

# **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 2022**

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# KOTAK FUNDS

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# KOTAK FUNDS

## MANAGEMENT AND ADMINISTRATION

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### Directors

**Christopher Daniel**  
(Chairman), Senior Vice President  
Kotak Mahindra (UK) Limited  
London EC3N 1LS  
United Kingdom

**S. Shyam Kumar**  
President and Head  
Kotak Mahindra (UK) Limited, Dubai Branch  
Al Fattan Currency House, Dubai International  
Financial Centre  
Dubai 121753  
United Arab Emirates

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

**Shek Chee Seng**  
Independent Director  
143 Duchess Avenue  
Singapore 269167

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

### Registered Office

80, Route d'Esch  
L-1470 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

Brown Brothers Harriman (Luxembourg) S.C.A.  
80, Route d'Esch  
L-1470 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  
55 Baker Street  
London, W1U 7EU  
United Kingdom

### Independent Auditor

Ernst & Young, S.A.  
35E avenue John F. Kennedy  
L-1855 Luxembourg  
Grand Duchy of Luxembourg

### Administrator, Depositary, Registrar, Transfer Agent and Domiciliary Agent

Brown Brothers Harriman (Luxembourg) S.C.A.  
80, Route d'Esch  
L-1470 Luxembourg  
Grand Duchy of Luxembourg

### For the Mauritius Subsidiaries

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

### Legal Advisers in Luxembourg

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

# KOTAK FUNDS

## MANAGEMENT AND ADMINISTRATION (CONTINUED)

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### 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 ESG 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 will seek to deliver returns in a socially responsive manner by combining a value and growth oriented investment philosophy with an Environmental Social and Governance (“ESG”) principle overlay. The Investment Manager integrates ESG factors in its investment management process and evaluates companies on the basis of these factors before an investment decision is made, thereby promoting, among other characteristics, environmental and social characteristics within the meaning of Article 8 of SFDR. While identifying investee companies, the Investment Manager will seek to incorporate ESG considerations within the fundamental analysis and seek to gain an understanding of the relevant ESG issues applicable to such companies.

The Investment Manager will seek to limit and/or exclude direct investment (as applicable) in corporate issuers which, in its opinion have exposure to, or ties with, certain sectors including but not limited to:

- a) the production of certain types of controversial weapons such as cluster munitions;
- b) the distribution or production of firearms or small arms ammunition intended for retail civilians;
- c) the extraction and distribution of certain types of fossil fuel (excluding distribution of gas) and/or the generation of power from them for onward sale;
- d) the production of tobacco products;
- e) production of alcohol products;
- f) the ownership or operation of gambling-related activities or facilities; and
- g) production of adult entertainment materials.

The assessment of the level of involvement in each activity may be based on percentage of revenue or any other parameter connected to a restricted activity.

In line with its ESG methodology, the Sub-Fund promotes, inter alia, the aforementioned environmental criteria but does not commit to invest in taxonomy-aligned environmentally sustainable activities which contribute to the environmental objectives set out under Article 9 of Regulation (EU) 2020/852.

# KOTAK FUNDS

## INVESTMENT OBJECTIVES (CONTINUED)

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### **Kotak Funds - India ESG Fund (continued)**

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 Investment Manager integrates Environmental Social and Governance (“ESG”) factors in its investment management process and evaluates companies on the basis of these factors before an investment decision is made, thereby promoting, among other characteristics, environmental and social characteristics within the meaning of Article 8 of SFDR. In addition, the Investment Manager is systematically engaging with companies in which the Sub-Fund invests to promote ESG awareness. However, given the lack of long term disclosures levels and lower level of coverage by external agencies on mid and small cap stocks, the ESG analysis may be limited to some extent/ or may not be available for the entire portfolio. Therefore, ESG factors are not binding upon the Investment Manager in the allocation of the Sub-Fund’s portfolio.

The Investment Manager will seek to limit and/or exclude direct investment (as applicable) in corporate issuers which, in its opinion have exposure to, or ties with, certain sectors including but not limited to:

- a) the production of certain types of controversial weapons such as cluster munitions;
- b) the distribution or production of firearms or small arms ammunition intended for retail civilians;
- c) the extraction and distribution of certain types of fossil fuel (excluding distribution of gas) and/or the generation of power from them for onward sale;
- d) the production of tobacco products;
- e) the ownership or operation of gambling-related activities or facilities; and
- f) production of adult entertainment materials.

The assessment of the level of involvement in each activity may be based on percentage of revenue or any other parameter connected to a restricted activity.

In line with its ESG methodology, the Sub-Fund promotes environmental characteristics but does not commit to invest in taxonomy-aligned environmentally sustainable activities which contribute to the environmental objectives set out under Article 9 of Regulation (EU) 2020/852.

# KOTAK FUNDS

## INVESTMENT OBJECTIVES (CONTINUED)

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### **Kotak Funds - India Midcap Fund (continued)**

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.

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.

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.

# KOTAK FUNDS

## INVESTMENT OBJECTIVES (CONTINUED)

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

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.

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

# KOTAK FUNDS

## **DIRECTORS' REPORT**

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After an exceptional 2021, global economic activity experienced a broad-based and sharper-than-expected slowdown in 2022.

During the year 2022, the Indian equity market (Nifty-50 Index) returned -4.71% USD terms. The period saw net FII outflows to the tune of around USD 17.6 billion to the Indian equity market and inflows of around USD 36.5 billion from DIIs. As global demand slows down, India is unlikely to be immune with the trade and capital channel being the key risks and determinants of India's growth. INR too, remained highly volatile with supply disruption amidst geopolitical tension between Russia and Ukraine, which exacerbate the surge in inflation and energy and commodity prices - the INR depreciated by about 11.3% through the year.

Geopolitical risks are high, with concerns over the economic implications of the Russo-Ukraine war and sustained inflationary pressures higher than seen in several decades, affecting investor sentiment. Though China's reopening of the borders after three years was a positive for the markets, rising Covid infection and its impact on the global economy worried investors.

Looking back at India, The Union Budget was presented on Feb 1, 2022, just as the country navigates the third wave of the Covid-19 pandemic. This was clearly a pro-growth budget with the Government's key macro focus being infrastructure growth and boosting capex spend in a bid to sustain the investment growth momentum. The highlight of the budget was to set the foundation for structural growth over the next few years via investment spend. The Budget provides the necessary impetus through various policies laying the blueprint to steer economy for the next 25 years and enable job creation.

Global shocks propagate to the domestic economy through four key channels: (1) trade flows, (2) commodity prices, (3) capital flows, and (4) financial sector. However, the silver lining in the Indian economic front has come at a time when there is a slowing across many parts of the world despite sustained inflationary pressures.

On the macro side, International Monetary Fund (IMF) cut India's FY2023 GDP forecast to 6.8% in its latest World Economic Outlook from 7.4% earlier in July. The Reserve Bank of India (RBI) MPC in total had hiked the repo rate by a total of 225bps to 6.25% since May 2020 while continuing to remain focused on the withdrawal of accommodation. India's external sector has faced significant headwinds, led by (1) surge in commodity prices; (2) flight of capital due to the fear of policy divergence; and (3) export caps of select key segments to tame domestic inflation.

### **Kotak Funds - India ESG Fund**

For the year ended December 31, 2022, Kotak Funds: India ESG Fund returned -10.71%^ and the MSCI India Index returned -8.65 %. The fund witnessed net inflow of USD 3.51 million during year and ended with an asset under management of USD 85.28 million.

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

For the year ended December 31, 2022, Kotak Funds: India Midcap Fund yielded a return of -12.39 %^ with the Nifty Midcap 100 Index returning -6.91% for the same period. The fund witnessed net inflow of USD 118.70 million during year and ended with an asset under management of USD 1,652.38 million.

# KOTAK FUNDS

## **DIRECTORS' REPORT (CONTINUED)**

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

For the year ended December 31, 2022, Kotak Funds: India Fixed Income Fund yielded a return of -9.64 %\*. The fund witnessed net outflow of USD 1.21 million during year and ended with an asset under management of USD 7.68 million.

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

*\* 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 31, 2022.

Date: 15th March 2023

## Independent Auditor's Report

To the Shareholders of  
Kotak Funds  
80, Route d'Esch  
L - 1470 Luxembourg

### Opinion

We have audited the financial statements of Kotak Funds (the "Fund") and of each of its sub-funds, which comprise the statement of net assets and the schedule of investments as at 31 December 2022, and the statement of operations and the statement of 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 of each of its sub-funds as at 31 December 2022, 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 as adopted for Luxembourg by the CSSF 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 Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for 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 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.



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- Conclude on the appropriateness of 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

A handwritten signature in blue ink, appearing to read 'Madjid Boukhelifa', is written over a faint, larger version of the same signature.

Madjid Boukhelifa

Luxembourg, 26 April 2023

# KOTAK FUNDS

## STATEMENT OF NET ASSETS AS AT 31 DECEMBER 2022

		INDIA ESG FUND USD	INDIA MIDCAP FUND USD	INDIA FIXED INCOME FUND USD
<b>Investments</b>	<b>NOTES</b>	<b>COMBINED USD</b>		
Investments in securities at cost		1,223,314,024	58,922,652	1,156,117,750
Unrealised appreciation/(depreciation)		474,964,703	25,002,977	(854,702)
Investments in securities at market value	2.d	1,698,278,727	83,925,629	1,606,934,178
				7,418,920
<b>Other Assets</b>				
Cash at bank		110,293,361	3,433,895	106,722,141
Receivable resulting from sales of securities		990,312	393,679	596,633
Unrealised appreciation on forward foreign exchange contracts	2.f,10	9,634	-	-
Due from shareholders on subscriptions		631,239	330,800	296,791
Interest receivable		130,950	-	130,950
Receivable for expense reimbursement		21,187	-	21,187
Sundry debtors and prepayments		895	895	-
		112,077,578	4,159,269	107,615,565
<b>Total Assets</b>		<b>1,810,356,305</b>	<b>88,084,898</b>	<b>1,714,549,743</b>
<b>Liabilities</b>				
Unrealised depreciation on forward foreign exchange contracts	2.f,10	16,288	-	-
Due to shareholders on redemptions		656,510	268,028	377,718
Capital gain tax payable	6	62,336,405	2,325,186	60,011,219
Sundry creditors and accruals		2,005,241	214,807	1,778,325
<b>Total Liabilities</b>		<b>65,014,444</b>	<b>2,808,021</b>	<b>62,167,262</b>
<b>Net Assets</b>		<b>1,745,341,861</b>	<b>85,276,877</b>	<b>1,652,382,481</b>
				<b>7,682,503</b>

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

# KOTAK FUNDS

## STATEMENT OF OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2022

			INDIA ESG FUND USD	INDIA MIDCAP FUND USD	INDIA FIXED INCOME FUND USD
	NOTES	COMBINED USD			
<b>Income</b>					
Dividend income	2.e	15,095,602	569,831	14,525,771	–
Interest income from fixed income securities	2.e	420,483	–	–	420,483
Interest income from bank deposits		220,655	26,217	192,528	1,910
Other income		13,567	–	1,384	12,183
<b>Total income</b>		<b>15,750,307</b>	<b>596,048</b>	<b>14,719,683</b>	<b>434,576</b>
<b>Expenses</b>					
Investment management fees	3	16,408,645	1,335,450	15,001,689	71,506
Administration and depositary fees	4	840,258	116,546	691,506	32,206
Audit and professional fees		403,534	36,638	361,788	5,108
Management company fees	8	593,059	43,570	544,105	5,384
Subscription tax	5	601,216	30,762	568,631	1,823
Transaction costs	9	48,356	17,902	22,269	8,185
Directors' fees and expenses	7	14,516	4,472	10,044	–
Other expenses		40,963	23,818	5,875	11,270
<b>Total expenses</b>		<b>18,950,547</b>	<b>1,609,158</b>	<b>17,205,907</b>	<b>135,482</b>
Expense reimbursement	3	11,738	–	–	11,738
<b>Net (Loss)/Profit from Investments</b>		<b>(3,188,502)</b>	<b>(1,013,110)</b>	<b>(2,486,224)</b>	<b>310,832</b>
Net (loss)/profit realised on:					
- investments portfolio	2.d	98,372,401	7,690,157	90,766,867	(84,623)
- forward foreign exchange contracts	2.f	(182,434)	–	–	(182,434)
- foreign exchange transactions	2.c	(20,799,140)	(1,368,999)	(19,250,289)	(179,852)
- capital gain tax	6	11,618,747	354,346	11,270,757	(6,356)
<b>Net Realised (Loss)/Profit</b>		<b>89,009,574</b>	<b>6,675,504</b>	<b>82,787,335</b>	<b>(453,265)</b>
Net change in unrealised (depreciation) on:					
- investment portfolio	2.d	(296,874,157)	(14,390,470)	(281,750,334)	(733,353)
- forward foreign exchange contracts	2.f	(57,352)	–	–	(57,352)
- foreign exchange transactions	2.c	(608,640)	(84,937)	(521,472)	(2,231)
<b>Net Change in Unrealised (Depreciation)</b>		<b>(297,540,149)</b>	<b>(14,475,407)</b>	<b>(282,271,806)</b>	<b>(792,936)</b>
<b>Results from Operations</b>		<b>(211,719,077)</b>	<b>(8,813,013)</b>	<b>(201,970,695)</b>	<b>(935,369)</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 2022

	COMBINED	INDIA	INDIA	INDIA
NOTES	USD	ESG FUND USD	MIDCAP FUND USD	FIXED INCOME FUND USD
<b>Net Assets at beginning of the year</b>	1,870,385,623	90,689,469	1,769,872,684	9,823,470
<b>(Decrease) in Net Assets as a Result of Operations</b>	(211,719,077)	(8,813,013)	(201,970,695)	(935,369)
<b>Capital Transactions</b>				
Subscriptions received	375,351,804	27,416,670	347,495,004	440,130
Redemptions paid	(254,505,549)	(23,984,833)	(228,874,988)	(1,645,728)
<b>Dividends and distributions</b>				
Dividends paid	2.i (34,170,940)	(31,416)	(34,139,524)	-
<b>Net (Decrease)/Increase in Net Assets as a Result of Capital Transactions</b>	86,675,315	3,400,421	84,480,492	(1,205,598)
<b>Total (Decrease) in Net Assets in the year</b>	(125,043,762)	(5,412,592)	(117,490,203)	(2,140,967)
<b>Net Assets at end of the year</b>	1,745,341,861	85,276,877	1,652,382,481	7,682,503

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

# KOTAK FUNDS

## STATISTICAL INFORMATION

	INDIA ESG FUND USD	INDIA MIDCAP FUND USD	INDIA FIXED INCOME FUND USD
<b>Net asset value</b>			
<b>31 December 2022</b>	USD 85,276,877	USD 1,652,382,481	USD 7,682,503
<b>31 December 2021</b>	USD 90,689,469	USD 1,769,872,684	USD 9,823,470
<b>31 December 2020</b>	USD 81,622,529	USD 1,742,582,114	USD 15,977,334
<b>Number of shares</b>			
<b>31 December 2022</b>			
Class A Distribution Shares GBP	13,895	31,509	-
Class A Distribution Shares USD	-	39,662	-
Class A Shares EUR	20,355	1,237	-
Class A Shares GBP	50,457	136,196	-
Class A Shares USD	2,368,897	3,296,341	106,310
Class B Shares EUR	19,081	-	-
Class B Shares GBP	-	468	-
Class B Shares USD	120,725	91,797	-
Class C Distribution Shares GBP	-	49,517	11,466
Class C Shares GBP	61,977	375,231	25,405
Class C Shares USD	77,998	1,570,623	12,033
Class I Distribution Shares EUR	-	-	165,546
Class I Shares USD	271,983	103,055	294,917
Class J Shares EUR	-	1,065,501	-
Class J Shares USD	-	23,564,358	-
Class P Shares USD	2,553,936	-	-
Class X Distribution Shares JPY	-	2,744,423	-
<b>31 December 2021</b>			
Class A Distribution Shares GBP	11,639	27,037	-
Class A Distribution Shares USD	-	20,856	-
Class A Shares EUR	20,355	377	-
Class A Shares GBP	45,739	153,716	-
Class A Shares USD	2,551,385	3,463,663	117,480
Class B Shares EUR	18,011	-	-
Class B Shares GBP	-	468	-
Class B Shares USD	126,183	122,029	-
Class C Distribution Shares GBP	-	49,824	12,532
Class C Shares GBP	54,713	421,564	24,594
Class C Shares USD	27,785	1,520,607	56,439
Class I Distribution Shares EUR	-	-	165,557
Class I Shares GBP*	-	-	20,000
Class I Shares USD	686,384	625,997	317,437
Class J Shares EUR	-	948,342	-
Class J Shares USD	-	22,417,964	-
Class P Shares USD	662,196	-	-
Class X Distribution Shares JPY	-	2,428,274	-
<b>31 December 2020</b>			
Class A Distribution Shares GBP	9,944	37,285	-
Class A Distribution Shares USD	-	3,609	-
Class A Shares EUR	20,354	2,919	-
Class A Shares GBP	46,006	234,549	-
Class A Shares USD	3,373,006	3,798,122	139,319
Class B Shares EUR	-	359	-
Class B Shares GBP	-	1,063	-
Class B Shares USD	174,896	136,761	-
Class C Distribution Shares GBP	-	42,147	13,515
Class C Shares GBP	39,280	686,993	31,938
Class C Shares USD	726	1,025,395	59,768
Class I Distribution Shares EUR	-	-	170,538
Class I Shares EUR	-	-	246,144
Class I Shares GBP	-	-	20,000
Class I Shares USD	646,916	625,997	363,573
Class J Shares EUR	-	735,864	-
Class J Shares USD	-	26,323,252	-
Class X Distribution Shares JPY	-	3,664,165	-

\* Share Class liquidated in the current reporting year.

# KOTAK FUNDS

## STATISTICAL INFORMATION (CONTINUED)

	INDIA ESG FUND USD	INDIA MIDCAP FUND USD	INDIA FIXED INCOME FUND USD
<b>Net asset value per share</b>			
<b>31 December 2022</b>			
Class A Distribution Shares GBP	GBP 24.47	GBP 30.77	-
Class A Distribution Shares USD	-	USD 8.84	-
Class A Shares EUR	EUR 15.14	EUR 13.02	-
Class A Shares GBP	GBP 25.83	GBP 30.87	-
Class A Shares USD	USD 20.26	USD 27.67	USD 10.89
Class B Shares EUR	EUR 9.48	-	-
Class B Shares GBP	-	GBP 35.98	-
Class B Shares USD	USD 12.44	USD 31.49	-
Class C Distribution Shares GBP	-	GBP 19.14	GBP 12.20
Class C Shares GBP	GBP 21.65	GBP 22.24	GBP 15.38
Class C Shares USD	USD 13.37	USD 17.82	USD 11.32
Class I Distribution Shares EUR	-	-	EUR 10.27
Class I Shares USD	USD 25.93	USD 25.97	USD 13.34
Class J Shares EUR	-	EUR 15.40	-
Class J Shares USD	-	USD 22.90	-
Class P Shares USD	USD 9.23	-	-
Class X Distribution Shares JPY	-	JPY 45,771.96	-
<b>31 December 2021</b>			
Class A Distribution Shares GBP	GBP 26.51	GBP 34.02	-
Class A Distribution Shares USD	-	USD 10.54	-
Class A Shares EUR	EUR 15.95	EUR 13.97	-
Class A Shares GBP	GBP 25.82	GBP 31.47	-
Class A Shares USD	USD 22.69	USD 31.58	USD 12.11
Class B Shares EUR	EUR 9.99	-	-
Class B Shares GBP	-	GBP 36.67	-
Class B Shares USD	USD 13.93	USD 35.95	-
Class C Distribution Shares GBP	-	GBP 21.00	GBP 12.05
Class C Shares GBP	GBP 21.43	GBP 22.44	GBP 15.20
Class C Shares USD	USD 14.82	USD 20.13	USD 12.53
Class I Distribution Shares EUR	-	-	EUR 10.69
Class I Shares GBP*	-	-	GBP 10.79
Class I Shares USD	USD 28.73	USD 29.64	USD 14.76
Class J Shares EUR	-	EUR 16.37	-
Class J Shares USD	-	USD 25.87	-
Class P Shares USD	USD 10.18	-	-
Class X Distribution Shares JPY	-	JPY 46,788.56	-
<b>31 December 2020</b>			
Class A Distribution Shares GBP	GBP 22.72	GBP 26.21	-
Class A Distribution Shares USD	-	USD 11.34	-
Class A Shares EUR	EUR 11.93	EUR 9.38	-
Class A Shares GBP	GBP 20.68	GBP 22.61	-
Class A Shares USD	USD 18.36	USD 22.94	USD 12.01
Class B Shares EUR	-	EUR 28.19	-
Class B Shares GBP	-	GBP 26.35	-
Class B Shares USD	USD 11.27	USD 26.11	-
Class C Distribution Shares GBP	-	GBP 16.02	GBP 12.38
Class C Shares GBP	GBP 16.99	GBP 15.97	GBP 14.86
Class C Shares USD	USD 11.88	USD 14.48	USD 12.38
Class I Distribution Shares EUR	-	-	EUR 10.26
Class I Shares EUR	-	-	EUR 16.37
Class I Shares GBP	-	-	GBP 10.54
Class I Shares USD	USD 23.01	USD 21.52	USD 14.58
Class J Shares EUR	-	EUR 10.87	-
Class J Shares USD	-	USD 18.60	-
Class X Distribution Shares JPY	-	JPY 30,926.07	-

\* Share Class liquidated in the current reporting year with the last net asset value per share of GBP 10.53.

# KOTAK FUNDS

## SCHEDULE OF INVESTMENTS

### INDIA ESG FUND

31 December 2022

Number of shares/ Nominal Value	Security	Market Value USD	Market Value as a percentage of Net Assets
<b>Transferable securities and money market instruments admitted to an official exchange listing or dealt in on another regulated market</b>			
<b>Equities</b>			
<b>India</b>			
41,276	Aavas Financiers	921,491	1.08
215,242	Aegis Logistics	905,037	1.06
22,950	Alkem Laboratories	834,028	0.98
220,000	Ambuja Cements	1,394,549	1.64
73,206	Apollo Pipes	458,287	0.54
134,302	AU Small Finance Bank	1,063,055	1.25
323,643	Axis Bank	3,655,054	4.29
32,937	Bajaj Finance	2,619,328	3.07
213,461	Bharti Airtel	2,013,810	2.36
210,000	Bikaji Foods International	1,107,903	1.30
171,672	Brigade Enterprises	965,597	1.13
110,498	Cartrade Tech	626,325	0.73
68,016	Cipla	885,116	1.04
317,527	Crompton Greaves Consumer Electricals	1,292,106	1.52
14,967	Dr Lal PathLabs	409,191	0.48
10,230	Dr Reddy's Laboratories	524,309	0.61
171,425	Emami	881,274	1.03
307,995	Fortis Healthcare	1,065,758	1.25
329,435	HDFC Bank	6,487,256	7.61
189,295	HDFC Life Insurance	1,296,416	1.52
23,505	Hero MotoCorp	778,620	0.91
71,746	Hindustan Unilever	2,222,351	2.61
1,741	Honeywell Automation India	878,116	1.03
402,079	ICICI Bank	4,332,244	5.08
156,500	ICICI Bank ADR	3,457,867	4.06

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

# KOTAK FUNDS

## SCHEDULE OF INVESTMENTS (CONTINUED)

### INDIA ESG FUND (CONTINUED)

31 December 2022

Number of shares/ Nominal Value	Security	Market Value USD	Market Value as a percentage of Net Assets
<b>Transferable securities and money market instruments admitted to an official exchange listing or dealt in on another regulated market</b>			
<b>Equities (continued)</b>			
<b>India (continued)</b>			
300,482	Infosys	5,481,183	6.43
73,958	Infosys ADR	1,348,624	1.58
19,208	InterGlobe Aviation	466,421	0.55
283,872	Jindal Steel & Power	1,993,409	2.34
55,320	Jubilant Foodworks	341,934	0.40
74,450	Kajaria Ceramics	1,044,707	1.22
115,193	Kalpataru Power Transmission	778,677	0.91
103,161	Kansai Nerolac Paints	548,055	0.64
53,078	Kotak Mahindra Bank	1,173,031	1.38
97,958	Larsen & Toubro	2,471,209	2.90
213,308	Mahindra & Mahindra Financial Services	605,246	0.71
13,470	Maruti Suzuki India	1,367,617	1.60
260,085	Max Healthcare Institute	1,382,676	1.62
947	MRF	1,014,061	1.19
91,129	Oberoi Realty	956,639	1.12
154,916	Orient Electric	493,900	0.58
112,743	PB Fintech	611,301	0.72
33,533	Persistent Systems	1,569,934	1.84
15,927	PI Industries	658,786	0.77
187,292	Reliance Industries	5,770,045	6.77
72,402	SBI Cards & Payment Services	696,607	0.82
4,829	Shree Cement	1,360,233	1.59
61,876	SRF	1,714,040	2.01
362,019	State Bank of India	2,687,103	3.15
47,600	Tata Consultancy Services	1,874,915	2.20
110,651	Tech Mahindra	1,360,244	1.59

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

# KOTAK FUNDS

## SCHEDULE OF INVESTMENTS (CONTINUED)

### INDIA ESG FUND (CONTINUED)

31 December 2022

Number of shares/ Nominal Value	Security	Market Value USD	Market Value as a percentage of Net Assets
<b>Transferable securities and money market instruments admitted to an official exchange listing or dealt in on another regulated market</b>			
<b>Equities (continued)</b>			
<b>India (continued)</b>			
41,249	Titan	1,295,883	1.52
40,172	Vedant Fashions	650,143	0.76
71,011	Vijaya Diagnostic Centre	375,451	0.44
1,057,511	Zomato	758,467	0.89
<b>Total Equities</b>		<b>83,925,629</b>	<b>98.42</b>
<b>Total Transferable securities and money market instruments admitted to an official exchange listing or dealt in on another regulated market</b>		<b>83,925,629</b>	<b>98.42</b>
<b>Total Investments</b>		<b>83,925,629</b>	<b>98.42</b>
<b>Other Net Assets and Liabilities</b>		<b>1,351,248</b>	<b>1.58</b>
<b>Net Asset Value</b>		<b>85,276,877</b>	<b>100.00</b>

No schedule of investment changes has been included into the report. Such information is available upon request from Brown Brothers Harriman (Luxembourg) S.C.A., 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 2022

Number of shares/ Nominal Value	Security	Market Value USD	Market Value as a percentage of Net Assets
<b>Transferable securities and money market instruments admitted to an official exchange listing or dealt in on another regulated market</b>			
<b>Equities</b>			
<b>India</b>			
1,242,790	Aavas Financiers	27,745,405	1.68
456,168	Alkem Laboratories	16,577,645	1.00
318,461	Amber Enterprises India	7,284,732	0.44
126,692	Apollo Hospitals Enterprise	6,861,063	0.42
7,755,467	Apollo Tyres	30,419,482	1.84
721,394	Archean Chemical Industries	4,591,573	0.28
14,704,939	Ashok Leyland	25,504,058	1.54
267,441	Atul	26,711,592	1.62
4,623,526	AU Small Finance Bank	36,597,101	2.21
3,971,450	Axis Bank	44,851,464	2.71
1,030,224	Balkrishna Industries	26,556,019	1.61
1,147,871	Bata India	22,895,501	1.39
3,243,919	Bharat Petroleum	12,966,966	0.78
2,701,056	Birlasoft	9,759,744	0.59
4,213,299	Brigade Enterprises	23,698,390	1.43
2,426,900	Carborundum Universal	25,689,526	1.55
791,358	Cholamandalam Financial Holdings	5,269,467	0.32
4,868,378	Cholamandalam Investment & Finance	42,565,665	2.58
10,635,345	City Union Bank	23,205,184	1.40
1,974,993	Container Corp. Of India	17,647,750	1.07
1,680,157	Coromandel International	18,027,846	1.09
6,942,334	Crompton Greaves Consumer Electricals	28,250,292	1.71
2,045,039	Cummins India	34,143,139	2.07
127,869	Dixon Technologies India	6,038,634	0.37
508,887	Elin Electronics	1,401,154	0.08
3,861,268	Emami	19,850,291	1.20

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

# KOTAK FUNDS

## SCHEDULE OF INVESTMENTS (CONTINUED)

### INDIA MIDCAP FUND (CONTINUED)

31 December 2022

Number of shares/ Nominal Value	Security	Market Value USD	Market Value as a percentage of Net Assets
<b>Transferable securities and money market instruments admitted to an official exchange listing or dealt in on another regulated market</b>			
<b>Equities (continued)</b>			
<b>India (continued)</b>			
30,271,241	Federal Bank	50,909,417	3.08
6,619,256	Fortis Healthcare	22,904,665	1.39
2,125,136	Gujarat Gas	12,495,508	0.76
2,943,431	Gujarat State Petronet	9,387,737	0.57
3,738,586	ICICI Bank	40,281,800	2.44
350,340	Indraprastha Gas	1,754,020	0.11
2,144,596	Ipca Laboratories	21,868,625	1.32
5,104,387	Jindal Steel & Power	35,844,088	2.17
659,992	JK Cement	23,313,510	1.41
2,172,569	Kajaria Ceramics	30,486,204	1.84
240,684	LTIMindtree	12,707,736	0.77
10,303,883	Mahindra & Mahindra Financial Services	29,236,530	1.77
1,302,288	Mahindra Lifespace Developers	5,730,946	0.35
2,361,542	Mahindra Logistics	14,332,542	0.87
2,472,447	Max Financial Services	20,259,709	1.23
3,245,321	Max Healthcare Institute	17,252,930	1.04
620,929	Metro Brands	6,635,068	0.40
12,087,838	Motherson Sumi Systems	10,840,684	0.66
9,584,866	Motherson Sumi Wiring India	6,758,518	0.41
346,330	Mphasis	8,263,615	0.50
11,317	MRF	12,118,404	0.73
2,621,330	Oberoi Realty	27,517,775	1.67
32,639	Page Industries	16,910,239	1.02
2,814,556	PB Fintech	15,260,738	0.92
1,013,169	Persistent Systems	47,434,109	2.87
837,702	PI Industries	34,649,731	2.10

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

# KOTAK FUNDS

## SCHEDULE OF INVESTMENTS (CONTINUED)

### INDIA MIDCAP FUND (CONTINUED)

31 December 2022

Number of shares/ Nominal Value	Security	Market Value USD	Market Value as a percentage of Net Assets
<b>Transferable securities and money market instruments admitted to an official exchange listing or dealt in on another regulated market</b>			
<b>Equities (continued)</b>			
<b>India (continued)</b>			
4,935,143	PNC Infratech	17,211,416	1.04
700,297	Rolex Rings	15,282,272	0.92
698,533	Sansera Engineering	6,289,125	0.38
994,358	Sapphire Foods India	16,083,054	0.97
868,079	Schaeffler India	28,837,624	1.75
718,193	SKF India	39,080,825	2.37
2,279,690	SRF	63,150,174	3.82
182,311	Sundaram Finance	5,082,759	0.31
128,511	Sundram Fasteners	1,510,321	0.09
1,200,604	Supreme Industries	35,577,190	2.15
3,473,095	Syngene International	24,596,740	1.49
1,785,505	Tata Chemicals	20,237,976	1.22
348,189	TeamLease Services	10,623,533	0.64
317,349	Tega Industries	2,223,886	0.13
2,553,387	The Ramco Cements	21,625,525	1.31
1,367,644	Thermax	32,556,612	1.97
990,058	Torrent Pharmaceuticals	18,567,666	1.12
3,122,829	Tracxn Technologies	3,023,475	0.18
1,067,073	TVS Motor	14,008,152	0.85
245,300	UltraTech Cement	20,646,403	1.25
2,586,326	United Spirits	27,450,613	1.66
2,515,341	Varroc Engineering	9,030,896	0.55
6,684,789	V-Guard Industries	21,134,413	1.28
1,774,072	Voltas	17,162,348	1.04
50,194	Whirlpool of India	908,865	0.06
6,415,005	Zee Entertainment Enterprises	18,624,971	1.13

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

# KOTAK FUNDS

## SCHEDULE OF INVESTMENTS (CONTINUED)

### INDIA MIDCAP FUND (CONTINUED)

31 December 2022

Number of shares/ Nominal Value	Security	Market Value USD	Market Value as a percentage of Net Assets
	<b>Total Equities</b>	<b>1,570,791,365</b>	<b>95.06</b>
	<b>Total Transferable securities and money market instruments admitted to an official exchange listing or dealt in on another regulated market</b>	<b>1,570,791,365</b>	<b>95.06</b>
	<b>Other transferable securities</b>		
	<b>Investment funds</b>		
	<b>Ireland</b>		
3,337	Goldman Sachs PLC - US\$ Liquid Reserves Fund	36,142,813	2.19
	<b>Total Investment funds</b>	<b>36,142,813</b>	<b>2.19</b>
	<b>Total Other transferable securities</b>	<b>36,142,813</b>	<b>2.19</b>
	<b>Total Investments</b>	<b>1,606,934,178</b>	<b>97.25</b>
	<b>Other Net Assets and Liabilities</b>	<b>45,448,303</b>	<b>2.75</b>
	<b>Net Asset Value</b>	<b>1,652,382,481</b>	<b>100.00</b>

No schedule of investment changes has been included into the report. Such information is available upon request from Brown Brothers Harriman (Luxembourg) S.C.A., 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 2022

Number of shares/ Nominal Value	Security	Market Value USD	Market Value as a percentage of Net Assets
<b>Transferable securities and money market instruments admitted to an official exchange listing or dealt in on another regulated market</b>			
<b>Debt Instruments</b>			
<b>India</b>			
500,000	Adani Ports & Special Economic Zone 3.38% 24/07/2024	475,000	6.18
300,000	Canara Bank 3.88% 28/03/2024	293,985	3.83
70,000,000	India Government Bond 5.79% 11/05/2030	775,267	10.09
20,000,000	India Government Bond 6.19% 16/09/2034	219,137	2.85
50,000,000	India Government Bond 6.22% 16/03/2035	546,016	7.11
40,000,000	India Government Bond 6.79% 15/05/2027	476,172	6.20
60,000,000	India Government Bond 7.26% 14/01/2029	727,412	9.47
50,000,000	India Government Bond 7.42% 22/09/2033	604,561	7.87
450,000	Muthoot Finance 4.40% 02/09/2023	443,053	5.77
300,000	NTPC 3.75% 03/04/2024	292,694	3.81
300,000	NTPC 4.38% 26/11/2024	292,590	3.81
500,000	Oil India 5.13% 04/02/2029	480,643	6.25
250,000	ONGC Videsh 4.63% 15/07/2024	245,653	3.20
13,000,000	Power Finance 9.46% 01/08/2026	165,816	2.16
500,000	REC 4.63% 22/03/2028	471,730	6.14
2,000,000	REC 8.06% 31/05/2023	24,222	0.31
<b>Netherlands</b>			
250,000	Bharti Airtel International Netherlands BV 5.35% 20/05/2024	249,375	3.25
<b>Singapore</b>			
400,000	ABJA Investment 5.95% 31/07/2024	400,240	5.21
250,000	BPRL International Singapore Pte 4.38% 18/01/2027	235,354	3.06
<b>Total Debt Instruments</b>		<b>7,418,920</b>	<b>96.57</b>

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

# KOTAK FUNDS

## SCHEDULE OF INVESTMENTS (CONTINUED)

### INDIA FIXED INCOME FUND (CONTINUED)

31 December 2022

<b>Number of shares/ Nominal Value</b>	<b>Security</b>	<b>Market Value USD</b>	<b>Market Value as a percentage of Net Assets</b>
	<b>Total Transferable securities and money market instruments admitted to an official exchange listing or dealt in on another regulated market</b>	<b>7,418,920</b>	<b>96.57</b>
	<b>Total Investments</b>	<b>7,418,920</b>	<b>96.57</b>
	<b>Other Net Assets and Liabilities</b>	<b>263,583</b>	<b>3.43</b>
	<b>Net Asset Value</b>	<b>7,682,503</b>	<b>100.00</b>

No schedule of investment changes has been included into the report. Such information is available upon request from Brown Brothers Harriman (Luxembourg) S.C.A., 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 2022

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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 2022, the Fund was composed of the following Sub-Funds:

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

The following share classes were in issue as at 31 December 2022:

- (i) Class A shares which are available to all investors.
- (ii) Class I, Class J and Class S 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 ESG 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 at the discretion of the Global Distributor, are considered wholesale investors providing services to other investors.
- (vi) Class P shares are reserved to certain institutional investors, in certain circumstance, at the recommendation of the Global Distributor.

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) was liquidated on 18 February 2022.

### 2. Summary of significant accounting policies

#### a) Basis of preparation

The financial statements have been prepared in accordance with the Luxembourg legal and regulatory requirements applicable to investment funds.

# KOTAK FUNDS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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

#### b) Financial statements

Financial statements for India ESG Fund and India Midcap Fund are presented on a consolidated basis. The statements of net assets, operations and changes in net assets are presented in USD for each Sub-Fund.

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 2022 are:

USD/GBP	0.8295
USD/EUR	0.9370
USD/INR	82.6805
USD/JPY	131.8750
USD/CHF	0.9234

#### 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.

# KOTAK FUNDS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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

#### 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.

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 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 forward foreign exchange contracts.

#### g) Future contracts

Financial future 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. There were no open contracts as at 31 December 2022.

#### 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 2022.

#### 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.

# KOTAK FUNDS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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

#### i) Dividends payable (continued)

During the year ended 31 December 2022, the Fund distributed the following dividends:

India ESG Fund	Ex Date	Pay date	Dividend per share	Total dividend paid (USD)
Class A Distribution Shares GBP	11 February 2022	21 February 2022	USD 0.7060	8,259
Class A Distribution Shares GBP	11 May 2022	20 May 2022	USD 0.6390	7,790
Class A Distribution Shares GBP	11 August 2022	18 August 2022	USD 0.6363	7,952
Class A Distribution Shares GBP	11 November 2022	18 November 2022	USD 0.5418	7,415
				<b>31,416</b>
<hr/>				
India Midcap Fund	Ex Date	Pay date	Dividend per share	Total dividend paid (USD)
Class A Distribution Shares GBP	11 February 2022	21 February 2022	USD 0.9232	25,540
Class A Distribution Shares USD	11 February 2022	21 February 2022	USD 0.2100	5,739
Class C Distribution Shares GBP	11 February 2022	21 February 2022	USD 0.5702	29,130
Class X Distribution Shares JPY	11 February 2022	21 February 2022	USD 4.3139	10,367,599
				<b>10,428,008</b>
<hr/>				
Class A Distribution Shares GBP	11 May 2022	20 May 2022	USD 0.8356	23,918
Class A Distribution Shares USD	11 May 2022	20 May 2022	USD 0.2000	7,932
Class C Distribution Shares GBP	11 May 2022	20 May 2022	USD 0.5161	22,030
Class X Distribution Shares JPY	11 May 2022	20 May 2022	USD 3.0596	7,240,191
				<b>7,294,071</b>
<hr/>				
Class A Distribution Shares GBP	11 August 2022	18 August 2022	USD 0.8321	23,909
Class C Distribution Shares GBP	11 August 2022	18 August 2022	USD 0.5752	25,787
Class X Distribution Shares JPY	11 August 2022	18 August 2022	USD 3.0323	7,313,102
				<b>7,362,798</b>
<hr/>				
Class A Distribution Shares GBP	11 November 2022	18 November 2022	USD 0.6832	20,381
Class C Distribution Shares GBP	11 November 2022	18 November 2022	USD 0.4240	19,455
Class X Distribution Shares JPY	11 November 2022	18 November 2022	USD 3.5892	9,014,811
				<b>9,054,647</b>
<hr/>				
				<b>34,139,524</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, taking into account the bid/ask spread on securities and forex as well as transaction costs and taxes 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

# KOTAK FUNDS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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

#### j) Swing Pricing (continued)

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.

The adjustment is applied on the capital activity at the level of the Sub-Funds and does not address the specific circumstances of each individual investor transaction.

The Fund currently applies the adjustment to all of its Sub-Funds.

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.

There was no dilution adjustment for the year ended 31 December 2022.

As at 31 December 2022, no Sub-Funds have applied swing price adjustments.

### 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 maximum percentages of investment management fees at 31 December 2022 are as follows:

#### **Kotak Funds - India ESG Fund**

Class A: 2.00% Class I: 1.00% Class B: 2.00% Class X: 1.00% Class C: 1.00% Class S: 0.85% Class P: 1.50%\*

#### **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% Class S: 0.85% Class P: 1.50%\*

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

Class A: 1.20%\*\*\* Class I: 0.75%\*\*\* Class C: 0.75%\*\*\* Class P: 1.00%\*

\*The Investment Manager has agreed with the Fund to contractually waive 1.00% of the investment management fees on behalf of Class P of the India ESG Sub-Fund and India Midcap Sub-Fund and 0.50% on behalf of Class P of the India Fixed Income Sub-Fund, since the launch of the Class.

\*\* 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.

# KOTAK FUNDS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

### 3. Investment management fees (continued)

\*\*\*With respect to the fund's Class A, Class C and Class I shares, to the extent the total annual fund operating expenses of the Fund attributable to a particular Class (exclusive of brokerage expenses, interest expenses, taxes and extraordinary expenses), exceed 1.60% for Class A shares and 1.20% for Class C and Class I shares, the Investment Manager has agreed to waive the management fee payable to it by the Fund to the extent that such excess exceeds the amount of the management fee attributable to the particular Class and the Investment Manager has agreed to reimburse the Fund with respect to such Class in the amount that such excess exceeds the amount of the management fee attributable to the Class. This is included in the Statement of Net Assets under receivable for expenses cap reimbursement and Statement of Operations under expense reimbursement of expense cap.

Investment management fees for the year ended 31 December 2022 amounted to USD 1,335,450 for the India ESG Fund, USD 15,001,689 for the India Midcap Fund and USD 71,506 for the India Fixed Income Fund.

### 4. Administration and depositary fees

Brown Brothers Harriman (Luxembourg) S.C.A., as administrator and depositary bank, is entitled to receive from the Fund fees based on the aggregate Net Asset Value of the Fund. These fees are as follows:

	Administration fee rate	Depositary fee rate	Custody fee rate (India and US Markets)
USD 0 - USD 500,000,000	0.025%	0.0045%	0.010%
USD 500,000,000 - USD 1,000,000,000	0.020%	0.0045%	0.010%
Above USD 1,000,000,000	0.015%	0.0045%	0.010%

Administration and depositary fees are subject to a minimum annual fee of USD 10,000 per Sub-Fund.

The fees for each Sub-Fund are disclosed separately in the statement of operations.

The Administrator of the subsidiaries, IQEQ (Mauritius), is entitled to the following fees per annum:

- (i) For administration, registrar and company secretary services: For 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. For the Bluechip Subsidiary USD 25,000 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.
- (v) For the service of the Money Laundering Reporting officer: USD 800.
- (vi) For the license fees, for the Midcap Subsidiary USD 6,960 and for the Bluechip Subsidiary USD 2,425.

### 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%.

# KOTAK FUNDS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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### 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.

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 are 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 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.

# KOTAK FUNDS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (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

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.

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. Dividend declared or distributed on or after 1 April 2021 would not be subject to DDT in the hands of the distributing Indian company and would be taxed in the hands of non-resident Shareholders at 20% plus surcharge and cess subject to benefits under the tax treaty, if any.

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 2023.

### 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 paid for the year ended 31 December 2022 amounted to EUR 25,000.

### 8. Management company fees

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.

# KOTAK FUNDS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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### 8. Management company fees (continued)

Brown Brothers Harriman (Luxembourg) S.C.A. has been appointed to perform central administration duties for the Fund pursuant to a delegation of such duties to them 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

A minimum monthly fee of EUR 5,000 (USD 5,336) 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 1,334) 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 (Bank commission)	Total
		USD	USD	USD
India ESG Fund	USD	111,250	17,902	129,152
India Midcap Fund	USD	967,494	22,269	989,763
India Fixed Income Fund	USD	–	8,185	8,185

# KOTAK FUNDS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

### 10. Forward foreign exchange contracts

As at 31 December 2022, Kotak Funds - India Fixed Income Fund was engaged into the following forward exchange contracts with HSBC Bank Plc, London:

Counterparty	Maturity Date	Currency Bought	Bought Amount	Currency Sold	Sold Amount	Unrealised appreciation (depreciation)	
						USD	USD
HSBC Bank Plc, London	5 January 2023	INR	44,676,775	USD	(550,000)	-	(9,676)
HSBC Bank Plc, London	9 January 2023	INR	45,319,450	USD	(550,000)	-	(2,027)
HSBC Bank Plc, London	12 January 2023	INR	91,643,860	USD	(1,100,000)	7,907	-
HSBC Bank Plc, London	19 January 2023	INR	61,981,500	USD	(750,000)	-	(1,006)
HSBC Bank Plc, London	30 January 2023	INR	32,826,800	USD	(400,000)	-	(3,579)
HSBC Bank Plc, London	27 February 2023	INR	41,613,250	USD	(500,000)	1,727	-
						<b>9,634</b>	<b>(16,288)</b>

### 11. Events during the year

Effective from 15 February 2022, the Sub-Fund India Growth Fund has changed its name to India ESG Fund.

There have not been any other significant events during the reporting year affecting the Fund.

### 12. Information concerning the distribution of shares in or from Switzerland

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.

### 13. Securities Financing Transactions

The Sub-Funds have 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 lending transactions.

### 14. Subsequent events

There were no significant events after financial year end.

# KOTAK FUNDS

## UNAUDITED ADDITIONAL DISCLOSURES

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### 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.

The total expense ratios for the year under review are as follows:

<b>Kotak Funds - India ESG Fund (USD)</b>	<b>2022</b>
Class A Distribution Shares GBP	2.25%
Class A Shares EUR	2.25%
Class A Shares GBP	2.25%
Class A Shares USD	2.25%
Class B Shares EUR	2.25%
Class B Shares USD	2.25%
Class C Shares GBP	1.25%
Class C Shares USD	1.26%
Class I Shares USD	1.21%
Class P Shares USD	0.72%
<b>Kotak Funds - India Midcap Fund (USD)</b>	
Class A Distribution Shares GBP	2.15%
Class A Distribution Shares USD	2.15%
Class A Shares EUR	2.18%
Class A Shares GBP	2.15%
Class A Shares USD	2.15%
Class B Shares GBP	2.14%
Class B Shares USD	2.15%
Class C Distribution Shares GBP	1.15%
Class C Shares GBP	1.15%
Class C Shares USD	1.15%
Class I Shares USD	2.12%
Class J Shares EUR	1.11%
Class J Shares USD	1.11%
Class X Distribution Shares JPY	0.90%
<b>Kotak Funds - India Fixed Income Fund (USD)</b>	
Class A Shares USD	1.61%
Class C Distribution Shares GBP	1.21%
Class C Shares GBP	1.22%
Class C Shares USD	1.20%
Class I Distribution Shares EUR	1.22%
Class I Shares GBP*	1.20%
Class I Shares USD	1.21%

\* Share Class liquidated in the current reporting year.

# KOTAK FUNDS

## UNAUDITED ADDITIONAL DISCLOSURES (CONTINUED)

### Performance YTD

	2022	2021	2020
<b>Kotak Funds - India ESG Fund (USD)</b>			
Class A Distribution Shares GBP	(0.08%)	24.19%	4.99%
Class A Shares EUR	(5.08%)	33.70%	(0.77%)
Class A Shares GBP	0.04%	24.85%	5.01%
Class A Shares USD	(10.71%)	23.56%	8.46%
Class B Shares EUR	(5.11%)	(0.10%)	-
Class B Shares USD	(10.70%)	23.57%	8.56%
Class C Shares GBP	1.03%	26.13%	6.07%
Class C Shares USD	(9.78%)	24.75%	18.80%
Class I Shares USD	(9.75%)	24.84%	9.59%
Class P Shares USD	(9.33%)	1.80%	-
<b>Kotak Funds - India Midcap Fund (USD)</b>			
Class A Distribution Shares GBP	(1.85%)	38.38%	6.90%
Class A Distribution Shares USD	(12.24%)	(0.04%)	5.48%
Class A Shares EUR	(6.80%)	48.93%	1.00%
Class A Shares GBP	(1.91%)	39.19%	6.88%
Class A Shares USD	(12.38%)	37.65%	10.38%
Class B Shares EUR*	-	-	11.59%
Class B Shares GBP	(1.88%)	39.17%	6.99%
Class B Shares USD	(12.41%)	37.68%	10.51%
Class C Distribution Shares GBP	(0.90%)	39.70%	7.95%
Class C Shares GBP	(0.89%)	40.55%	7.96%
Class C Shares USD	(11.48%)	39.03%	11.50%
Class I Shares USD	(12.38%)	37.74%	10.43%
Class J Shares EUR	(5.93%)	50.60%	2.05%
Class J Shares USD	(11.48%)	39.09%	11.54%
Class X Distribution Shares JPY	1.67%	55.17%	6.16%
<b>Kotak Funds - India Fixed Income Fund (USD)</b>			
Class A Shares USD	(10.07%)	0.81%	5.92%
Class C Distribution Shares GBP	1.24%	2.15%	2.89%
Class C Shares GBP	1.18%	2.29%	2.95%
Class C Shares USD	(9.66%)	1.22%	6.33%
Class I Distribution Shares EUR	(3.93%)	9.40%	(2.67%)
Class I Shares EUR*	-	-	(2.73%)
Class I Shares GBP**	-	2.34%	2.90%
Class I Shares USD	(9.62%)	1.20%	6.26%

\* Share Class liquidated in the prior reporting year.

\*\* Share Class liquidated in the current reporting year.

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”) as subject to CSSF Circular 18/698 has implemented a remuneration policy in compliance with Articles 111a and 111b of the 2010 Law and/or Article 12 of the 2013 Law respectively.

FundRock as subject to Chapter 15 of the 2010 Law and AIFM must also comply with the guidelines of the European Securities and Markets Authority ESMA/2016/5758 and ESMA/2016/5799 to have sound processes in place has established and applies a remuneration policy in accordance with the ESMA Guidelines on sound remuneration policies under the UCITS V Directive (ESMA 2016/575) and AIFMD (ESMA 2016/579) and any related legal & regulatory provisions applicable in Luxembourg.

Further, consideration has been given to the requirements as outlined in Regulation (EU) 2019/2088 on sustainability – related disclosures in the financial sector, the SFDR Requirements.

The remuneration policy is aligned with the business strategy, objectives, values and interests of FundRock 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.

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 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. FundRock’s remuneration policy can also be found at:

<https://www.fundrock.com/policies-and-compliance/remuneration-policy/>

The total amount of remuneration for the financial year ending 31 December 2022 paid by FundRock to its staff: EUR 12,587,217

Fixed remuneration: EUR 11,485,489

Variable remuneration: EUR 1,101,728

Number of beneficiaries: 147

The aggregated amount of remuneration for the financial year ending 31 December 2022 paid by FundRock to Identified staff/risk takers is EUR 2,524,731

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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### 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 ESG Fund	Commitment approach
India Midcap Fund	Commitment approach
India Fixed Income Fund	Commitment approach

### Sustainable Finance Disclosure Regulation ("SFDR")

As at 31 December 2022, India Fixed Income Fund is not taking into account the EU criteria for environmentally sustainable economic activities in their investment strategy.

The investment strategy has changed from 15<sup>th</sup> February 2022 for India Growth Fund (renamed as India ESG Fund) and India Midcap Fund and these Sub-Funds are now Article 8 products of Regulation (EU) 2020/852. In line with its ESG methodology, these Sub-Funds promote environmental characteristics but do not commit to invest in taxonomy-aligned environmentally sustainable activities, which contribute to the environmental objectives set out under Article 9 of Regulation (EU) 2020/852.

The information on the environmental or social characteristics is available in the subsequent section.

**Template periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:** Kotak Funds – India ESG Fund ('The Fund')  
**Legal entity identifier:** 5493001KJTIIGC8Y1R12

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



## Environmental and/or social characteristics

Did this financial product have a sustainable investment objective?	
<p><input checked="" type="radio"/> <input type="radio"/> <input type="checkbox"/> <b>Yes</b></p>	<p><input type="radio"/> <input type="radio"/> <input checked="" type="checkbox"/> <b>No</b></p>
<p><input type="checkbox"/> It made <b>sustainable investments with an environmental objective:</b> ___%</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <p><input type="checkbox"/> It made <b>sustainable investments with a social objective:</b> ___%</p>	<p><input type="checkbox"/> It <b>promoted Environmental/Social (E/S) characteristics</b> and while it did not have as its objective a sustainable investment, it had a proportion of ___% of sustainable investments</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul> <p><input checked="" type="checkbox"/> It promoted E/S characteristics, but <b>did not make any sustainable investments</b></p>

**To what extent were the environmental and/or social characteristics promoted by this financial product met?**

The fund delivered returns in a socially responsive manner by combining a value and growth oriented investment philosophy with an Environmental Social and Governance (“ESG”) principle overlay. The Investment Manager integrated ESG factors in its investment management process and evaluated companies on the basis of these factors (as referenced in Table 1 below) before an investment decision was made.

While identifying investee companies and ensuring that these investee companies adhere to good governance practices, the Investment Manager incorporated ESG considerations within the fundamental analysis and sought to gain an understanding of the relevant ESG issues applicable to such companies.

The Fund avoided investment in certain industries and sectors, which are considered as having high adverse impact on the environment, or operate in sectors which may be subject to social controversies.

The Investment Manager has limited / excluded direct investment in the companies which, in its opinion have exposure to, or ties with, certain sectors including but not limited to:

- (i) the production of certain types of controversial weapons such as cluster munitions;
- (ii) the distribution or production of firearms or small arms ammunition intended for retail civilians;
- (iii) the extraction and distribution of certain types of fossil fuel (excluding distribution of gas) and/or the generation of power from them for onward sale;
- (iv) the production of tobacco products;
- (v) production of alcohol products;
- (vi) the ownership or operation of gambling-related activities or facilities; and
- (vii) production of adult entertainment materials.

The revenue threshold followed by the Investment Manager is 0% revenue share from activities listed in items (i), (ii) and (vii) above and 10% revenue share from activities listed in items (iii), (iv), (v) and (vi).

● **How did the sustainability indicators perform?**

The Fund used a variety of indicators to measure the attainment of the environmental and social characteristics.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

**Table 1:**

Environmental indicators	Social indicators
Carbon emission and its environmental impact	Compliance with employment safety and protection
Energy consumption and focus on resource efficiency	Employee retention policies / attrition levels
Extreme weather events and its impact	Participation of women in the work force / diversity
Environmental pollution and its impact	Presence of unionized staff
	CSR (Corporate Social Responsibility) spends

The Fund used the sustainability indicators **in aggregate** to measure the performance of the environmental and social characteristics.

The performance of the indicators in aggregate during the reporting period was as follows:

ESG Score				
Period	31-Dec-22	30-Sep-22	30-Jun-22	31-Mar-22
Score	26.10	26.30	26.26	25.85

**Further information on the calculation of the ESG Score:**

Currently, the Investment Manager uses the rating provided by Sustainalytics and the rating methodology is available on the website: <https://www.sustainalytics.com/esg-data>, whereby an ESG risk rating measuring the degree to which a company’s economic value is at risk driven by ESG factors is attributed to investee companies.

Based on the rating assigned to an investee company, the latter will fall within one of the following categories of ESG risk severity:

Score	ESG Risk Severity
0-10	Negligible
10-20	Low
20-30	Medium
30-40	High
40+	Severe

**ESG Score Threshold**

ESG Score	No. of companies	% of total companies
ESG Score =/ $<$ 20	13	23.44
ESG Score $>$ 20 and =/ $<$ 30	21	40.04
ESG Score $>$ 30 and =/ $<$ 40	12	22.76
ESG Score $>$ 40	2	7.68
ESG Score = NA	6	4.49
<b>Grand Total</b>	<b>54</b>	<b>98.41</b>

NA : Not Available

During the reporting period, the fund adhered to the following binding threshold set out in its pre-contractual disclosure (available as an appendix to the prospectus):

“Investee companies for which a score is not available or with a score of more than 40 shall be limited, in aggregate, to 20% of the Sub Fund’s portfolio at the time of investment.”

● **...and compared to previous periods?**

N/A. As the Kotak ESG Fund began disclosing sustainability-related information in accordance with the requirements of Article 8 of Regulation (EU) 2019/2088 (“SFDR”) in February 2022, there will be no comparison against previous periods.

● **What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?**

Not applicable

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

**How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?**

Not applicable

*How were the indicators for adverse impacts on sustainability factors taken into account?*

Not applicable

*Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

Not applicable

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific Union criteria.*

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the Union criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the Union criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



## **How did this financial product consider principal adverse impacts on sustainability factors?**

The Investment Manager used a combination of in-house research as well as external resources to measure the principal adverse impacts (“PAIs”) of its investment decisions.

Research seeks to cover the material ESG issues including PAI indicators to the investee company and the roadmap for the addressing the same. The ESG specific company research reports are updated annually. However, controversies relating to a company or any change in disclosures are tracked regularly through press releases, news monitoring, and controversy reports by third party research providers in order to identify its impact on the long term sustainability of the investee company.

The Investment Manager used third party service providers who provide reports highlighting the key ESG indicators and risks for the investee companies. Upon receipt of the research report, the PAIs are prioritised based on the strategy of the relevant fund and the anticipated time horizon of the investment.

The companies were further evaluated by Investment Manager on sustainability factors and their ability to manage the risks associated with ESG compliant business practices (which is considered essential for sustainable growth), their ability to strategically manage longer-term issues surrounding ESG and the potential impact this may have on a company's financials. The entity level PAI statement will be available online by June 2023 at <https://www.kotakamc.sg/ucits/sustainability-related-disclosures>.



### What were the top investments of this financial product?

The list includes the investments constituting the **greatest proportion of investments** of the financial product during the reference period which ends on 31<sup>st</sup> December 2022

Largest Investments	Sector	% Assets	Country
ICICI Bank Limited	Financials	9.14	India
Infosys Limited	Information Technology	8.01	India
HDFC Bank Limited	Financials	7.61	India
Reliance Industries Limited	Energy	6.77	India
Axis Bank Limited	Financials	4.29	India
State Bank of India	Financials	3.15	India
Bajaj Finance Limited	Financials	3.07	India
Larsen & Toubro Limited	Industrials	2.90	India
Hindustan Unilever Limited	Consumer Staples	2.61	India
Bharti Airtel Limited	Communication Services	2.36	India
Jindal Steel & Power Limited	Materials	2.34	India
<i>% of Top Investments</i>		52.25	



### What was the proportion of sustainability-related investments?

The Sub-Fund does not commit to make sustainable investments and the percentage of Taxonomy alignment of the Sub-Fund's portfolio is deemed to constitute 0%.

**Asset allocation**

describes the share of investments in specific assets.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

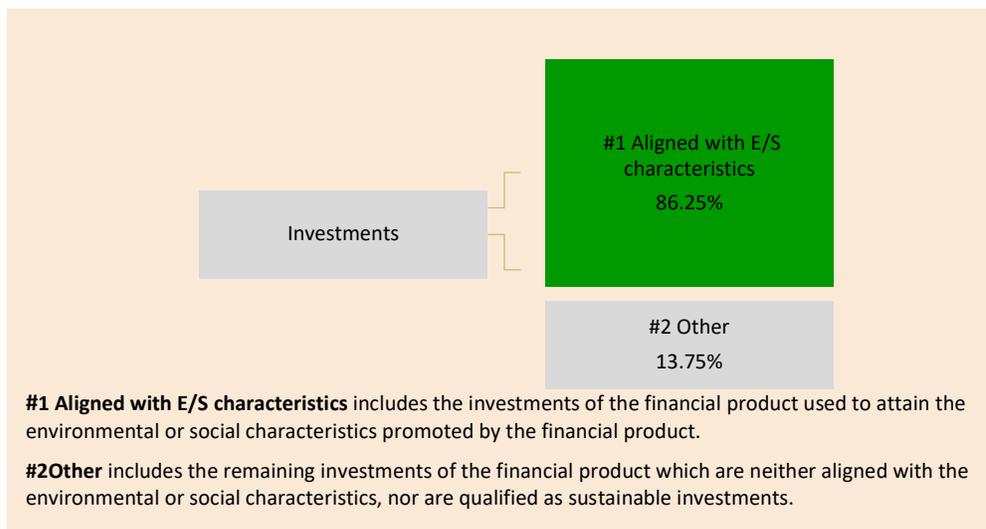
**Enabling activities**

directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities**

are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

● **What was the asset allocation?**



● **In which economic sectors were the investments made?**

The details of the economic sectors invested in is provided below:

Sector invested in	No. of companies	% Assets
Financials	13	34.72
Information Technology	6	14.67
Consumer Discretionary	10	10.11
Materials	6	8.99
Energy	2	7.83
Health Care	7	6.42
Industrials	5	6.12
Consumer Staples	3	4.94
Communication Services	2	2.36
Real Estate	2	2.25
<b>Grand Total</b>	<b>56</b>	<b>98.41</b>



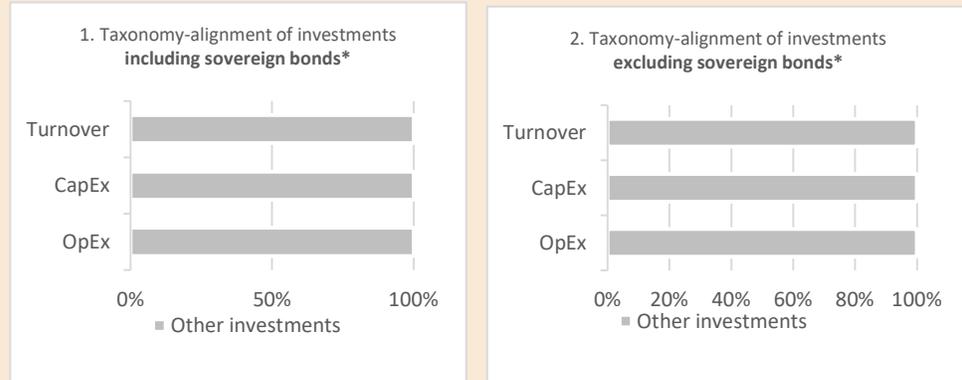
## To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

The Sub-Fund does not commit to make sustainable investments and the percentage of

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflects the “greenness” of investee companies today.
- **capital expenditure** (CapEx) shows the green investments made by investee companies, relevant for a transition to a green economy.
- **operational expenditure** (OpEx) reflects the green operational activities of investee companies.

*The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\*For the purpose of these graphs, ‘sovereign bonds’ consist of all sovereign exposures

Taxonomy alignment of the Sub-Fund’s portfolio is deemed to constitute 0%

- **What was the share of investments made in transitional and enabling activities?**

*Not applicable*

- **How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?**

*Not applicable*



are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU) 2020/852.



## What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

*Not applicable*



## What was the share of socially sustainable investments?

*Not applicable*



### **What investments were included under “other”, what was their purpose and were there any minimum environmental or social safeguards?**

The other instruments included stocks which may have an ESG rating of ‘severe’ or where no data was available, index derivatives, ancillary liquid assets (including cash) and liquid assets. While index derivatives were used to hedge market risks, ancillary liquid assets and liquid assets were used for treasury purposes. On such securities, the exclusions/limitations as mentioned on page 2 are applied. To that extent, the minimum environmental and social safeguards were adhered to.



### **What actions have been taken to meet the environmental and/or social characteristics during the reference period?**

The Investment Manager actively engaged with companies on behalf of the fund in a constructive manner. As part of the investor collaboration Climate Action 100+, the Investment Manager engaged with companies on climate issues. The Firm is also a signatory to UN-PRI and as a signatory, it has been committed to the principles of responsible investments. It followed the Singapore Stewardship Principles that provide guidance towards fostering good stewardship in discharging our responsibilities and creating sustainable long-term value for all stakeholders.

During the reference period, the Investment Manager engaged with all the companies in the portfolio. The issues taken up in these engagements varied from ESG disclosures and practices, climate change, corporate governance, health & safety, labour relations amongst others.

As part of its contribution towards climate change, the fund has invested in cleaner fuels opportunities, for instance in gas distribution. The investee company replaces highly polluting cooking fuels, such as kerosene, wood and coal. Cleaner cooking gas for 1.3 billion Indians would drive an enormous environmental change. Many companies owned by the fund will also be major indirect beneficiaries of the clean fuel’s initiative, as providers of finance and capital equipment. The companies that have clearly defined their long-term vision to become carbon neutral companies. Some of the companies in the portfolio are planning major investments in solar, wind and hydrogen power generation, but those business plans are still in their infancy.

An example of engagement carried out during this reporting period is as follows:

The company in question is active in the Industrial Machinery industry. The company discussed reduction in emissions, however, no detail was available with regard to Scope 1 & 2 GHG emissions data. The company had put in place policies to use renewable energy, as well as policies on waste and water management. No decarbonisation target was put in place.

The Investment Manager found that the company's environmental metrics lacked transparency. Hence, it engaged with the company and provided them guidance in order to improve their emissions programme, as well as putting in place better disclosures and corporate governance measures that take such issues seriously.

The Investment Manager has voted in accordance with its Proxy Voting Policy, to influence positive outcomes. The proxy voting records provide vote decisions and voting rationale for all the resolutions voted for and against . Please find the vote disclosures on the website link [www.kotakamc.sg](http://www.kotakamc.sg).

The Fund achieved the environmental and social characteristics as described in the section "To what extent were the environmental and/or social characteristics promoted by this financial product met?".

Please refer to the section "How did the sustainability indicators perform" above for further information.



***How did this financial product perform compared to the reference benchmark?***

*Not applicable*

- ***How does the reference benchmark differ from a broad market index?***

*Not applicable*

- ***How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?***

*Not applicable*

- ***How did this financial product perform compared with the reference benchmark?***

*Not applicable*

- ***How did this financial product perform compared with the broad market index?***

*Not applicable*

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

**Template periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:** Kotak Funds – India Midcap Fund ('The Fund')  
**Legal entity identifier:** 549300P1V22EKK1UCL34

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



## Environmental and/or social characteristics

Did this financial product have a sustainable investment objective?	
<p><span style="color: green;">●●</span> <input type="checkbox"/> <b>Yes</b></p> <p><input type="checkbox"/> It made <b>sustainable investments with an environmental objective:</b> ____%</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <p><input type="checkbox"/> It made <b>sustainable investments with a social objective:</b> ____%</p>	<p><span style="color: green;">●</span> <span style="color: white;">●</span> <input checked="" type="checkbox"/> <b>No</b></p> <p><input type="checkbox"/> It <b>promoted Environmental/Social (E/S) characteristics</b> and while it did not have as its objective a sustainable investment, it had a proportion of ____% of sustainable investments</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul> <p><input checked="" type="checkbox"/> It promoted E/S characteristics, but <b>did not make any sustainable investments</b></p>

**To what extent were the environmental and/or social characteristics promoted by this financial product met?**

The fund delivered returns in a socially responsive manner by combining a value and growth oriented investment philosophy with an Environmental Social and Governance (“ESG”) principle overlay. The Investment Manager integrated ESG factors in its investment management process and evaluated companies on the basis of these factors (as referenced in Table 1 below) before an investment decision was made.

While identifying investee companies and ensuring that these investee companies adhere to good governance practices, the Investment Manager incorporated ESG considerations within the fundamental analysis and sought to gain an understanding of the relevant ESG issues applicable to such companies.

The Fund avoided investment in certain industries and sectors, which are considered as having high adverse impact on the environment, or operate in sectors which may be subject to social controversies.

The Investment Manager will seek to limit and/or exclude direct investment (as applicable) in corporate issuers which, in its opinion have exposure to, or ties with, certain sectors including but not limited to:

- (i) the production of certain types of controversial weapons such as cluster munitions;
- (ii) the distribution or production of firearms or small arms ammunition intended for retail civilians;
- (iii) the extraction and distribution of certain types of fossil fuel (excluding distribution of gas) and/or the generation of power from them for onward sale;
- (iv) the production of tobacco products;
- (v) the ownership or operation of gambling-related activities or facilities; and
- (vi) production of adult entertainment materials.

The assessment of the level of involvement in each activity is currently based on percentage of revenue connected to a restricted activity. Currently, the revenue threshold followed by the Investment Manager is 0% revenue share from activities listed in items (i), (ii) and (vi) above and 10% revenue share from activities listed in items (iii), (iv) and (v)

● **How did the sustainability indicators perform?**

The Fund used a variety of indicators to measure the attainment of the environmental and social characteristics.

**Table 1:**

Environmental indicators	Social indicators
Carbon emission and its environmental impact	Compliance with employment safety and protection
Energy consumption and focus on resource efficiency	Employee retention policies / attrition levels
Extreme weather events and its impact	Participation of women in the work force / diversity
Environmental pollution and its impact	Presence of unionized staff
	CSR (Corporate Social Responsibility) spends

The Fund used the sustainability indicators in **aggregate** to measure the performance of the environmental and social characteristics.

The performance of the indicators in aggregate during the reporting period was as follows:

<b>ESG Score</b>				
<b>Period</b>	<b>31-Dec-22</b>	<b>30-Sep-22</b>	<b>30-Jun-22</b>	<b>31-Mar-22</b>
Score	28.50	29.10	29.09	28.92

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

**Further information on the calculation of the ESG Score:** Currently, the Investment Manager uses the rating provided by Sustainalytics and the rating methodology is available on the website: <https://www.sustainalytics.com/esg-data>, whereby an ESG risk rating measuring the degree to which a company’s economic value is at risk driven by ESG factors is attributed to investee companies.

Based on the rating assigned to an investee company, the latter will fall within one of the following categories of ESG risk severity:

Score	ESG Risk Severity
0-10	Negligible
10-20	Low
20-30	Medium
30-40	High
40+	Severe

ESG Score	No. of companies	% of total companies
ESG Score ≤/ < 20	11	11.49
ESG Score > 20 and ≤/ < 30	32	45.28
ESG Score >30 and ≤/ < 40	19	26.72
ESG Score > 40	3	5.23
ESG Score = NA	13	6.35
<b>Grand Total</b>	<b>78</b>	<b>95.07</b>

NA : Not Available

During the reporting period, the Fund has applied an ESG sector based screening for its investments and engaged with companies in which the Fund invests to promote ESG awareness. However, given the lack of long term disclosures levels and lower level of coverage by external agencies on mid and small cap stocks, the ESG analysis is limited to some extent/ or may not be available for the entire portfolio. Therefore, ESG factors are not binding upon the Investment Manager in the allocation of the fund’s portfolio (available as an appendix to the prospectus)

● ***...and compared to previous periods?***

N/A. As the India Midcap Fund began disclosing sustainability-related information in accordance with the requirements of Article 8 of Regulation (EU) 2019/2088 (“SFDR”) in February 2022, there will be no comparison against previous periods.

● ***What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?***

Not applicable

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

***How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?***

Not applicable

*How were the indicators for adverse impacts on sustainability factors taken into account?*

Not applicable

*Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

Not applicable

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific Union criteria.*

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the Union criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the Union criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



**How did this financial product consider principal adverse impacts on sustainability factors?**

The Investment Manager used a combination of in-house research as well as external resources to conduct measure the principal adverse impacts (“PAIs”) of its investment decisions.

Research notes seeks to cover the material ESG issues including PAI indicators relating to the investee company and the roadmap for the addressing the same. The ESG specific company research reports are updated annually. However, controversies relating to a company or any change in disclosures are tracked regularly through press releases, news monitoring, and controversy reports by third party research providers in order to identify its impact on the long term sustainability of the company in question

**Asset allocation** describes the share of investments in specific assets.

The investment team used third party service providers who provide reports highlighting the key ESG indicators and risks for the investee companies. Upon receipt of the research report, the PAIs are prioritised based on the strategy of the relevant fund and the anticipated time horizon of the investment.

The companies were further evaluated by portfolio managers on sustainability factors and their ability to manage the risks associated with ESG compliant business practices (which is considered essential for sustainable growth), their ability to strategically manage longer-term issues surrounding ESG and the potential impact this may have on a company's financials. The entity level PAI statement will be available online by June 2023 at <https://www.kotakamc.sg/ucits/sustainability-related-disclosures>.



### What were the top investments of this financial product?

The list includes the investments constituting the **greatest proportion of investments** of the financial product during the reference period which ends on 31<sup>st</sup> December 2022

Largest Investments	Sector	% Assets	Country
SRF Limited	Materials	3.82	India
The Federal Bank Limited	Financials	3.08	India
Persistent Systems Limited	Information Technology	2.87	India
Axis Bank Limited	Financials	2.71	India
Cholamandalam Investment and Finance Company Limited	Financials	2.58	India
ICICI Bank Limited	Financials	2.44	India
SKF India Limited	Industrials	2.37	India
AU Small Finance Bank Limited	Financials	2.21	India
Jindal Steel & Power Limited	Materials	2.17	India
Supreme Industries Limited	Materials	2.15	India
PI Industries Limited	Materials	2.10	India
Cummins India Limited	Industrials	2.07	India
Thermax Limited	Industrials	1.97	India
Kajaria Ceramics Limited	Industrials	1.84	India
Apollo Tyres Limited	Consumer Discretionary	1.84	India
<b>% of Top 15 Investments</b>		<b>36.22</b>	



### What was the proportion of sustainability-related investments?

The Sub-Fund does not commit to make sustainable investments and the percentage of Taxonomy alignment of the Sub-Fund's portfolio is deemed to constitute 0%.

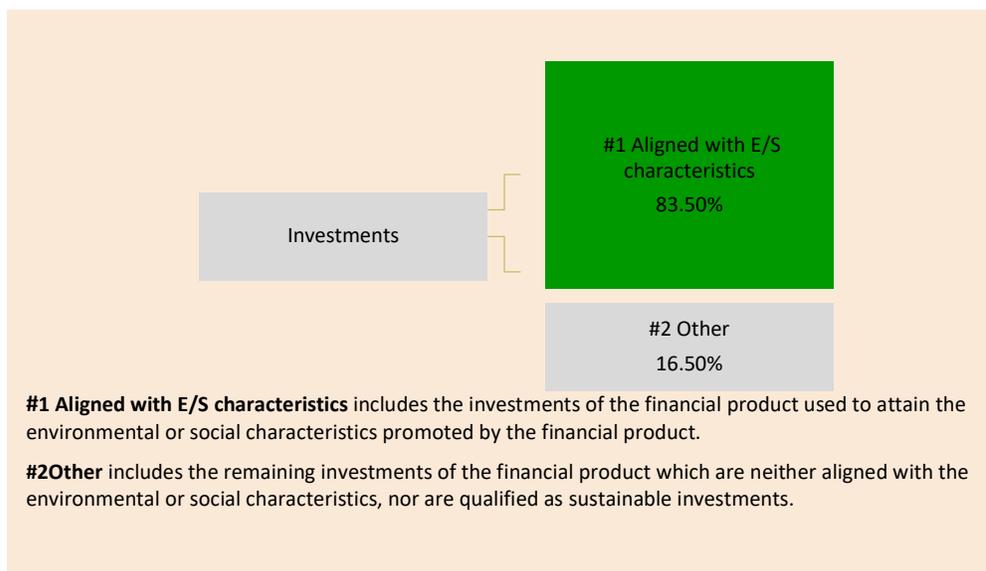
**Asset allocation** describes the share of investments in specific assets.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

### ● **What was the asset allocation?**



### ● **In which economic sectors were the investments made?**

The details of the economic sectors invested in is provided below:

Sector invested in	No. of companies	% Assets
Financials	13	20.84
Materials	12	19.98
Industrials	15	18.62
Consumer Discretionary	16	13.38
Health Care	7	7.78
Information Technology	5	4.82
Real Estate	3	3.45
Consumer Staples	2	2.86
Utilities	3	1.43
Communication Services	1	1.13
Energy	1	0.78
<b>Grand Total</b>	<b>78</b>	<b>95.07</b>



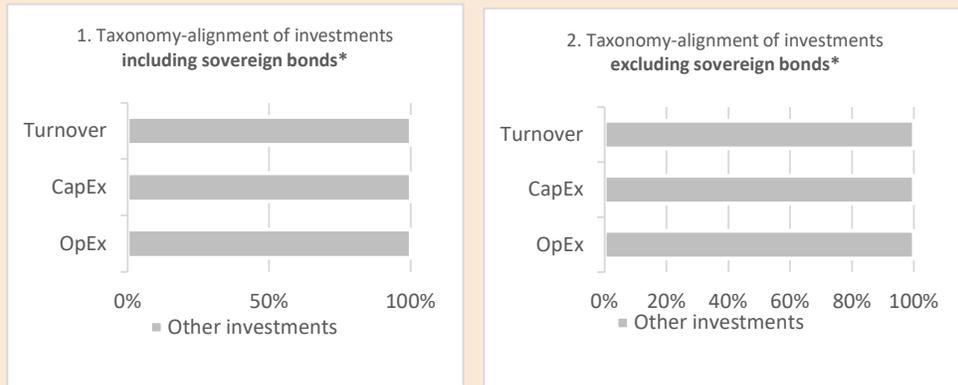
## To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

The Sub-Fund does not commit to make sustainable investments and the percentage of Taxonomy alignment of the Sub-Fund’s portfolio is deemed to constitute 0%

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflects the “greenness” of investee companies today.
- **capital expenditure** (CapEx) shows the green investments made by investee companies, relevant for a transition to a green economy.
- **operational expenditure** (OpEx) reflects the green operational activities of investee companies.

*The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\*For the purpose of these graphs, ‘sovereign bonds’ consist of all sovereign exposures

- **What was the share of investments made in transitional and enabling activities?**

*Not applicable*

- **How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?**

*Not applicable*



are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU) 2020/852.



## What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

*Not applicable*



## What was the share of socially sustainable investments?

*Not applicable*



### **What investments were included under “other”, what was their purpose and were there any minimum environmental or social safeguards?**

The other instruments included stocks which may have an ESG rating of ‘severe’ or where no data was available, index derivatives, ancillary liquid assets (including cash) and liquid assets. While index derivatives were used to hedge market risks, ancillary liquid assets and liquid assets were used for treasury purposes. On such securities, the exclusions/limitations as mentioned on page 2 are applied. To that extent, the minimum environmental and social safeguards were adhered to.



### **What actions have been taken to meet the environmental and/or social characteristics during the reference period?**

The Investment Manager actively engaged with companies on behalf of the fund’s investors in a constructive manner. As part of the investor collaboration Climate Action 100+, the Investment Manager engaged with companies on climate issues. The Firm is also a signatory to UN-PRI and as a signatory, it has been committed to the principles of responsible investments. It followed the Singapore Stewardship Principles that provide guidance towards fostering good stewardship in discharging our responsibilities and creating sustainable long-term value for all stakeholders.

During the reference period, the Investment Manager engaged with all the companies in the portfolio. The issues taken up in these engagements varied from ESG disclosures and practices, climate change, corporate governance, health & safety, labour relations amongst others.

As part of its contribution towards climate change, the fund has invested in cleaner fuels opportunities, for instance in gas distribution. The company replaces highly polluting cooking fuels, such as kerosene, wood and coal. Cleaner cooking gas for 1.3 billion Indians would drive an enormous environmental change. Many companies owned by the fund will also be major indirect beneficiaries of the clean fuel’s initiative, as providers of finance and capital equipment. The companies that have clearly defined their long-term vision to become carbon neutral companies. Some of the companies in the portfolio are planning major investments in solar, wind and hydrogen power generation, but those business plans are still in their infancy.

An example of engagement carried out during this reporting period is as follows:

The company in question operates in the Agricultural Chemicals industry. The company’s disclosures were found by the Investment Manager to be poor, signalling inadequate accountability to investors and the public. The overall ESG risk rating of the company was determined to be ‘severe’ (as per the Investment Manager’s rating system set out in the section ‘How did the sustainability indicators perform?’ above) and interior to industry peers. Nonetheless, the company’s disclosures included reference to ESG integration. The Investment Manager was of the view that the company can improve on its disclosures and its ESG rating. Hence, it engaged with the company to seek clarity on disclosures and a

roadmap to improve ESG parameters, specifically on environmental factors, as the fertiliser industry is linked to high levels of energy use.

The Investment Manager has voted in accordance with its Proxy Voting Policy, to influence positive outcomes. The proxy voting records provide vote decisions and voting rationale for all the resolutions voted for and against . Please find the vote disclosures on the website link [www.kotakamc.sg](http://www.kotakamc.sg).

The Fund achieved the environmental and social characteristics as described in the section “To what extent were the environmental and/or social characteristics promoted by this financial product met?”.

Please refer to the section “How did the sustainability indicators perform” above for further information.



### **How did this financial product perform compared to the reference benchmark?**

*Not applicable*

- ***How does the reference benchmark differ from a broad market index?***

*Not applicable*

- ***How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?***

*Not applicable*

- ***How did this financial product perform compared with the reference benchmark?***

*Not applicable*

- ***How did this financial product perform compared with the broad market index?***

*Not applicable*

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.