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Mutual Fund

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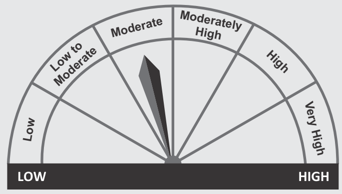
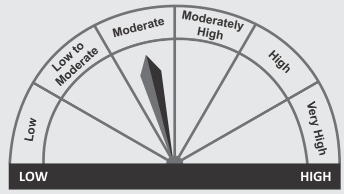
# SCHEME INFORMATION DOCUMENT (SID)

## SECTION I

# KOTAK LONG DURATION FUND

An open-ended debt scheme investing in instruments such that the Macaulay duration of the portfolio is greater than 7 Years. A relatively high interest rate risk and relatively low credit risk.

| This product is suitable for investors who are seeking*: | Scheme Riskometer | Benchmark Riskometer |
|---|---|---|
| • Long term wealth creation<br>• To generate income / capital appreciation through investments in debt and money market instruments | Investors understand that their principal will be at moderate risk | Investors understand that their principal will be at moderate risk<br>NIFTY Long Duration Debt Index- A-III (Tier I) |

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

(The above risk-o-meter is based on the scheme portfolio as on May 31, 2024. An addendum may be issued or updated in accordances with provisions of Para 17.4 of SEBI Master circular No. SEBI/HO/IMD/IMD-PoD-1/P/CIR/2023/74 dated May 19, 2023, on an ongoing basis on the website viz. www.kotakmf.com)

**Potential Risk Class ("PRC") Matrix of the Scheme**

| Credit Risk →<br>Interest Rate Risk ↓ | Relatively Low (Class A) | Moderate (Class B) | Relatively High (Class C) |
|---|---|---|---|
| **Relatively Low** | | | |
| **Moderate** | | | |
| **Relatively High** | **A - III** | | |

**Continuous Offer for Units at NAV based prices**

| | |
|---|---|
| Name of Mutual Fund | Kotak Mahindra Mutual Fund |
| Name of Asset Management Company | Kotak Mahindra Asset Management Company Ltd<br>CIN: U65991MH1994PLC080009 |
| Name of Trustee Company | Kotak Mahindra Trustee Company Ltd<br>CIN: U65990MH1995PLC090279 |
| Registered Address of the Companies | 27 BKC, C-27, G Block, Bandra Kurla Complex, Bandra (E),Mumbai - 400051 |
| Corporate Office Address of Asset Management Company | 2nd Floor, 12-BKC, Plot No. C-12, G-Block, Bandra Kurla Complex, Bandra East, Mumbai - 400 051 |
| Website | www.kotakmf.com |

**The particulars of the Scheme have been prepared in accordance with the Securities and Exchange Board of India (Mutual Funds) Regulations 1996, (herein after referred to as SEBI (MF) Regulations) as amended till date, and filed with SEBI, along with a Due Diligence Certificate from the AMC. The units being offered for public subscription have not been approved or recommended by SEBI nor has SEBI certified the accuracy or adequacy of the Scheme Information Document.**

The Scheme Information Document sets forth concisely the information about the scheme that a prospective investor ought to know before investing. Before investing, investors should also ascertain about any further changes to this Scheme Information Document after the date of this Document from the Mutual Fund / Investor Service Centres / Website / Distributors or Brokers.

**The investors are advised to refer to the Statement of Additional Information (SAI) for details of Kotak Mahindra Mutual Fund, Standard Risk Factors, Special Considerations, Tax and Legal issues and general information on www.kotakmf.com**

**SAI is incorporated by reference (is legally a part of the Scheme Information Document). For a free copy of the current SAI, please contact your nearest Investor Service Centre or log on to our website.**

**The Scheme Information Document (Section I and II) should be read in conjunction with the SAI and not in isolation.**

**This Scheme Information Document is dated June 28, 2024.**

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## Part I. HIGHLIGHTS/SUMMARY OF THE SCHEME

| Sr. No. | Title | Description |
|---|---|---|
| I. | **Name of the scheme** | Kotak Long Duration Fund |
| II. | **Category of the Scheme** | Debt Scheme –Long Duration Fund |
| III. | **Scheme type** | An open ended debt scheme investing in instruments such that the Macaulay Duration of the portfolio is greater than 7 years. A Relatively High Interest Rate Risk and Relatively Low Credit Risk. |
| IV. | **Scheme code** | KOTM/O/D/LON/24/01/0121 |
| V. | **Investment objective** | To generate income / capital appreciation through investments in debt and money market instruments. There is no assurance that the investment objective of the Scheme will be achieved. |
| VI. | **Liquidity/listing details** | The Scheme offers Units for Subscription and Redemption at NAV based prices on each Business Days on an ongoing basis.<br><br>Since the Scheme is open-ended, it is not necessary to list the units of the Scheme on any exchange. |
| VII. | **Benchmark (Total Return Index)** | **Tier 1 Benchmark -** CRISIL Long Duration Debt A-III Index<br><br>**Benchmark rationale:**<br>The composition of the aforesaid benchmark is such that, it is most suited for comparing the performance of the scheme. |
| VIII. | **NAV disclosure** | The NAVs of the Scheme will be calculated and disclosed on every Business Day on the website of the Kotak Mahindra Mutual Fund viz www.kotakmf.com and AMFI's website www.amfiindia.com by 11.00 p.m.<br><br>For further details, refer Section II. |
| IX. | **Applicable timelines** | **Dispatch of redemption proceeds**<br>The Mutual Fund shall initiate payment of redemption or repurchase proceeds to the unitholders within three working days from the date of redemption or repurchase.<br>In case of exceptional situations listed in AMFI Circular No. AMFI/35P/MEM-COR/74/2022-23 dated January 16, 2023, the scheme shall is allowed additional timelines for transfer of redemption or repurchase proceeds to the unitholders.<br><br>**Dispatch of IDCW**<br>• The Income Distribution cum capital withdrawal (IDCW) payments shall be dispatched to the unitholders within seven working days from the record date. |
| X. | **Plans and Options** | **Plan- Direct Plan/Regular Plan** |

| | | |
|---|---|---|
| | Plans/Options and sub options under the Scheme | Direct Plan: This Plan is only for investors who purchase /subscribe Units in a Scheme directly with the Fund and is not available for investors who route their investments through a Distributor.<br><br>Regular Plan: This Plan is for investors who wish to route their investment through any distributor.<br><br>**Options under each Plan(s)**<br>• Growth<br>• Income Distribution cum Capital Withdrawal (IDCW)<br>i) Payout of Income Distribution cum Capital Withdrawal Option<br>ii) Reinvestment of Income Distribution cum Capital Withdrawal Option<br><br>**Default Option /Sub-Options**<br>• If applicant does not indicate the choice of option between growth and Income Distribution cum capital withdrawal (IDCW) option in the application form, then the fund will accept it as an application for growth option under respective plan.<br><br>• If applicant does not indicate the choice of Income Distribution cum capital withdrawal (IDCW) sub-option between payout of Income Distribution cum capital withdrawal (IDCW) and reinvestment of Income Distribution cum capital withdrawal (IDCW) then the fund will accept it as an application for reinvestment of Income Distribution cum capital withdrawal (IDCW).<br><br>For detailed disclosure on default plans and options, kindly refer SAI. |
| **XI.** | **Load Structure** | **Exit Load:** NIL<br><br>No exit load will be chargeable in case of switches made between different plans/options of the scheme.<br><br>The AMC reserves the right to change / modify the Load structure of the Scheme, subject to maximum limits as prescribed under the SEBI (MF) Regulations and circulars issued thereunder from time to time. |
| **XII.** | **Minimum Application Amount/switch in** | Initial Purchase (Non- SIP)- Rs. 100/- and any amount thereafter<br><br>SIP Purchase - Rs. 100/- and any amount thereafter |
| **XIII.** | **Minimums Additional Purchase Amount** | Rs. 100/- and any amount thereafter |

| | | |
|---|---|---|
| XIV. | **Minimum Redemption/switch out amount** | The minimum redemption amount for all plans will be Rs. 100/- or account balance, whichever is lower. |
| XV. | **New Fund Offer Period**<br>This is the period during which a new scheme sells its units to the investors. | This does not apply to the scheme, as the ongoing offer of the Scheme has commenced after the NFO period, and the units are available for continuous subscription and redemption. |
| XVI. | **New Fund Offer Price:**<br>This is the price per unit that the investors have to pay to invest during the NFO. | This does not apply to the scheme, as the ongoing offer of the Scheme has commenced after the NFO period, and the units are available for continuous subscription and redemption. |
| XVII. | **Segregated portfolio/side pocketing disclosure** | Segregation of portfolio has been enabled in the scheme.<br>For Details, kindly refer SAI. |
| XVIII | **Swing pricing disclosure** | Swing Pricing has been enabled in the scheme. For Details, Kindly refer SAI. |
| XIX. | **Stock lending/short selling** | Stock lending has been enabled in the scheme. For Details, kindly refer SAI. |
| XX. | **How to Apply and other details** | Investors should apply through a common application form/online. Investors, are requested to go through the Guidelines / instructions in Key Information Memorandum (KIM) cum application form for filling up the application form before investing. The investors signature on the main application form shall be the basis for all future transactions processing. Existing investors can use their Folio number at the time of investing in the same scheme or any scheme of Kotak Mahindra Mutual Fund.<br><br>All cheques and drafts should be crossed "Account Payee Only" and drawn in favour the scheme name in which investment is intended to be made.<br>The investors can submit the Application forms and Key Information Memorandum (along with transaction slip)/ forms for redemption/ switches at the branches of AMC or Investor Service Centres (ISCs)/Official Points of Acceptance (OPAs) of the Registrar (CAMS) or distributors or on the website of Kotak Mahindra Mutual Fund (www.kotakmf.com).<br><br>Investors are also advised to refer to Statement of Additional Information before submitting the application form.<br><br>For Further details refer section II. |
| XXI. | **Investor services** | • Contact details for general service requests:<br>18003091490 / 044-40229101 (Monday to Friday between 9.30am to 6.00 pm & Saturday between 9.30am to 12.30pm) |

| | | |
|---|---|---|
| | | https://www.kotakmf.com/feedback/customer<br><br>• Contact details for complaint resolution:<br>Ms. Sushma Mata, Investor Relations Officer<br>Kotak Mahindra Asset Management Company Limited,<br>6th Floor, Kotak Towers, Building No.21,<br>Infinity Park, Off: Western Express Highway<br>Goregaon - Mulund Link Road, Malad(East), Mumbai 400097<br>Phone Number: 18003091490 / 044-40229101<br>Fax: 6708 2213<br>e-mail: https://info.kotakmf.com/write-to-us or WhatsApp us by sending us "Hi" at 9321884488. For portfolio valuation, give a missed call to 7039055555 |
| **XXII** | **Specific attribute of the scheme (such as lock in, duration in case of target maturity scheme/close ended schemes) (as applicable)** | **IDCW Frequency**<br>IDCW is declared subject to availability and adequacy of distributable surplus.<br><br>**IDCW Record Dates:** At the discretion of the Trustees (If the record date is not a Business Day, the immediately following Business Day will be the record date) |
| **XXIII** | **Special product/facility available during the NFO and on ongoing basis** | Following facilities are available<br>• Systematic Investment Plan(SIP)<br>• SIP Top up Facility<br>• Systematic Withdrawal Plan(SWP)<br>• Systematic Transfer Plan(STP)<br>• Transfer of Income Distribution cum capital withdrawal (IDCW) Plan<br>• Switching<br>• Long Term Income Facility<br>• Daily frequency under Systematic Transfer Plan Facility<br>• Variable Transfer Plan ('VTP')<br>• SIP Pause Facility<br>• Smart Facility i.e Smart Systematic Transfer Plan(SSTP) |
| **XXIV** | **Weblink** | A weblink wherein TER for last 6 months viz- https://www.kotakmf.com/Information/TER, Daily TER as well as scheme factsheet shall be made available at https://www.kotakmf.com/Information/statutory-disclosure/information |

## DUE DILIGENCE BY THE ASSET MANAGEMENT COMPANY

It is confirmed that:

(i) The Scheme Information Document submitted to SEBI is in accordance with the SEBI (Mutual Funds) Regulations, 1996 and the guidelines and directives issued by SEBI from time to time.

(ii) All legal requirements connected with the launching of the Scheme as also the guidelines, instructions, etc., issued by the Government and any other competent authority in this behalf, have been duly complied with.

(iii) The disclosures made in the Scheme Information Document are true, fair and adequate to enable the investors to make a well informed decision regarding investment in the Scheme.

(iv) The intermediaries named in the Scheme Information Document and Statement of Additional Information are registered with SEBI and their registration is valid, as on date.

(v) The contents of the Scheme Information Document including figures, data, yields etc. have been checked and are factually correct

(vi) A confirmation that the AMC has complied with the compliance checklist applicable for Scheme Information Documents and other than cited deviations/ that there are no deviations from the regulations

(vii) Notwithstanding anything contained in this Scheme Information Document, the provisions of the SEBI (Mutual Funds) Regulations, 1996 and the guidelines there under shall be applicable.

(viii) The Trustees have ensured that the Kotak Long Duration Fund approved by them is a new product offered by Kotak Mahindra Mutual Fund and is not a minor modification of any existing scheme/fund/product (This clause is not applicable to Fixed Maturity Plans and Close Ended Schemes except for those close ended schemes which have the option of conversion into open ended schemes on maturity and also to Interval Schemes.)

**Date: June 28, 2024**
**Place: Mumbai**

**Name: Ms. Jolly Bhatt**
**Designation: Compliance Officer**

## Part II. INFORMATION ABOUT THE SCHEME

### A. HOW WILL THE SCHEME ALLOCATE ITS ASSETS?

| Instruments | Indicative allocations (% of total assets) | |
|---|---|---|
| | Minimum | Maximum |
| Debt & Money market instruments#*^ | 0 | 100 |

#Debt instruments shall be deemed to include securitised debts (excluding foreign securitised debt) and investment in securitised debts may be up to 20% of the net assets of the scheme in accordance with clause 1 of Seventh Schedule of SEBI (Mutual Funds) Regulations, 1996.

#Money Market instruments include commercial papers, commercial bills, treasury bills, Government securities having an unexpired maturity up to one year, call or notice money, certificate of deposit, usance bills, tri-party repos and any other like instruments as specified by the Reserve Bank of India from time to time.

*The Fund shall have a Macaulay duration of the portfolio greater than 7 years.

Pursuant to Para 7.5, 7.6 and 12.25 of SEBI Master circular no SEBI/HO/IMD/IMD-PoD-1/P/CIR/2023/74 dated May 19, 2023 as may be amended from time to time, the scheme may also use various derivative and hedging products from time to time in a manner permitted by SEBI to reduce the risk of the portfolio as and when the fund manager is of the view that it is in the best interest of the unit holders. The scheme may invest upto 50% of its total assets in debt derivatives of which imperfect hedge using Interest Rate Futures (IRF) shall not exceed 20% of the total assets.

As per Para 12.24 of SEBI Master circular no SEBI/HO/IMD/IMD-PoD-1/P/CIR/2023/74 dated May 19, 2023, the cumulative gross exposure through debt, debt derivative positions (including fixed income derivatives), repo transactions in corporate debt securities, other permitted securities/assets and such other securities/assets as may be permitted by the Board from time to time should not exceed 100% of the net assets of the scheme.

In accordance with clause 4 of Seventh Schedule of SEBI (Mutual Funds) Regulations 1996 scheme may invest in the units of Mutual Fund schemes of Kotak Mahindra Mutual Fund or any other Mutual Fund.

Pursuant to para 12.25.3 of SEBI Master circular no SEBI/HO/IMD/IMD-PoD-1/P/CIR/2023/74 dated May 19, 2023, Cash or cash equivalents with residual maturity of less than 91 days may be treated as not creating any exposure. Cash Equivalent shall consist of the following securities having residual maturity of less than 91 days:
a) Government Securities;
b) T-Bills; and
c) Repo on Government securities.

Pursuant to Para 12.18 of SEBI Master circular no SEBI/HO/IMD/IMD-PoD-1/P/CIR/2023/74 dated May 19, 2023, SEBI Circular no. SEBI/HO/IMD/IMD PoD-2/P/CIR/ dated June 08, 2023 and SEBI circular No.

SEBI/HO/IMD/IMD PoD-2/P/CIR/2023/87 dated June 13, 2023 and various other circulars issued from time to time, the scheme may participate in the corporate bond repo transactions. The gross exposure of the scheme to repo transactions in corporate debt securities shall not be more than 10% of the net assets of the concerned scheme.

Investment in debt instruments having structured obligations / credit enhancements as per para 12.3 of SEBI Master circular no SEBI/HO/IMD/IMD-PoD-1/P/CIR/2023/74 dated May 19, 2023:
The investment of the Scheme in the following instruments shall not exceed 10% of the debt portfolio of the Scheme and the group exposure in such instruments shall not exceed 5% of the debt portfolio of the Scheme: -

- Unsupported rating of debt instruments (i.e. without factoring-in credit enhancements) is below investment grade; and –
- Supported rating of debt instruments (i.e. after factoring-in credit enhancement) is above investment grade

Subject to SEBI (MF) Regulations and in accordance with para 12.11 of SEBI Master circular no SEBI/HO/IMD/IMD-PoD-1/P/CIR/2023/74 dated May 19, 2023, as amended from time to time, the Trustee may permit the Fund to engage in securities lending and borrowing. At present, since only lending is permitted, the fund may temporarily lend securities held with the Custodian to reputed counter-parties or on the exchange, for a fee, subject to prudent limits and controls for enhancing returns. The Scheme will lend securities subject to a maximum 20% in aggregate, of the net assets of the Scheme and 5% of the net assets of the Scheme in the case of a single intermediary.

The Scheme shall invest in debt instruments with special features viz. subordination to equity (absorbs losses before equity capital) and /or convertible to equity upon trigger of a pre-specified event for loss absorption referred in Para 12.2 of SEBI Master Circular no. SEBI/HO/IMD/IMD-PoD1/P/CIR/2023/74 dated May 19, 2023. The Scheme shall not invest more than 10% of its NAV of the debt portfolio of the scheme in such instruments and not more than 5% of its NAV of the debt portfolio of the Scheme in such instruments issued by a single issuer having special features or within such limits as permitted by SEBI from time to time.

The Scheme may invest in overseas debt securities upto a maximum 20% including units issued by overseas Debt Mutual Funds/ ETFs registered with overseas regulator as may be permissible and described in para 12.19 of SEBI Master circular no SEBI/HO/IMD/IMD-PoD-1/P/CIR/2023/74 dated May 19, 2023, as may be amended from time to time, within the overall applicable limits.

The Scheme can make overseas investments subject to a maximum of US $ 1 billion per Mutual Fund, within the overall industry limit of US $ 7 billion or such limits as may be prescribed by SEBI from time to time. The Scheme therefore may or may not be able to utilise the limit of USD 1 billion due to the USD 7 billion limit being exhausted by other Mutual Funds. Further, the scheme can make investments in overseas Exchange Traded Fund (ETF(s) subject to a maximum of US $ 300 million per Mutual Fund, within the overall industry limit of US $ 1 billion.

During the NFO, the intended amount for investment in overseas securities is US $ 5 Million and the intended amount for investment in overseas ETFs is US $ 1 Million.

The Scheme shall not participate in Credit Default Swaps.
The Scheme does not intend to engage in short selling of securities.

The scheme shall maintain liquid assets in the form of Redemption at Risk (LR-RaR) and Conditional Redemption at Risk (LR-CRaR) which shall be atleast 10% of their net assets of the scheme or as as prescribed at Annexure 1 of AMFI Best Practices Guidelines Circular No.93 / 2021-22 dated July 24, 2021, whichever is higher.

The schemes shall maintain the above two ratios at 100% of the requirement on a daily basis. However, to meet redemptions, AMCs may have to periodically dip into their liquid assets which may result in the liquidity ratio dropping below 100% on those days. To factor in such scenarios, the scheme shall ensure that the ratio is restored to 100% of the requirement by ensuring the net inflows (through net subscription/accruals/ maturity & sale proceeds) into the scheme are used for restoring the ratios before making new purchases outside 'Eligible Assets'. In case the ratio remains below 100% for more than 15 consecutive days, then, this information shall be highlighted to Trustees till such time the said ratio is not restored to 100% of the requirement on weekly basis.

In respect to asset allocation limits as provided in above table, the base shall be considered as net assets excluding the extent of minimum stipulated eligible assets i.e. higher of 10% of net assets or LR-CRaR as prescribed at Annexure 1 of AMFI Best Practices Guidelines Circular No.93 / 2021-22 dated July 24, 2021.

In accordance with the requirement of regulation 43A of SEBI (Mutual Funds) Regulations, 1996 read with SEBI circular no. SEBI/HO/IMD/PoD2/P/CIR/2023/129 dated July 27, 2023 on Investment by Mutual Fund Schemes and AMCs in units of Corporate Debt Market Development Fund, scheme(s) shall invest 25 bps of its AUM as on December 31, 2022 in the units of the Corporate Debt Market Development Fund ('CDMDF') within 10 working days from the request of CDMDF. Further, an incremental contribution to CDMDF shall be made every six months within 10 working days from the end of half year starting from December 2023 to ensure 25 bps of scheme AUM is invested in units of CDMDF. However, if AUM decreases there shall be no return or redemption from CDMDF. Contribution made to CDMDF, including the appreciations on the same, if any, shall be locked-in till winding up of the CDMDF.

However, in case of winding up of contributing Scheme, inter-scheme transfers within the same Mutual Fund or across Mutual Funds may be undertaken.

Further, investments in CDMDF units shall not be considered as violation while considering maturity restriction as applicable for various purposes (including applicable Investment limits) and the calculations of Potential Risk Class (PRC) Matrix, Risk-o-meter, Stress testing and Duration for various purposes shall be done after excluding investments in units of CDMDF. Also, for calculation of asset allocation limits of mutual fund schemes, investment in units of CDMDF shall be excluded from base of net assets.

Apart from the investment restrictions prescribed under SEBI (MF) Regulations, the fund follows certain internal norms vis-à-vis limiting exposure to a particular scrip, issuer or sector, etc. within the mentioned restrictions, and these are subject to review from time to time.

**Indicative Table** (Actual instrument/percentages may vary subject to applicable SEBI circulars)

| Sl. no | Type of Instrument | Percentage of exposure (Maximum) | Circular references* |
|---|---|---|---|
| 1. | Securities Lending | Aggregate - 20% of net assets of the Scheme<br>Single intermediary - 5% of the net assets of the Scheme | Para 12.11.2.1 of Master Circular No. SEBI/HO/IMD/IMD-PoD-1/P/CIR/2023 /74 May 19, 2023 |
| 2. | Securitized Debt (excluding foreign securitised debt) | 20% of the net assets | Para 12.15.1 of Master Circular No. SEBI/HO/IMD/IMD-PoD-1/P/CIR/2023 /74 May 19, |

| | | | |
|---|---|---|---|
| | | | 2023 |
| 3. | Overseas Investments | 20% of the debt portion | Para 12.19 of SEBI Master Circular no. SEBI/HO/IMD/IMD-PoD1/P/CIR/2023/74 dated May 19, 2023 |
| 4. | Repo transactions in corporate debt securities | 10 % of the net assets | Para 12.18 of SEBI Master Circular no. SEBI/HO/IMD/IMD-PoD1/P/CIR/2023/74 dated May 19, 2023 |
| 5. | Instruments having Special Features | 10% of its NAV of the debt portfolio<br>Single issuer limit - 5% of its NAV of the debt portfolio | 12.2 of SEBI Master Circular no. SEBI/HO/IMD/IMD-PoD1/P/CIR/2023/74 dated May 19, 2023 |
| 6. | Investments in Derivates | Debt derivatives - 50% of its total assets<br><br>Imperfect hedge using Interest Rate Futures (IRF) - 20% of the total assets. | 12.25 of SEBI Master Circular no. SEBI/HO/IMD/IMD-PoD1/P/CIR/2023/74 dated May 19, 2023 |
| 7. | Investment in debt instruments having structured obligations / credit enhancements | 10% of debt portfolio at scheme level<br><br>5% of debt portfolio per group | Para 12.3 of SEBI Master Circular no. SEBI/HO/IMD/IMD-PoD1/P/CIR/2023/74 dated May 19, 2023. |
| 8. | Credit Default Swaps | The Scheme shall not invest in Credit default swaps | N.A. |
| 9. | Short selling of securities. | The Scheme does not intend to engage in short selling of securities. | N.A. |

**Portfolio Rebalancing**:
As per para 2.9 of SEBI Master Circular no. SEBI/HO/IMD/IMD-PoD-1/P/CIR/2023/74 dated May 19, 2023, in the event of any deviation from mandated asset allocation mentioned above, due to passive breaches, rebalancing period will be Thirty (30) business days. In case the portfolio is not rebalanced within Thirty (30) business days, justification in writing, including details of efforts taken to rebalance the portfolio shall be placed before the Investment Committee. The Investment Committee, if so desired, can extend the timelines up to sixty (60) business days from the date of completion of mandated rebalancing period. In case the portfolio of the scheme is not rebalanced within the aforementioned mandated plus extended timelines, the AMC shall not launch any new scheme till the time the portfolio is rebalanced and also not levy exit load, if any on the investors exiting the Scheme. However, at all times the portfolio will adhere to the overall investment objective of the Scheme.

**Short Term Defensive Consideration**

As per Para 1.14.1.2 of SEBI Master Circular no. SEBI/HO/IMD/IMD-PoD-1/P/CIR/2023/74 dated May 19, 2023, the asset allocation pattern indicated above may change for a short term period on defensive considerations, keeping in view market conditions, market opportunities, applicable regulations and political and economic factors. These proportions may vary depending upon the perception of the Fund Manager, the intention being at all times to seek to protect the interests of the Unit holders. In case of any deviation, the portfolio shall be rebalanced within 30 calendar days.

**B. WHERE WILL THE SCHEME INVEST?**

The Scheme shall invest in the following securities as per the limits specified in the asset allocation table of Scheme, subject to SEBI (MF) Regulations

a. Securities created and issued/ guaranteed by the Central and State Governments and/or repos/reverse repos in such Government Securities as may be permitted by RBI (including but not limited to coupon bearing bonds, zero coupon bonds and treasury bills).
b. Debt obligations of domestic Government agencies and statutory bodies, which may or may not carry a Central/State Government guarantee (including but not limited to Indian Government Bond, State Development Loans issued and serviced at the Public Debt Office, Bonds issued by Central & State Government PSU's which are guaranteed by Central or State Governments).
c. Corporate debt (including repo in corporate bonds) (of both public and private sector undertakings) including Non-convertible debentures (including bonds) and non-convertible part of convertible securities.
d. Obligations/ Term Deposits of banks (both public and private sector) and development financial institutions and other bodies corporate as may be permitted by SEBI from time to time.
e. Money market instruments permitted by SEBI/RBI, having maturities of up to one year or in alternative investment for the call money market as may be provided by the RBI to meet the liquidity requirements.
f. Certificate of Deposits (CDs).
g. Commercial Paper (CPs).
h. Triparty repo on Government securities or treasury bills, Bills re-discounting, Reverse repos, & other money market instruments as may be permitted by SEBI from time to time.
i. Repo repo of corporate debt securities
j. Securitised Debt, not including foreign securitised debt.
k. The non-convertible part of convertible securities.
l. Debentures
m. Any other domestic fixed income securities as permitted by SEBI / RBI from time to time.
n. Derivative instruments like Interest Rate Swaps, Interest Rate Forwards, Interest Rate Futures, Forward Rate Agreements, Interest Rate Futures (IRFs) (and such other derivative instruments permitted by SEBI/RBI.
o. Offshore securities / offshore debt securities, in the manner allowed by SEBI/RBI, provided such investments are in conformity with the investment objective of the Scheme and the prevailing guidelines and Regulations.
p. Reverse repos in such Government Securities as may be permitted by RBI;
q. Short Term Deposits of banks (both public and private sector) and development financial institutions to the extent permissible under SEBI Regulations.
r. Debt instruments with special features as referred to Para 12.2 of SEBI Master Circular no. SEBI/HO/IMD/IMD-PoD1/P/CIR/2023/74 dated May 19, 2023.
s. Units of Mutual Funds Schemes;
t. Securities Lending & Borrowing as permitted by SEBI from time to time;
u. Investment in CDMDF-_In accordance with the requirement of regulation 43A of SEBI (Mutual Funds) Regulations, 1996 read with SEBI circular no. SEBI/HO/IMD/PoD2/P/CIR/2023/129 dated July 27, 2023 on Investment by Mutual Fund Schemes and AMCs in units of Corporate Debt Market Development Fund, scheme shall invest 25 bps of its AUM.

The securities mentioned above could be listed or unlisted, secured or unsecured, rated or unrated and of varying maturities and other terms of issue. The securities may be acquired through Initial Public Offerings (IPOs), secondary market operations, private placement, rights offer or negotiated deals. The Schemes may also enter into repurchase and reverse repurchase obligations in all securities held by it as per guidelines/regulations applicable to such transactions.

Transfer of investments from one scheme to another scheme in the same Mutual Fund, shall be allowed, in lines with para 12.30 of SEBI Master Circular no. SEBI/HO/IMD/IMD-PoD1/P/CIR/2023/74 dated May 19, 2023.

In accordance with Para 12. 9 of SEBI Master Circular no. SEBI/HO/IMD/IMD-PoD1/P/CIR/2023/74 dated May 19, 2023in case of debt schemes, the total exposure to single sector shall not exceed 20% of the net assets of the scheme. However, this limit is not applicable for investments in Bank CDs, Triparty repo on Government securities or treasury bills, G-Secs, T-Bills short term deposits of scheduled commercial banks and AAA rated securities issued by Public Financial Institutions and Public Sector Banks. Provided that an additional exposure to financial services sector (over and above the limit of 20%) not exceeding 10% of the net assets of the scheme shall be allowed by way of increase in exposure to Housing Finance Companies (HFCs) only; Further, an additional exposure of 5% of the net assets of the scheme has been allowed for investments in securitized debt instruments based on retail housing loan portfolio and/or affordable housing loan portfolio. However, the overall exposure in HFCs shall not exceed the sector exposure limit of 20% of the net assets of the scheme. Provided further that the additional exposure to such securities issued by HFCs are rated AA and above and these HFCs are registered with National Housing Bank (NHB) and the total investment/ exposure in HFCs shall not exceed 20% of the net assets of the scheme.

**Investment in Foreign Securities**

The Scheme may also invest in suitable investment avenues in overseas financial markets for the purpose of diversification, commensurate with the Scheme objectives and subject to the provisions of Para 12.19 of SEBI Master Circular no. SEBI/HO/IMD/IMD-PoD1/P/CIR/2023/74 dated May 19, 2023 and as may be amended from time to time an any other requirements as may be stipulated by SEBI/RBI from time to time

The Scheme may, in terms of its investment objectives with the approval of SEBI/RBI invest in following Foreign Securities:

ii. Foreign debt securities in the countries with fully convertible currencies, short term as well as long term debt instruments with rating not below investment grade by accredited/registered credit rating agencies

iii. Money market instruments rated not below investment grade

iv. Repos in the form of investment, where the counterparty is rated not below investment grade; repos should not however, involve any borrowing of funds by mutual funds

v. Government securities where the countries are rated not below investment grad

vi. Debt Derivatives traded on recognized stock exchanges overseas only for hedging and portfolio balancing with underlying as securities

vii. Short term deposits with banks overseas where the issuer is rated not below investment grade

viii. Debt Units/securities issued by overseas mutual funds or unit trusts registered with overseas regulators and investing in

(a) aforesaid securities,

(b) Real Estate Investment Trusts (REITs) listed in recognized stock exchanges overseas or

(c) unlisted overseas securities (not exceeding 10% of their net assets).

Mutual funds can make overseas investments [as stated in point (i) to (x) above] subject to a maximum of US $1 billion per mutual fund, within the overall industry limit of US $ 7 billion or such limits as may be prescribed by SEBI from time to time. Further, the scheme can make investments in overseas Exchange Traded Fund (ETF(s) subject to a maximum of US $ 300 million per Mutual Fund, within the overall industry limit of US $ 1 billion.

The intended amount for investment in overseas securities is US $5 Million and the intended amount for investment in overseas ETFs is US $ 1 Million., subject to maximum limit as specified in para 12.19 of SEBI

Master Circular no. SEBI/HO/IMD/IMD-PoD-1/P/CIR/2023/74 dated May 19, 2023.

The aforesaid investments would be in line with the asset allocation of the scheme.

The Mutual Fund may, where necessary appoint intermediaries as sub-managers, sub-custodians, etc. for managing and administering such investments. The appointment of such intermediaries shall be in accordance with the applicable requirements of SEBI and within the permissible ceilings of expenses as stated under Regulation 52 of SEBI (MF) Regulations.

### C. WHAT ARE THE INVESTMENT STRATEGIES?

The Scheme shall follow active investment strategy. The scheme will invest in Debt & Money Market Instruments such that the Macaulay duration of the portfolio is greater than 7 years. The duration would be managed dynamically using debt & money market instruments. Volatility will be high given the long duration of the product. The Scheme shall endeavour to develop a well-diversified portfolio of debt Money Market Instruments.

The Scheme may invest in securitized debt, debt instruments having structured obligations / credit enhancements, corporate bond repo transactions. The Scheme may also invest in debt instruments with special features for e.g subordination to equity i.e. absorbing losses before equity capital and /or convertible to equity upon trigger of a pre-specified event for loss absorption (for e.g. Additional Tier I bonds and Tier 2 bonds issued under Basel III framework).

The AMC has an internal policy for selection of assets of the portfolio. The portfolio is constructed taking into account ratings from different rating agencies, rating migration, credit premium over the price of a sovereign security, general economic conditions and such other criteria. Such an internal policy from time to time lays down maximum/minimum exposure for different ratings, liquidity norms, and so on. Through such norms, the Scheme is expected to maintain a high quality portfolio and manage credit risk well.

Investments may be made in instruments, which, in the opinion of the Fund Manager are of an acceptable credit risk and chance of default is minimum. The Fund Manager will generally be guided by, but not restrained by, the ratings announced by various rating agencies on the assets in the portfolio.

The Macaulay duration is the weighted average term to maturity of the cash flows from a bond. The weight of each cash flow is determined by dividing the present value of the cash flow by the price.

The scheme may use Derivatives for the purpose of hedging, portfolio rebalancing and other purposes as may be permitted by SEBI.

The scheme may look to invest overseas for the purpose of diversification in terms of markets and currency. This can help the scheme in achieving higher returns, especially in markets that are experiencing strong economic growth or have undervalued assets. However, given the theme of the scheme, such exposure will be limited to a maximum of 20% of Net assets.

The Scheme may use SLBM for earning additional income for the scheme with a lesser degree of risk.

Scheme may invest in the units of Mutual Fund schemes of Kotak Mahindra Mutual Fund or any other Mutual Funds in terms of the prevailing SEBI (MF) Regulations.

**Portfolio Turnover**

Portfolio Turnover is a term used to measure the volume of trading that occurs in a Scheme's portfolio during a given time period. The Scheme has no specific target relating to turnover of securities, given the low liquidity in the debt market. However, the turnover is guided by sale and purchase of securities arising out of the purchase and redemption of Units. Trading opportunities may arise due to changes in system liquidity, interest rate policy announced by RBI, shifts in the yield curve, change or anticipation of change in the credit worthiness or credit rating of securities or any other factors, which may lead to increase in the turnover. The fund manager will endeavour to optimize portfolio turnover to maximize gains and minimize risks keeping in mind the cost associated with it. The Scheme has no specific target relating to portfolio turnover.

## D. HOW WILL THE SCHEME BENCHMARK ITS PERFORMANCE?

**Tier 1 Benchmark -** CRISIL Long Duration Debt A-III Index

**Benchmark rationale:**
The composition of the aforesaid benchmark is such that, it is most suited for comparing the performance of the scheme.

## E. WHO MANAGES THE SCHEME?

The Scheme will be managed by Mr. Abhishek Bisen and Ms. Palha Khanna will be the dedicated fund manager for investments in foreign securities.

| Name | Age | Qualification | Business Experience | Schemes Managed |
|---|---|---|---|---|
| Mr. Abhishek Bisen | 45 Years | B A Management,<br>MBA Finance<br>EPAF- IIM-C | Mr. Abhishek Bisen has been associated with the company since October 2006 and his key responsibilities include fund management of debt schemes. Prior to joining Kotak AMC, Abhishek was working with Securities Trading Corporation of India Ltd where he was looking at Sales & Trading of Fixed Income Products apart from doing Portfolio Advisory. His earlier assignments also include 2 years of merchant banking experience with a leading merchant banking firm. | • Kotak Bond Fund<br>• Kotak Gilt fund<br>• Kotak Debt Hybrid Fund<br>• Kotak Gold Fund<br>• Kotak Gold ETF<br>• Kotak Equity Savings Fund<br>• Kotak Equity Hybrid Fund<br>• Kotak Balanced Advantage Fund<br>• Kotak NASDAQ 100 Fund of Fund<br>• Kotak Nifty 50 Index Fund<br>• Kotak Nifty Alpha 50 ETF<br>• Kotak Nifty Midcap 50 ETF<br>• Kotak Multi Asset Allocator Fund of Fund – Dynamic<br>• Kotak Multicap Fund<br>• Kotak Nifty SDL APR 2027 Top 12 Equal Weight Index Fund<br>• Kotak Nifty SDL APR 2032 Top 12 Equal Weight Index Fund<br>• Kotak Manufacture in India |

| | | | | |
|---|---|---|---|---|
| | | | | Fund<br>• Kotak Nifty India Consumption ETF<br>• Kotak Nifty MNC ETF<br>• Kotak Nifty 100 Low Volatility 30 ETF<br>• Kotak Banking and PSU Debt Fund<br>• Kotak Bond Short Term Fund<br>• Kotak Dynamic Bond Fund<br>• Kotak Business Cycle Fund<br>• Kotak Nifty SDL Plus AAA PSU Bond Jul 2028 60:40 Index Fund<br>• Kotak All Weather Debt FOF<br>• Kotak Nifty SDL JUL 2026 Index Fund<br>• Kotak Silver ETF<br>• Kotak Nifty SDL JUL 2033 Index Fund<br>• Kotak Banking and Financial Services Fund<br>• Kotak Silver ETF Fund of Fund<br>• Kotak Nifty 200 Momentum 30 Index Fund<br>• Kotak Quant Fund<br>• Kotak Nifty Financial Services Ex-Bank Index Fund<br>• Kotak S&P BSE Housing Index Fund<br>• Kotak Multi Asset Allocation Fund<br>• Kotak Nifty G-Sec July 2033 Index Fund<br>• Kotak Consumption Fund<br>• Kotak Healthcare Fund.<br>• Kotak Technology Fund.<br>• Kotak Long Duration Fund.<br>• Kotak Nifty AAA Bond Jun 2025 HTM Index Fund. |
| Ms. Palha Khanna | 26 years | Bachelors in Commerce and MBA in Finance from Guru Nanak Dev University, | Ms. Palha Khanna has experience spread over Debt and Credit Research, Analysis, | Ms. Palha Khanna is the dedicated fund manager for investments in foreign securities in the following schemes: |

| | | | | |
|---|---|---|---|---|
| | | Amritsar. | Operations and Finance within the Fund Management Team at Kotak Mahindra Asset Management Company Limited (KMAMC). Prior to joining KMAMC, Ms. Palha was associated with HDFC Asset Management Company Limited, where she was looking at Sales of Equity & Fixed Income Products. | • Kotak Bond Fund<br>• Kotak Gilt Fund<br>• Kotak Bond Short Term Fund<br>• Kotak Banking and PSU Debt Fund<br>• Kotak Corporate Bond Fund<br>• Kotak Credit Risk Fund<br>• Kotak Dynamic Bond Fund<br>• Kotak Floating Rate Fund<br>• Kotak Liquid Fund<br>• Kotak Low Duration Fund<br>• Kotak Medium Term Fund<br>• Kotak Money Market Fund<br>• Kotak Overnight Fund<br>• Kotak Savings Fund<br>• Kotak Debt Hybrid Fund<br>• Kotak Long Duration Fund. |

The Scheme is managed by Mr. Abhishek Bisen and Ms. Palha Khanna will be the dedicated fund manager for investments in foreign securities since inception.

**F. HOW IS THE SCHEME DIFFERENT FROM EXISTING SCHEMES OF THE MUTUAL FUND?**

The reference list of existing schemes is:

1. Kotak Savings Fund
2. Kotak Low Duration Fund
3. Kotak Gilt Fund
4. Kotak Liquid Fund
5. Kotak Money Market Fund
6. Kotak Overnight Fund
7. Kotak Medium Term Fund
8. Kotak Corporate Bond Fund
9. Kotak Banking and PSU Debt Fund
10. Kotak Bond Fund
11. Kotak Bond Short Term Fund
12. Kotak Credit Risk Fund
13. Dynamic Bond Fund
14. Kotak Floating Rate Fund

The detailed comparative table will be available in the below link :
https://www.kotakmf.com/Information/statutory-disclosure/disclosuresrelatedtosidandkim

## G. HOW HAS THE SCHEME PERFORMED

The Scheme has not completed 6 Months as on May 31, 2024.

## H. ADDITIONAL SCHEME RELATED DISCLOSURES

(i) **Scheme's portfolio holdings:** Top 10 holdings by issuer and fund allocation will be available in the given link - https://www.kotakmf.com/Information/statutory-disclosure/disclosuresrelatedtosidandkim

(ii) **Portfolio Disclosure** – Fortnightly / Monthly/ Half Yearly - The detailed portfolio and related disclosures for the scheme please refer our website https://www.kotakmf.com/Information/statutory-disclosure/information

**Aggregate investment in the Scheme by:**

| **Sr. No.** | **Category of Persons** | **Net Value** | | **Market Value in Crores (in Rs.)** |
|---|---|---|---|---|
| | Concerned scheme's Fund Manager(s) | Units | NAV per unit | |
| 1 | Mr. Abhishek Bisen | 110.63 | 10.1486 | 0.0001 |
| 2 | Ms. Palha Khanna | 7.99 | 10.1486 | 0.0000 |

For any other disclosure w.r.t investments by key personnel and AMC directors including regulatory provisions in this regard kindly refer SAI.

Details of Investments of AMC in the Scheme will be available in the given link – https://www.kotakmf.com/Information/statutory-disclosure/information

**Part III- OTHER DETAILS**

**A. COMPUTATION OF NAV**

The AMC shall compute NAV of the Units of the Scheme will be computed by dividing the net assets of the Scheme by the number of Units outstanding on the valuation date.

The AMC shall value its investments according to the valuation norms (Valuation Policy includes computation of NAV in case of investment in foreign securities), as specified in the Eighth Schedule of the Regulations, or such guidelines / recommendations as may be specified by SEBI from time to time. The broad valuation norms are detailed in the Statement of Additional Information.

NAV of Units under the Scheme will be calculated as shown below:

| | | | | | |
|---|---|---|---|---|---|
| NAV = | Market or Fair Value of Scheme's investments | + | Current assets including Accrued Income | - | Current Liabilities and provisions including accrued expenses |
| | No. of Units outstanding under the Scheme/Option. | | | | |

NAV for the Schemes and the repurchase prices of the Units will be calculated and announced at the close of each Business Day. The NAV shall be computed upto three decimals. The NAV of Direct Plan will be different than the NAV of Regular Plan.

Computation of NAV will be done after taking into account IDCWs paid, if any, and the distribution tax thereon, if applicable. Therefore, once IDCWs are distributed under the IDCW Option, the NAV of the Units under the IDCW Option would always remain lower than the NAV of the Units issued under the Growth Option. The income earned and the profits realized in respect of the Units issued under the Growth Option remain invested and are reflected in the NAV of the Units.

**Illustration for Computation of NAV:**

| | | | | | | |
|---|---|---|---|---|---|---|
| NAV= | Market or Fair Value of Scheme's investments | + | Current assets including Accrued Income | - | Current Liabilities and provisions including accrued expenses | |
| | No. of Units outstanding under the Scheme/Option. | | | | | |
| 10.109= | 10,01,00,000.00 | + | 10,00,000.00 | - | 10,000.00 | 10,10,90,000.00 |
| | | | 1,00,00,000.00 | | | 1,00,00,000.00 |

As required under the Regulations, the asset management company shall ensure that the repurchase price of an open ended scheme shall not be lower than 95% of the Net Asset Value.

For other details such as policies w.r.t computation of NAV, rounding off, investment in foreign securities, procedure in case of delay in disclosure of NAV etc. refer to SAI.

## B. NEW FUND OFFER (NFO) EXPENSES

These expenses are incurred for the purpose of various activities related to the NFO like sales and distribution fees paid marketing and advertising, registrar expenses, printing and stationary, bank charges etc.

The New Fund Offer expenses of the scheme were borne by the AMC.

## C. ANNUAL SCHEME RECURRING EXPENSES

Total Expense Ratio is the total of ongoing fees and operating expenses charged to the scheme, expressed as a percentage of the scheme's daily net assets. These fees and expenses include Investment Management and Advisory Fee charged by the AMC, Registrar and Transfer Agents' fee, brokerage/commission, marketing and selling costs etc.

As per Regulation 52(6)(c) of SEBI (MF) Regulations, the total expense ratio of the scheme excluding issue or redemption expenses, whether initially borne by the mutual fund or by the asset management company, but including the investment management and advisory fee shall be subject to the following limits:-

| Assets under management Slab (In Rs. crore) | Total expense ratio limits |
|---|---|
| on the first Rs.500 crores of the daily net assets | 2.00% |
| on the next Rs.250 crores of the daily net assets | 1.75% |
| on the next Rs.1,250 crores of the daily net assets | 1.50% |
| on the next Rs.3,000 crores of the daily net assets | 1.35% |
| on the next Rs.5,000 crores of the daily net assets | 1.25% |
| on the next Rs.40,000 crores of the daily net assets | Total expense ratio reduction of 0.05% for every increase of Rs.5,000 crores of daily net assets or part thereof. |
| on balance of the assets | 0.80% |

**Total Expense Ratio for the scheme**

The AMC has estimated following recurring expenses, as summarized in the below table for the scheme. Total expense ratio of the Scheme (including investment and advisory fees) will be subject to the maximum limits (as a percentage of Daily Net Assets of the Scheme) as per Regulation 52(6) & (6A), as amended from time to time, with no sub-limit on investment and advisory fees.

| Expenses Structure | % of daily Net Assets Regular Plan of Kotak Long Duration Fund |
|---|---|
| Investment Management and Advisory Fees | Upto 2.00% |
| Trustee fee | |
| Audit fees | |
| Custodian fees | |
| RTA Fees | |
| Marketing & Selling expense incl. agent commission | |
| Cost related to investor communications | |
| Cost of fund transfer from location to location | |
| Cost of providing account statements and IDCW redemption cheques and warrants | |
| Costs of statutory Advertisements | |

| | |
|---|---|
| Cost towards investor education & awareness (at least 2 bps) | |
| Brokerage & transaction cost over and above 12 bps for cash market trades and 5bps for derivatives transactions. | |
| Goods and Services tax on expenses other than investment and advisory fees | |
| Goods and Services tax on brokerage and transaction cost | |
| Other Expenses | |
| **Maximum total expense ratio (TER) permissible under Regulation 52 (6) (c) (i) and (6) (a)** | **Upto 2.00%** |
| Additional expenses for gross new inflows from specified cities ## | Upto 0.30% |

# The AMC shall not charge additional expenses under Regulation 52(6A)(c) in case exit load is not levied/ not applicable

##With reference to SEBI's letter no. SEBI/HO/ IMD/ IMD-SEC-3/ P/ OW/ 2023/ 5823/ 1 dated February 24, 2023, and AMFI Circular No. CIR/ ARN-23/ 2022-23 March 07, 2023, the B-30 incentive structure for new inflows has been kept in abeyance with effect from March 01, 2023 till the incentive structure is appropriately re-instated by SEBI with necessary safeguards.

**Expense Structure for Direct Plan -** The annual recurring expenses will be within the limits specified under the SEBI (Mutual Funds) Regulations, 1996.

Commission/ Distribution expenses will not be charged in case of Direct Plan. The TER of Direct Plan will be lower than Regular Plan.

In terms of the Para 10.1 of SEBI Master Circular no. SEBI/HO/IMD/IMD-PoD1/P/CIR/2023/74 dated May 19, 2023, all fees and expenses charged in a direct plan (in percentage terms) under various heads including the investment and advisory fee shall not exceed the fees and expenses charged under such heads in a regular plan.

However, Direct Plan shall have a lower expense ratio than the Regular Plan. The expenses would exclude distribution expenses, commission, etc and no commission for distribution of Units will be paid / charged under Direct Plan.

**Additional expenses which may be charged to the Schemes:**
The following additional expenses may be charged to the Schemes under Regulation 52 (6A), namely-

- Brokerage and transaction cost incurred for the purpose of execution shall be charged to the scheme as provided under Regulation 52 (6A) (a) upto 12 bps and 5 bps for cash market transactions and derivatives transactions respectively. Any payment towards brokerage & transaction costs, over and above the said 12 bps and 5 bps for cash market transactions and derivatives transactions respectively may be charged to the Scheme within the maximum limit of Total Expense Ratio (TER) as prescribed under Regulation 52 of the SEBI (Mutual Finds) Regulations, 1996.
- Expenses not exceeding of 0.30 % of daily net assets, if the new inflows from beyond top 30 cities are at least:
  (i) 30 % of gross new inflows in the scheme; or
  (ii) 15 % of the average assets under management (year to date) of the scheme; whichever is higher.

Provided that if inflows from such cities is less than the higher of sub-clause (i) or sub- clause (ii), such expenses on daily net assets of the scheme shall be charged on proportionate basis.

Provided further that expenses charged under this clause shall be utilised for distribution expenses incurred for bringing inflows from such cities.

Provided further that amount incurred as expense on account of inflows from such cities shall be credited back to the scheme in case the said inflows are redeemed within a period of one year from the date of investment.

Provided further that the additional TER can be charged based on inflows only from ‘retail investors’ (Para 10.1.3 of SEBI Master Circular no. SEBI/HO/IMD/IMD-PoD1/P/CIR/2023/74 dated May 19, 2023, has defined that inflows of amount upto Rs 2,00,000/- per transaction, by individual investors shall be considered as inflows from “retail investor”) from beyond top 30 cities.

Provided that the additional commission for beyond top 30 cities shall be paid as trail only.

In case inflows from beyond top 30 cities is less than the higher of (i) or (ii) above, additional TER on daily net assets of the scheme shall be charged as follows:

$$\frac{\text{Daily net assets X 30 basis points X New inflows from individual investors from beyond top 30 cities}}{\text{365* X Higher of (i) or (ii) above}}$$

* 366, wherever applicable.

- Clause 4 of Seventh Schedule to SEBI (Mutual Funds) Regulations, 1996 which restricts investments in mutual fund units upto 5% of net assets and prohibits charging of fees, shall not be applicable to investments in mutual funds in foreign countries made in accordance with guidelines as per SEBI circular no. SEBI/IMD/CIR No.7/104753/07 dated September 20, 2007. However, the management fees and other expenses charged by the mutual fund(s) in foreign countries along with the management fee and recurring expenses charged to the domestic mutual fund scheme shall not exceed the total limits on expenses as prescribed under Regulation 52(6). Where the scheme is investing only a part of the net assets in the overseas mutual fund(s), the same principle shall be applicable for that part of investment.

**TER for the Segregated Portfolio**

- AMC shall not charge investment and advisory fees on the segregated portfolio. However, TER (excluding the investment and advisory fees) can be charged, on a pro-rata basis only upon recovery of the investments in segregated portfolio.
- The TER so levied shall not exceed the simple average of such expenses (excluding the investment and advisory fees) charged on daily basis on the main portfolio (in % terms) during the period for which the segregated portfolio was in existence.
- The legal charges related to recovery of the investments of the segregated portfolio may be charged to the segregated portfolio in proportion to the amount of recovery. However, the same shall be within the maximum TER limit as applicable to the main portfolio. The legal charges in excess of the TER limits, if any, shall be borne by the AMC.
- The costs related to segregated portfolio shall in no case be charged to the main portfolio.

**Goods and Services tax:**

Goods and Services tax on investment and advisory fees may be charged to the scheme in addition to the maximum limit of TER as prescribed in Regulation 52(6)(c). Goods and Services tax on other than investment and advisory fees, if any, shall be borne by the scheme within the maximum limit of TER as per Regulation 52.

The aforesaid estimates are made in good faith by the Investment Manager and are subject to change inter se among the various heads of expenses and between the Plans. It may also be noted that the total expenses of the Plans will also be subject to change within the overall limits of expenses under Regulation 52. Actual expenses under any head and / or the total expenses may be more or less than the estimates. The Investment Manager retains the right to charge the actual expenses to the Fund, however the expenses charged will not exceed the statutory limit prescribed by the Regulations There will be no sub limit on management fee, and it shall be within the overall TER specified above.

For the actual current expenses being charged, the investor may refer to the website of the mutual fund.
The fund shall update the current expense ratios on the website kotakmf.com) at least three working days prior to the effective date of the change. The web link for TER is https://www.kotakmf.com/Information/investor-service

**Illustration of impact of expense ratio on scheme's returns:** **(in Rupees)**

| **Particulars** | **Regular Plan** | **Direct Plan** |
|---|---|---|
| Amount Invested at the beginning of the year | 10,000 | 10,000 |
| Annual Returns before Expenses | 800 | 800 |
| Expenses other than Distribution Expenses | 75 | 75 |
| Distribution Expenses / Commission | 25 | - |
| **Returns after Expenses at the end of the Year** | **700** | **725** |
| **Returns in percentage** | **7.00%** | **7.25%** |

Illustration is given to understand the impact of expense ratio on a scheme return and this should not be construed as an indicative return of the scheme. The expenses of the Direct Plan under the Scheme will be lower to the extent of distribution expenses/ commission.

## D. LOAD STRUCTURE

Load is an amount which is paid by the investor to redeem the units from the scheme. This amount is used by the AMC to pay commissions to the distributor and to take care of other marketing and selling expenses. Load amounts are variable and are subject to change from time to time. For the current applicable structure, please refer to the website kotakmf.com or may call at 18003091490 or your distributor.

| Type of Load | Load chargeable (as %age of NAV) |
|---|---|
| Entry * | Nil |
| Exit** | Nil |

Any exit load charged (net off Goods and Services tax, if any) shall be credited back to the Scheme.
Units issued on reinvestment of Income Distribution cum capital withdrawal (IDCW)s shall not be subject to

entry and exit load.

* In terms of Para 10.4 of SEBI Master Circular no. SEBI/HO/IMD/IMD-PoD1/P/CIR/2023/74 dated May 19, 2023, no entry load will be charged on purchase / additional purchase / switch-in. The commission as specified in the aforesaid circular, if any, on investment made by the investor shall be paid by the investor directly to the Distributor, based on his assessment of various factors including the service rendered by the Distributor.
** Any exit load charged (net off Goods and Services tax, if any) shall be credited back to the Scheme.

Any imposition or enhancement of Load in future shall be applicable on prospective investments only.
For any change in load structure AMC will issue an addendum and display it on the website/Investor Service Centres.

In case of changes in load structure the addendum carrying the latest applicable load structure shall be attached to all KIM and SID already in stock till it is updated.

As required under the Regulations, the fund shall ensure that the repurchase price of an open ended scheme is not lower than 95% of the Net Asset Value.

Investors may obtain information on loads on any Business Day by calling the office of the AMC or any of the Investor Service Centers. Information on applicability of loads will also be provided in the Account Statement.

The investor is requested to check the prevailing load structure of the scheme before investing.

# Section II

**I. Introduction**

**A. Definitions/interpretation**

The details detailed definitions/ interpretations refer to the link on website of the mutual fund viz. https://www.kotakmf.com/Information/statutory-disclosure/disclosuresrelatedtosidandkim

**B. Risk factors**

**Scheme specific risk factors**

The scheme will invest in Debt & Money Market Instruments such that the Macaulay duration of the portfolio is greater than 7 years. This might result in a Higher Volatility. The duration will be managed dynamically using debt & money market instruments.

**Risks Associated with Fixed Income and Money Market Instruments:**

**1) Price-Risk or Interest-Rate Risk:**

From the perspective of coupon rates, Debt securities can be classified in two categories, i.e., Fixed Income bearing Securities and Floating Rate Securities. In Fixed Income Bearing Securities, the Coupon rate is determined at the time of investment and paid/received at the predetermined frequency. In the Floating Rate Securities, on the other hand, the coupon rate changes - 'floats' - with the underlying benchmark rate, e.g., MIBOR, 1 yr. Treasury Bill.

Fixed Income Securities (such as Government Securities, bonds, debentures and money market instruments) where a fixed return is offered, run price-risk. Generally, when interest rates rise, prices of fixed income securities fall and when interest rates drop, the prices increase. The extent of fall or rise in the prices is a function of the existing coupon, the payment-frequency of such coupon, days to maturity and the increase or decrease in the level of interest rates. The prices of Government Securities (existing and new) will be influenced only by movement in interest rates in the financial system. Whereas, in the case of corporate or institutional fixed income securities, such as bonds or debentures, prices are influenced not only by the change in interest rates but also by credit rating of the security and liquidity thereof.

Floating rate securities issued by a government (coupon linked to treasury bill benchmark or a real return inflation linked bond) have the least sensitivity to interest rate movements, as compared to other securities. The Government of India has already issued a few such securities and the Investment Manager believes that such securities may become available in future as well. These securities can play an important role in minimizing interest rate risk on a portfolio.

**2) Credit Risk**

Securities carry a Credit risk of repayment of principal or interest by the borrower. This risk depends on micro-economic factors such as financial soundness and ability of the borrower as also macro-economic factors such as Industry performance, Competition from Imports, Competitiveness of Exports, Input costs, Trade barriers, Foreign Currency conversion rates, etc.

Credit risks of most issuers of Debt securities are rated by Independent and professionally run rating agencies. Ratings of Credit issued by these agencies typically range from "AAA" (read as "Triple A" denoting "Highest Safety") to "D" (denoting "Default"), with about 6 distinct ratings between the two extremes.

The highest credit rating (i.e. lowest credit risk) commands a low yield for the borrower. Conversely, the lowest credit rated borrower can raise funds at a relatively higher cost. On account of a higher credit risk for lower rated borrowers' lenders prefer higher rated instruments further justifying the lower yields.

**3) Liquidity or Marketability Risk**

The corporate debt market is relatively illiquid vis- a- vis the government securities market. There could therefore be difficulties in exiting from corporate bonds in times of uncertainties. Liquidity in a scheme therefore may suffer. Even though the Government Securities market is more liquid compared to that of other debt instruments, on occasions, there could be difficulties in transacting in the market due to extreme volatility or unusual constriction in market volumes or on occasions when an unusually large transaction has to be put through. In view of this, redemption may be limited or suspended after approval from the Boards of Directors of the AMC and the Trustee, under certain circumstances as described in the Statement of Additional Information (SAI).

Risk of Rating Migration:

The following table illustrates the impact of change of rating (credit worthiness) on the price of a hypothetical AA rated security with a maturity period of 3 years, a coupon of 10.00% p.a. and a market value of Rs. 100. If it is downgraded to A category, which commands a market yield of, say, 11.00% p.a., its market value would drop to Rs. 97.53 (i.e. 2.47%) If the security is up-graded to AAA category which commands a market yield of, say, 9.00% p.a. its market value would increase to Rs102.51 (i.e. by 2.51%). The figures shown in the table are only indicative and are intended to demonstrate how the price of a security can be affected by change in credit rating.

| Rating | Yield (% p.a.) | Market Value (Rs.) |
|---|---|---|
| AA | 10.00 | 100.00 |
| If upgraded to AAA | 9.00 | 102.51 |
| If downgraded to A | 11.00 | 97.53 |

**4) Basis Risk:**

During the life of floating rate security or a swap the underlying benchmark index may become less active and may not capture the actual movement in the interest rates or at times the benchmark may cease to exist. These types of events may result in loss of value in the portfolio. Where swaps are used to hedge an underlying fixed income security, basis risk could arise when the fixed income yield curve moves differently from that of the swap benchmark curve.

**5) Spread Risk:**

In a floating rate security, the coupon is expressed in terms of a spread or mark up over the benchmark rate. However, depending upon the market conditions the spreads may move adversely or favourably leading to fluctuation in NAV.

**6) Re-investment Risk**

Investments in fixed income securities may carry reinvestment risk as interest rates prevailing on the interest or maturity due dates may differ from the original coupon of the bond. Consequently, the proceeds may get invested at a lower rate.

**7) Sovereign Risk**

The Federal Government of a country (i.e. Central Govt. in case of India) is the issuer of the local currency in that country. The Government raises money to meet its Capital and Revenue expenditure by issuing Debt or

Discounted Securities. Since payment of interest and principal amount has a sovereign status implying no default, such securities are known as securities with sovereign credit. For domestic borrowers and lenders, the credit risk on such Sovereign credit is near zero and is popularly known as "risk-free security" or "Zero-Risk security". Thus Zero-Risk is the lowest risk, even lower than a security with "AAA" rating and hence commands a yield, which is lower than a yield on "AAA" security.

**Risks associated with Securitised Debt:**

The Schemes may from time to time invest in domestic securitised debt, for instance, in asset backed securities (ABS) or mortgage backed securities (MBS). Typically, investments in securitised debt carry credit risk (where credit losses in the underlying pool exceed credit enhancement provided, (if any) and the reinvestment risk (which is higher as compared to the normal corporate or sovereign debt). The underlying assets in securitised debt are receivables arising from automobile loans, personal loans, loans against consumer durables, loans backed by mortgage of residential / commercial properties, underlying single loans etc.

ABS/MBS instruments reflect the proportionate undivided beneficial interest in the pool of loans and do not represent the obligation of the issuer of ABS/MBS or the originator of the underlying receivables. Investments in securitised debt is largely guided by following factors:

- Attractive yields i.e. where securitised papers offer better yields as compared to the other debt papers and also considering the risk profile of the securitised papers.
- Diversification of the portfolio
- Better performance

Broadly following types of loans are securitised:

**a) Auto Loans**

The underlying assets (cars etc.) are susceptible to depreciation in value whereas the loans are given at high loan to value ratios. Thus, after a few months, the value of asset becomes lower than the loan outstanding. The borrowers, therefore, may sometimes tend to default on loans and allow the vehicle to be repossessed.

These loans are also subject to model risk. i.e. if a particular automobile model does not become popular, loans given for financing that model have a much higher likelihood of turning bad. In such cases, loss on sale of repossession vehicles is higher than usual.

Commercial vehicle loans are susceptible to the cyclicality in the economy. In a downturn in economy, freight rates drop leading to higher defaults in commercial vehicle loans. Further, the second hand prices of these vehicles also decline in such economic environment.

**b) Housing Loans**

Housing loans in India have shown very low default rates historically. However, in recent years, loans have been given at high loan to value ratios and to a much younger borrower classes. The loans have not yet gone through the full economic cycle and have not yet seen a period of declining property prices. Thus the performance of these housing loans is yet to be tested and it need not conform to the historical experience of low default rates.

**c) Consumer Durable Loans**

- The underlying security for such loans is easily transferable without the bank's knowledge and hence repossession is difficult.
- The underlying security for such loans is also susceptible to quick depreciation in value. This gives the borrowers a high incentive to default.

**d) Personal Loans**

These are unsecured loans. In case of a default, the bank has no security to fall back on. The lender has no control over how the borrower has used the borrowed money. Further, all the above categories of loans have the following common risks:

- All the above loans are retail, relatively small value loans. There is a possibility that the borrower takes different loans using the same income proof and thus the income is not sufficient to meet the debt service obligations of all these loans.
- In India, there is no ready database available regarding past credit record of borrowers. Thus, loans may be given to borrowers with poor credit record.
- In retail loans, the risks due to frauds are high.

**e) Single Loan PTC**

A single loan PTC is a securitization transaction in which a loan given by an originator (Bank/ NBFC/ FI etc.) to a single entity (obligor) is converted into pass through certificates and sold to investors. The transaction involves the assignment of the loan and the underlying receivables by the originator to a trust, which funds the purchase by issuing PTCs to investors at the discounted value of the receivables. The PTCs are rated by a rating agency, which is based on the financial strength of the obligor alone, as the PTCs have no recourse to the originator.

The advantage of a single loan PTC is that the rating represents the credit risk of a single entity (the obligor) and is hence easy to understand and track over the tenure of the PTC. The primary risk is that of all securitized instruments, which are not traded as often in the secondary market and hence carry an illiquidity risk. The structure involves an assignment of the loan by the originator to the trustee who then has no interest in monitoring the credit quality of the originator. The originator that is most often a bank is in the best position to monitor the credit quality of the originator. The investor then has to rely on an external rating agency to monitor the PTC. Since the AMC relies on the documentation provided by the originator, there is a risk to the extent of the underlying documentation between the seller and underlying borrower.

**f) Bankruptcy of the originator or seller:**

Investment decisions are primarily based on the underlying borrowers and also of the originator or seller. Once the originator or seller sells the assets to a special purpose vehicle, the subsequent bankruptcy of seller / originator should not affect the receivables of the fund.

**g) Bankruptcy of the Investors Agent:**

The underlying special purpose vehicle acts as the Collection and paying agent for the investors. The SPV's are normally trusts and are set up as "bankruptcy remote". i.e since they merely pass on the monies received in their capacity as trusts, the question of their bankruptcy do not arise. Also the bankruptcy of the sponsor does not affect the specific trusts.

**h) Bankruptcy of the underlying borrower.**

The risks would be similar to the credit risks and mitigants thereof covered elsewhere in the SID.

**Risk Associated with Investment in Derivatives Market**

Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the investor. Execution of such strategies depends upon the ability of the fund manager to identify such opportunities. Identification and execution of the strategies to be pursued by the fund manager involve uncertainty and decision of fund manager may not always be profitable. No assurance can be given that the fund manager will be able to identify or execute such strategies. The risks associated with the use of derivatives are different from or possibly greater than, the risks associated with investing directly in securities and other traditional investment.

The risks associated with the use of derivatives are different from or possibly greater than, the risks associated with investing directly in securities and other traditional investments. There are certain risks inherent in derivatives. These are:

i. **Price Risk**: Despite the risk mitigation provided by various derivative instruments, there remains an inherent price risk which may result in losses exceeding actual underlying.
ii. **Default Risk**: This is the risk that losses will be incurred due to default by counter party. This is also known as credit risk or counterparty risk.
iii. **Basis Risk** – This risk arises when the derivative instrument used to hedge the underlying asset does not match the movement of the underlying being hedged for e.g. mismatch between the maturity date of the futures and the actual selling date of the asset
iv. **Limitations on upside:** Derivatives when used as hedging tool can also limit the profits from a genuine investment transaction.
v. **Liquidity risk** pertains to how saleable a security is in the market. All securities/instruments irrespective of whether they are equity, bonds or derivatives may be exposed to liquidity risk (when the sellers outnumber buyers) which may impact returns while exiting opportunities.
vi. The risk related to hedging for use of derivatives, (apart from the derivatives risk mentioned above) is that event of risk, which we were anticipating and hedged our position to mitigate it, does not happen. In such case, the cost incurred in hedging the position would be a avoidable charge to the scheme net assets.

The use of an Interest Rate Swap ('IRS') does not eliminate the credit (default) risk on the original investment. While the fixed to floating rate IRS reduces interest rate risk caused by rise in interest rates, it also restricts the profit in case interest rates decline. In case of a floating to fixed rate swap, any subsequent rise in interest rates will result in a loss like in any fixed rate investment. Any IRS carries, the risk of default of the counter party to the swap, which may lead to a loss. Such loss is usually, a small proportion of the notional principal amount of the swap.

**Risk associated with Securities Lending:-**

In the case of securities lending the additional risk is that there can be temporary illiquidity of the securities that are lent out and the Fund may not be able to sell such lent-out securities, resulting in an opportunity loss. In case of a default by counterparty, the loss to the Fund can be equivalent to the securities lent.

**Risk envisaged and mitigation measures for repo transactions:**

Credit risks could arise if the counterparty does not return the security as contracted or interest received by the counter party on due date. This risk is largely mitigated, as the choice of counterparties is largely restricted and their credit rating is taken into account before entering into such transactions. Also operational risks are lower as such trades are settled on a DVP basis.

In the event of the scheme being unable to pay back the money to the counterparty as contracted, the counter party may dispose of the assets (as they have sufficient margin) and the net proceeds may be refunded to us. Thus the scheme may in remote cases suffer losses. This risk is normally mitigated by better cash flow planning to take care of such repayments

**Risk associated with corporate repo debt securities**

In Repo transactions, also known as a repo or sale repurchase agreement, securities are sold with the seller agreeing to buy them back at later date. The repurchase price should be greater than the original sale price, the difference effectively representing interest. A repo is economically similar to a secured loan, with the buyer receiving corporate debt securities as collateral to protect against default. The Scheme may invest in

repo of corporate debt securities which are subject to the following risks:
a. Counterparty Risk: This refers to the inability of the seller to meet the obligation to buy back securities at the contracted price. The Investment Manager will endeavor to manage counterparty risk by dealing only with counterparties having strong credit profiles assessed through in-house credit analysis or with entities regulated by SEBI/RBI/IRDA.
b. Collateral Risk: In the event of default by the repo counterparty, the schemes have recourse to the corporate debt securities. Collateral risk arises when the market value of the securities is inadequate to meet the repo obligations. This risk is mitigated by restricting participation in repo transactions only in AA and above rated money market and corporate debt securities. In addition, appropriate haircuts are applied on the market value of the underlying securities to adjust for the illiquidity and interest rate risk on the underlying instrument.

**Risk factors associated with Imperfect Hedging:**
Holders of Debt securities are exposed to the risk of rising interest rates, which in turn results in the reduction in the value of their portfolio. So in order to protect against a fall in the value of their portfolio due to falling bond prices, they can take short position in IRF contracts. However, there is a possibility that the hedge may be an imperfect

- Potential loss associated with imperfect hedge using IRFs – While using such strategy may reduce interest rate risk caused by rise in interest rates, it also restricts the profit in case interest rates decline.
- The risk related to hedging for use of derivatives, (apart from the derivatives risk mentioned above) is that event of risk, which we were anticipating and hedged our position to mitigate it, does not happen. In such case, the cost incurred in hedging the position would be a avoidable charge to the scheme net assets.
- Limitations on upside: Derivatives when used as hedging tool can also limit the profits from a genuine investment transaction.
- Credit Risk – The credit risk in derivative transaction is the risk that the counter party will default on its obligations and is generally low, as there is no exchange of principal amounts in a IRS / IRF derivative transaction.
- Liquidity risk pertains to how saleable a security is in the market. All securities/instruments irrespective of whether they are equity, bonds or derivatives may be exposed to liquidity risk (when the sellers outnumber buyers) which may impact returns while exiting opportunities.
- Movement in the prices of securities in the portfolio and the IRF contract used to hedge part of the portfolio may lead to basis risk due to imperfect correlation. Thus, the loss on the portfolio may be different from the gain of the hedged position entered using the IRF.

**Example:**
Date: 17/09/2023
Spot price of G sec 7.26 G sec 2033: Rs. 100.19
Futures price of IRF Contract G sec 7.26 G sec 2033: Rs.100.29
On 17/09/2023 XYZ bought 2000 GOI securities from spot market at Rs100.19. He anticipates that the interest rate will rise in near future. Therefore, to hedge the exposure in underlying market he may sell IRF for7.26 G sec 2033 maturing on 27 Sep 2023 traded Interest Rate Futures contracts at Rs.100.29
On 27/09/2023 the maturity price of the contract and underlying will be same thereby realising the 10p arbitrage gain
Spot price of GOI Security: Rs. 100.19
Futures Price of IRF Contract: Rs. 100.29
Profit /Loss in underlying market will be (100.19-100.19)*2000 = Rs.00
Loss in the Futures market will be (100.29-100.19)*2000 = Rs. 20000
Therefore the fund will earn a total holding period return of 7.23% + (0.10/10*365)= 7.23+3.65=10.88
Not necessary the future is trading above cash for arbitrage to happen.

**Risk associated with investment in Government securities and Triparty repo on Government securities or treasury bills:**

- The mutual fund is a member of securities segment and Triparty repo on Government securities or treasury bills trade settlement of the Clearing Corporation of India (CCIL). All transactions of the mutual fund in government securities and in Triparty repo on Government securities or treasury bills trades are settled centrally through the infrastructure and settlement systems provided by CCIL; thus reducing the settlement and counter party risks considerably for transactions in the said segments.
- The members are required to contribute towards margin obligation (Initial / Mark to Market etc.) as per bye-laws of CCIL as also an amount as communicated by CCIL from time to time to the default fund maintained by CCIL as a part of the default waterfall (a loss mitigating measure of CCIL in case of default by any member in discharging their obligation. As per the waterfall mechanism, after the defaulter's margins and the defaulter's contribution to the default fund have been appropriated, CCIL's contribution is used to meet the losses. Post utilization of CCIL's contribution if there is a residual loss, it is appropriated from the default fund contributions of the non-defaulting members as determined by CCIL.
- Thus the scheme is subject to risk of the initial margin and default fund contribution being invoked in the event of failure of any settlement obligations. In addition, the fund contribution is allowed to be used to meet the residual loss in case of default by the other clearing member (the defaulting member).
- CCIL maintains two separate Default Funds in respect of its Securities Segment, one with a view to meet losses arising out of any default by its members from outright and repo trades and the other for meeting losses arising out of any default by its members from Triparty repo on Government securities or treasury bills trades. The mutual fund is exposed to the extent of its contribution to the default fund of CCIL, in the event that the contribution of the mutual fund is called upon to absorb settlement/ default losses of another member by CCIL, as a result the scheme may lose an amount equivalent to its contribution to the default fund.

**Risks associated with Investing in Structured Obligation (SO) & Credit Enhancement (CE) rated securities:**

The risks factors stated below for the Structured Obligations & Credit Enhancement are in addition to the risk factors associated with debt instruments.

- Credit rating agencies assign CE rating to an instrument based on any identifiable credit enhancement for the debt instrument issued by an issuer. The credit enhancement could be in various forms such as guarantee, shortfall undertaking, letter of comfort, pledge of shares listed on stock exchanges etc. from the issuers, promoters or another entity. This entity could be either related or non-related to the issuer like a bank, financial institution, etc. Hence, for CE rated instruments evaluation of the credit enhancement provider, as well as the issuer is undertaken to determine the issuer rating.

- SO transactions are asset backed/ mortgage backed securities, securitized paper backed by hypothecation of loan receivables, securities backed by trade receivables, credit card receivables etc. In case of SO rated issuer, the underlying loan pools or securitization, etc. is assessed to arrive at rating for the issuer.

- Liquidity Risk: SO rated securities are often complex structures, with a variety of credit enhancements. Debt securities lack a well-developed secondary market in India, and due to the credit enhanced nature of CE securities as well as structured nature of SO securities, the liquidity in the market for these instruments is low as compared to similar rated debt instruments. Hence, lower liquidity of such instruments, could lead to inability of the scheme to sell such debt instruments and generate liquidity for the scheme or higher impact cost when such instruments are sold. Where equity shares are provided as collateral there is the risk of sharp price volatility of underlying securities which may lead to erosion in value of collateral as also low liquidity of the underlying shares which may affect the ability of the fund to enforce collateral and recover capital and interest obligations.

- Credit Risk: The credit risk of debt instruments which are CE rated derives rating based on the combined strength of the issuer as well as the structure. Hence, any weakness in either the issuer or the structure could have an adverse credit impact on the debt instrument. The weakness in structure could arise due to inability of the investors to enforce the structure due to issues such as legal risk, inability to sell the underlying collateral or enforce guarantee, etc. In case of SO transactions, comingling risk and risk of servicer increases the overall risk for the securitized debt or assets backed transactions. Therefore apart from issuer level credit risk such debt instruments are also susceptible to structure related credit risk.

**Risks associated with segregated portfolio**

- Investor holding units of segregated portfolio may not able to liquidate their holding till the time realisable value is recovered.
- Security comprising of segregated portfolio may realise lower value or may realise zero value.
- Listing of units of segregated portfolio in recognised stock exchange does not necessarily guarantee their liquidity. There may not be active trading of units in the stock market. Further trading price of units on the stock market may be significantly lower than the prevailing NAV.

**Risk Factors Associated with investing in Foreign securities:**

Subject to necessary approvals and within the investment objectives of the Scheme, the Scheme may invest in overseas markets which carry risks related to fluctuations in the foreign exchange rates, the nature of the securities market of the country, repatriation of capital due to exchange controls and political circumstances.

It is the AMC's belief that investment in foreign securities offer new investment and portfolio diversification opportunities into multimarket and multi-currency products. However, such investments also entail additional risks. Such investment opportunities may be pursued by the AMC provided they are considered appropriate in terms of the overall investment objectives of the Scheme. Since the Scheme may invest only partially in overseas debt securities, there may not be readily available and widely accepted benchmarks to measure performance of the Scheme. To manage risks associated with foreign currency and interest rate exposure, the Fund may use derivatives for efficient portfolio management including hedging and in accordance with conditions as may be stipulated under the Regulations or by the RBI from time to time.

Overseas investments will be made subject to any/all approvals, conditions thereof as may be stipulated under the Regulations or by RBI and provided such investments do not result in expenses to the Fund in excess of the ceiling on expenses prescribed by and consistent with costs and expenses attendant to international investing. The Fund may, where necessary, appoint other intermediaries of repute as advisors, custodian/sub-custodians etc. for managing and administering such investments. The appointment of such intermediaries shall be in accordance with the applicable requirements of SEBI and within the permissible ceilings of expenses. The fees and expenses would illustratively include, besides the investment management fees, custody fees and costs, fees of appointed advisors and sub-managers, transaction costs and overseas regulatory costs.

To the extent that the assets of the Scheme will be invested in securities denominated in foreign currencies, the Indian Rupee equivalent of the net assets, distributions and income may be adversely affected by changes in the value of certain foreign currencies relative to the Indian Rupee. The repatriation of capital to India may also be hampered by changes in regulations concerning exchange controls or political circumstances as well as the application to it of other restrictions on investment.

**Currency Risk:**
Investments in overseas debt securities/mutual fund units are subject to currency risk. Returns to investors are the result of a combination of returns from investments and from movements in exchange rates. For example, if the Rupee appreciates vis-à-vis the US $, the extent of appreciation will lead to reduction in the yield to the investor. However, if the Rupee appreciates against the US $ by an amount in excess of the interest earned on the investment, the returns can even be negative. Again, in case the Rupee depreciates vis-à-vis the US $, the extent of depreciation will lead to a corresponding increase in the yield to the investor. Going forward, the Rupee may depreciate (lose value) or appreciate (increase value) against the currencies of the countries where the Scheme will invest.

**Exhaustion of overseas limit Risk**
The Scheme can make overseas investments subject to a maximum of US $ 1 billion per Mutual Fund, within the overall industry limit of US $ 7 billion or such limits as may be prescribed by SEBI/RBI from time to time. The Scheme therefore may or may not be able to utilise the limit of USD 1 billion due to the USD 7 billion limit being exhausted by other Mutual Funds. Further, the scheme can make investments in overseas Exchange Traded Fund (ETF(s) subject to a maximum of US $ 300 million per Mutual Fund, within the overall industry limit of US $ 1 billion.

As and when the investment limits at Mutual Fund level/Industry level are exhausted or nearing exhaustion, the scheme may temporarily suspend deployment of funds in overseas funds/securities.

**Risk factors associated with investments in Perpetual Debt Instrument / Other Subordinated Debt Instruments**

a) Perpetual Debt Instrument

Perpetual debt instruments/bonds are issued by Banks, NBFCs (Non-Bank finance companies) and Corporates to improve their capital profile. Perpetual bonds issued by Banks which are governed by the RBI guidelines for Basel III Capital Regulations are referred to as Additional Tier I (AT1 bonds). NBFCs also issue such instruments as per guidelines issued by RBI. There are no regulatory guidelines for issuance of such bonds by Corporates. These instruments do not have a fixed maturity date. These instruments generally have call option after fixed interval from date of issuance. The key risks associated with these instruments are highlighted below:

1. Risk on coupon servicing

<u>Banks</u>
As per the terms of the instruments, Banks have discretion at all times to cancel distributions/ payment of coupons.
<u>NBFCs</u>
While NBFCs have discretion at all times to cancel payment of coupon, coupon can also be deferred (instead of being cancelled), in case paying the coupon leads to breach of capital ratios.
<u>Corporates</u>
Corporates usually have discretion to defer the payment of coupon. However, the coupon is usually cumulative and any deferred coupon shall accrue interest at the original coupon rate of the Perpetual.

2. Risk of write-down or conversion into equity

Banks

As per extant RBI guidelines, banks have to maintain a Common Equity Tier-1 (CET-1) ratio of minimum 5.5% (to be increase to 6.125%) of Risk Weighted Assets (RWAs), failing which the AT-1 bonds can get written down. Further, AT-1 Bonds are liable to be written down or converted to common equity, at the discretion of RBI, in the event of Point of Non Viability Trigger (PONV). PONV is a point determined by RBI, when a bank is deemed to have become non-viable unless there is a write off/ conversion to equity of AT-1 Bonds or a public sector capital injection happens. The write off/conversion has to occur prior to public sector injection of capital.

This risk is not applicable in case of NBFCs and Corporates.

3. Risk of instrument not being called by the Issuer

Banks

The issuing banks have an option to call back the instrument after minimum period of 5 years from the date of issuance and typically annually thereafter, subject to meeting the RBI guidelines. However, if the bank does not exercise the call on first call date, the Scheme may have to hold the instruments for a period beyond the first call exercise date.

NBFCs

The NBFC issuer has an option to call back the instrument after minimum period of 10 years from date of issuance and typically annually thereafter, subject to meeting the RBI guidelines. However, if the NBFC does not exercise the call option the Scheme may have to hold the instruments for a period beyond the first call exercise date.

Corporates

There is no minimum period for call date. However, if the corporate does not exercise the call option, the Scheme may have to hold the instruments for a period beyond the call exercise date.

b) Other Subordinated Debt Instruments (OSDI)

Other Subordinated Debt Instruments (OSDI) are issued by Banks and NBFCs. This instruments are also referred as Tier 2 bonds. These bonds are subordinated to other senior claims of issuing entity. These instruments have a fixed maturity date.

1. Risk of write-down or conversion into equity

Banks

Tier 2 Bonds issued by Banks - under Basel III guidelines of Reserve Bank of India, have a risk of either written off or conversion into common equity, when the PONV trigger is invoked, at the option of the RBI.

This clause is not there in case of NBFCs

**Risk associated with investing in Mutual fund units**

Investment in units of Mutual Fund scheme involves investment risks such as trading volumes, settlement risk, liquidity risk, default risk including the possible loss of principal. As the price / value / interest rates of the underlying securities in which the mutual fund scheme invests fluctuates, the value of units of mutual fund scheme may go up or down. The value of underlying securities may be affected, inter-alia, by changes in the market, interest rates, changes in credit rating, trading volumes, settlement periods and transfer procedures; the NAV is also exposed to Price/Interest-Rate Risk and Credit Risk and may be affected inter-alia, by government policy, volatility and liquidity in the money markets and pressure on the exchange rate of the rupee. Investment in units of mutual fund scheme is also exposed to risk of suspension of subscriptions / redemptions of the units, change in fundamental attributes etc. Since the Scheme may invest in schemes of

Mutual Funds, scheme specific risk factors of each such mutual fund schemes will be applicable to the Scheme portfolio.

All the above factors may not only affect the prices of securities but also the time taken by the Fund for redemption of Units, which could be significant in the event of receipt of a very large number of redemption requests or very large value redemption requests. The liquidity of the assets may be affected by other factors such as general market conditions, political events, bank holidays and civil strife. In view of this, redemption may be limited or suspended after approval from the Boards of Directors of the AMC and the Trustee, under certain circumstances as described elsewhere in the SAI.

**Backstop facility in form of investment in Corporate Debt Market Development Fund (CDMDF):**
CDMDF is set up as a scheme of the Trust registered as an Alternative Investment Fund ('AIF') in accordance with the SEBI (Alternative Investment Funds) Regulations, 2012 ("AIF Regulations"). The objective of the CDMDF is to help to develop the corporate debt market by providing backstop facility to instill confidence amongst the market participants in the corporate debt/bond market during times of market dislocation and to enhance the secondary market liquidity. In times of market dislocation, CDMDF shall purchase and hold eligible corporate debt securities from the participating investors (i.e., specified debt-oriented MF schemes to begin with) and sell as markets recover. The CDMDF will thus act as a key enabler for facilitating liquidity in the corporate debt market and to respond quickly in times of market dislocation. Access to the Fund shall be in proportion to the contribution made to the Fund at a Mutual Fund level (i.e., in the ratio of total units of CDMDF held by all specified debt schemes of each Mutual Fund).
The trigger and period for which the backstop facility will be open shall be as decided by SEBI. Thus this backstop facility will help fund managers of the schemes to better generate liquidity during market dislocation to help the schemes fulfil liquidity obligations under stress situation.
The scheme/s shall invest 25 bps of its AUM as on December 31, 2022 in the units of the Corporate Debt Market Development Fund ('CDMDF'). An incremental contribution to CDMDF shall be made every six months to ensure 25 bps of scheme AUM is invested in units of CDMDF. However, if AUM decreases there shall be no return or redemption from CDMDF.
Further, investments in CDMDF units shall not be considered as violation while considering maturity restriction as applicable for various purposes (including applicable Investment limits) and the calculations of Potential Risk Class (PRC) Matrix, Risk-o-meter, Stress testing and Duration for various purposes shall be done after excluding investments in units of CDMDF. Also, for calculation of asset allocation limits of mutual fund schemes, investment in units of CDMDF shall be excluded from base of net assets.
Contribution made to CDMDF, including the appreciations on the same, if any, shall be locked-in till winding up of the CDMDF. CDMDF shall follow the loss waterfall accounting as specified in SEBI circulars and the risk of first loss shall rest with the scheme selling to the CDMDF.

### C. Risk mitigation strategies

| Type of Risks | Measures/ Strategies to control risks |
|---|---|
| **Debt and Money Market instruments** | • Credit Risk: Management analysis will be used for identifying company specific risks. Management's past track record will also be studied. In order to assess financial risk a detailed assessment of the issuer's financial statements will be undertaken.<br><br>• Price-Risk or Interest-Rate Risk: The Scheme is expected to have duration based on the underlying securities. The interest rate risk cannot be eliminated and it exists as it is the primary feature of the scheme by providing investors access to a higher interest rate risk portfolio, which would benefit in a declining interest rate environment |

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| | • Risk of Rating Migration: The endeavor is to invest in high grade/quality securities. The due diligence performed by the fixed income team before assigning credit limits and the periodic credit review and monitoring should address company specific issues<br><br>• Reinvestment Risk: The Investment Manager will endeavor that besides the tactical and/or strategic interest rate calls, the portfolio is fully invested.<br><br>• Liquidity Risk: The liquidity of the Scheme's investments may be inherently restricted by trading volumes, transfer procedures and settlement periods. Liquidity Risk can be partly mitigated by diversification, staggering of maturities as well as internal risk controls that lean towards purchase of liquid securities. |
| **Derivatives** | The Scheme may invest in derivative for the purpose of hedging, portfolio balancing and other purposes as may be permitted under the Regulations. Derivatives can be either exchange traded or can be over the counter (OTC). Exchange traded derivatives are listed and traded on stock exchanges whereas OTC derivative transactions are generally structured between two counterparties. Exposure with respect to derivatives shall be in line with regulatory limits and the limits specified in the SID. |
| **Securities Lending** | The SLB shall be operated through Clearing Corporation/Clearing House of stock exchanges having nation-wide terminals who are registered as Approved Intermediaries (AIs)." The risk is adequately covered as Securities Lending & Borrowing (SLB) is an Exchange traded product. Exchange offers an anonymous trading platform and gives the players the advantage of settlement guarantee without the worries of counter party default. However, the Fund may not be able to sell such lent securities during contract period or have to recall the securities which may be at higher than the premium at which the security is lent. |
| **Currency** | The scheme subject to applicable regulations shall have the option to enter into forward contracts for the purposes of hedging against the foreign exchange fluctuations. The Schemes may employ various measures (as permitted by SEBI/RBI) including but not restricted to currency hedging (such as currency options and forward currency exchange contracts, currency futures, written call options and purchased put options on currencies and currency swaps), to manage foreign exchange movements arising out of investment in foreign securities.<br>All currency derivatives trade, if any will be done only through the stock exchange platform. |
| **Repo Transactions** | This risk is largely mitigated, as the choice of counterparties is largely restricted and their credit rating is taken into account before entering into such transactions. Also operational risks are lower as such trades are settled on a DVP basis. In the event the counterparty is unable to pay back the money to the scheme as contracted on maturity, the scheme may dispose of the assets (as they have sufficient margin) and the net proceeds may be refunded to the counterparty |
| **Securitized Debt** | In addition to careful scrutiny of credit profile of borrower/pool additional security in the form of adequate cash collaterals and other securities may be obtained. |
| **Structured Obligation** | Scheme wise investments as prescribed by the regulations limits the exposure |

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| **(SO) & Credit Enhancement (CE) rated securities** | to such securities. Additionally, covenants of such structured papers are reviewed periodically for adequate maintenance of covers as prescribed in the Information Memorandum of such papers. |
| **Government securities and Triparty repo on Government securities or treasury bills:** | As a member of securities segment and Triparty repo segment, maintenance of sufficient margin is a mandatory requirement. CCIL monitors these on a real time basis and requests the participants to provide sufficient margin to enable the trades etc. Also there are stringent conditions / requirements before registering any participants by CCIL in these segments. Since settlement is guaranteed the loss on this account could be minimal though there could be an opportunity loss. |
| **Units of mutual fund schemes** | Mutual Fund portfolios are generally well diversified and typically endeavor to provide liquidly on a T+1/T+2 basis and aim to mitigate any risks arising out of underlying investments. Commodity ETF's are quite liquid as they can either be created / redeemed with the fund house or traded on the exchange. |
| **Segregated Portfolio** | In such an eventuality it will be AMC's endeavor to realise the segregated holding in the best interest of the investor at the earliest. |
| **rpetual Debt Instrument / Other Subordinated Debt Instruments** | Perpetual Debt instruments are issued by Banks, NBFCs and corporates to improve their capital profile. Some of the PDIs issued by Banks which are governed by the RBI guidelines for Basel III Capital Regulations are referred to as Additional Tier I (AT1 bonds). While there are no regulatory guidelines for issuance of PDIs by corporate bodies, NBFCs issue these bonds as per guidelines issued by RBI. The instruments are treated as perpetual in nature as there is no fixed maturity date. |

While these measures are expected to mitigate the above risks to a large extent, there can be no assurance that these risks would be completely eliminated.

The measures mention above is based on current market conditions and may change from time to time based on changes in such conditions, regulatory changes and other relevant factors. Accordingly, our investment strategy, risk mitigation measures and other information contained herein may change.in response to the same

**II. Information about the scheme:**

**A. Where will the scheme invest**

| Securities/ Instruments | Definitions |
|---|---|
| Securities created and issued by the Central and State Governments and/or repos/reverse repos in such Government Securities as may be permitted by RBI (including but not limited to coupon bearing bonds, zero coupon bonds and treasury bills) | Government Security (G-Sec) is a tradeable instrument issued by the Central Government or the State Governments. It acknowledges the Government's debt obligation. They are generally long term with maturity of one year or more. In India, the Central Government issues both, treasury bills and bonds or dated securities while the State Governments issue only bonds or dated securities, which are called the State Development Loans (SDLs). G-Secs carry practically no risk of default and, hence, are called risk-free gilt-edged instruments.<br>Repos / Reverse Repos enables collateralized short term borrowing and lending through sale/purchase operations in the such government securities. |
| Debt obligations of domestic Government agencies and statutory bodies, which may or may not carry a Central/State Government guarantee (including but not limited to Indian Government Bond, State Development Loans issued and serviced at the Public Debt Office, Bonds issued by Central & State Government PSU's which are guaranteed by Central or State Governments); | These are instruments are issued by various government agencies and bodies (including but not limited to Indian Government Bond, State Development Loans issued and serviced at the Public Debt Office, Bonds issued by Central & State Government PSU's which are guaranteed by Central or State Governments. They can be issued at discount, par or premium. |
| Corporate debt (of both public and private sector undertakings) including Nonconvertible debentures (including bonds) and non-convertible part of convertible securities; | These are financial instruments issued by companies (both public and private) to raise long-term funds through public issues. They are generally rated by credit rating agencies. |
| Short Term Deposits of banks (both public and private sector) and development financial institutions to the extent permissible under SEBI Regulations; | Short Term Deposits are offered by Scheduled Commercial Banks (both public and private sector banks) with a fixed/floating interest rate and maturity date. |
| Money market instruments permitted by SEBI/RBI, having maturities of up to one year but not limited to: • Certificate of Deposits (CDs). • Commercial Paper (CPs) • Tri-party Repo, Bills re-discounting, as may be permitted by SEBI from time to time. • Repo of corporate debt securities | • "Certificate of Deposit" or "CD" is issued by Scheduled Commercial Banks (SCBs) and All-India Financial Institutions. There is a term period of 7 days to 1 year for CDs that are issued by SCBs, whereas the term period ranges from 1 year to 3 years for CDs issued by financial institutions. CDs are usually issued at a discounted rate and redeemed at par.<br><br>• "Commercial Paper" or "CP" is a short-term instrument |

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| | issued by corporates and financial institutions CPs are usually issued at a discounted rate and redeemed at par. The tenor of CP ranges from 7 days to 1 year.<br><br>• Treasury bills or T-bills, which are money market instruments, are short term debt instruments issued by the Government of India and are presently issued in three tenors, namely, 91 day, 182 day and 364 day. Treasury bills are zero coupon securities and pay no interest. Instead, they are issued at a discount and redeemed at the face value at maturity.<br><br>• Triparty Repo (TREPS) is a type of repo contract where a third entity (apart from the borrower and lender), called a Tri-Party Agent, acts as an intermediary between the two parties to the repo to facilitate services like collateral selection, payment and settlement, custody and management during the life of the transaction.<br><br>• Repos / Reverse Repos enables collateralized short term borrowing and lending through sale/purchase operations in debt instruments (including corporate bonds).<br><br>• Bills Re-discounting is an instrument where a financial institution discounts the bills of exchange that it has discounted previously with another financial institution. |
| Securitised Debt | Securitised Debt are debt instruments with rights over assets backed by cash flows. |
| Units of Mutual Funds Schemes | Mutual fund means a fund established in the form of a trust to raise monies through the sale of units to the public or a section of the public under one or more schemes for investing in securities, money market instruments, gold or gold related instruments, silver or silver related instruments, real estate assets and such other assets and instruments as may be specified by the SEBI from time to time: |
| The scheme may invest in units of overseas Mutual Funds schemes / ETFs, ADRs, GDRs or other foreign securities | Overseas securities refer to securities (viz. mutual funds, ETFs, ADRs / GDRs, stocks) that are listed or traded in any jurisdiction outside India. |
| Securities Lending & Borrowing as permitted by SEBI from time to time | Securities Lending and Borrowing is a process through which shares or stocks are lent or borrowed from other investors or financial firms at a specified time and price. |
| Fixed Income Derivatives | Interest Rate Swaps are forward contracts in which one stream of future interest payments is exchanged for another based on a specified principal amount. Interest rate swaps usually involve the exchange of a fixed interest rate for a floating rate, or vice versa, to reduce or increase exposure to fluctuations in interest rates.<br><br>Interest Rate Futures involve futures contracts with underlying assets that provide interest, such as government |

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| | bonds or Treasury Bills. These futures are traded on stock exchanges featuring standardised contracts based on government securities. |

**Investment in Foreign Securities**
The Scheme may also invest in suitable investment avenues in overseas financial markets for the purpose of diversification, commensurate with the Scheme objectives and subject to the provisions of Para 12.19 of SEBI Master Circular no. SEBI/HO/IMD/IMD-PoD1/P/CIR/2023/74 dated May 19, 2023 and as may be amended from time to time an any other requirements as may be stipulated by SEBI/RBI from time to time

The Scheme may, in terms of its investment objectives with the approval of SEBI/RBI invest in following Foreign Securities:
ii. Foreign debt securities in the countries with fully convertible currencies, short term as well as long term debt instruments with rating not below investment grade by accredited/registered credit rating agencies
iii. Money market instruments rated not below investment grade
iv. Repos in the form of investment, where the counterparty is rated not below investment grade; repos should not however, involve any borrowing of funds by mutual funds
v. Government securities where the countries are rated not below investment grad
vi. Debt Derivatives traded on recognized stock exchanges overseas only for hedging and portfolio balancing with underlying as securities
vii. Short term deposits with banks overseas where the issuer is rated not below investment grade
viii. Debt Units/securities issued by overseas mutual funds or unit trusts registered with overseas regulators and investing in
(a) aforesaid securities,
(b) Real Estate Investment Trusts (REITs) listed in recognized stock exchanges overseas or
(c) unlisted overseas securities (not exceeding 10% of their net assets).

Mutual funds can make overseas investments [as stated in point (i) to (x) above] subject to a maximum of US $1 billion per mutual fund, within the overall industry limit of US $ 7 billion or such limits as may be prescribed by SEBI from time to time. Further, the scheme can make investments in overseas Exchange Traded Fund (ETF(s) subject to a maximum of US $ 300 million per Mutual Fund, within the overall industry limit of US $ 1 billion.

The intended amount for investment in overseas securities is US $5 Million and the intended amount for investment in overseas ETFs is US $ 1 Million., subject to maximum limit as specified in para 12.19 of SEBI Master Circular no. SEBI/HO/IMD/IMD-PoD-1/P/CIR/2023/74 dated May 19, 2023.

The aforesaid investments would be in line with the asset allocation of the scheme.

The Mutual Fund may, where necessary appoint intermediaries as sub-managers, sub-custodians, etc. for managing and administering such investments. The appointment of such intermediaries shall be in accordance with the applicable requirements of SEBI and within the permissible ceilings of expenses as stated under Regulation 52 of SEBI (MF) Regulations.

**Overview of Debt Market and Money Market Instruments**

The Indian Debt Market has grown in size substantially over the years. The Reserve Bank of India has been taking steps to make the Indian Debt Market efficient and vibrant. The interest rates were regulated till a few years back, there has been rapid deregulation and currently both the lending and deposit rates are market determined. The Central banker has in its recent credit policy meetings suggested the importance of a fully developed corporate bond market and efforts are being made to have an online trading platform for corporate bonds.

Broadly, the debt market is divided in two parts viz. the Money Market and the Debt market. Money market instruments have a tenor of less than one year while debt market instruments have a tenor of more than one year. Money market instruments are typically commercial paper, certificates of deposit, treasury bills, trade bills, repos, interbank call deposit receipts etc. Debt market comprises typically of securities issued by Governments (Central and State), Banks, Financial Institutions, and Companies in the private and public sector, Corporations, Statutory Bodies etc.

The debt securities are mainly traded over the telephone directly or through brokers. The National Stock Exchange of India has a separate trading platform called the Wholesale Debt Market segment where trades put through member brokers are reported. The daily volumes in the debt market are in the region of Rs.2500-5000 crores.
RBI has introduced the Negotiated Dealing System (NDS) platform for screen-based trading in Government Securities and Money Market instruments. Most of the market participants are now operating through NDS. Promoted by major banks and financial institutions, The Clearing Corporation of India Ltd. (CCIL), was incorporated on April 30, 2001. The CCIL guarantees the settlement of all trades executed through NDS. The clearing and settlement risks viz., Counter party Credit Risk and Operational Risk are mitigated by CCIL thereby facilitating a smooth settlement process.

The following table gives approximate yields prevailing as on June 24, 2024 on some of the money and debt market instruments. These yields are indicative and do not indicate yields that may be obtained in future as interest rates keep changing.

| **Instrument** | **Yield Range (% per annum)** |
|---|---|
| Inter-bank Call Money | 6.60-6.65 |
| 91 Day Treasury Bill | 6.83-6.85 |
| 364 Day Treasury Bill | 6.98-7.00 |
| P1+ Commercial Paper 90 Days | 7.12-7.15 |
| 3-Year Government of India Security | 6.95-6.97 |
| 5-Year Government of India Security | 6.97-6.99 |
| 10-Year Government of India Security | 6.97-7.00 |

Generally, for instruments issued by a non-Government entity, the yield is higher than the yield on a Government Security with corresponding maturity. The difference, known as credit spread, depends on the credit rating of the entity. Investors must note that the yields shown above are the yields prevailing on June 24, 2024 and they are likely to change consequent to changes in economic conditions and RBI policy.

### B. What are the investment restrictions?

As per the Trust Deed read with the SEBI (MF) Regulations, the following investment restrictions apply in respect of the Scheme at the time of making investments.

1. As per Clause 1 of the Seventh Schedule of MF Regulation, the Scheme shall not invest more than 10% of its NAV in debt instruments comprising money market instruments and non-money market instruments issued by a single issuer which are rated not below investment grade by a credit rating agency authorised to carry out such activity under the Act. Such investment limit may be extended to 12% of the NAV of the scheme with the prior approval of Trustees and the Board of directors of the asset management company.

Within the limits specified in clause 1 of the Seventh Schedule of MF Regulation, a mutual fund scheme shall not invest more than:

a. 10% of its NAV in debt and money market securities rated AAA issued by a single issuer; or
b. 8% of its NAV in debt and money market securities rated AA issued by a single issuer; or
c. 6% of its NAV in debt and money market securities rated A and below issued by a single issuer.

The above investment limits may be extended by up to 2% of the NAV of the scheme with prior approval of the Board of Trustees and Board of Directors of the AMC, subject to compliance with the overall 12% limit specified in clause 1 of the Seventh Schedule of MF Regulation.

The long term rating of issuers shall be considered for the money market instruments. However, if there is no long term rating available for the same issuer, then based on credit rating mapping of Credit Rating Agency (CRAs) between short term and long term ratings, the most conservative long term rating shall be taken for a given short term rating

Provided that such limit shall not be applicable for investments in Government Securities, treasury bills and triparty repo on Government securities or treasury bills.

Provided further that investments within such limit can be made in mortgaged backed securitised debt which are rated not below investment grade by a credit rating agency registered with the Board.

Provided further that such limit shall not be applicable for investments in case of debt exchange traded funds or such other funds as may be specified by the Board from time to time.

2. The Mutual Fund under all its Scheme(s) shall not own more than 10% of any company's paid up capital carrying voting rights.

   Provided, investment in the asset management company or the trustee company of a mutual fund shall be governed by clause (a), of sub-regulation (1), of regulation 7B.

3. Debentures, irrespective of any residual maturity period (above or below one year), shall attract the investment restrictions as applicable for debt instruments. It is further clarified that the investment limits are applicable to all debt securities, which are issued by public bodies/institutions such as electricity boards, municipal corporations, state transport corporations etc. guaranteed by either state or central government. Government securities issued by central/state government or on its behalf by the RBI are exempt from the above investment limits.

4. The investment of the Scheme in the following instruments shall not exceed 10% of the debt portfolio of the Scheme and the group exposure in such instruments shall not exceed 5% of the debt portfolio of the Scheme: -

- Unsupported rating of debt instruments (i.e. without factoring-in credit enhancements) is below investment grade; and –
- Supported rating of debt instruments (i.e. after factoring-in credit enhancement) is above investment grade

The above limits shall not be applicable on investments in securitized debt instruments.
Investment by the Scheme in debt instruments, having credit enhancements backed by equity shares directly or indirectly, shall have a minimum cover of 4 times considering the market value of such shares.

Further, the investment in debt instruments having credit enhancements should be sufficiently covered to address the market volatility and reduce the inefficiencies of invoking of the pledge or cover, whenever required, without impacting the interest of the investors. In case of fall in the value of the cover below the specified limit, AMCs will initiate necessary steps to ensure protection of the interest of the investors.

5. The Scheme may invest in another scheme under the same AMC or any other mutual fund without charging any fees, provided that aggregate inter-scheme investment made by all schemes under the same AMC or in schemes under the management of any other asset management shall not exceed 5% of the net asset value of the Mutual Fund. However, the aforesaid provision will not apply to fund of funds scheme.

6. The Scheme shall not make any investments in:
   (a) any unlisted security of an associate or group company of the Sponsors; or
   (b) any security issued by way of private placement by an associate or group company of the Sponsors; or

7. The Scheme shall not invest in any Fund of Funds Scheme.

8. Transfer of investments from one scheme to another scheme in the same Mutual Fund, shall be allowed only if:-

i) such transfers are made at the prevailing market price for quoted Securities on spot basis (spot basis shall have the same meaning as specified by Stock Exchange for spot transactions.)
j) the securities so transferred shall be in conformity with the investment objective of the scheme to which such transfer has been made.
k) IST purchases would be allowed subject to the guidelines as specified in Para 12.30 of SEBI Master Circular no. SEBI/HO/IMD/IMD-PoD1/P/CIR/2023/74 dated May 19, 2023. .

9. The Mutual Fund shall buy and sell securities on the basis of deliveries and shall in all cases of purchases, take delivery of relevant securities and in all cases of sale, deliver the securities:

- Provided that the Mutual Fund may engage in short selling of securities in accordance with the framework relating to short selling and securities lending and borrowing specified by SEBI.
- Provided further that the Mutual Fund may enter into derivatives transactions in a recognized stock exchange, subject to the framework specified by SEBI.
- Provided further that sale of government security already contracted for purchase shall be permitted in accordance with the guidelines issued by the Reserve Bank of India in this regard.

10. No loans for any purpose may be advanced by the Mutual Fund and the Mutual Fund shall not borrow except to meet temporary liquidity needs of the Scheme for the purpose of payment of interest or IDCW to Unit Holders, provided that the Mutual Fund shall not borrow more than 20% of the net assets of the Scheme and the duration of such borrowing shall not exceed a period of six months.

11. The Mutual Fund shall enter into transactions relating to Government Securities only in dematerialised form.

12. The mutual fund shall get the securities purchased / transferred in the name of the fund on account of the concerned scheme, where investments are intended to be of long term nature.

13. Pending deployment of funds of a scheme in terms of investment objectives of the scheme, a mutual fund may invest them in short term deposits of schedule commercial banks, subject to Para 12.16 and Para 4.5 of SEBI Master Circular no. SEBI/HO/IMD/IMD-PoD1/P/CIR/2023/74 dated May 19, 2023 , as may be amended from time to time. The AMC shall not charge any investment management and advisory fees for parking of funds in such short term deposits of scheduled commercial banks for the scheme.

14. In accordance Para 12.9 of SEBI Master Circular no. SEBI/HO/IMD/IMD-PoD1/P/CIR/2023/74 dated May 19, 2023, in case of debt schemes, the total exposure to single sector shall not exceed 20% of the net assets of the scheme. However this limit is not applicable for investments in Bank CDs, Tri-party Repo, G-Secs, T-Bills short term deposits of scheduled commercial banks and AAA rated securities issued by Public Financial Institutions and Public Sector Banks.

Provided that an additional exposure to financial services sector (over and above the limit of 20%) not exceeding 10% of the net assets of the scheme shall be allowed by way of increase in exposure to Housing Finance Companies (HFCs) only; Further, an additional exposure of 5% of the net assets of the scheme has been allowed for investments in securitized debt instruments based on retail housing loan portfolio and/or affordable housing loan portfolio.

However the overall exposure in HFCs shall not exceed the sector exposure limit of 20% of the net assets of the scheme.

Provided further that the additional exposure to such securities issued by HFCs are rated AA and above and these HFCs are registered with National Housing Bank (NHB) and the total investment/ exposure in HFCs shall not exceed 20% of the net assets of the scheme

15. In accordance with Para 12.9.3 of SEBI Master Circular no. SEBI/HO/IMD/IMD-PoD1/P/CIR/2023/74 dated May 19, 2023 , in case of debt scheme the total exposure in a group, except and in the group of sponsor and the asset management company, (excluding investments in securities issued by Public Sector Units, Public Financial Institutions and Public Sector Banks) shall not exceed 20% of the net assets of the scheme. Such investment limit may be extended to 25% of the net assets of the scheme with the prior approval of the Board of Trustees.

    Further, the investments in debt and money market instruments of group companies of both the sponsor and the asset management company shall not exceed 10% of the net assets of the scheme. Such investment limit may be extended to 15% of the net assets of the scheme with the prior approval of the Board of Trustees.

    For this purpose, a group means a group as defined under regulation 2 (mm) of SEBI (Mutual Funds) Regulations, 1996 (Regulations) and amendment thereto.

16. In accordance with the guidelines as stated Para 12.1 of SEBI Master Circular no. SEBI/HO/IMD/IMD-PoD1/P/CIR/2023/74 dated May 19, 2023 , investments in following instruments as specified in the said circular, as may be amended from time to time, shall be applicable:

i. The scheme shall not invest in unlisted debt instruments including commercial papers (CPs), other than (a) government securities, (b) other money market instrument and (c) derivative products such as Interest Rate Swaps (IRS), Interest Rate Futures (IRF), etc. which are used by mutual funds for hedging.

   However, the scheme may invest in unlisted Non-Convertible Debentures (NCDs) not exceeding 10% of the debt portfolio of the scheme subject to the condition that such unlisted NCDs have a simple structure (i.e. with fixed and uniform coupon, fixed maturity period, without any options, fully paid up upfront, without any credit enhancements or structured obligations) and are rated and secured with coupon payment frequency on monthly basis.

ii. All fresh investments by mutual fund schemes in CPs would be made only in CPs which are listed or to be listed.

iii. Further, investment in unrated debt and money market instruments, other than government securities, treasury bills, derivative products such as Interest Rate Swaps (IRS), Interest Rate Futures (IRF), etc. by mutual fund schemes shall be subject to the conditions as specified in the said circular:

a. Investments should only be made in such instruments, including bills re-discounting, usance bills, etc., that are generally not rated and for which separate investment norms or limits are not provided in SEBI (Mutual Fund) Regulations, 1996 and various circulars issued thereunder.

b. Exposure of mutual fund schemes in such instruments shall not exceed 5% of the net assets of the schemes.

c. All such investments shall be made with the prior approval of the Board of AMC and the Board of trustees.

17. Investments in Derivatives shall be in accordance with the guidelines as stated Para Para 7.5, 7.6 and 12.25 of SEBI Master Circular no. SEBI/HO/IMD/IMD-PoD1/P/CIR/2023/74 dated May 19, 2023 as may be amended from time to time

    All such investments shall be made with the prior approval of the Board of AMC and the Board of trustees.

18. The scheme will invest in Repos in Corporate debt in accordance with Para 12.18 of SEBI Master Circular no. SEBI/HO/IMD/IMD-PoD1/P/CIR/2023/74 dated May 19, 2023

**19. Investment restrictions w.r.t. in units of REITs and InvITS:**

a) The Mutual Fund under all its schemes shall not own more than 10% of units issued by a single issuer of REIT and InvIT.
b) The Scheme shall not invest more than 10% of its NAV in the units of REITs and InvITs.
c) The Scheme shall not invest more than 5% of its NAV in the units of REITs and InvITs issued by a single issuer.

20. In terms of requirement of Para 12.2 of SEBI Master Circular no. SEBI/HO/IMD/IMD-PoD1/P/CIR/2023/74 dated May 19, 2023 prescribing norms for investments in debt instruments with special features viz. subordination to equity (absorbs losses before equity capital) and /or convertible to equity upon trigger of a pre-specified event for loss absorption (Additional Tier I bonds and Tier 2 bonds issued under Basel III framework are some instruments which may have above referred special features), the following limit shall be applicable:

    a) No Mutual Fund under all its schemes shall own more than 10% of such instruments issued by a single issuer.
    b) The scheme shall not invest –
    i. more than 10% of its NAV of the debt portfolio of the scheme in such instruments; and
    ii. more than 5% of its NAV of the debt portfolio of the scheme in such instruments issued by a single issuer.

    The above investment limit for a mutual fund scheme shall be within the overall limit for debt instruments issued by a single issuer, as specified at clause 1 of the Seventh Schedule of SEBI (Mutual Fund) Regulations, 1996, and other prudential limits with respect to the debt instruments.

    The AMC may alter these above stated restrictions from time to time to the extent the SEBI (MF) Regulations change, so as to permit the Scheme to make its investments in the full spectrum of permitted investments for mutual funds to achieve its investment objective. The Trustee may from time to time alter these restrictions in conformity with the SEBI (MF) Regulations.

    All investment restrictions shall be applicable at the time of making investment.

    Apart from the above investment restrictions, the Fund follows certain internal norms within the above mentioned restrictions, and these are subject to review from time to time.

    Modifications, if any, in the Investment Restrictions on account of amendments to the Regulations shall supercede/override the provisions of the Trust Deed.

**Participation of scheme of Kotak Mahindra Mutual Fund in repo of corporate debt securities:**

In accordance with Para 12.18 SEBI Master circular no. SEBI/HO/IMD/IMD-PoD-1/P/CIR/2023/74 dated May 19, 2023, SEBI circular No. SEBI/HO/IMD/IMD PoD-2/P/CIR/2023/85 dated June 08, 2023 and SEBI circular No. SEBI/HO/IMD/IMD PoD-2/P/CIR/2023/87 dated June 13, 2023 and any other circulars issued by SEBI/ RBI from time to time, the Scheme shall participate in repo transactions in corporate debt securities subject to following guidelines:

- The gross exposure of any mutual fund scheme to repo transactions in corporate debt securities including Commercial Papers (CPs) and Certificate of Deposits (CDs) shall not be more than 10 % of the net assets of the concerned scheme.
- The cumulative gross exposure through repo transactions in corporate debt securities including Commercial Papers (CPs) and Certificate of Deposits (CDs) along with equity, debt and derivatives, other permitted securities/assets and such other securities/assets as may be permitted by the Board from time to time shall not exceed 100% of the net assets of the concerned scheme.
- Mutual funds shall participate in repo transactions on following Corporate Debt securities;
- Listed AA and above rated corporate debt securities and
- Commercial Papers(CPs) and Certificate of Deposits(CDs).
- In terms of Regulation 44 (2) mutual funds shall borrow through repo transactions only if the tenor of the transaction does not exceed a period of six months.
- Mutual funds shall ensure compliance with the Seventh Schedule of the Mutual Funds Regulations about restrictions on investments, wherever applicable, with respect to repo transactions in corporate debt securities including Commercial Papers(CPs) and Certificate of Deposits(CDs). However, for transactions where settlement is guaranteed by a Clearing Corporation, the exposure shall not be considered for the purpose of determination of investment limits for single issuer, group issuer and sector level limits.

**<u>The parameters for investment in repos of corporate debt securities as approved by the Board of AMC and Trustee Company are as under:</u>**

**i) Category of counterparty to be considered for making investment:**
All entities (including clearing corporations) eligible for transacting in corporate bond repos as defined by SEBI and RBI shall be considered for repo transactions.

**(ii) Credit rating of counterparty to be considered for making investment**
The schemes shall participate in corporate bond repo transactions with counterparties having a minimum investment grade rating and is approved by the Investment Committee on a case-to-case basis. In case there is no rating available, the Investment Committee will decide the rating of the counterparty, and report the same to the Board from time to time.
The requirement for credit rating of the counterparty will not be applicable for transactions where settlement is guaranteed by a Clearing Corporation,

**(iii) Tenor of Repo and collateral**
As a repo seller, the schemes will borrow cash for a period not exceeding 6 months or as per extant regulations. As a repo buyer, the Schemes are allowed to undertake the transactions for maximum maturity upto one year or such other terms as may be approved by the Investment Committee. There shall be no restriction / limitation on the tenor of collateral.

**(iv) Applicable haircuts**
RBI in its circular dated July 24, 2018 has prescribed the haircut to be applied for repo transactions as follows:

Haircut/margins will be decided either by the clearing house or may be bilaterally agreed upon, in terms of the documentation governing repo transactions, subject to the following stipulations:

i. Listed corporate bonds and debentures shall carry a minimum haircut of 2% of market value.
ii. CPs and CDs shall carry a minimum haircut of 1.5% of market value.
iii. Securities issued by a local authority shall carry a minimum haircut of 2% of market value.

However, the fund manager may ask for a higher haircut (while lending) or give a higher haircut (while borrowing) depending on the prevailing liquidity situation in the market.

**Risk envisaged and mitigation measures for repo transactions:**
Credit risks could arise if the counterparty does not return the security as contracted or interest received by the counter party on due date. This risk is largely mitigated, as the choice of counterparties is largely restricted and their credit rating is taken into account before entering into such transactions. Additionally, appropriate haircuts are applied on the market value of the underlying securities based on the tenor and illiquidity of the underlying security. Also operational risks are lower as such trades are settled on a DVP basis.

In the event of the scheme being unable to pay back the money to the counterparty as contracted, the counter party may dispose of the assets (as they have sufficient margin) and the net proceeds may be refunded to us. Thus the scheme may in remote cases suffer losses. This risk is normally mitigated by better cash flow planning to take care of such repayments.

The above risks will not arise for repo transactions where settlement is guaranteed by a Clearing Corporation

**Investments in securitized debt instruments**

**How the risk profile of securitized debt fits into the risk appetite of the scheme:**

The scheme investment pattern permits investments in debt and money market instruments with extended maturities. Under this the investments could be in the following form of issuances, viz. CPs, CDs, Securitised debt, etc. i.e for the same acceptable levels of risks there could be multiple instruments available to a Fund Manager. Based on the credit assessment of the issuers the Fund Manager may chose to invest in securitized debt.

Our evaluation process for investment in securitized debt is similar to the approach followed for other types of instruments including money market and bonds. We lay emphasis on credit, liquidity and duration risk while evaluating every prospective investment, keeping in mind the investment objectives of the particular scheme.

**Policy relating to originators based on nature of originator, track record, NPAs, losses in earlier securitized debt etc:**

The Fund Manager shall do a comprehensive credit assessment of the structure before investment. This includes originator's credit origination standards, track record on asset quality, more specifically its track record in respect the asset class that is being securitized and also the performance of the pools securitised by the originator in the past. No investments will be made in instruments rated below certain grades as prescribed by the investment committee or in unrated instruments. Prior approval of Trustee will be taken, in case of any investments in unrated instruments.

The securitised paper may pertain to a single asset class e.g., car loans or commercial vehicle loans or a combination of different asset classes i.e. car loans, two wheeler loans and commercial vehicle loans.

Investment focus is towards diversification in the asset pool in terms of geography, underlying collateral. Although there is no specific guidelines with respect minimum period for which the originator had held the loans in its books), appropriateness of the seasoning (the period for which the originator has held loans on its books) and also the loan to value and instilment to income profile of the pool are important parameters for making investment decision.

In case of single loan securitization, the originator merely transfers the loan existing in his book by way of a single loan selldown. The obligation to repay and service the debt remains with the underlying obligor and hence, it is the obligor whose standalone business and financial risk profile is evaluated. Therefore, the credit rating of a single loan structure mirrors the credit rating of the obligor.

For pool securitization, where the debt repayment is dependent on the underlying pool of borrowers, it is important to evaluate the characteristics of the pool including the type of loan, loan to value ratio, ticket size of loan, geographic distribution etc. and the track record of the originator in terms of volume of securitization activity, historical losses seen in similar pools, stability in cash flow servicing and utilization level of credit enhancement.

**Risk Mitigation strategies for investments with each kind of originator:**

Apart from the above, risk assessment process includes examination of the credit enhancements offered under the present PTC structure, utilization of credit enhancement in the previous securitization structures of the originator and the trends in credit enhancement utilization of securitization transactions of similar asset classes of other originators. The size & reach of originators, its infrastructure & follow-up mechanism, quality of MIS & the collection process are also considered for each originator.

The nature of the instrument, underlying risks, underlying risk migration perceptions would decide the tenure of the said investments.

There is clear cut segregation of duties and responsibilities with respect to Investment Function and Sales function. Risk assessment and monitoring of investment in Securities Debt is done by a team comprising of credit analyst, fund manager and Head of Fixed Income. The Investment committee also looks into a first time investment in credit, apart from sanctioning overall limits for the same. Investment Decisions are being taken independently based on the above mentioned parameters and investment by the originator in the scheme is based on their own evaluation of the scheme vis a vis their investment objective.

Originator risk can be evaluated and mitigated on the basis of –

a. Market position and size of the originator and expertise/niche in financing a particular type of asset.
b. Systems and processes established by the originator to address operational risk relating to disbursement, collection and recovery of loans.
c. Extent of data disclosed by the originator for the current pool as well as past pools which showcases the data mining capability of the originator.
d. Credit enhancement provided based on the pool characteristics, historical performance of past pools and the base case losses assumed by the credit agency.

**The level of diversification with respect to the underlying assets, and risk mitigation measures for less diversified investments:**

Framework that will be applied while evaluating investment decision relating to a pool securitization transaction:

| Characteristics/ Type of Pool | Mortgage Loan | CV & CE | Cars | Two Wheelers | Micro Finance | Personal Loans | Single loan sell down |
|---|---|---|---|---|---|---|---|
| Average maturity (in months) | 36m-72m | 12m-36m | 12m-36m | 12m-24m | 3m-18m | 12m-24m | 12m-36m |
| Collateral margin (including cash, guarantees, excess interest spread, subordination) | 5%-25% | 10%-25% | 10%-25% | Min 15% | Min 20% | Min 20% | NA |
| Average Loan-to-value | 70%-90% | 65%-90% | 65%-90% | 50%-75% | NA | NA | NA |
| Average Pool Seasoning (in months) | 6m-12m | 3m-6m | 3m-6m | 3m-6m | 1m-3m | 3m-6m | NA |
| Maximum exposure per ABS transaction | 5%-15% | 5%-15% | 5%-15% | 5%-10% | 5%-15% | 5%-10% | 5%-15% |

Note - Kindly note that these are indicative ranges and final figures could vary depending upon the overall characteristics of the transaction and market conditions

In respect of single sell down loans the process would be similar to the one adopted for investing in the issuer directly. Similarly the fund in the normal course of business would not be investing in personal / micro finance pools, unless the levels of comfort arising of the transaction structures, satisfy the investment committee.

The above table is prepared after considering the risk mitigating measures such as Size of the loan, Average original maturity of the pool, Average seasoning of the pool, Loan to Value Ratio, Geographical Distribution and Structure of the pool, default rate distribution & credit enhancement facility. The information contained herein is based on current market conditions and may change from time to time based on changes in such conditions, regulatory changes and other relevant factors. Accordingly, our investment strategy, risk mitigation measures and other information contained herein may change in response to the same. This framework would be used as a reference for evaluation of investment into any securitized debt. However, each investment would also be evaluated on a case to case basis on its own merits apart from these limits.

Other risk mitigation measures

a. Loan to Value Ratio – is an important parameter which highlights the underwriting standards of the issuer. Also, lower LTV ratios generally result in higher recoveries in case of default.

b. Average seasoning of the pool - may vary depending on the asset type. Higher seasoning is preferred as it gives better visibility on delinquency levels in the pool.

c. Default rate distribution – this is studied using empirical data for the originator. This is also a critical data used by the rating agency in determining the credit enhancement levels to be stipulated.

d. Geographical Distribution – helps in identifying concentration risk in a particular geography and therefore reduces the default risk.

e. Credit enhancement facility – is provided in pool securitization transactions and is very important as it is used to absorb credit losses stemming from default in the pool assets. The size of credit enhancement is determined on the basis of the issuer's credit risk profile, the type of asset being securitized and past pool performances.

f. Liquidity facility – in some cases, in addition to the credit enhancement facility there is also a liquidity facility provided which is used to meet any shortfalls arising from delayed collections or delinquencies in the pool.

**Minimum retention percentage by originator of debts to be securitized:**

Although there is no specific guidelines with respect minimum retention percentage for which the originator had held the loans in its books), appropriateness of the seasoning (the period for which the originator has held loans on its books) and also the loan to value and installment to income profile of the pool are important parameters for making investment decision.

**Minimum retention period of the debt by originator prior to securitization**

For single loan securitization, there is currently no regulation for minimum retention period of debt by the originator. Our investment decision is driven by the credit quality of the underlying obligor.

For pool securitization, there is currently no regulation for minimum retention period of debt by the originator. Generally the pool assets we acquire in the form of PTCs have a retention period of 3-6 months by the originator. We follow the extant guidelines pertaining to securitization as set out by the regulator.

**The mechanism to tackle conflict of interest when the mutual fund invests in securitized debt of an originator and the originator in turn makes investments in that particular scheme of the fund:**

An investment by the scheme in any security is done after detailed analysis by the Fixed Income team and in accordance with the investment objectives and the asset allocation pattern of a scheme. The robust credit process ensures that there is no conflict of interests when a scheme invests in securitized debt of an originator and the originator in turn makes investments in that particular scheme. Normally the issuer who is securitizing instrument is in need of money and is unlikely to have long term surplus to invest in mutual fund scheme. Furthermore, there is clear cut segregation of duties and responsibilities with respect to Investment function and Sales function. Investment decisions are being taken independently based on the above mentioned parameters and investment by the originator in the scheme is based on their own evaluation of the scheme vis a vis their investment objectives

Our investment decisions are independent of other business functions and are solely based on the assessment of credit risk, liquidity risk and duration risk pertaining to a particular security.

**The resources and mechanism of individual risk assessment with the AMC for monitoring investment in securitized debt**

Risk assessment and monitoring of investment in Securities Debt is done by a team comprising of credit analyst, fund manager and Head of Fixed Income. The Investment committee also looks into a first time investment in credit, apart from sanctioning overall limits for the same. Investment Decisions are being taken independently based on the above mentioned parameters and investment by the originator in the scheme is based on their own evaluation of the scheme vis a vis their investment objective.

Apart from monitoring the credit quality of the underlying obligator / originator, for pool securitization transactions we closely monitor the monthly pool performance report which is sent out by the trustee. The reports are tracked for changes in specific pool characteristics which can impact the collection performance and loss levels in the pool.

**Limits for investment in derivatives instruments**

As per Para 12.25 of SEBI Master Circular no. SEBI/HO/IMD/IMD-PoD1/P/CIR/2023/74 dated May 19, 2023 on “Review of norms for investment and disclosure by Mutual Funds in derivatives”, and the limits for exposure towards derivatives are as under:

1. The cumulative gross exposure through equity, debt and derivative positions should not exceed 100% of the net assets of the scheme.
2. The total exposure related to option premium paid must not exceed 20% of the net assets of the scheme.
3. Cash or cash equivalents with residual maturity of less than 91 days may be treated as not creating any exposure.
4. Exposure due to hedging positions may not be included in the above mentioned limits subject to the following :-

a. Hedging positions are the derivative positions that reduce possible losses on an existing position in securities and till the existing position remains.
b. Hedging positions cannot be taken for existing derivative positions. Exposure due to such positions shall have to be added and treated under limits mentioned in Point 1.
c. Any derivative instrument used to hedge has the same underlying security as the existing position being hedged.
d. The quantity of underlying associated with the derivative position taken for hedging purposes does not exceed the quantity of the existing position against which hedge has been taken.

5. Mutual Funds may enter into plain vanilla interest rate swaps for hedging purposes. The counter party in such transactions has to be an entity recognized as a market maker by RBI. Further, the value of the notional principal in such cases must not exceed the value of respective existing assets being hedged by the scheme. Exposure to a single counterparty in such transactions should not exceed 10% of the net assets of the scheme.
6. Exposure due to derivative positions taken for hedging purposes in excess of the underlying position against which the hedging position has been taken, shall be treated under the limits mentioned in point 1.
7. Exposure in derivative positions shall be computed as follows:

| Position | Exposure |
|---|---|
| Long Future | Futures Price * Lot Size * Number of Contracts |
| Short Future | Futures Price * Lot Size * Number of Contracts |
| Option bought | Option Premium Paid * Lot Size * Number of Contracts |

## C. Fundamental Attributes

Following are the Fundamental Attributes of the scheme, in terms of Regulation 18 (15A) of the SEBI (MF) Regulations:

(i) Type of the scheme :As mentioned under the heading “Scheme Type” of Part I – Sr. No. III
(ii) Investment Objective: As mentioned under the heading “Investment Objective” of Part I – Sr. No. V
(iii) Investment Pattern : As mentioned under the heading “How will the scheme allocate its assets” of Part II - A
(iv) Terms of Issue:

- Liquidity provisions such as listing, repurchase, redemption. Investors may refer Part I and Section II under ‘Other Scheme Specific Disclosures’ for detailed information on listing, repurchase and redemption.
- Aggregate fees and expenses charged to the scheme. Investors may refer Part III ‘Other Details’.
- Any safety net or guarantee provided – Not Applicable

In accordance with Regulation 18(15A) of the SEBI (MF) Regulations, the trustees shall ensure that no change in the fundamental attributes of any scheme, the fees and expenses payable or any other change which would modify the scheme and affect the interest of the unit holders is carried out by the asset management company, unless it complies with sub-regulation (26) of regulation 25 of these regulations.

In accordance with Regulation 25(26) of the SEBI (MF) Regulations, the asset management company shall ensure that no change in the fundamental attributes of any scheme or the trust, fees and expenses payable or any other change which would modify the scheme and affect the interest of unit holders, shall be carried out unless,

- A written communication about the proposed change is sent to each unit holder and an advertisement is issued in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of region where the Head Office of the mutual fund is situated; and
- The Unitholders are given an option for a period of 30 calendar days to exit at the prevailing Net Asset Value without any exit load

## D. Other Scheme Specific Disclosures:

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| Listing and transfer of units | Listing:<br><br>The Scheme is open-ended in nature. It is not necessary to list the units of the scheme on any exchange. Liquidity is ensured to investors by the purchase and sale of Units from/to the Fund at prices related to the relevant Applicable NAV for the purpose of purchasing or redeeming Units from the Fund.<br><br>The Trustee, however, has the right to list the Units under the Scheme on any stock exchange/s for better distribution and additional convenience to existing/prospective Unitholders. Even if the Units are listed, the Fund shall continue to offer purchase and redemption facility as specified in this scheme information document. Any listing will come only as an additional facility to investors who wish to use the services of a stock exchange for the purpose of transacting business in the Units of the Scheme.<br><br>Transfer of Units:<br><br>The Asset Management Company shall, on production of instrument of transfer together with relevant documents, register the transfer within 30 days from the date of such production. The Units of the Scheme will be fully and freely transferable in accordance with the provisions of SEBI (Depositories and Participants) Regulations, 1996 as may be amended from time to time and as stated in Para 14.4.4 of SEBI Master Circular no. SEBI/HO/IMD/IMD-PoD1/P/CIR/2023/74 dated May 19, 2023. Also, when a person becomes a holder of the units by operation of law or upon enforcement of pledge, then the AMC shall, subject to production/submission of such satisfactory evidence, which in its opinion is sufficient, effect the transfer, if the intended transferee is otherwise eligible to hold the units. |
| Dematerialization of units | Unit holders will have an Option to hold the units by way of an Account Statement or in Dematerialized ('Demat') form. Unit holders opting to hold the units in Demat form must |

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| | provide their Demat Account details in the specified section of the application form/transaction feed. The Applicant intending to hold the units in Demat form are required to have a beneficiary account with a Depository Participant (DP) registered with NSDL / CDSL and will be required to indicate in the application the DP's name, DP ID Number and the Beneficiary Account Number of the applicant held with the DP at the time of purchasing Units. Unitholders are requested to note that request for conversion of units held in Account Statement (non-demat) form into Demat (electronic) form or vice versa should be submitted to their Depository Participants. The demat request to depository must be submitted for all units in a folio. In case Unit holders do not provide their Demat account details or the Demat details provided in the application form are incomplete / incorrect or do not match with the details with the Depository records, the Units will be allotted in account statement mode provided the application is otherwise complete in all respect and accordingly an account statement shall be sent to them. |
| Minimum Target amount<br>(This is the minimum amount required to operate the scheme and if this is not collected during the NFO period, then all the investors would be refunded the amount invested<br>without any return.) | Not Applicable since it is an ongoing scheme. |
| Maximum Amount to be raised (if any) | Not Applicable since it is an ongoing scheme. |
| Dividend Polic y ( ID CW ) | Growth Option:<br>Under the Growth option, there will be no distribution of income and the return to investors will be only by way of capital gains, if any, through redemption at applicable NAV of Units held by them.<br><br>IDCW Option<br>Under the IDCW option, the Trustee may at any time decide todistribute by way of IDCW, the surplus by way of realised profit and interest, net of losses, expenses and taxes, if any, to Unitholders if, in the opinion of the Trustee, such surplus is available and adequate for distribution. The Trustee's decision with regard to such availability and adequacy of surplus, rate, timing and frequency of distribution shall be final. The Trustee may or may not distribute surplus, even if available, by way of IDCW.<br><br>The IDCW will be paid to only those Unitholders whose names appear on the register of Unitholders of the Scheme / Option at the close of the business hours on the record date, which will be announced in advance. The Fund is required to dispatch IDCW payments within seven working days from the record date. In case the AMC fails to dispatch the IDCW payments within the stipulated time of seven working days, it shall be liable to pay interest to the unit holders at 15% p.a. or such other rate as may be prescribed by SEBI from time to |

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| | time.<br><br>In case of dynamic lien the IDCW may be credited to the financier<br><br>The IDCW Option will be available under two sub-options ” the<br>Payout Option and the Reinvestment Option.<br><br>Payout of IDCW Option: Unitholders will have the option to receive payout of their IDCW by way of IDCW payments or any other means which can be enchased or by way of direct credit into their account.<br><br>Reinvestment of IDCW Option: Under the reinvestment option, IDCW amounts will be reinvested in the Reinvestment of IDCW Option at the Applicable NAV announced immediately following the record date.<br><br>The requirement of giving notice shall not be applicable for IDCW Option having frequency upto one month.<br><br>However, the Trustees reserve the right to introduce new options and /or alter the IDCW payout intervals, frequency, including the day of payout.<br><br>When units are sold, and sale price (NAV) is higher than face value of the unit, a portion of sale price that represents realized gains is credited to an Equalization Reserve Account and which can be used to pay IDCW. IDCW can be distributed out of investor’s capital (Equalization Reserve), which is part of sale price that represents realized gains. |
| Allotment (Detailed procedure) | Pursuant to Para 14.4 of SEBI Master Circular no. SEBI/HO/IMD/IMD-PoD1/P/CIR/2023/74 dated May 19, 2023, the investor whose transaction has been accepted by Kotak Mahindra Asset Management Company Ltd. / Kotak Mahindra Mutual Fund shall receive the following:<br><br>1. The AMC shall send an allotment confirmation specifying the units allotted by way of email and/or SMS within 5 Business Days of receipt of valid application/transaction to the Unit holders registered e-mail address and/ or mobile number (whether units are held in demat mode or in account statement form).<br>2. The holding(s) of the beneficiary account holder for units held in demat mode will be shown in the statement issued by respective Depository Participants (DPs) periodically.<br>3. A consolidated account statement (CAS) for each calendar month on or before 15th of the succeeding month shall be sent by email (wherever investor has provided email id) or physical account statement where investor has not provided email id., across the schemes of the mutual funds, to all the investors in whose folio(s) transaction(s) has/have taken |

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| | place during the month. The same shall be sent by the AMC or by the Agencies appointed by the AMC for non demat unit holders. |
| Refund | If application is rejected, full amount will be refunded within 5 working days of closure of NFO. If refunded later than 5 working days @ 15% p.a. for delay period will be paid and charged to the AMC |
| Who can invest<br>This is an indicative list and investors shall consult their financial advisor to ascertain whether the scheme is suitable to their risk profile. | The following are eligible to apply for purchase of the Units:<br>• Resident Indian Adult Individuals, either singly or jointly (not exceeding three).<br>• Minor through parent / legal guardian; There shall not be any joint holding with minor investments. Payment for investment by any mode shall be accepted from the bank account of the minor, parent or legal guardian of the minor, or from a joint account of the minor with parent or legal guardian Companies, corporate bodies, registered in India.<br>• Registered Societies and Co-operative Societies authorised to invest in such Units.<br>• Public sector undertakings, public/Statutory corporations subject to general or specific permission granted to them by the Central/State governments from time to time.<br>• Religious and Charitable Trusts under the provisions of 11(5) of the Income Tax Act, 1961 read with Rule 17C of the Income Tax Rules, 1962.<br>• Trustees of private trusts authorised to invest in mutual fund schemes under their trust deeds.<br>• Partner(s) of Partnership Firms.<br>• Association of Persons or Body of Individuals, whether incorporated or not.<br>• Hindu Undivided Families (HUFs).<br>• Banks (including Co-operative Banks and Regional Rural Banks) and Financial Institutions and Investment Institutions.<br>• Non-Resident Indians/Persons of Indian origin resident abroad (NRIs) on full repatriation or non-repatriation basis.<br>• Other Mutual Funds registered with SEBI.<br>• Foreign Portfolio Investors (FPIs) or sub-accounts of FPI's registered with SEBI.<br>• International Multilateral Agencies approved by the Government of India.<br>• Army/Navy/Air Force, Para-Military Units and other eligible institutions.<br>• Scientific and Industrial Research Organizations.<br>• Provident/Pension/Gratuity and such other Funds as and when permitted to invest.<br>• Public Financial Institution as defined under the |

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| | Companies Act 2013.<br>• Foreign Portfolio Investor<br>• Universities and Educational Institutions.<br>• Other schemes of Kotak Mahindra Mutual Fund may, subject to the conditions and limits prescribed in the SEBI Regulations and/or by the Trustee, AMC or Sponsor, subscribe to the Units under the Scheme.<br><br>The list given above is indicative and the applicable law, if any, shall supersede the list. |
| Who cannot invest | Acceptance of Subscriptions from U.S. Persons and Residents of Canada w.e.f. November 17, 2016 : -<br><br>The Scheme shall not accept subscriptions from U.S. Persons and Residents of Canada, except where transaction request received from Non – resident Indian (NRIs) / Persons of Indian Origin (PIO) who at the time of investment are present in India and submit physical transaction request along with such declarations / documents as may be prescribed by Kotak Mahindra Asset Management Company Ltd and Kotak Mahindra Trustee Company Ltd.<br><br>The AMC shall accept such investments subject to the applicable laws and such other terms and conditions as may be notified by the AMC/ Trustee Company. The investor shall be responsible for complying with all the applicable laws for such investments.<br><br>The AMC reserves the right to put the transaction request on hold/reject the transaction request, or reverse the units allotted, as the case may be, as and when identified by the AMC, which are not in compliance with the terms and conditions notified in this regard.<br><br>The AMC/Trustee reserves the right to change/modify the provisions mentioned above at a later date. |
| How to Apply and other details | 1. The investors can submit the Application forms and Key Information Memorandum (along with transaction slip)/ forms for redemption/ switches at the branches of AMC or Investor Service Centres (ISCs)/Official Points of Acceptance (OPAs) of the Registrar (CAMS) or distributors or on the website of Kotak Mahindra Mutual Fund (www.kotakmf.com).<br><br>Where Units under a Scheme are held under both Direct Plan and Regular Plan, investors should clearly mention the plan from which redemption/switch requests are to be processed.<br><br>Further in line with Para 16.2.11 and 16.2.1 of SEBI circular No. SEBI/HO/IMD/IMD-PoD-1/P/CIR/2023/74 dated May 19, 2023 it has been decided to allow investors can directly access infrastructure of the recognised stock exchanges to |

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| | purchase mutual fund units directly from Mutual Fund/ Asset Management Companies.<br><br>Please refer to the SAI and Application form for the instructions.<br><br>2. Link for the list of official points of acceptance, collecting banker details etc.<br>3. Name, address and contact no. of Registrar and Transfer Agent (R&T), email id of R&T, website address of R&T, official points of acceptance, collecting banker details etc. on back cover page.<br><br>To inform investors that it is mandatory to mention their bank account numbers in their applications/requests for redemption. |
| The policy regarding reissue of repurchased units, including the maximum extent, the manner of reissue, the entity (the scheme or the AMC) involved in the same. | Not Applicable |
| Restrictions, if any, on the right to freely retain or dispose of units being offered. | The Asset Management Company shall, on production of instrument of transfer together with relevant documents, shall register the transfer within timelines as defined in the SEBI Regulation. The Units of the Scheme held in the dematerialised form will be fully and freely transferable (subject to lock-in period, if any and subject to lien, if any marked on the units) in accordance with the provisions of SEBI (Depositories and Participants) Regulations, 2018 as may be amended from time to time and as stated in. Para 14.4.4 of SEBI Master Circular no. SEBI/HO/IMD/IMD-PoD1/P/CIR/2023/74 dated May 19, 2023. Further, for the procedure of release of lien, the investors shall contact their respective DP. |
| Cut off timing for subscriptions/ redemptions/ switches<br><br>This is the time before which your application (complete in all respects) should reach the official points of acceptance. | Applicable NAV for Purchases/Switch-ins<br><br>1. In respect of valid applications received upto 3.00 p.m. on a business day and entire amount is available in the mutual fund’s account for utilization before the cut off time of the same day – closing NAV of the day of receipt of application;<br>2. In respect of valid applications received after 3.00 p.m. on a business day and the entire amount is available in the mutual fund’s account for utilization before cut off time of the next business day – the closing NAV of the next business day;<br>3. Irrespective of the time of receipt of the application where the entire amount is available in Mutual fund’s account for utilization before cut off time on any subsequent business day – the closing NAV of such subsequent business day.<br><br>The above cut-off timings and applicability of NAV shall be |

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<tr><td></td><td>applicable in respect of valid applications received at the Official Point(s) of Acceptance on a Business Day:<br><br>1. It is clarified that switches will be considered as redemption in the switch-out scheme and purchase / subscription in the switch-in scheme<br>2. Cheques received on a business day may be deposited with the primary bankers of the respective location on the next business day. NAV shall be as per the applicable NAV mentioned above. To enable early sighting of funds by the schemes, investors are requested to avail of electronic facilities like RTGS / NEFT in respect of subscriptions and submit the proof of transfer of funds along with their applications. AMC shall not be responsible for any delay on account of banking clearance or circumstances which are beyond the control of AMC.<br>3. The revised provisions for applicability of NAV based on realization of funds will be applicable to all types of investment including various systematic investments routes (viz, SIP, STP, Transfer of IDCW etc.) as may be offered by the Scheme from time to time.<br><br>Technical issues when transactions are processed through online facilities/ electronic modes.<br>The time of transaction done through various online facilities / electronic modes offered by the AMC, for the purpose of determining the applicability of NAV, would be the time when the request for purchase / SIP/ sale / switch of units is received in the servers of AMC/RTA. In case of transactions through online facilities / electronic modes, there may be a time lag of few seconds or upto 1-7 banking days between the amount of subscription being debited to investor's bank account and the subsequent credit into the respective Scheme's bank account. This lag may impact the applicability of NAV for transactions where NAV is to be applied, based on actual realization of funds by the Scheme. Under no circumstances will Kotak Asset Management Company Limited or its bankers or its service providers be liable for any lag / delay in realization of funds and consequent pricing of units. The AMC has the right to amend cut off timings subject to SEBI (MF) Regulations for the smooth and efficient functioning of the Scheme. Representation of SIP transaction which have failed due to technical reasons will also follow same rule.</td></tr>
<tr><td>Minimum amount for purchase/redemption/switches (mention the provisions for ETFs, as may be applicable, for direct subscription/redemption with AMC.</td><td>Minimum application amount for purchases<br><table><tr><th>Initial Purchase (Non- SIP)</th><th>Additional Purchase (Non-SIP)</th><th>SIP Purchase</th></tr><tr><td>Rs. 100/- and any amount thereafter</td><td>Rs. 100/- and any amount thereafter</td><td>Rs. 100/- and any amount thereafter</td></tr></table></td></tr>
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| | Minimum amount for redemption:<br>The minimum redemption amount for all plans will be Rs. 100/- or account balance, whichever is lower. |
| Waiver of Minimum Subscription Amount | The provisions relating to Minimum Amount (including Additional Application Amount) for subscription / purchase will not be applicable for investments made in the name of Designated Employees of the AMC pursuant to Para 6.10 of SEBI Master Circular no. SEBI/HO/IMD/IMD-PoD1/P/CIR/2023/74 dated May 19, 2023 on ‘Alignment of interest of Designated Employees of Asset Management Companies’ with the Unitholders of the Mutual Fund Schemes. |
| Accounts Statements | The AMC shall send an allotment confirmation specifying the units allotted by way of email and/or SMS within 5 working days of receipt of valid application/transaction to the Unit holders registered e-mail address and/ or mobile number (whether units are held in demat mode or in account statement form).<br>A Consolidated Account Statement (CAS) detailing all the transactions across all mutual funds (including transaction charges paid to the distributor) and holding at the end of the month shall be sent to the Unit holders in whose folio(s) transaction(s) have taken place during the month by mail or email on or before 15th of the succeeding month.<br><br>Half-yearly CAS shall be issued at the end of every six months (i.e. September/ March) on or before 21st day of succeeding month, to all investors providing the prescribed details across all schemes of mutual funds and securities held in dematerialized form across demat accounts, if applicable<br><br>For further details, refer SAI. |
| Dividend/ IDCW | The payment of dividend/IDCW to the unitholders shall be made within seven working days from the record date. |
| Redemption | The redemption or repurchase proceeds shall be dispatched to the unitholders within three working days from the date of redemption or repurchase.<br><br>For list of exceptional circumstances refer para 14.1.3 of SEBI Master Circular for Mutual Funds dated May 19, 2023<br><br>For schemes investing atleast 80% of total assets in permissible overseas investments (as per Clause 12.19 of SEBI Master Circular for Mutual Funds dated May 19, 2023), the transfer of redemption or repurchase proceeds to the unitholders shall be made within five working days from the date of redemption or<br>repurchase. |
| Bank Mandate | As per the directives issued by SEBI it is mandatory for an investor to declare his/her bank account number. To safeguard the interest of Unitholders from loss or theft of their refund orders/redemption cheques, investors are requested to provide |

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| | their bank details in the Application Form.<br><br>In case an existing Unitholder is submitting a request for Change in his Bank Details, he needs to submit a copy of cancelled cheque leaf of the new bank account or Bank statement of the new bank account attested by his banker with seal & signature of banker or letter from the Banker of the investor. In absence of the same, the request for Change in Bank Mandate is liable to be rejected.<br><br>Investors have an option of registering their bank accounts, by submitting the necessary forms & documents. At the time of redemption, investors can select the bank account to receive the amount. |
| Delay in payment of redemption / repurchase proceeds/dividend | The Asset Management Company shall be liable to pay interest to the unitholders at rate as specified vide clause 14.2 of SEBI Master Circular for Mutual Funds dated May 19, 2023 by<br>SEBI for the period of such delay |
| Unclaimed Redemption and Income Distribution cum Capital Withdrawal Amount | In accordance with Para 14.3 of SEBI Master Circular no. SEBI/HO/IMD/IMD-PoD1/P/CIR/2023/74 dated May 19, 2023, the unclaimed Redemption amount and IDCW amount that are currently allowed to be deployed by the Mutual Fund only in call money market or money market Instruments, shall also be allowed to be invested in a separate plan of only Overnight scheme / Liquid scheme / Money Market Mutual Fund scheme floated by Mutual Funds specifically for deployment of the unclaimed amounts.<br><br>Provided that such schemes where the unclaimed redemption and IDCW amounts are deployed shall be only those Liquid scheme / Money Market Mutual Fund schemes which are placed in A-1 cell (Relatively Low Interest Rate Risk and Relatively Low Credit Risk) of Potential Risk Class matrix as as per para 17.5 of SEBI Master Circular no. SEBI/HO/IMD/IMD-PoD1/P/CIR/2023/74 dated May 19, 2023.<br><br>AMCs shall not be permitted to charge any exit load in this plan and TER (Total Expense Ratio) of such plan shall be capped as per the TER of direct plan of such scheme or at 50bps whichever is lower. Investors who claim these amounts during a period of three years from the due date shall be paid initial unclaimed amount along with the income earned on its deployment. Investors who claim these amounts after 3 years, shall be paid initial unclaimed amount along with the income earned on its deployment till the end of the third year. After the third year, the income earned on such unclaimed amounts shall be used for the purpose of investor education. AMC shall play a proactive role in tracing the rightful owner of the unclaimed amounts considering the steps suggested by regulator vide the referred circular. |
| Disclosure w.r.t investment by minors | As per Para 17.6 of SEBI Master Circular No. SEBI/HO/IMD/IMD-PoD-1/P/CIR/2023/74 dated May 19, 2023 read with SEBI Circular dated May 12, 2023, the |

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| | following Process for Investments in the name of a Minor through a Guardian will be applicable:<br>a. Payment for investment by any mode shall be accepted from the bank account of the minor, parent or legal guardian of the minor, or from a joint account of the minor with parent or legal guardian. For existing folios, the AMCs shall insist upon a Change of Pay-out Bank mandate before redemption is processed.<br>b. Redemption proceeds shall be credited only in verified bank account of the minor, i.e the account the minor may hold with the parent/legal guardian after completing KYC formalities.<br>c. Upon the minor attaining the status of major, the minor in whose name the investment was made, shall be required to provide all the KYC details, updated bank account details including cancelled original cheque leaf of the new account. No further transactions shall be allowed till the status of the minor is changed to major.<br>d. AMCs shall build a system control at the account set up stage of Systematic Investment Plan (SIP), Systematic Transfer Plan (STP) and Systematic Withdrawal Plan (SWP) on the basis of which, the standing instruction is suspended when the minor attains majority, till the status is changed to major.<br>Please refer SAI for detailed process on investments made in the name of a Minor through a Guardian and Transmission of Units. |

## III. Other Details

### A. Periodic Disclosures such as Half yearly disclosures, half yearly results, annual report

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| **Monthly and Half yearly Disclosures: Portfolio / Financial Results**<br><br>This is a list of securities where the corpus of the scheme is currently invested. The market value of these investments is also stated in portfolio disclosures. | The Mutual Funds/ AMCs, shall disclose portfolio (along with ISIN) as on monthly, half-yearly basis for all the schemes on the website of the Kotak Mahindra Mutual Fund viz. www.kotakmf.com and on the website of AMFI (www.amfiindia.com) within 10 days from the close of each month/ half-year respectively in a user-friendly and downloadable spreadsheet format.<br><br>In accordance with Para 5.1 and 5.3 of SEBI Master Circular no. SEBI/HO/IMD/IMD-PoD1/P/CIR/2023/74 dated May 19, 2023,unitholders whose e-mail addresses are registered, Mutual Funds/AMC shall send the details of the scheme portfolio including the scheme risk-o-meter, name of benchmark and risk-o-meter of benchmark while communicating the fortnightly, monthly and half-yearly statement of scheme portfolio via email within 5 days of every fortnight for debt schemes, 10 days from the close of each month for other schemes and 10 days from the close of half-year for all schemes.<br>AMCs shall provide a link to investors to their registered email to enable the investor to directly view/download only the portfolio of schemes subscribed by the said investor. The Mutual Fund / AMC shall provide a physical copy of statement of its scheme portfolio, without charging any cost, on specific request received from a unit holder. An advertisement shall be published every half-year disclosing the hosting of the half-yearly statement of the schemes on website of Kotak Mahindra Mutual Fund and on the website of AMFI and the modes such as SMS, telephone, email or written request (letter) through which a unitholder can submit a request for a physical or electronic copy of the statement of scheme portfolio. Such advertisement shall be published in the all India edition of at least two daily newspapers, one each in English and Hindi. |
| **Half Yearly Results** | The soft copy of unaudited financial results shall within one month from the close of each half year i.e. 31st of March and the 30th of September, be hosted on the website kotakmf.com and will be sent to AMFI for posting on its website www.amfiindia.com.<br><br>Also an advertisement of hosting of the unaudited results shall be published in one English daily newspaper circulating in the whole of India and in a newspaper published in the language of the region where the Head Office of the Mutual Fund is situated. |
| **Annual Report** | Pursuant to Regulation 56 of SEBI (Mutual Funds) Regulations, 1996 read with Para 5.4 of SEBI Master Circular no. SEBI/HO/IMD/IMD-PoD1/P/CIR/2023/74 dated May 19, 2023 and SEBI Mutual Fund (Second Amendment) Regulation 2018, the scheme wise annual report or abridged summary thereof will be hosted on the website in |

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| | machine readable format of Kotak Mahindra Mutual Fund viz. www.kotakmf.com and on the website of AMFI, immediately after approval in Annual General Meetings within a period of four months, from the date of closing of the financial year (31st March). The AMCs shall display the link prominently on the website of the Kotak Mahindra Mutual Fund viz. www.kotakmf.com and make the physical copies available to the unitholders, at their registered offices at all times. Unit holders whose e-mail addresses are not registered will have to specifically 'opt in' to receive physical copy of scheme wise annual report or abridged summary thereof. The unit holders may request for a physical copy of scheme annual reports at a nominal price and the text of the relevant scheme by writing to the Kotak Mahindra Asset Management Company Ltd. / Investor Service Centre / Registrar & Transfer Agents. The Mutual Fund / AMC shall provide a physical copy of abridged report of the annual report, without charging any cost, on specific request received from a unit holder. An advertisement shall be published every year disclosing the hosting of the scheme wise annual report on website of Kotak Mahindra Mutual Fund and on the website of AMFI and the modes such as SMS, telephone, email or written request (letter) through which a unitholder can submit a request for a physical or electronic copy of the scheme wise annual report or abridged summary thereof. Such advertisement shall be published in the all India edition of at least two daily newspapers, one each in English and Hindi. |
| **Risk-o-meter** | In accordance with Para 17.4 of SEBI Master Circular no. SEBI/HO/IMD/IMD-PoD1/P/CIR/2023/74 dated May 19, 2023.<br><br>The Risk-o-meter shall have following six levels of risk:<br>i. Low Risk<br>ii. Low to Moderate Risk<br>iii. Moderate Risk<br>iv. Moderately High Risk<br>v. High Risk and<br>vi. Very High Risk<br><br>The evaluation of risk levels of a scheme shall be done in accordance with the aforesaid circular.<br><br>Any change in risk-o-meter shall be communicated by way of Notice cum Addendum and by way of an e-mail or SMS to unitholders. The risk-o-meter shall be evaluated on a monthly basis and the risk-o-meter alongwith portfolio disclosure shall be disclosed on the AMC website as well as AMFI website within 10 days from the close of each month. Portfolio disclosure along with risk o meter details will be available at www.kotakmf.com and on the website of AMFI (www.amfiindia.com) |

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| **Scheme Summary Document (SSD)** | In accordance with SEBI letter dated December 28, 2021 and AMFI emails dated March 16, 2022 and March 25, 2022, Scheme summary document for all schemes of Kotak Mahindra Mutual Fund in the requisite format (pdf, spreadsheet and machine readable format) shall be uploaded on a monthly basis i.e. 15th of every month or within 5 working days from the date of any change or modification in the scheme information on the website of Kotak Mahindra Mutual Fund i.e. www.kotakmf.com, AMFI i.e. www.amfiindia.com and Registered Stock Exchanges i.e. National Stock Exchange of India Limited and BSE Limited. |

### B. Transparency/NAV Disclosure

The NAVs of the Scheme will be calculated and disclosed on every Business Day on the website of the Kotak Mahindra Mutual Fund viz www.kotakmf.com and AMFI's website www.amfiindia.com by 11.00 p.m.

Unitholders may avail facility to receive the latest available NAVs through SMS by submitting a specific request in this regard to the AMC/Mutual Fund. Also, information regarding NAVs can be obtained by the Unit holders / Investors by visiting the nearest ISC.

Delay in uploading of NAV beyond 11.00 p.m. on every business day shall be explained in writing to AMFI. In case the NAVs are not available before the commencement of business hours on the following business day due to any reason, a press release for revised NAV shall be issued.

In terms of SEBI regulations, a complete statement of the Scheme portfolio will be sent to all unitholders, within ten days from the close of each month / half-year whose email addresses are registered with the Mutual Fund.

The portfolio of the scheme (alongwith ISIN) shall also be disclosed on the website of Mutual Fund (kotakmf.com) and on the website of AMFI (www.amfiindia.com) on a monthly and half-yearly basis within 10 days from the close of each month/ half-year respectively in a user-friendly and downloadable spreadsheet format.

### C. Transaction charges and stamp duty

(a) Transaction Charges - Investors are requested to note that no transaction charges shall be deducted from the investment amount given by the investor for all transactions / applications (including SIP's) received through the distributors (i.e. in Regular Plan) and full investment amount (subject to deduction of statutory charges, if any) will be invested in the Scheme.

(b) Stamp Duty - A stamp duty @ 0.005% would be levied on all applicable mutual fund transactions. Accordingly, pursuant to levy of stamp duty, the number of units allotted on purchase transactions (including reinvestment IDCW and Switch in) to the unitholders would be reduced to that extent.

Details regarding transaction charges and stamp duty refer to SAI.

**D.** **Associate Transactions**

Please refer to Statement of Additional Information (SAI)

**E.** **Taxation**

**TDS and Taxability applicable in case of Dividend distributed to Unit holders**

| | TDS Rates | | | Taxability |
|---|---|---|---|---|
| | **Threshold limit** | **Section** | **Base Rate** | **Base rate** |
| **RESIDENT** | | | | |
| Resident Unit Holder | Rs.5,000 | 194K | 10% | Slab rates plus applicable surcharge and cess (Refer Note 1) |
| **NON-RESIDENT UNIT HOLDERS (subject to DTAA benefits)** | | | | |
| (1)FII/FPI | NILs | 196D r.w.s 115AD(1)(i) | 20% plus applicable surcharge and cess (Refer note 1) | 20% plus applicable surcharge and cess (Refer Note 1) |
| (2) Foreign company/corporates | | | | |
| Purchase in Indian Rupees | NIL | 196A | 20% plus applicable surcharge and cess (Refer note 1) | 40% plus applicable surcharge and cess (Refer Note 1) |
| Purchase in Foreign Currency | NIL | 196A r.w.s 115A | 20% plus applicable surcharge and cess (Refer note 1) | 20% plus applicable surcharge and cess (Refer Note 1) |
| (3) Others | | | | |
| Purchase in Indian Rupees | NIL | 196A | 20% plus applicable surcharge and cess (Refer note 1) | At slab rates applicable plus applicable surcharge and cess (Refer Note 1) |
| Purchase in Foreign Currency | NIL | 196A r.w.s 115A | 20% plus applicable surcharge and cess (Refer note 1) | 20% plus applicable surcharge and cess (Refer Note 1) |

**Taxability applicable in case of Capital Gains to Unit holders**

| **A) <u>Applicable tax rates based on prevailing tax laws for units acquired before 01.04.2023</u>** | | | | |
|---|---|---|---|---|
| | **Unit Holders** | | | |
| **Taxation** | **Resident** | **Non – Resident** | | |
| | | **FPI** | **Other than FPI** | |
| | | | **Listed** | **Unlisted** |
| Short Term Capital Gain | As per the rates applicable to the assessee under the | 30% plus applicable surcharge & HE | As per applicable slab rate plus | As per applicable slab rate plus surcharge &cess |

| | | | | |
|---|---|---|---|---|
| | Indian Income-tax laws plus applicable surcharge & HE cess (Refer note 1) | cess (Refer note 1) | surcharge &cess (Refer note 1) | (Refer note 1) |
| Long Term Capital Gain (Refer note 2 below) | 20% with indexation plus applicable surcharge & HE cess (Refer note 1) | 10% (without indexation & without foreign currency fluctuation benefit) plus applicable surcharge & HE cess (Refer note 1) | 20% with indexation plus applicable surcharge & HE cess (Refer note 1) | 10% (without indexation & without foreign currency fluctuation benefit) plus applicable surcharge & HE cess (Refer note 1) |

**B) <u>Applicable tax rates based on prevailing tax laws for units acquired on or after 01.04.2023</u>**

The units of Specified Mutual Funds acquired on or after 01.04.2023 shall, irrespective of its period of holdings, be deemed to be short-term capital gain u/s 50AA of Income Tax Act in the hands of unit holder. Therefore, the gains arising transfer of such units will be taxable income at the applicable slab rate plus applicable surcharge and cess in the hands of unit holder.

"**Specified Mutual Funds**" means a mutual fund where not more than 35% of its total proceeds is invested in the equity shares of domestic companies.

Note (1) : The above rates would be increase by surcharge of:

- **In case of foreign companies**;
  - 2% where the total income exceeds Rs. 10,000,000 but less than / equal to Rs. 100,000,000
  - 5% where the total income exceeds Rs. 100,000,000

- **In case of resident domestic corporate unit holders**;
  - 7% where the total income exceeds Rs. 10,000,000 but less than / equal to Rs. 100,000,000 or
  - 12% where the total income exceeds Rs. 100,000,000
  - 10% where domestic company is eligible & exercises the option granted u/s 115BAA or 115BAB of the Act.

- **In case of non-corporate resident unit holders being partnership firms** covered under Indian Partnership Act, 1932/ Limited liability partnership covered under Limited Liability Partnership Act, 2008:
  - 12% where the total income exceeds Rs.10,000,000
- **In case of resident and non-resident non-corporate unit holders being individual, HUF, AOP, BOI and artificial juridical person and FII/FPI in form of individual, HUF, AOP, BOI, artificial juridical person (old regime of taxation);**

| **Income** | | **Surcharge Rates** | |
|---|---|---|---|
| Total Income | Other Income (i.e Income other than Capital gains covered under section 111A, section 112A, section 112, 115AD(1)(b)& company dividend) | Other Income (i.e Income other than Capital gains covered under section 111A, section 112A, section 112, 115AD(1)(b)& company dividend). | Capital gains covered under section 111A, section 112A, section 112, &115AD(1)(b)& company dividend. |
| Upto 50Lakh | | Nil | Nil |
| More than 50Lakh up to 1 Cr | | 10% | 10% |
| More than 1 Cr but up to 2Cr | | 15% | 15% |
| More than 2 Cr | Up to 2 cr | 15% | 15% |
| | More than 2 cr but up to 5 cr | 25% | 15% |
| | More than 5Cr | 37% | 15% |

**In case of resident and non-resident non-corporate unit holders being individual, HUF, AOP, BOI, artificial juridical person and FII/FPI in form of individual, HUF, AOP, BOI, artificial juridical person (opting tax regime u/s 115BAC of the Act);**

| Income | | Surcharge Rates | |
|---|---|---|---|
| Total Income | Other Income (i.e Income other than Capital gains covered under section 111A, section 112A, section 112, 115AD(1)(b)& company dividend) | Other Income (i.e Income other than Capital gains covered under section 111A, section 112A, section 112, 115AD(1)(b)& company dividend). | Capital gains covered under section 111A, section 112A, section 112,&115AD(1)(b) & company dividend. |
| Upto 50 Lakh | | Nil | Nil |
| More than 50 Lakh up to 1 Cr | | 10% | 10% |
| More than 1 Cr but up to 2Cr | | 15% | 15% |
| More than 2 Cr | Up to 2 cr | 15% | 15% |
| | More than 2 cr | 25% | 15% |

Further, an additional cess of 4% (Health & education Cess on income-tax) would be charged on the amount of tax inclusive of surcharge as applicable, for all unit holders.

Further, the rates stated above for Non-residents are further subject to DTAA benefits, if applicable.

Note 2) : Long-term capital gains in case of non-residents (other than FPI) would be taxable @ 10% on transfer of capital assets, being unlisted securities, computed without giving effect to first and second proviso to section 48 i.e. without taking benefit of foreign currency fluctuation and indexation benefit. In case of listed securities being units of Mutual Fund, the tax payable would be @ 20% after indexation benefit.

Note 3) Long term capital gains in the case of FPIs would be taxable @10% on transfer of capital assets being securities (listed or unlisted) without giving effect to the first and second proviso to section 48 i.e. without taking

the benefit of foreign currency fluctuation and without indexation.
Further surcharge rate on FPI is restricted to 15% even if total income of FPI exceeds Rs. 2,00,00,000

Note 4) Under section 10(23D) of the Income tax Act, 1961, income earned by a Mutual Fund registered with SEBI is exempt from income tax.

For further details on taxation please refer to the clause on taxation in the SAI.

**F. Rights of Unitholders**

Please refer to SAI for details.

**G. List of official points of acceptance:**

Details of Official Acceptance Points is available https://www.kotakmf.com/Information/statutorydisclosure/disclosuresrelatedtosidandkim

**H. Penalties, Pending Litigation or Proceedings, Findings of Inspections or Investigations for Which Action May Have Been Taken or Is In The Process Of Being Taken By Any Regulatory Authority**

The detailed data in respect of penalties, pending litigations, findings of inspection, investigation is available at https://www.kotakmf.com/Information/statutory-disclosure/disclosuresrelatedtosidandkim

**Notes:**

1. Further, any amendments / replacement / re-enactment of SEBI Regulations subsequent to the date of the Scheme Information Document shall prevail over those specified in this Document.

2. The Trustees have ensured that the Scheme approved by them is a new product offered by Kotak Mahindra Mutual Fund and is not a minor modification of any existing scheme/fund/product.

3. **Notwithstanding anything contained in the Scheme Information Document, the provisions of the SEBI (Mutual Funds) Regulations, 1996 and the guidelines there under shall be applicable.**

**For and on behalf of the Board of Directors,**

**Kotak Mahindra Asset Management Company Limited**

**(Investment Manager of Kotak Mahindra Mutual Fund)**

**Sd/-**

**Ms. Jolly Bhatt**

**Compliance Officer**

**Place: Mumbai**

**Date: June 28, 2024**

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