

# konversation

for the wealthy and why's

“ If you love your customer to death, you can't go wrong. ”

- Graham Day



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● CEO Corner ● IN THE SPOTLIGHT ● CLASSROOM ● HELLO... ● BOOK REVIEW ● CONTEST

## CEO CORNER

Dear Friends,

With the global economy in throes of deep recession, and the Indian GDP itself witnessing a deceleration, the outlook on the immediate future will naturally be as less than optimistic. It is in this environment that we step into the new financial year of FY10.

It is a well-known fact by now that Indian economy has decelerated to 5.3% in Q3-FY09. This slowdown is now projected to extend well into the next two quarters, with the expected annual GDP growth for FY10 calculated at around 5.5-6%. In this backdrop, an aggressive policy initiative by the regulators to rectify the situation is not only necessary but is also compelling.

However, the general elections in India have suspended the policy-initiative on the economic slowdown for sometime. Yet the newly elected government post-election, irrespective of the party affiliations, may show urgency in addressing the issue. In this context, the redressal of the credit-flow bottlenecks and impetus to 'domestic investment and demand' would be at core of any such policy formulation. Here, it is worthy to point out the scale of malady that afflicts the credit system. The bank-credit is now expanding at a relatively sluggish pace of 18.13%. This is lower than last year's 21.7% growth, and much below RBI's target of 24% for FY09.

In the immediate, the rising government debt demand has put pressure on the long-term yields, and delayed the pass-through of the policy rate-cuts that RBI had initiated earlier. We believe that the government debt can be funded well without pushing up the yield; if RBI resorts to private placements. While this may not be the best way out, but the present difficult times do demand such solutions.

However, at the macro level, the circumstances of the Indian economy, as well as that of the markets, remains interlinked with the larger sentiments prevailing in the global financial arena. The aggressive quantitative easing noticed globally has started to produce initial signs of freeing-up of the credit offtake in the developed economies. This, coupled with rising prospect of a probable positive performance in the US banking sector, is seen as the nearing of the bottom of the current global downturn. With over US\$ 2 trillion being pumped into the markets by various governments, and the risk-free yields are at historic lows, there is every chance of this becoming a recipe for a new asset bubble.

Consequently, the global stock markets have seen a swift upswing in their performances with FIIs flows into emerging markets picking up. Indeed, although the market recovery is still months away, yet I remain optimistic that if and when the growth picks up, Indian equities market may emerge as an out-performer amongst the rest.

On a more felicitous note, Kotak Mahindra Mutual Fund had a delightful occasion at ICRA Mutual Funds Awards night in Feb 09. Of the 4 top awards received by the fund house, Kotak 30, and Kotak Liquid received one award each for their performance in their respective categories. Kotak Flexi Debt was awarded with two distinct accolades for performance in different time categories. This haul came as a pleasant booster. And like all our endeavors, these awards helps us redefine our benchmark for greater challenges and shared achievements.

Regards

**Sandesh Kirkire**  
CEO



## You and I Excellence Awards:

Kotak Mutual Fund announced the "You and I Excellence Awards 2008-09" for its channel partners. The event was held in Mumbai on 7th January 2009 at Cricket Club of India. The winners across various categories are: -

Award Category	Channel Category	Winner
SIP Category	Retail Channel	Jain Investment
	National Distributors	NJ India Invest Pvt Ltd
	Banking Channel	Kotak Mahindra Bank Limited
Highest Growth in Equity AUM	National Distributors	NJ India Invest Pvt Ltd
	Banking Channel	Standard Chartered Bank Ltd.
Highest Equity AUM	Banking Channel	Kotak Mahindra Bank Limited
	National Distributors	Kotak Securities Limited.
	Retail Channel	Jain Investment
Highest Growth in AUM	National Distributors	Tata Securities Limited
	Banking Channel	HDFC Bank Ltd.
Highest AUM	Alternate Channel	Bank Of India
	National Distributors	JM Financial Services Pvt. Ltd
	Banking Channel	Kotak Mahindra Bank Limited

**Congratulations to all winners!!!**

**The Pension Fund Regulatory and Development Authority (PFRDA)** has appointed Kotak Mahindra Asset Management Company Ltd. (KMAMC) as a sponsor of a pension fund manager to manage pension subscriptions from citizens of India under the New Pension Scheme announced by Government of India through PFRDA. The pension fund manager will be a subsidiary company of KMAMC. The selection was done through a two stage bidding process. The first stage involved a technical and professional competency evaluation followed by the second stage which was a commercial bidding round. KMAMC won the bids to emerge as one of the six Fund Managers for the New Pension Scheme from amongst 16 other fund houses who participated in the bidding process.



## Kotak Mutual Fund wins in four categories at ICRA Awards 2009

It has been a constant endeavor at Kotak Mutual Fund to provide the best investment solution in the market. And understandably our efforts have not gone unnoticed at the 2009 Indian Credit Rating Agency (ICRA) Awards. The following products were pronounced best-in-category and rated for their market performance:

<b>Kotak 30</b>	Rated 5 Star Fund for 3 year performance
<b>Kotak Flexi Debt</b>	Rated 5 Star for 1 Year Performance
<b>Kotak Flexi Debt</b>	Rated 5 Star for 3 Year Performance
<b>Kotak Liquid</b>	Rated 7 Star for 1 Year Performance

Past performance is no guarantee of future performance.



### What do your stars say? Ours say 5 stars!

Kotak 30 and Kotak Floater Long Term have received a 5 Star Rating from Value Research for the month ended 28th February 2009. Five-stars indicate that a fund is in the top 10 per cent of its category in terms of historical risk-adjusted returns. For more details and risk factors, log on [www.valueresearchonline.com](http://www.valueresearchonline.com). Past performance is no guarantee of future performance.



## Selecting the right cap for you

Many investors, these days, are shying away from investing in equities or equity funds. This does not come as a surprise, given that the equity markets are reeling under pressure of the global meltdown. However, this can also be viewed as an excellent opportunity to invest as at current NAVs, equity funds can deliver far better returns once the market recovers. You only need to carefully select the right fund and stay invested till your objectives are achieved.

The next obvious question is -- Where to invest? With hoards of funds available, it is no mean task to pick the right one. Of late, investors have been selecting stocks according to their market capitalisation (market cap). Market cap is an estimated value of a business, arrived by multiplying the number of outstanding shares with the current price of a share. Companies can be broadly classified as large-cap, mid-cap and small-cap according to their market capitalisation. In the absence of any standard definition, what makes a company large-cap or a mid-cap is subjective. Every fund house has its own way of classifying companies, and is mentioned in its offer document. None the less the definition changes with the movements in the market. However, for our understanding, we will take all the stocks listed on the BSE and then segregate it in proportion to the total market capitalization.

- Large-cap funds- As per the data available on February 28, 2009, companies that have market capitalisation in excess of Rs. 8983.92 crore are termed as large caps\*. Funds that invest predominantly in large-cap companies are called large-cap funds. Investing in large-caps offers high liquidity and are relatively less volatile.
- Mid-cap funds- Those companies that have market capitalization between Rs 8983.92 crore and Rs 1317.13 crore are classified as mid-caps\*. Funds that invest in mid-cap companies are called mid-cap funds. Investing in mid-caps can be a riskier proposition for a number of reasons. Firstly, these companies are not very well known. Secondly, smaller market capitalisation means lesser liquidity, which implies higher volatility. Nevertheless, these stocks may have the potential to deliver higher returns in the future.
- Large-cap funds- As per the data available on February 28, 2009, companies that have market capitalisation in excess of Rs. 8983.92 crore are termed as large caps\*. Funds that invest predominantly in large-cap companies are called large-cap funds. Investing in large-caps offers high liquidity and are relatively less volatile.

An investor's risk appetite and time horizon play a dominant role in selecting an appropriate cap for investment. A conservative investor will be well off with large-cap investments, while a multi-cap fund, having a mix of large, mid and small cap stocks, is ideal for someone with a higher risk appetite.

However, one should also give due consideration to the market situation. Volatile times, as in the present, call for investing in large cap stocks, which signify stability and less volatility. Large-caps, which have a consistent long-term performance, operate on strong business models that give them enough headroom to weather short-term losses.

Besides, there are other advantages, such as easy liquidity and ready availability of company information, which makes it easier to keep a track of the company's performance and take buy or sell positions accordingly. When the markets go topsy-turvy, it is better to bet on the known than on the unknown!

\*Source for classification: - [Valueresearchonline.com](http://Valueresearchonline.com)

## Cushion your portfolio with large-cap funds

Large cap is an abbreviation for large market capitalisation. Market capitalisation is computed by multiplying the number of a company's outstanding shares by its stock price per share. Large cap funds invest mainly in stocks of large blue chip companies with market capitalisation of over Rs 8,900 crores, which are well established and have a stable growth. (However, the definition is subjective).

On account of their size, blue chip companies have an inherent stability that makes them well-placed to weather economic downturns and achieve profitability even in times of adverse business cycles. In these turbulent times, mutual funds and other investors prefer to invest in large cap companies since it safeguards one's portfolio against wide price fluctuations. Moreover, these companies are well-researched and information about them is easily available in the public domain, which helps an investor to take better and well informed decisions. Large cap funds are generally well-managed and less risky as compared to small and mid-cap funds.

### How does investing in large cap funds help in volatile times?

Large cap funds offer a higher degree of stability to an investor's portfolio as compared to the small and mid-cap funds. Large-cap funds have fared relatively better, with some having performed even better than their respective benchmarks. This is on account of their investment portfolio, which has seen lower volatility in the stocks that the large-cap funds had invested in. Besides, stronger business and financial fundamentals of these companies further curtailed the value erosion.

### Kotak 30

Kotak 30 is an equity diversified large-cap oriented fund with a significant portion of its portfolio being invested in large cap companies. A small proportion of the fund is also invested in mid-cap companies that have potential to grow into big cap companies sometime in the future. The scheme follows a bottom-up approach to stock selection. Thus, its investment strategy is to take a balanced exposure across sectors while maintaining a significantly lower exposure to mid-cap stocks.

The objective of the Kotak 30 scheme is to achieve capital appreciation through investments in equity and equity-related instruments. The fund's portfolio typically comprises of around 30 companies, though it may go up to 39 companies at times. Around 65-100 per cent of the portfolio comprises of equities while the remaining is made up of debt securities. These companies may or may not be the same as those that make up the Sensex or Nifty.

### Accolades for Kotak 30

- **Rated ★★★★★ by Value Research as on February 2009\***
- **Rated 5 Star for 3 years performance by ICRA#**



Manish with his daughter Suhani

Hello.... I am  
**Manish P. Hingar**  
**Director, Financial Hospital**

- My likes : Music, money
- My hobbies : Music, masti with kids & sleeping
- My favourite past time : Sleeping and cooking maggi 🍝
- I am very fond of : Movies and hotels
- Ideal holiday destination : Goa 🌴
- Most memorable moment(s) : When I sent my mom and dad to Rajasthan by plane
- Wildest / craziest thing I have ever done : Wearing ladies gown and part icipating in a fashion show 🎭
- My prized possession(s) : Rado watches, pen and mobiles
- 3 things I can't leave home without : Mobile, sweet kiss of wife and kids, wallet
- My favorite perfume : Naughty Boy, Royal Mirage
- My favorite book : Winning, Wings of Fire
- If I was 18 again : Will do my college from Mumbai and flirt with Mumbai girls 🌴
- My idol : APJ Abdul Kalam , Kishore Biyani
- I would like to be reborn as : Completely as Manish Hingar. I m the best
- If I was not in this profession then : I will die
- The last meal of my life will be : From my moms kitchen
- 3 wishes from a genie :  
1) Businessman of the year 2015.  
2) Beat Bill Gates by 2020.  
3) Buying the worlds costliest car.



Imagining India: Ideas for the New Century -by Nandan Nilekani

Infosys founder Nandan Nilekani's latest book is both about and full of ideas. Consequently, it is bound to be as well-accepted by the young and patriotic Indian reader as by the global business fraternity seeking better insight into a very diverse country.

It offers a blend of intellectually stimulating discussions peppered with an anecdotal narrative. He has drawn an extremely informative overview of India's key socio-political and economic events starting from 1757, which crystallises some of the most decisive events in Indian history into arguably the best ready-reckoner available.

Using the "modular" form, typically used in creating software programmes, Nilekani has divided the book into sections. In the first part, he presents his book from the standpoint of the common Indian who combats the negatives of this complex country everyday to make it big in his own arena, experiencing the trials, tribulations and triumphs of a country with a rich, diverse past and trying to map out a course into its future. In the next part, he talks about things that aren't quite right, such as the country's efforts with its education system, below par infrastructure, etc.

In the third part, he dissects facets of India that have not fared at all - agitations and strife that take place at any time and any place without a thought of their impact on progress; the nation's legacy of its caste system, which is now interspersed with the aspirations of a new, more populous India; the quota system that basically serves vested interests, and many other such issues. The fourth part, growing from the background of the first three parts, offers innovative ideas on health, energy and the environment - traditionally the domain of more "advanced" nations.

The book talks of the rise of modern Indian capitalism, alongside communism and Nehruvian Socialism, taking the reader through the Licence Raj, the 1991 liberalization of the Indian economy, and the period thereafter. Well written and easy to comprehend, Nilekani offers his own brand of solutions to India's problems. He talks about the country's inherent strengths that yet remain to be explored and exploited to their fullest, and paints a picture of India as a nation brimming with promise despite all its bureaucratic red tape, strife and turmoil. In his book, Nilekani talks about the telecom revolution that has virtually transformed the nation since the 1980s, which was followed by the information technology revolution during the 1990s with companies like TCS, Wipro and his own Infosys taking



WHAT'S UP ON YOU & I?

Your response to our microsite - [www.kotakyouandi.com](http://www.kotakyouandi.com) has been very encouraging. We have over 800 registrations on this site and this number continues to grow. We have made efforts to keep the site updated with relevant articles, interactives and news which are interesting and add value to your profession. Recently we introduced 2 new sections; Know your Fund Manager and the Kotak You & I excellence awards 2009. While the former section lets you know more about our Fund Managers the latter showcases the photos of the awards night, the winners and the celebrations, indeed a visual delight. So just in case you have not yet registered, you now know what you are missing. Log on today, and register now



To participate in the "SEARCH - A - WORD " contest, all you need to do is fill up the form online.

**Full Name (in blocks)** :   
First Name Middle Name Last Name

**ARN Code** :

**Sub-Advisor Code** :

**Name of Organisation** :

**Date of Birth** :   
dd/mm/yyyy

**Anniversary** :   
dd/mm/yyyy

**Office Address** :

**City** :

**Pin** :

**Phone (Office)** :

**Phone (Mobile)** :

**Fax** :

**E-mail Address:** :

\*Terms and Conditions :

- a Only AMFI registered individuals can participate, with only one entry per individual.
- b You are requested to submit the form by 10th June, 2009.
- c All fields in the form are compulsory. Forms that are incomplete or have been incorrectly filled will be invalid.
- d In case of a tie, the winner will be decided on by drawing of lots.
- e KMAMC's decision will be final and binding.
- f In case of multiple entries by an individual, all entries will be considered invalid.

## SEARCH - A - WORD

In this contest you will have to make as many as words as you can related to finance from the words given below. You cannot repeat a word. An example has been given alongside to help you.

- **o x t p i d e d i f e s**

- Fixed Deposit
- Taxes
- Fed
- Post

### 1 r d e a v s i v e i t

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### 2 e g e r n t p a c e

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### 3 a c s o t i a n i o l o n

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### 4 e i n e c v i e r r s p

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## 5 w l o a e l c a n

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## 6 n r s r c u e i f a t u r

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Submit

### Risk Factors :

Kotak Equity Arbitrage is an open - ended equity growth scheme.

Investment Objective: To generate capital appreciation and income by predominantly investing in arbitrage opportunities in the cash and derivatives segment of the equity market, and by investing the balance in debt and money market instruments.

Kotak 30, Kotak Flexi Debt, Kotak Liquid and Kotak Floater Long Term are only the names and do not in any manner indicate the quality, future prospects or returns. For details on type of scheme and investment objectives please refer to their Offer Documents available on [www.kotakmutual.com](http://www.kotakmutual.com).

Mutual Funds investments are subject to market risks and there is no assurance or guarantee that the objectives of the Schemes will be achieved. As with any securities investment, the NAV of the Units issued under the Schemes can go up or down depending on the factors and forces affecting the capital and money markets. Past performance of the Sponsor/ AMC/ Fund or that of existing Schemes of the Fund does not indicate the future performance of the Schemes.

Kotak Mahindra Mutual Fund has been established as a trust under the Indian Trusts Act, 1882, by Kotak Mahindra Bank Limited (liability Rs. NIL) with Kotak Mahindra Trustee Company Limited as the Trustee and with Kotak Mahindra Asset Management Company Limited as the Investment Manager. Before investing, please read the offer document for detailed risk factors.

\*Value Research Fund Ratings are a composite measure of historical risk-adjusted returns. In the case of equity and hybrid funds this rating is based on the weighted average monthly returns for the last 3 and 5-year periods. In the case of debt funds this rating is based on the weighted average weekly returns for the last 18 months and 3-year periods and in case of short-term debt funds - weekly returns for the last 18 months. These ratings do not take into consideration any entry or exit load.

#Kotak 30 Fund has been ranked as a Five Star Fund in the category of 'Open Ended Diversified Equity - Defensive' schemes for its 3 year performance, Kotak Flexi Debt Fund has been ranked as a Five Star Fund in the category of 'Open Ended Liquid Plus' schemes for its 1 year and 3 years performance and Kotak Liquid - Regular Plan has been ranked as a Seven Star Fund in the category of 'Open Ended Liquid' schemes for its 1 year performance till December 31, 2008. The rank is an outcome of an objective and comparative analysis against various parameters, including: risk adjusted return, fund size, company concentration, portfolio turnover and liquidity. The ranking methodology did not take into account entry and exit loads imposed by the Fund. There were 55 schemes considered in 'Open Ended Diversified Equity -Defensive' category, 46 schemes considered in 'Open Ended Liquid Plus' category, 7 schemes considered in 'Open Ended Liquid' category and 30 schemes considered in 'Open Ended Liquid Plus' category for the ranking exercise. The rank is neither a certificate of statutory compliance nor any guarantee on the future performance of Kotak 30 Fund, Kotak Flexi Debt Fund and Kotak Liquid - Regular Plan.

Ranking Source & Publisher: ICRA Online Limited

This newsletter is intended to update sales / distribution agents about various developments occurring in different schemes and not to sell any schemes to investors. If this newsletter comes into the possession of any person other than an authorized agent / distributor of Kotak AMC, such a person is advised to read the Offer Document available on [www.kotakmutual.com](http://www.kotakmutual.com) and not rely on this document for investments. Mutual Fund investments are subject to market risks. Any statement regarding performance of any scheme shall not be considered as a relative performance. Reader may study the performance of comparable schemes before forming an opinion of any scheme referred to in this newsletter.



Think Investments. Think Kotak.®

Kotak Mahindra Asset Management Company Ltd.  
Investment Manager to Kotak Mahindra Mutual Fund.  
Bakhtawar, 5A - 5<sup>th</sup> Floor, 229, Nariman Point, Mumbai - 400021.