------------------------|------------------------------------|--------------------------------|--------------------------------|
| USD 0 - USD 250,000,000           | 0.050%                             | 0.010%                         | 0.030%                         |
| USD 250,000,000 - USD 500,000,000 | 0.040%                             | 0.010%                         | 0.025%                         |
| Above USD 500,000,000             | 0.030%                             | 0.010%                         | 0.020%                         |

Administration and depositary fees are subject to a minimum annual fee of EUR 15,000 (USD 16,857).

The fee based on the average Net Asset Value of each Sub-Fund is disclosed separately in the statement of operations.

The Administrator of the subsidiaries, IQEQ (Mauritius) (formerly SGG Fund Services (Mauritius) Ltd), is entitled to the following fees per annum:

- (i) For administration, registrar and company secretary services: For the Bluechip Subsidiary and the Midcap Subsidiary USD 10,000 p.a. for NAV up to USD 20 million, USD 20,000 p.a. for NAV up to USD 50 million and USD 30,000 p.a. for NAV above USD 50 million. From the Debt Subsidiary 0.03% of the NAV of the subsidiary with a maximum fee of USD 30,000 p.a.
- (ii) For services relating to the preparation and filing of annual tax returns in Mauritius: USD 1,000.
- (iii) For services relating to the tax residency certificate: USD 500.
- (iv) For directorship: USD 2,000 per director.

### 5. Subscription tax

Under current law and practice, the Fund is not liable to Luxembourg taxes on income or capital gains. The Fund is subject to the “taxe d’abonnement” (subscription tax) at the rate of 0.05% per annum, except for the share classes dedicated to institutional investors which benefit from a reduced tax rate of 0.01%.

Interest and dividend income, and gains on securities, may be subject to non-recoverable withholding taxes deducted at source in the countries of origin.

### 6. Taxation

#### *Tax implications for direct investments*

The Fund may invest directly in India or through the Subsidiaries. In case of direct investments in India, the Fund may be subject to taxes on revenue and/or capital gains as well as potentially other taxes or levies due in accordance with applicable Indian legislation. Some or all of such amounts due may not be recoverable and/or not covered by double tax treaty between the Grand Duchy of Luxembourg and India.

#### *Tax implications for investments through Subsidiaries*

The taxation of the return on investments of the Mauritius Subsidiaries is governed by the provisions of the Income Tax Act, 1961 as amended by Finance Act, 2015 (“ITA”), read with the provisions of the India/Mauritius Tax Treaty as amended by the Protocol dated 10 May 2016 (“India/Mauritius Tax Treaty”). As per Section 90(2) of the ITA, the provisions of the ITA would apply only to the extent they are more beneficial than the provisions of the India/Mauritius Tax Treaty.

# KOTAK FUNDS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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### 6. Taxation (continued)

#### *Tax implications for investments through Subsidiaries (continued)*

However, there can be no assurance that the India/Mauritius Tax Treaty will continue to be in full force and effect during the existence of the Mauritius Subsidiaries or that the Mauritius Subsidiaries are entitled to or will continue to enjoy the benefit of the India/Mauritius Tax Treaty.

In order to claim the beneficial provisions of the India/Mauritius Tax Treaty, the Mauritius Subsidiaries must be tax residents of Mauritius. All the Mauritius Subsidiaries currently hold a Mauritius tax residency certificate from the Mauritius tax authorities and is required to renew such tax residency certificate on annual basis.

General Anti-Avoidance Rules (“GAAR”) related provisions of the ITA came into effect on 1 April 2017. GAAR should not apply to any income accruing or arising to or deemed to accrue or arise to or received or deemed to be received by any person, from transfer of investments made before 1 April 2017. However, GAAR applies to any arrangement, irrespective of the date on which it has been entered into, in respect of tax benefits obtained from the arrangement on or after 1 April 2017. GAAR may be applied by tax authorities to a transaction in order to override the benefits available under any tax treaty including the India-Mauritius Tax Treaty. GAAR provisions should not apply to a person, being a non-resident, in relation to investment made by him by way of offshore derivative instruments or otherwise, directly or indirectly, in a Foreign Portfolio Investor (FPI). Further GAAR provisions should not apply to an FPI, where the FPI have not claimed tax treaty benefits and invest in Indian securities with prior permission of the competent authority under SEBI (FPI) regulations.

The Mauritius Subsidiaries may have income in the form of capital gains, income from dividends and income from interest. The tax consequences for the Mauritius Subsidiaries on account of the application of the India/Mauritius Tax Treaty, read with the provisions of the ITA are as follows:

(i) For investments made up to 31 March 2017

Capital gains of the Mauritius Subsidiaries resulting from the transfer/sale of Indian securities (including Foreign Currency Convertible Bonds (“FCCBs”) or Global Depositary Receipts (“GDRs”) or American Depositary Receipts (“ADRs”)) issued by Indian companies will not be subject to tax in India.

(ii) For investment made on or after 1 April 2017 and transferred/sold up to 31 March 2019

Capital gains of the Mauritius Subsidiaries resulting from the transfer/sale of shares of an Indian company will be subject to tax in India at the tax rate which may be limited to 50% of the domestic capital gains tax rate in India, subject to the Limitations of Benefits clause being met.

(iii) For investment made on or after 1 April 2017 and transferred/sold on or after 1 April 2019

Capital gains of the Mauritius Subsidiaries resulting from the transfer/sale of shares of an Indian company will be subject to tax in India at the applicable rate of domestic capital gains tax in India.

Capital gains of the Mauritius Subsidiaries resulting from the transfer/sale of any other Indian securities (including FCCBs or GDRs or ADRs) issued by Indian companies (except shares of Indian companies), albeit the date of investment, will not be subject to tax in India.

# KOTAK FUNDS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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### 6. Taxation (continued)

*Tax implications for investments through Subsidiaries (continued)*

(iii) For investment made on or after 1 April 2017 and transferred/sold on or after 1 April 2019 (continued)

Exemption of long-term capital gains (“LTCG”) on transfer of listed equity shares in an Indian company or a unit of equity-oriented mutual fund or a unit of a business trust (“specified securities”) was withdrawn from financial year beginning 1 April 2018. Such LTCG exceeding Rs 100,000, from notified purchases, is taxable at 10% (plus surcharge and cess). The cost of acquisition of specified security which is acquired before 1 February 2018, is the higher of (1) actual cost of acquisition and (2) lower of (a) the fair market value as at 31 January 2018 and (b) full value of the consideration received on the transfer of the security.

Dividends on shares received from an Indian company on which dividend distribution tax has been paid are exempt from tax in the hands of the shareholders.

Interest income earned by the Luxembourg Sub-Funds and Mauritius Subsidiaries from rupee denominated bonds of an Indian company or a Government security would be taxed at the rate of 5% (plus applicable surcharge and cess) subject to conditions. The concessional rate of tax on interest payable is available until 30 June 2020.

### 7. Directors’ fees and expenses

In addition to directors’ fees, directors are entitled to be reimbursed for reasonable traveling, hotel and other incidental expenses in respect of attending meetings of the Directors or General Meetings of the Fund. Total directors’ fees and expenses incurred during the year amount to USD 63,444.

### 8. Management company fee

On 12 September 2007, the Management Company, FundRock Management Company S.A. was appointed in order to meet the requirements of the UCITS III (Undertakings for Collective Investment in Transferable Securities) Directive 85/611/EEC of 20 December 1985.

The Management Company is responsible on a day-to-day basis, under the supervision of the Directors of the Fund, for providing administration, marketing and investment management services in respect of all Sub-Funds of the Fund.

The Management Company delegated its investment management duties to Kotak Mahindra Asset Management (Singapore) Pte. Ltd, the Investment Manager of the assets of the Fund.

HSBC France, Luxembourg Branch has been appointed to perform central administration duties for the Fund pursuant to a delegation of such duties to it by the Management Company.

FundRock Management Company S.A. is entitled to receive a fee for the provision of the Management Company services rendered to the Fund as follows:

Fund assets up to EUR 100 million: 0.05% per annum  
Fund assets over EUR 100 million up to EUR 500 million: 0.04% per annum  
Fund assets over EUR 500 million: 0.03% per annum



# KOTAK FUNDS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

### 8. Management company fee (continued)

A minimum monthly fee of EUR 5,000 (USD 5,619) will apply at Fund level if the total basis point fee for the fund does not reach the minimum fee applicable. An additional minimum monthly fee of EUR 1,250 (USD 1,405) at Fund level will be applied for every new sub-fund, if the total basis point fee for the Fund does not reach the minimum fee applicable.

### 9. Transaction costs

Transaction costs comprise broker costs and other transaction related costs.

Broker costs include commissions and stock exchange taxes and arise on purchases and sales of investments during the year under review. Those costs are included with the cost of investments purchased and deducted from the proceeds received on sales of investments.

The transaction related costs include transaction costs on securities and on futures.

Total transaction costs paid by the Sub-funds during the year are as follows:

| Sub-Fund                | Currency | Broker costs | Transaction related costs<br>(Bank commission) | Total   |
|-------------------------|----------|--------------|--|---------|
|                         |          | USD          | USD  | USD     |
| India Growth Fund       | USD      | -            | 48,929   | 48,929  |
| India MidCap Fund       | USD      | 212,631      | 54,519   | 267,150 |
| India Fixed Income Fund | USD      | 1,046        | 18,558   | 19,604  |

### 10. Futures

The following futures contracts were open as at 31 December 2019:

#### India Midcap Fund

| Description   | Maturity date | Number of contracts | Commitment | Cost       | Market Value | Unrealised depreciation |
|---|---------------|---------------------|------------|------------|--------------|-------------------------|
|   |               |                     | USD        | USD        | USD          | USD                     |
| SGX Nifty 50 Index                                  | January 2020  | 3,200               | 78,368,000 | 78,701,984 | 78,368,000   | (333,984)               |
| <b>Unrealised depreciation on futures contracts</b> |               |                     |            |            |              | <b>(333,984)</b>        |

# KOTAK FUNDS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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### 11. Total Expense Ratio (TER)

The TER has been computed by the Administrator as required per the Swiss Funds & Asset Management Association (SFAMA) guidelines on the calculation and disclosure of the TER and Portfolio Turnover Ratio (PTR). The total expense ratios for the year under review are as follows:

|  | <b>2019</b> |
|--|-------------|
| <b>Kotak Funds - India Growth Fund (USD)</b>           |             |
| Class A Distribution Shares GBP                        | 3.02%       |
| Class A Shares EUR                                     | 2.52%       |
| Class A Shares GBP                                     | 2.91%       |
| Class A Shares USD                                     | 2.86%       |
| Class B Shares USD                                     | 3.55%       |
| Class C Shares GBP                                     | 1.83%       |
| Class I Shares USD                                     | 2.06%       |
| <br><b>Kotak Funds - India Mid Cap Fund (USD)</b>      |             |
| Class A Distribution Shares GBP                        | 2.30%       |
| Class A Distribution Shares USD                        | 2.66%       |
| Class A Shares EUR                                     | 2.08%       |
| Class A Shares GBP                                     | 2.30%       |
| Class A Shares USD                                     | 2.33%       |
| Class B Shares EUR                                     | 2.89%       |
| Class B Shares GBP                                     | 3.00%       |
| Class B Shares USD                                     | 2.96%       |
| Class C Distribution Shares GBP                        | 1.34%       |
| Class C Shares GBP                                     | 1.18%       |
| Class C Shares USD                                     | 1.33%       |
| Class I Shares USD                                     | 2.24%       |
| Class J Shares EUR                                     | 1.60%       |
| Class J Shares USD                                     | 1.34%       |
| Class X Distribution Shares JPY                        | 1.06%       |
| <br><b>Kotak Funds - India Fixed Income Fund (USD)</b> |             |
| Class A Shares USD                                     | 1.45%       |
| Class C Distribution Shares GBP                        | 1.05%       |
| Class C Shares GBP                                     | 1.09%       |
| Class C Shares USD                                     | 1.20%       |
| Class I Distribution Shares EUR                        | 1.17%       |
| Class I Shares EUR                                     | 1.20%       |
| Class I Shares GBP                                     | 1.20%       |
| Class I Shares USD                                     | 1.20%       |

# KOTAK FUNDS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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### 12. Significant events during the year

On 24 April 2019, the Annual General Meeting (the “AGM”) appointed Ernst & Young S.A. as the new Auditor of the Fund.

The Board resolved to co-opt Mr Shek Chee Seng in replacement of Mr Raj Pandit, subject to the formal approval of the Commission de Surveillance du Secteur Financier (“CSSF”) and with effect from the date of approval of Mr Shek Chee Seng by the CSSF. The CSSF approved Mr Shek Chee Seng on 22 October 2018.

The election of Mr Shek Chee Seng was approved by the Kotak shareholders during the AGM dated 24 April 2019.

# KOTAK FUNDS

## UNAUDITED ADDITIONAL DISCLOSURES

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### Performance YTD

|  | December<br>2019 | December<br>2018 | December<br>2017 |
|--|------------------|------------------|------------------|
| <b>Kotak Funds - India Growth Fund (USD)</b>             |                  |                  |                  |
| Class A Distribution Shares GBP                          | 5.24%            | (11.55%)         | 23.12%           |
| Class A Shares EUR                                       | 8.56%            | (6.46%)          | 18.66%           |
| Class A Shares GBP                                       | 3.19%            | (5.49%)          | 23.11%           |
| Class A Shares USD                                       | 6.64%            | (10.66%)         | 34.93%           |
| Class B Shares USD (since 29 September 2017)             | 6.96%            | (11.50%)         | 9.70%            |
| Class C Shares GBP (since 9 March 2016)                  | 4.22%            | (4.54%)          | 24.32%           |
| Class C Shares USD (since 30 November 2017)              | -                | -                | 4.40%            |
| Class I Shares EUR                                       | -                | -                | 19.71%           |
| Class I Shares USD                                       | 7.76%            | (9.74%)          | 36.30%           |
| <b>Kotak Funds - India Mid Cap Fund (USD)</b>            |                  |                  |                  |
| Class A Distribution Shares GBP                          | (1.00%)          | (15.65%)         | 33.64%           |
| Class A Distribution Shares USD (since 15 February 2019) | 11.40%           | -                | -                |
| Class A Shares EUR (since 25 April 2017)                 | 3.55%            | (11.85%)         | 1.70%            |
| Class A Shares GBP                                       | (1.49%)          | (10.96%)         | 33.63%           |
| Class A Shares USD                                       | 1.81%            | (15.82%)         | 46.44%           |
| Class B Shares EUR                                       | 3.66%            | (12.72%)         | 27.49%           |
| Class B Shares GBP                                       | 3.35%            | (11.83%)         | 32.31%           |
| Class B Shares USD                                       | 2.09%            | (16.45%)         | 45.03%           |
| Class C Distribution Shares GBP (since 8 March 2016)     | 0.01%            | (15.34%)         | 34.97%           |
| Class C Shares GBP                                       | (0.51%)          | (10.05%)         | 34.94%           |
| Class C Shares USD                                       | 2.83%            | (14.96%)         | 48.06%           |
| Class I Shares USD                                       | 1.82%            | (15.80%)         | 46.55%           |
| Class J Shares EUR (since 13 February 2017)              | 4.78%            | (10.92%)         | 14.10%           |
| Class J Shares USD                                       | 2.88%            | (14.95%)         | 47.98%           |
| Class X Distribution Shares JPY                          | 0.78%            | (17.16%)         | 39.52%           |
| <b>Kotak Funds - India Fixed Income Fund (USD)</b>       |                  |                  |                  |
| Class A Shares USD                                       | 5.33%            | (5.18%)          | 8.05%            |
| Class C Distribution Shares GBP                          | 4.09%            | (2.91%)          | (0.87%)          |
| Class C Shares GBP                                       | 2.30%            | 0.71%            | (0.85%)          |
| Class C Shares USD                                       | 5.90%            | (4.78%)          | 8.62%            |
| Class I Distribution Shares EUR                          | 8.07%            | (3.09%)          | (4.45%)          |
| Class I Shares EUR                                       | 7.95%            | (0.28%)          | (4.44%)          |
| Class I Shares GBP (since 19 May 2017)                   | 2.81%            | 0.72%            | (1.05%)          |
| Class I Shares USD                                       | 5.82%            | (4.78%)          | 8.62%            |

Past performance is not necessarily a guide to future performance and does not take into account fees or commissions that may occur on subscription or redemption.

# KOTAK FUNDS

## UNAUDITED ADDITIONAL DISCLOSURES (CONTINUED)

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### Remuneration Policy

FundRock Management Company S.A. (“FundRock”) has established and applies a remuneration policy in accordance with the principles laid out under the AIFMD and UCITS V directive, and any related legal & regulatory provisions applicable in Luxembourg. The remuneration policy is aligned with the business strategy, objectives, values and interests of the Management Company and the Funds that it manages and of the investors in such Funds, and which includes, inter alia, measures to avoid conflicts of interest; and it is consistent with and promotes sound and effective risk management and does not encourage risk taking which is inconsistent with the risk profiles, rules or instruments of incorporation of the Funds that the Management Company manages.

As an independent management company relying on a full-delegation model (i.e. delegation of the collective portfolio management function), FundRock ensures that its remuneration policy adequately reflects the predominance of its oversight activity within its core activities. As such, it should be noted that FundRock’s employees who are identified as risk-takers under UCITS V are not remunerated based on the performance of the funds under management.

A paper version of the remuneration policy is made available free of charge to investors at FundRock’s registered office.

The amount of remuneration for the financial year ending 31 December 2019 paid by FundRock to its staff: EUR 10,495,187

Fixed remuneration: EUR 10,042,867

Variable remuneration: EUR 452,319

Number of beneficiaries: 119

The aggregated amount of remuneration for the financial year ending 31 December 2019 paid by FundRock to Identified staff/risk takers is as follows:

Identified staff/risk takers: EUR 1,196,213

Other risk takers: EUR Nil

The total amount of remuneration is based on a combination of the assessment of the performance of the individual, the overall results of FundRock, and when assessing individual performance, financial as well as non-financial criteria are taken into account.

The Policy is subject to annual review by the Compliance Officer and the update is performed by HR department of FundRock and is presented for review to the Remuneration Committee and approval by the Board of FundRock.

# KOTAK FUNDS

## UNAUDITED ADDITIONAL DISCLOSURES (CONTINUED)

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### Remuneration Policy (continued)

Legal Representative of the Fund in Switzerland: BNP Paribas Securities Services, Paris, succursale de Zurich, Selnaustrasse 16, CH-8002 Zurich, Switzerland. The Prospectus, Articles, semi-annual report and annual report of the Fund may be obtained free of charge upon request from the Legal Representative in Switzerland. A breakdown of all transactions carried out on behalf of each Sub-Fund for the period under review can be obtained, free of charge, from the Legal Representative in Switzerland.

### Securities Financing Transactions

The Sub-Funds has not entered into securities financing transactions as defined in Regulation (EU) 2015/2365 on transparency of securities financing transactions and of reuse and amending Regulation (EU) 648/012, namely total return swaps, repurchase and reverse repurchase agreements and securities

### Risk transparency disclosures

The Board of Directors has decided to implement the following methodology to calculate the global exposure for each of the below mentioned Sub-Funds.

| <b>Sub-Fund</b>         | <b>Methodology applied for measuring the Global Exposure</b> |
|-------------------------|--|
| India Growth Fund       | Commitment approach  |
| India Midcap Fund       | Commitment approach  |
| India Fixed Income Fund | Commitment approach  |