

# **KOTAK FUNDS**

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

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

## **SEMI-ANNUAL REPORT AND UNAUDITED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021**

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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  
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  
(from 25 May 2021)  
L-1470 Luxembourg  
Grand Duchy of Luxembourg

16, boulevard d'Avranches  
(until 24 May 2021)  
L-1160 Luxembourg  
Grand Duchy of Luxembourg

**Investment Manager**

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

**Depository Bank**

Brown Brothers Harriman (Luxembourg) S.C.A.  
(from 25 May 2021)  
80, Route d'Esch  
L-1470 Luxembourg  
Grand Duchy of Luxembourg

HSBC Continental Europe, Luxembourg Branch  
(until 24 May 2021)  
16, boulevard d'Avranches  
L-1160 Luxembourg  
Grand Duchy of Luxembourg

**Management Company**

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

**Global Distributor**

Kotak Mahindra (UK) Limited  
55 Baker Street  
London, W1U 7EU  
United Kingdom

**Auditors**

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

# KOTAK FUNDS

## MANAGEMENT AND ADMINISTRATION (CONTINUED)

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

Brown Brothers Harriman (Luxembourg) S.C.A.  
(from 25 May 2021)  
80, Route d'Esch  
L-1470 Luxembourg  
Grand Duchy of Luxembourg

HSBC Continental Europe, Luxembourg Branch  
(until 24 May 2021)  
16, boulevard d'Avranches  
L-1160 Luxembourg  
Grand Duchy of Luxembourg

### For the Mauritius Subsidiaries

IQQ (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

### **Legal Advisers in India**

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

# KOTAK FUNDS

## INVESTMENT OBJECTIVES

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

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

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

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

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

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

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

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

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

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

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

# KOTAK FUNDS

## INVESTMENT OBJECTIVES (CONTINUED)

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### **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.

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

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

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

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

# KOTAK FUNDS

## DIRECTORS' REPORT

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We are pleased to present you the Semi Annual Report as at 30 June 2021 of Kotak Funds.

### Markets and Performance

Equity markets in India witnessed sharp increase in first half of year 2021, outperforming its emerging market peers. Debt markets were stable as RBI provided adequate support through liquidity injection and OMOs. In equity markets, the large cap NIFTY index gained 11% while the mid cap NSEMCAP index was up 27% in USD terms. On a relative basis Indian markets were significantly above other comparable markets (MSCI Emerging Markets was up 7% in first half of year 2021 in USD terms). The period saw net FPI (Foreign Portfolio Investor) inflows to the tune of around USD 8.1 billion from the Indian equity market and outflows of around USD 3.2 billion from debt markets. The domestic mutual fund industry continued to see steady inflows between January and June 2021 at USD 1.1 billion. On the currency side, the INR depreciated by about 1.7% through the year.

Six months ended June 2021 was a tale of two halves where the first quarter witnessed steady recovery from Covid-19, while the second quarter saw the second wave of Covid-19 forcing India to enact lockdowns of varying degrees. Countries focused at vaccinating their vulnerable population at a fast pace with some countries providing another set of fiscal stimulus. Global central banks continued to expand their balance sheet to inject liquidity and support stressed sectors.

On the domestic front, India continued its steady recovery from Covid-19 towards the month of July 2021 which led to gradual re-opening of the economy all over again. Real GDP growth slightly improved to 1.6% in first quarter of calendar year 2021 compared to 0.5% in fourth quarter of calendar year 2020. Nominal GDP growth was more impressive at 8.7% in first quarter calendar year 2021 from 5.2% in fourth quarter of calendar year 2020. The union budget for Financial Year 2021 was announced on February 1, 2021 in which the government has focused on growth and has accordingly, relaxed the government's medium-term fiscal consolidation targets. Commodity prices increased sharply in six months ended June 2021 with Brent crude started the year at close to USD 52 per barrel and settled closer to USD 75 per barrel, as oil producers adhered to agreed cuts even as global demand gradually returned. Non-oil commodity prices, like steel, aluminium, copper, zinc, etc too witnessed sharp recovery due to the demand-supply mismatch.

In India, the RBI kept repo rate unchanged in this period as the prime focus of the RBI was to nurture the economy from Covid-19 induced slowdown. Monetary Policy Committee (MPC) also retained the stance as neutral. Given the weak growth outlook, the MPC focus remained on addressing tepid growth despite headline inflation numbers trending above RBI's upper limit of 6%, as the increase has been led by higher fuel and commodity prices. MPC highlighted that the ongoing growth concerns amid a second wave of infections led the MPC members to retain the policy rates and the accommodative stance. Members noted that the containment efforts were more localized during the second wave, which allowed manufacturing and industrial activity to operate in varying degrees. The loss in momentum of activity could therefore be temporary and restricted to 1QFY22, and economic activity could recover from 2QFY22 and gather pace in 2HFY22.

# KOTAK FUNDS

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

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### Kotak Funds - India Growth Fund

For the half year ended June 2021, Kotak Funds: India Growth Fund returned 14.51%^ and the Nifty 50 Index returned 10.43 %.The fund witnessed net outflow of USD 9.25 million during the half year ended with an asset under management of USD 83.80 million.

### Kotak Funds - India Midcap Fund

For the half year ended June 2021, Kotak Funds: India Midcap Fund yielded a return of 21.56%^ with the Nifty Midcap 100 Index returning 27.09% for the same period. The fund witnessed net outflow of USD 415.02 million during the half year ended with an asset under management of USD 1657.65million.

### Kotak Funds - India Fixed Income Fund

For the half year ended June 2021, Kotak Funds: India Fixed Income Fund yielded a return of -1.10%\*. The fund witnessed net outflow of USD 5.83 million during the half year ended with an asset under management of USD 9.94 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 For the half year ended June 2021.

The Board of Directors

August 2021



# KOTAK FUNDS

## STATEMENT OF NET ASSETS AS AT 30 JUNE 2021

	NOTES	COMBINED USD	INDIA GROWTH FUND USD	INDIA MIDCAP FUND USD	INDIA FIXED INCOME FUND USD
<b>Investments</b>					
Investments in securities at cost		1,147,063,397	46,991,741	1,090,587,207	9,484,449
Unrealised appreciation/(depreciation)		647,523,285	36,960,628	610,701,547	(138,890)
Investments in securities at market value	2.d	1,794,586,682	83,952,369	1,701,288,754	9,345,559
<b>Other Assets</b>					
Cash at bank		26,696,739	2,478,254	23,732,423	486,062
Receivable resulting from sales of securities		7,258,310	1,342,026	5,916,284	—
Unrealised appreciation on forward foreign exchange contracts	2.f,9	2,888	—	—	2,888
Due from shareholders on subscriptions		398,604	30,991	362,512	5,101
Dividends receivable		450,009	40,910	409,099	—
Interest receivable		189,133	—	—	189,133
Sundry debtors and prepayments		15,474	895	—	14,579
		35,011,157	3,893,076	30,420,318	697,763
<b>Total Assets</b>		1,829,597,839	87,845,445	1,731,709,072	10,043,322
<b>Liabilities</b>					
Unrealised depreciation on forward foreign exchange contracts	2.f,9	8,696	—	—	8,696
Payable resulting from purchases of securities		773,232	16,000	757,232	—
Due to shareholders on redemptions		2,472,559	794,805	1,636,539	41,215
Capital gain tax payable	6	72,780,804	2,982,970	69,797,834	—
Sundry creditors and accruals		2,176,434	256,058	1,869,805	50,571
<b>Total Liabilities</b>		78,211,725	4,049,833	74,061,410	100,482
<b>Net Assets</b>		1,751,386,114	83,795,612	1,657,647,662	9,942,840

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

# KOTAK FUNDS

## STATEMENT OF OPERATIONS FOR THE PERIOD ENDED 30 JUNE 2021

	NOTES	COMBINED USD	INDIA GROWTH FUND USD	INDIA MIDCAP FUND USD	INDIA FIXED INCOME FUND USD
<b>Income</b>					
Dividend income	2.e	3,799,668	248,829	3,550,839	–
Interest income from fixed income securities	2.e	394,839	–	–	394,839
Other income		296,145	154,541	132,155	9,449
Total income		4,490,652	403,370	3,682,994	404,288
<b>Expenses</b>					
Investment management fees	3	8,547,661	728,811	7,770,233	48,617
Administration and depositary fees	4	521,230	61,420	441,684	18,126
Audit and professional fees		59,993	4,518	55,065	410
Management company fees	8	320,928	21,080	296,768	3,080
Subscription tax	5	340,260	17,319	321,809	1,132
Transaction costs		288,504	15,296	272,865	343
Directors' fees and expenses	7	35,534	1,935	33,355	244
Other expenses		1,197,244	359,433	765,918	71,893
Total expenses		11,311,354	1,209,812	9,957,697	143,845
<b>Net (Loss)/Profit from Investments</b>		(6,820,702)	(806,442)	(6,274,703)	260,443
Net profit realised on:					
- investments portfolio	2.d	282,131,644	8,747,541	273,295,196	88,907
- forward foreign exchange contracts	2.f	63,372	–	–	63,372
- foreign exchange transactions	2.c	(54,866,637)	(1,088,986)	(53,831,426)	53,775
- capital gain tax	6	(41,741,051)	(662,281)	(41,142,184)	63,414
<b>Net Realised Profit</b>		185,587,328	6,996,274	178,321,586	269,468
Net change in unrealised appreciation/(depreciation) on:					
- investment portfolio	2.d	173,266,224	5,243,508	168,683,617	(660,901)
- forward foreign exchange contracts	2.f	(47,009)	–	–	(47,009)
- foreign exchange transactions	2.c	(3,613)	–	–	(3,613)
<b>Net Change in Unrealised Appreciation/(Depreciation)</b>		173,215,602	5,243,508	168,683,617	(711,523)
<b>Results from Operations</b>		351,982,228	11,433,340	340,730,500	(181,612)

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

# KOTAK FUNDS

## STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD ENDED 30 JUNE 2021

	NOTES	COMBINED USD	INDIA GROWTH FUND USD	INDIA MIDCAP FUND USD	INDIA FIXED INCOME FUND USD
Net Assets at beginning of the period		1,840,181,977	81,622,529	1,742,582,114	15,977,334
<b>Increase/(Decrease) in Net Assets as a Result of Operations</b>		351,982,228	11,433,340	340,730,500	(181,612)
<b>Capital Transactions</b>					
Subscriptions received		78,390,330	4,784,081	73,038,632	567,617
Redemptions paid		(508,484,245)	(14,031,822)	(488,057,245)	(6,395,178)
<b>Dividends and distributions</b>					
Dividends paid	2.i	(10,684,176)	(12,516)	(10,646,339)	(25,321)
<b>Net Decrease in Net Assets as a Result of Capital Transactions</b>		(440,778,091)	(9,260,257)	(425,664,952)	(5,852,882)
<b>Total (Decrease)/Increase in Net Assets in the period</b>		(88,795,863)	2,173,083	(84,934,452)	(6,034,494)
<b>Net Assets at end of the period</b>		1,751,386,114	83,795,612	1,657,647,662	9,942,840

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

# KOTAK FUNDS

## STATISTICAL INFORMATION

	INDIA GROWTH FUND USD	INDIA MIDCAP FUND USD	INDIA FIXED INCOME FUND USD
<b>Net asset value</b>			
<b>30 June 2021</b>	USD 83,795,612	USD 1,657,647,662	USD 9,942,840
<b>31 December 2020</b>	USD 81,622,529	USD 1,742,582,114	USD 15,977,334
<b>31 December 2019</b>	USD 113,426,585	USD 1,970,414,782	USD 33,105,260
<b>Number of shares</b>			
<b>30 June 2021</b>			
Class A Distribution Shares GBP	10,885	35,926	-
Class A Distribution Shares USD	-	10,153	-
Class A Shares EUR	20,354	377	-
Class A Shares GBP	43,165	162,549	-
Class A Shares USD	2,894,283	3,580,747	128,244
Class B Shares EUR	-	-	-
Class B Shares GBP	-	468	-
Class B Shares USD	48,373	112,101	-
Class C Distribution Shares GBP	-	38,455	13,544
Class C Shares GBP	45,766	278,407	33,174
Class C Shares USD	9,934	1,219,498	53,313
Class I Distribution Shares EUR	-	-	170,538
Class I Shares EUR	-	-	-
Class I Shares GBP	-	-	20,000
Class I Shares USD	711,319	625,997	311,573
Class J Shares EUR	-	887,358	-
Class J Shares USD	-	22,908,785	-
Class X Distribution Shares JPY	-	2,657,451	-
<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	-
<b>31 December 2019</b>			
Class A Distribution Shares GBP	10,990	69,917	-
Class A Distribution Shares USD	-	64,105	-
Class A Shares EUR	20,354	3,101	-
Class A Shares GBP	57,144	307,091	-
Class A Shares USD	5,011,642	5,492,325	210,744
Class B Shares EUR	-	2,317	-
Class B Shares GBP	-	1,592	-
Class B Shares USD	206,597	156,803	-
Class C Distribution Shares GBP	-	58,023	16,142
Class C Shares GBP	34,019	364,248	37,060
Class C Shares USD	-	1,221,372	48,864
Class I Distribution Shares EUR	-	-	166,003
Class I Shares EUR	-	-	434,513
Class I Shares GBP	-	-	117,000
Class I Shares USD	1,125,202	646,646	1,263,546
Class J Shares EUR	-	888,352	-
Class J Shares USD	-	28,597,109	-
Class X Distribution Shares JPY	-	4,888,256	-

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

# KOTAK FUNDS

## STATISTICAL INFORMATION (CONTINUED)

		INDIA GROWTH FUND USD	INDIA MIDCAP FUND USD	INDIA FIXED INCOME FUND USD
Net asset value per share				
30 June 2021				
	Class A Distribution Shares GBP	GBP 24.71	GBP 30.71	-
	Class A Distribution Shares USD	-	USD 13.47	-
	Class A Shares EUR	EUR 14.12	EUR 11.78	-
	Class A Shares GBP	GBP 23.35	GBP 27.10	-
	Class A Shares USD	USD 21.03	USD 27.89	USD 11.86
	Class B Shares GBP	-	GBP 31.58	-
	Class B Shares USD	USD 12.91	USD 31.74	-
	Class C Distribution Shares GBP	-	GBP 18.57	GBP 11.94
	Class C Shares GBP	GBP 19.28	GBP 19.23	GBP 14.49
	Class C Shares USD	USD 13.67	USD 17.69	USD 12.24
	Class I Distribution Shares EUR	-	-	EUR 10.37
	Class I Shares GBP	-	-	GBP 10.28
	Class I Shares USD	USD 26.49	USD 26.16	USD 14.42
	Class J Shares EUR	-	EUR 13.73	-
	Class J Shares USD	-	USD 22.73	-
	Class X Distribution Shares JPY	-	JPY 40,180.91	-
31 December 2020				
	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	-
31 December 2019				
	Class A Distribution Shares GBP	GBP 21.88	GBP 25.03	-
	Class A Distribution Shares USD	-	USD 10.99	-
	Class A Shares EUR	EUR 12.02	EUR 9.28	-
	Class A Shares GBP	GBP 19.69	GBP 21.16	-
	Class A Shares USD	USD 16.93	USD 20.78	USD 11.34
	Class B Shares EUR	-	EUR 25.26	-
	Class B Shares GBP	-	GBP 24.63	-
	Class B Shares USD	USD 10.38	USD 23.63	-
	Class C Distribution Shares GBP	-	GBP 15.16	GBP 12.41
	Class C Shares GBP	GBP 16.02	GBP 14.79	GBP 14.43
	Class C Shares USD	-	USD 12.99	USD 11.64
	Class I Distribution Shares EUR	-	-	EUR 10.88
	Class I Shares EUR	-	-	EUR 16.83
	Class I Shares GBP	-	-	GBP 10.25
	Class I Shares USD	USD 21.00	USD 19.49	USD 13.73
	Class J Shares EUR	-	EUR 10.65	-
	Class J Shares USD	-	USD 16.68	-
	Class X Distribution Shares JPY	-	JPY 29,227.05	-

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

# KOTAK FUNDS

## SCHEDULE OF INVESTMENTS

### INDIA GROWTH FUND

30 June 2021

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>			
45,562	Aavas Financiers	1,662,092	1.98
231,015	Aegis Logistics	1,068,336	1.28
20,897	Alkem Laboratories	899,175	1.07
251,434	Ambuja Cements	1,151,943	1.38
21,751	Apollo Pipes	309,092	0.37
78,841	AU Small Finance Bank	1,098,367	1.31
56,960	Aurobindo Pharma	739,411	0.88
284,073	Axis Bank	2,858,935	3.41
19,492	Bajaj Finance	1,577,074	1.88
92,136	Bharat Petroleum	580,052	0.69
211,507	Bharti Airtel	1,495,271	1.79
325,617	Brigade Enterprises	1,224,893	1.46
38,809	Cadila Healthcare	336,764	0.40
53,968	Cipla	705,434	0.84
272,411	Crompton Greaves Consumer Electricals	1,592,256	1.90
22,058	Dr Lal PathLabs	970,818	1.16
197,808	Emami	1,490,740	1.78
323,183	Fortis Healthcare	1,057,956	1.26
225,490	Gujarat State Petronet	1,011,094	1.21
331,052	HDFC Bank	6,669,260	7.96
400	HDFC Bank ADR	29,542	0.03
90,766	HDFC Life Insurance	837,791	1.00
73,066	Hindustan Unilever	2,428,507	2.90
53,004	Housing Development Finance	1,764,519	2.11

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

# KOTAK FUNDS

## SCHEDULE OF INVESTMENTS (CONTINUED)

### INDIA GROWTH FUND (CONTINUED)

30 June 2021

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>			
524,144	ICICI Bank	4,447,436	5.31
135,500	ICICI Bank ADR	2,336,697	2.79
8,946	IndiaMart InterMesh	841,275	1.00
42,675	Indraprastha Gas	320,119	0.38
335,629	Infosys	7,135,674	8.52
25,250	Infosys ADR	541,739	0.65
368,000	Jindal Steel & Power	1,967,111	2.35
53,000	Just Dial	684,976	0.82
112,680	Kajaria Ceramics	1,485,078	1.77
126,913	Kalpataru Power Transmission	726,792	0.87
72,868	Kansai Nerolac Paints	563,708	0.67
26,055	Kotak Mahindra Bank	597,765	0.71
92,925	Larsen & Toubro	1,875,347	2.24
12,452	Maruti Suzuki India	1,258,690	1.50
86,839	Max Financial Services	1,238,463	1.48
1,050	MRF	1,130,861	1.35
108,941	Oberoi Realty	922,622	1.10
128,546	Orient Electric	542,081	0.65
24,378	Persistent Systems	963,550	1.15
16,000	PI Industries	626,284	0.75
18,904	Reliance Industries	378,050	0.45
182,772	Reliance Industries	5,188,293	6.19
104,600	SBI Cards & Payment Services	1,365,152	1.63
3,269	Shree Cement	1,209,258	1.44
16,237	SRF	1,588,836	1.90

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

# KOTAK FUNDS

## SCHEDULE OF INVESTMENTS (CONTINUED)

### INDIA GROWTH FUND (CONTINUED)

30 June 2021

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>			
235,283	State Bank of India	1,326,510	1.58
81,978	Tata Consultancy Services	3,688,836	4.40
126,460	Tech Mahindra	1,863,135	2.22
105,823	The Ramco Cements	1,459,890	1.74
43,494	Titan	1,013,447	1.21
309,969	V-Guard Industries	1,105,372	1.32
<b>Total Equities</b>		<b>83,952,369</b>	<b>100.19</b>
<b>Total Transferable securities and money market instruments admitted to an official exchange listing or dealt in on another regulated market</b>		<b>83,952,369</b>	<b>100.19</b>
<b>Total Investments</b>		<b>83,952,369</b>	<b>100.19</b>
<b>Other Net Assets and Liabilities</b>		<b>(156,757)</b>	<b>(0.19)</b>
<b>Net Asset Value</b>		<b>83,795,612</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

30 June 2021

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>			
343,758	Aarti Industries	4,030,355	0.24
1,446,478	Aavas Financiers	52,767,212	3.18
1,538,302	Aegis Logistics	7,113,924	0.43
454,893	Alkem Laboratories	19,573,550	1.18
371,869	Amber Enterprises India	14,634,995	0.88
408,704	Apollo Hospitals Enterprise	19,897,479	1.20
6,203,841	Apollo Tyres	18,773,349	1.13
9,216,399	Ashok Leyland	15,196,736	0.92
277,769	Atul	33,539,542	2.02
2,594,306	AU Small Finance Bank	36,142,372	2.18
2,526,507	Axis Bank	25,426,983	1.53
1,186,649	Balkrishna Industries	35,736,642	2.16
2,700,119	Balrampur Chini Mills	12,917,110	0.78
842,913	Bata India	18,101,654	1.09
2,041,881	Bharat Petroleum	12,854,869	0.78
4,455,031	Brigade Enterprises	16,758,756	1.01
1,174,701	Cadila Healthcare	10,193,428	0.62
2,399,739	Carborundum Universal	19,566,554	1.18
1,496,701	Cholamandalam Financial Holdings	13,329,775	0.80
6,250,680	Cholamandalam Investment & Finance	43,147,418	2.60
10,785,279	City Union Bank	24,166,011	1.46
1,239,869	Container Corp. Of India	11,645,215	0.70
2,445,111	Coromandel International	29,626,050	1.79
7,146,334	Crompton Greaves Consumer Electricals	41,770,687	2.52
1,589,949	Cummins India	19,234,590	1.16

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

# KOTAK FUNDS

## SCHEDULE OF INVESTMENTS (CONTINUED)

### INDIA MIDCAP FUND (CONTINUED)

30 June 2021

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>			
437,987	Divi's Laboratories	25,967,254	1.57
4,095,025	Emami	30,861,321	1.86
31,748,360	Federal Bank	37,191,015	2.24
5,210,551	Fortis Healthcare	17,057,006	1.03
1,530,382	Gujarat Gas	13,599,897	0.82
3,285,488	Gujarat State Petronet	14,732,080	0.89
3,938,586	ICICI Bank	33,419,461	2.02
101,815	IndiaMart InterMesh	9,574,610	0.58
844,819	Indian Railway Catering & Tourism	23,109,001	1.39
2,303,797	Indraprastha Gas	17,281,537	1.04
965,119	Ipca Laboratories	26,302,960	1.59
8,276,626	Jindal Steel & Power	44,241,966	2.67
726,970	JK Cement	27,879,723	1.68
312,700	Jubilant Foodworks	12,954,044	0.78
2,740,192	Kajaria Ceramics	36,114,657	2.18
7,072,202	Mahindra & Mahindra Financial Services	14,942,712	0.90
2,466,814	Mahindra Logistics	18,311,956	1.10
3,183,245	Max Financial Services	45,398,172	2.74
3,562,388	Max Healthcare Institute	12,193,478	0.74
387,772	Mindtree	13,562,254	0.82
6,997,804	Motherson Sumi Systems	22,785,321	1.37
1,410,356	Mphasis	40,482,046	2.44
13,117	MRF	14,127,147	0.85
2,623,928	Oberoi Realty	22,222,054	1.34
31,855	Page Industries	12,648,003	0.76

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

# KOTAK FUNDS

## SCHEDULE OF INVESTMENTS (CONTINUED)

### INDIA MIDCAP FUND (CONTINUED)

30 June 2021

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>			
1,381,960	Persistent Systems	54,622,488	3.30
1,058,789	PI Industries	41,443,907	2.50
5,742,041	PNC Infratech	22,275,908	1.34
204,845	Schaeffler India	15,522,856	0.94
871,716	Shriram Transport Finance	15,741,148	0.95
733,867	Shyam Metals & Energy	3,647,942	0.22
764,194	SKF India	27,547,717	1.66
1,012,447	Sona Blw Precision Forgings	4,660,986	0.28
684,722	SRF	67,001,982	4.04
212,422	Sundaram Finance	7,641,261	0.46
1,209,963	Supreme Industries	35,220,715	2.13
2,672,836	Syngene International	20,968,283	1.27
401,017	TeamLease Services	19,509,759	1.18
2,541,123	The Ramco Cements	35,056,277	2.12
1,362,806	Thermax	27,207,182	1.64
549,909	Torrent Pharmaceuticals	21,459,863	1.29
1,018,550	TVS Motor	8,500,074	0.51
200,018	UltraTech Cement	18,228,086	1.10
2,163,165	United Spirits	19,249,371	1.16
2,435,122	Varroc Engineering	12,024,384	0.73
6,955,513	V-Guard Industries	24,803,866	1.50
2,753,069	Voltas	37,858,008	2.28
6,229,338	Zee Entertainment Enterprises	17,991,760	1.09
<b>Total Equities</b>		<b>1,701,288,754</b>	<b>102.63</b>

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

# KOTAK FUNDS

## SCHEDULE OF INVESTMENTS (CONTINUED)

### INDIA MIDCAP FUND (CONTINUED)

30 June 2021

Number of shares/ Nominal Value	Security	Market Value USD	Market Value as a percentage of Net Assets
	Total Transferable securities and money market instruments admitted to an official exchange listing or dealt in on another regulated market	1,701,288,754	102.63
	Total Investments	1,701,288,754	102.63
	Other Net Assets and Liabilities	(43,641,092)	(2.63)
	Net Asset Value	1,657,647,662	100.00

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

30 June 2021

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>			
50,000,000	Axis Bank 8.60% 28/12/2028	737,985	7.42
300,000	Canara Bank 3.88% 28/03/2024	315,973	3.18
30,000,000	Canara Bank 8.50% Perpetual	402,469	4.05
100,000,000	India Government Bond 5.79% 11/05/2030	1,299,632	13.07
70,000,000	India Government Bond 6.19% 16/09/2034	896,636	9.02
50,000,000	India Government Bond 6.22% 16/03/2035	640,387	6.44
40,000,000	India Government Bond 6.79% 15/05/2027	555,496	5.59
60,000,000	India Government Bond 7.26% 14/01/2029	849,079	8.54
80,000,000	India Government Bond 7.57% 17/06/2033	1,156,637	11.63
450,000	Muthoot Finance 4.40% 02/09/2023	464,175	4.67
50,000,000	National Cooperative Development 6.75% 11/03/2024	665,496	6.69
500,000	Oil India 5.13% 04/02/2029	562,421	5.66
13,000,000	Power Finance Corporation 9.46% 01/08/2026	197,898	1.99
500,000	REC 4.63% 22/03/2028	544,821	5.48
2,000,000	REC 8.06% 31/05/2023	28,055	0.28
2,000,000	REC 9.02% 19/11/2022	28,399	0.28
<b>Total Debt Instruments</b>		<b>9,345,559</b>	<b>93.99</b>

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

# KOTAK FUNDS

## SCHEDULE OF INVESTMENTS (CONTINUED)

### INDIA FIXED INCOME FUND (CONTINUED)

30 June 2021

Number of shares/ Nominal Value	Security	Market Value USD	Market Value as a percentage of Net Assets
	Total Transferable securities and money market instruments admitted to an official exchange listing or dealt in on another regulated market	9,345,559	93.99
	Total Investments	9,345,559	93.99
	Other Net Assets and Liabilities	597,281	6.01
	Net Asset Value	9,942,840	100.00

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 PERIOD ENDED 30 JUNE 2021

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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 30 June 2021, the Fund was composed of the following Sub-Funds:

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

The following share classes were in issue as at 30 June 2021:

- (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 Growth Fund and India Midcap Fund.
- (iv) Class X shares which are only available in certain jurisdictions and shall be offered at the discretion of the Global Distributor.
- (v) Class C Shares may be offered in certain limited circumstances for distribution in certain countries and through certain distributors or sub-distributors who 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) is currently in process of being liquidated.

### 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.

#### b) Financial statements

Financial statements for India Growth 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, based on the exchange rate ruling at the date of these financial statements.

# KOTAK FUNDS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 (CONTINUED)

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

#### b) Financial statements (continued)

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

#### c) Foreign currency translation

Assets and liabilities in currencies other than the Sub-Funds' base currency have been translated into that currency at exchange rates ruling at the date of these financial statements. Transactions occurring during the period in currencies other than the base currency are translated at rates of exchange ruling at the transaction dates. The exchange rates applicable as at 30 June 2021 are:

USD/GBP	0.7224
USD/EUR	0.8417
USD/INR	74.3535
USD/JPY	110.6550
USD/CHF	0.9240

#### 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 PERIOD ENDED 30 JUNE 2021 (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, into call or put options on currencies to hedge against exposures to foreign currency fluctuations. The carrying value of these contracts is the gain or loss that would be realised if the position were closed out on the valuation date, and is recorded as an unrealised gain or loss. Upon the closing of the contract, the gain or loss is recorded in the net realised gain or loss on foreign exchange.

#### g) Futures contracts

Financial futures contracts are valued at the exchange quoted settlement price. Initial margin deposits are made upon entering into the contracts and can be either in cash or securities. During the period 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 30 June 2021.

#### 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 period 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 30 June 2021.

#### 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 PERIOD ENDED 30 JUNE 2021 (CONTINUED)

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

#### i) Dividends payable (continued)

During the period ended 30 June 2021, the Fund distributed the following dividends:

India Growth Fund	Ex Date	Pay date	Dividend per share	Total dividend paid (USD)
Class A Distribution Shares GBP	11 February 2021	22 February 2021	USD 0.6924	6,422
Class A Distribution Shares GBP	11 May 2021	21 May 2021	USD 0.5659	6,094
				<b>12,516</b>
India Midcap Fund	Ex Date	Pay date	Dividend per share	Total dividend paid (USD)
Class A Distribution Shares GBP	11 May 2021	21 May 2021	USD 0.9197	33,395
Class X Distribution Shares JPY	11 May 2021	21 May 2021	USD 3.6800	1,0588,725
Class C Distribution Shares GBP	11 May 2021	21 May 2021	USD 0.5660	21,173
Class A Distribution Shares USD	11 May 2021	21 May 2021	USD 0.3000	3,046
				<b>10,646,339</b>
India Fixed Income Fund	Ex Date	Pay date	Dividend per share	Total dividend paid (USD)
Class I Distribution Shares EUR	11 May 2021	21 May 2021	USD 0.1339	22,831
Class C Distribution Shares GBP	11 May 2021	21 May 2021	USD 0.1840	2,490
				<b>25,321</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 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.

# KOTAK FUNDS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 (CONTINUED)

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

#### j) Swing Pricing (continued)

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

Dilution adjustment for the period ended 30 June 2021 amounted to USD 1,781 for the India Fixed Income Fund.

As at 30 June 2021, 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 30 June 2021 are as follows:

#### Kotak Funds - India Growth Fund

Class A: 2.00% Class I: 1.00% Class B: 2.00% Class X: 1.00% Class C: 1.00% 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 0.25% of the investment management fees on behalf of Class X of the India Midcap Sub-Fund since the launch of the Class.

\*\*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.

Investment management fees for the period ended 30 June 2021 amounted to USD 8,547,661 for the India Growth Fund, USD 728,811 for the India Midcap Fund and USD 48,617 for the India Fixed Income Fund.

# KOTAK FUNDS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 (CONTINUED)

### 4. Administration and depositary fees

Until 24 May 2021 HSBC Continental Europe, Luxembourg Branch, as administrator and was entitled to receive from the Fund fees payable monthly based on the average Net Asset Value of each Sub-Fund. These fees were as follows:

	<b>Administration fee rate</b>	<b>Depositary fee rate</b>	<b>Custody fee rate (India Market only)</b>
USD 0 - USD 250,000,000	0.030%	0.010%	0.015%
USD 250,000,000 - USD 500,000,000	0.025%	0.010%	0.015%
Above USD 500,000,000	0.020%	0.010%	0.015%

During this period administration and depositary fees were subject to a minimum annual fee of EUR 17,500 (USD 20,792).

From 25 May 2021 Brown Brothers Harriman (Luxembourg) S.C.A., as administrator and is entitled to receive from the Fund fees based on the aggregate Net Asset Value of the Fund. These fees are as follows:

	<b>Administration fee rate</b>	<b>Depositary fee rate</b>	<b>Custody fee rate (India and US Markets)</b>
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) (formerly SGG Fund Services (Mauritius) Ltd), 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 (the Bluechip Subsidiary): USD 800.
- (vi) For the license fees (the Bluechip Subsidiary): USD 2,425.

# KOTAK FUNDS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 (CONTINUED)

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### 5. Subscription tax

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

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

### 6. Taxation

#### *Tax implications for direct investments*

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

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

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

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

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

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

# KOTAK FUNDS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 (CONTINUED)

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### 6. Taxation (continued)

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

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.

(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 Mauritian 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 incurred during the period amount to USD 35,534.

# KOTAK FUNDS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 (CONTINUED)

### 8. Management company fee

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

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

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

HSBC Continental Europe, Luxembourg Branch (until 24 May 2021) and Brown Brothers Harriman (Luxembourg) S.C.A. (from 25 May 2021) has been appointed to perform central administration duties for the Fund pursuant to a delegation of such duties to it by the Management Company.

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

Fund assets up to EUR 100 million: 0.05% per annum

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

Fund assets over EUR 500 million: 0.03% per annum

A minimum monthly fee of EUR 5,000 (USD 5,941) 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 1,485) 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. Forward foreign exchange contracts

As at 30 June 2021, Kotak India Fixed Income Fund entered 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
HSBC Bank Plc, London	6 July 2021	INR	41,126,525	USD	(550,000)	2,888
HSBC Bank Plc, London	9 August 2021	INR	40,491,275	USD	(550,000)	(7,673)
HSBC Bank Plc, London	23 August 2021	INR	22,371,450	USD	(300,000)	(846)
HSBC Bank Plc, London	30 August 2021	INR	33,665,850	USD	(450,000)	(177)
						<b>(5,808)</b>

# KOTAK FUNDS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 (CONTINUED)

### 10. 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.

Sub-Fund	Methodology applied for measuring the Global Exposure
India Growth Fund	Commitment approach
India Midcap Fund	Commitment approach
India Fixed Income Fund	Commitment approach

### 11. Events during the period

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

### 12. Subsequent events

There have not been any significant events after the reporting period affecting the Fund.

### 13. Remuneration policy

The European Union Directive 2014/91/EU (known as the “UCITS V Directive”) came into effect on 18 March 2016. The Management Company is required to operate a remuneration policy in accordance with applicable requirements of the UCITS V Directive. Details of the management company’s remuneration and associated financial disclosures will be made within the annual report for the period to 31 December 2021.

### 14. 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.

### 15. 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.