



## SCHEME INFORMATION DOCUMENT (SID)

### Kotak FMP 19M Series 2

Close Ended Debt Scheme

Offer Opens On : September 1, 2009

Offer Closes On : September 7, 2009

Units at Rs. 10 each during the New Fund Offer

THE MUTUAL FUND  
Kotak Mahindra Mutual Fund  
5A, 5<sup>th</sup> Floor, Bakhtawar  
229, Nariman Point, Mumbai 400 021

THE ASSET MANAGEMENT COMPANY  
Kotak Mahindra Asset Management Co. Ltd.  
36-38A, 3rd Floor, Nariman Bhawan,  
227, Nariman Point,  
Mumbai - 400 021

Website  
[www.kotakmutual.com](http://www.kotakmutual.com)

THE TRUSTEE  
Kotak Mahindra Trustee Co. Ltd.  
36-38A, 3rd Floor, Nariman Bhawan,  
227, Nariman Point,  
Mumbai - 400 021

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.

As required, a copy of this Scheme Information Document has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE as given vide its letter NSE/LIST/100083-C dated August 14, 2009 permission to the Mutual Fund to use the Exchange's name in this Scheme Information Documents as one of the stock exchange on which the Mutual Fund's unit are proposed to be listed subject to, the Mutual Fund fulfilling the various criteria for listing. The Exchange has scrutinized this Scheme Information Document for its limited internal purpose of declining on the matter of granting the aforesaid permission to the Mutual Fund. It is to be distinctly understood that the aforesaid permission given by the NSE should not in any way be deemed or construed that the Scheme Information Document has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the content of this Scheme Information Document; nor does it warranty the Mutual Fund's units will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of the Mutual Fund, its sponsors, its management or any scheme of the Mutual Fund.

Every person who desires to apply for or otherwise acquire any units of the Mutual Funds may do so pursuant to independent inquiry, investigation and the analysis and shall not have any claim against the Exchange whatsoever by the reason of any loss which may be suffered by such person consequent to or in connection with such subscription / acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever

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, Tax and Legal issues and general information on [www.kotakmutual.com](http://www.kotakmutual.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, [www.kotakmutual.com](http://www.kotakmutual.com).

The Scheme Information Document should be read in conjunction with the SAI and not in isolation.

This Scheme Information Document is dated August 28, 2009.



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# I. HIGHLIGHTS/SUMMARY OF THE S C H E M E

<b>Investment Objective</b>	The investment objective of the Scheme is to generate returns through investments in debt and money market instruments with a view to significantly reduce the interest rate risk.
<b>Investment In</b>	Debt / Money Market Instruments and Government Securities, only maturing on or before maturity of the scheme.
<b>Liquidity</b>	Units of this scheme will be listed on National Stock Exchange. Investors may sell their units in the stock exchange(s) on which these units are listed on all the trading days of the stock exchange. The units cannot be redeemed with KMMF until the maturity of the scheme.
<b>Benchmark</b>	CRISIL Composite Bond Fund Index
<b>NAV Information</b>	The Mutual Fund shall endeavour to update the Net asset value of the scheme on every business day on AMFI's website <a href="http://www.amfiindia.com">www.amfiindia.com</a> by 9.00 p.m. The NAVs shall also be updated on the website of the Mutual Fund <a href="http://www.kotakmutual.com">www.kotakmutual.com</a> and will be released in two newspapers for publication.
<b>Load Structure</b>	Exit Load: Nil.
<b>Minimum Application Amount</b>	Rs. 5, 000/- and in multiples of Rs 10 for purchase and switch-ins. This clause is applicable only for purchases and switch in during the NFO.
<b>Maturity of the scheme</b>	19 months after the date of allotment of units. Without any further act by the Unitholder(s) all units will be compulsorily redeemed on the Maturity Date of the Scheme, at the Applicable NAV as on that date. If this day is not a Working Day then the immediate following Working Day will be considered as the Maturity Date.
<b>Listing</b>	The units of the scheme will be listed on NSE on allotment.
<b>Options available</b>	Growth and Dividend Payout
<b>Dematerialization</b>	Unit holders given an option to hold the units in demat form in addition to account statement as per current practice. The Unit holder intending to hold/trade the units the units in Demat form are required to have a beneficiary account with the 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 with the DP. In case Unit holders do not provide their Demat Account details, an Account Statement shall be sent to them. Such investors will not be able to trade on the stock exchange. Investors are requested to fill in their demat account details in the space provided for the same in Key Information Memorandum (KIM) and application forms.
<b>Cost of trading on the stock exchange</b>	Investor will have to bear the cost of brokerage and other applicable statutory levies when the units are bought or sold on the stock exchange
<b>Transfer of Units</b>	Units held by way of an Account Statement cannot be transferred. Units held in Demat form are transferable in accordance with the provisions of The Depositories Act, SEBI (Depositories and Participants) Regulations, and Bye laws and business rules of depositories.

## II. INTRODUCTION

### A. Risk Factors

#### Standard Risk Factors:

- Investment in Mutual Fund Units 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 securities in which the scheme invests fluctuates, the value of your investment in the scheme may go up or down. The value of investments 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
- Past performance of the Sponsor/AMC/Mutual Fund does not guarantee future performance of the scheme.
- The name of the scheme does not in any manner indicate either the quality of the scheme or its future prospects and returns.
- The sponsor is not responsible or liable for any loss resulting from the operation of the scheme beyond the initial contribution of Rs.2,50,000 made by it towards setting up the Fund.
- The present scheme is not a guaranteed or assured return scheme.

#### Scheme Specific Risk Factors

- a) The portfolio of Kotak FMP 19M Series 2, will comprise of securities issued by central and state government as also debt & money market instruments issued by corporates as mentioned under the paragraph 'How will the Scheme allocate its assets'. All such securities will normally mature on or before maturity of the scheme. As the securities are normally held to maturity, the interest rate risk is significantly mitigated. The debt securities issued by the corporates do carry a credit risk as also the liquidity risk.
- b) The Schemes will invest entirely in Debt/ Money Market Instruments and Government securities. Liquidity in these investments may be affected by trading volumes, settlement periods and transfer procedures. These factors may also affect the Scheme's ability to make intended purchases/sales, cause potential losses to the Scheme and result in the Scheme missing certain investment opportunities.
- c) Different types of securities in which the scheme would invest as given in the SID carry different levels and types of risk. Accordingly the scheme's risk may increase or decrease depending upon its investment pattern. E.g. corporate bonds carry higher amount of risk than government securities. Further, even among corporate bonds, bonds, which are AAA rated, are comparatively less risky than bonds, which are AA rated.
- d) The market price of Kotak FMP 19M Series 2, like any other listed security, is largely dependent on two factors, viz., (1) the intrinsic value of the unit (or NAV), and (2) demand and supply of units in the market. Sizeable demand or supply of the units in Exchange may lead to market price of the units to quote at premium or discount to NAV. Hence the price of the units is likely to hold significant

variance (large premium or discount) from the latest declared NAV all the time.

#### e) 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 cyclicity 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.

### SPECIFIC RISKS IN DEBT MARKETS AND CAPITAL MARKETS

Investments in Financial Instruments are faced with the following kinds of risks.

Risks associated with Debt / Money Markets (i.e. Markets in which Interest bearing Securities or Discounted Instruments are traded)

#### a) 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, Favourability of 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.

#### b) 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.

#### c) 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

#### d) 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.

**e) 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.

**f) Reinvestment 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.

**g) Liquidity 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 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.

**B. REQUIREMENT OF MINIMUM INVESTORS IN THE SCHEME**

The Scheme(s) and individual Plan(s) under the Scheme(s) shall have a minimum of 20 investors and no single investor shall account for more than 25% of the corpus of the Scheme(s)/Plan(s). These conditions will be complied with immediately after the close of the NFO itself i.e. at the time of allotment. In case of non-fulfillment with the condition of minimum 20 investors, the Scheme(s)/Plan(s) shall be wound up in accordance with Regulation 39 (2) (c) of SEBI (MF) Regulations automatically without any reference from SEBI. In case of non-fulfillment with the condition of 25% holding by a single investor on the date of allotment, the application to the extent of exposure in excess of the stipulated 25% limit would be liable to be rejected and the allotment would be effective only to the extent of 25% of the corpus collected. Consequently, such exposure over 25% limits will lead to refund within 6 weeks of the date of closure of the New Fund Offer.

**C DEFINITIONS**

In this SID, the following words and expressions shall have the meaning specified below, unless the context otherwise requires:

<b>Applicable NAV</b>	Unless stated otherwise in the SID, 'Applicable NAV' is the Net Asset Value at the close of a Business Day as of which the purchase or redemption is sought by an investor and determined by the Fund.
<b>Asset Management Company or AMC or Investment Manager</b>	Kotak Mahindra Asset Management Company Limited, the Asset Management Company incorporated under the Companies Act, 1956, and authorised by SEBI to act as Investment Manager to the Schemes of Kotak Mahindra Mutual Fund.
<b>Custodian</b>	Deutsche Bank AG, acting as Custodian to the Scheme, or any other Custodian appointed by the Trustee.
<b>Depository</b>	A depository as defined in the Depositories Act, 1996 (22 of 1996) and includes National Securities Depository Ltd (NSDL) and Central Depository Services Ltd (CDSL).
<b>Exit Load</b>	The charge that is paid by a Unitholder when he redeems Units from the Scheme.
<b>FII</b>	Foreign Institutional Investors, registered with SEBI under Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995.
<b>Gilts / Government Securities / G.Secs</b>	Securities created and issued by the Central Government and / or State Government.
<b>IMA</b>	Investment Management Agreement dated 20th May 1996, entered into between the Fund (acting through the Trustee) and the AMC and as amended up to date, or as may be amended from time to time.
<b>Investor Service Centres or ISCs</b>	Designated branches of the AMC / other offices as may be designated by the AMC from time to time.
<b>Kotak FMP 19M Series 2</b>	Close-Ended Debt Scheme
<b>Kotak Bank / Sponsor</b>	Kotak Mahindra Bank Limited.

<b>KMMF / Fund / Mutual Fund</b>	Kotak Mahindra Mutual Fund, a trust set up under the provisions of The Indian Trusts Act, 1882.
<b>KMTCL / Trustee</b>	Kotak Mahindra Trustee Company Limited, a company set up under the Companies Act, 1956, and approved by SEBI to act as the Trustee for the Schemes of Kotak Mahindra Mutual Fund.
<b>Maturity Date</b>	The date on which all the units under the Scheme would be redeemed compulsorily and without any further act by the Unitholders at the Applicable NAV of that day. If this day is not a Business Day then the immediate following Business Day will be considered as the Maturity Date.
<b>Money Market Instruments</b>	Includes commercial papers, commercial bills, treasury bills, Government securities having an unexpired maturity upto one year, call or notice money, certificate of deposit, usance bills, and any other like instruments as specified by the Reserve Bank of India from time to time.
<b>MIBOR</b>	The Mumbai Interbank Offered Rate published once every day by the National Stock Exchange and published twice every day by Reuters, as specifically applied to each contract.
<b>Mutual Fund Regulations /</b>	Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended up to date, and such other regulations as may be in force from time to time.
<b>NAV</b>	Net Asset Value of the Units of the Scheme (including the options thereunder) as calculated in the manner provided in this SID or as may be prescribed by Regulations from time to time. The NAV will be computed up to four decimal places.
<b>NRI</b>	Non-Resident Indian and Person of Indian Origin as defined in Foreign Exchange Management Act, 1999.
<b>Purchase Price</b>	Purchase Price, to an investor, of Units under the Scheme (including Options thereunder) computed in the manner indicated elsewhere in this SID.
<b>Redemption Price</b>	Redemption Price to an investor of Units under the Scheme (including Options thereunder) computed in the manner indicated elsewhere in this SID.
<b>Registrar</b>	Computer Age Management Services Private Limited ('CAMS'), acting as Registrar to the Scheme, or any other Registrar appointed by the AMC.
<b>Repo</b>	Sale of securities with simultaneous agreement to repurchase them at a later date.
<b>Reserve Bank of India / RBI</b>	Reserve Bank of India, established under the Reserve Bank of India Act, 1934.
<b>Reverse Repo</b>	Purchase of securities with a simultaneous agreement to sell them at a later date.
<b>Scheme</b>	Kotak FMP 19M Series 2. All references to the Scheme would deem to include the plans and options thereunder unless specifically mentioned.
<b>Standard Information Document (SID)</b>	This document issued by Kotak Mahindra Mutual Fund, offering for subscription of Units of the Scheme.
<b>Statement of Additional Information (SAI)</b>	It contains details of Kotak Mahindra Mutual Fund, its constitution, and certain tax, legal and general information. It is incorporated by reference (is legally a part of the Scheme Information Document)
<b>SEBI</b>	The Securities and Exchange Board of India.
<b>Transaction Points</b>	Centres designated by the Registrar, to accept investor transactions and scan them for handling by the nearest ISC.
<b>Trust Deed</b>	The Trust Deed entered into on 20th May 1996 between the Sponsor and the Trustee, as amended up to date, or as may be amended from time to time.
<b>Trust Fund</b>	The corpus of the Trust, Unit capital and all property belonging to and/or vested

	in the Trustee.
<b>Unit</b>	The interest of the investors in the Scheme, which consists of each Unit representing one undivided share in the assets of the Scheme.
<b>Unitholder</b>	A person who holds Unit(s) of the Scheme.
<b>Valuation Day</b>	For the Scheme, each Business Day and any other day when the Debt and/or money markets are open in Mumbai.
<b>Business Day</b>	<p>A day other than:</p> <ol style="list-style-type: none"> <li>1. Saturday and Sunday</li> <li>2. A day on which the banks in Mumbai and RBI are closed for business/clearing</li> <li>3. A day on which Purchase and Redemption is suspended by the AMC</li> <li>4. A day on which the money markets are closed/not accessible.</li> <li>5. A day on which the National Stock Exchange or Bombay Stock Exchange is closed.</li> <li>6. A day on which NSDL or CDSL is closed for the purpose of transfer of securities between depository (demat) accounts.</li> </ol> <p>Additionally, the days when the banks in any location where the AMC's Investor service center are located, are closed due to local holiday, such days will be treated as non business days at such centers for the purpose of accepting subscriptions. However if the Investor service center in such location is open on such local holidays, only redemption and switch request will be accepted at those centers provided it is a business day for the scheme.</p> <p>The AMC reserves the right to change the definition of Business Day. The AMC reserves the right to declare any day as a Business Day or otherwise at any or all ISCs.</p>
<b>Words and Expressions used in this SID and not defined</b>	Same meaning as in Trust Deed.

#### **D. SPECIAL CONSIDERATION:**

1. Trustees shall ensure that before launch of the scheme the in-principle approval for listing has been obtained from the stock exchange(s) and appropriate disclosures are made in the Scheme Information Document.
2. Nomination: For Unit holders holding units in demat form: The units will be issued in demat form through depository system. The unitholder will be entitled to the nomination facility offered by the depository with whom the unitholder has an account.
3. Transmission: The units will be issued in demat form through depository system. The unitholder will be entitled to and subject to the transmission facility and procedure of the depository with whom the unitholder has an account.
4. Inter option transfer: Transfer of units from growth to dividend or vice-versa will not be allowed under the scheme.

#### **E. DUE DILIGENCE BY THE ASSET MANAGEMENT COMPANY**

##### **DUE DILIGENCE CERTIFICATE**

It is confirmed that:

- (i) the draft Scheme Information Document forwarded 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 proposed 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.

**For Kotak Mahindra Asset Management Company Limited**

Asset Management Company for Kotak Mahindra Mutual Fund

Place : Mumbai  
Date : August 28, 2009

**V. R. Narasimhan**  
Chief Compliance Officer and company secretary

### III. INFORMATION ABOUT THE SCHEME

Kotak FMP 19M Series 2

#### A. Type of the scheme :

Close ended debt scheme

#### B. What is the investment objective of the scheme?

The investment objective of the Scheme is to generate returns through investments in debt and money market instruments with a view to significantly reduce the interest rate risk.

#### C. How will the scheme allocate its assets?

The asset allocation under the Scheme, under normal circumstances, will be as follows:

Investments	Indicative Allocation (% to net assets)	Risk Profile
*Debt and Money Market instruments and government securities	100	Low to medium

\* Debt instruments shall be deemed to include securitised debts (excluding foreign securitised debt) and investment in securitised debts maybe upto 100% of the net assets of the Scheme.

Notional value of Investment in derivatives like, IRS, FRA's, etc, if any, shall not exceed 100% of the net assets of the scheme.

#### PORTFOLIO REBALANCING:

The asset allocation if altered for short term defensive consideration will be rebalanced with 30 days.

#### Overview of Debt Market

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. 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.

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 August 31, 2009 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	3.00 - 3.25
91 Day Treasury Bill	3.35 - 3.40
364 Day Treasury Bill	4.10 - 4.25
P1+ Commercial Paper 90 Days	4.35 - 4.60
3-Year Government of India Security	6.50 - 6.70
5-Year Government of India Security	7.15 - 7.25
10-Year Government of India Security	7.30 - 7.40

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 August 31, 2009 and they are likely to change consequent to changes in economic conditions and RBI policy.

#### D. Where will the scheme invest

The amount collected under the scheme will be invested only in debt and money market instruments. Subject to the Regulations, the amount collected under this scheme can be invested in any (but not exclusively) of the following securities/ debt instruments:

- 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).
- Securities guaranteed by the Central and State Governments (including but not limited to coupon bearing bonds, zero coupon bonds and treasury bills).
- Debt obligations of domestic Government agencies and statutory bodies, which may or may not carry a Central/ State Government guarantee
- Corporate debt (of both public and private sector undertakings).
- Obligations/ Term Deposits of banks (both public and private sector) and development financial institutions
- 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.
- Certificate of Deposits (CDs).
- Commercial Paper (CPs).
- Securitised Debt, not including foreign securitised debt.
- The non-convertible part of convertible securities.
- Any other domestic fixed income securities as permitted by SEBI / RBI from time to time.

- l. Derivative instruments like Interest Rate Swaps, Forward Rate Agreements and such other derivative instruments permitted by SEBI/RBI.
- m. Any other instruments / securities, which in the opinion of the fund manger would suit the investment objective of the scheme subject to compliance with extant Regulations.

The securities/debt instruments 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.

### Interest Rate Swap (IRS)

IRS is a widely used derivative product in the financial markets to manage interest rate risk. A typical transaction is a contract to exchange streams of interest rate obligation/income on a notional principle amount with a counter party, usually a bank. The two interest streams are, fixed rate on one side and floating rate on the other.

Example: Suppose the Fund holds a fixed rate bond of maturity 5 years carrying a fixed interest rate (coupon) of 6% p.a. payable half yearly. Such an investment runs the risk of depreciation if interest rates rise. To manage this risk, the Fund can enter into an IRS with another market participant, here the Fund contracts to pay fixed rate, say 6.75% p.a., and receive a floating rate (say overnight MIBOR). This transaction is done for a notional principal amount equal to the value of the investment. By such a contract a fixed rate income is offset by a fixed rate payment obligation leaving only a floating rate income stream. Thus, without actually investing in a floating rate asset, the Fund starts earning a floating rate income, reducing the risk of depreciation associated with the fixed rate investment. Following table summarises the cash flow streams:

Original investment	6% p.a.
Pay (Fixed rate)	5.25% p.a. (IRS)
Receive (Floating rate)	MIBOR
Net Flow	MIBOR + 0.75% p.a. (*)

\* (6% p.a. - 5.25 % p.a.)

The floating rate reference is defined in the swap agreement. The above example illustrates a case of fixed to floating rate swap. A swap could be done to move from floating rate to fixed rate in a similar fashion.

Please note that the above example is hypothetical in nature and the interest rates are assumed. The actual return may vary based on actual and depends on the interest rate prevailing at the time the swap agreement is entered into.

### E. What are the investment strategies?

For the purpose of achieving the investment objective, the Scheme will invest in a portfolio of Debt and Money Market securities only maturing on or before maturity profile of the Scheme.

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, norms for investing in unrated paper, liquidity norms, and so on. Through such norms, the Scheme is expected to maintain a high quality portfolio and manage credit risk well.

Investment in unrated debt securities will be made with the prior approval of the Board of the AMC. Such investments would be within the parameters approved by the Board of the Trustee. Where the proposed investment is not within the parameters as mentioned above, approval of the Boards of both the AMC and the Trustee will be taken before making the investment. Investment in unrated debt securities will be made subject to prescribed SEBI Regulations.

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.

### Risk Control Measures for Investment strategy

The internal systems have all the SEBI limits incorporated. This ensures that all limits are tracked at the entry stage itself. The system has the capability to alert certain deals that require special attention in case they are beyond certain prescribed parameters. The deals then cannot proceed further without the approval of the appropriate authority. Thus checks are in place to ensure no breach of limit occurs.

### F. Fundamental attributes

Following are the fundamental attributes of the scheme, in terms of Regulation 18 (5A) of SEBI (MF) Regulations:

1. Type of the scheme
2. Investment Objective
3. Investment Pattern
4. Terms of Issue:
  - a. Liquidity provisions such as listing, repurchase, redemption.
  - b. Aggregate fees and expenses charged to the scheme.
  - c. Any safety net or guarantee provided.

In accordance with Regulation 18(15A) of the SEBI (MF) Regulations, the Trustees shall ensure that no change in the fundamental attributes of the Scheme(s) and the Plan(s) / Option(s) thereunder or the trust or fee and expenses payable or any other change which would modify the Scheme(s) and the Plan(s) / Option(s) thereunder and affect the interests of Unitholders is carried out unless:

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

### G. How will the scheme benchmark its performance?

The performance of Kotak FMP 19M Series 2 will be

measured against CRISIL Composite Bond Fund Index. CRISIL Composite Bond Fund Index being a widely used benchmark (for products with similar tenor / average maturity etc.) in the market, the same has been selected as a standard benchmark for the purpose of this Scheme.

The Trustee reserves right to change benchmark in future for measuring performance of the scheme.

#### H. Who manages the scheme?

Mr. Deepak Agarwal and Mr. Abhishek Bisen will be the fund managers for Kotak FMP 19 M Series 2

NAME	AGE	QUALIFICATIONS	BUSINESS EXPERIENCE	OTHER SCHEMES MANAGED
<b>Mr. Deepak Agrawal</b>	27 years	Post Graduate in Commerce, Chartered Account, Company Secretary and currently pursuing CFA.	Mr. Deepak Agrawal's career has started from Kotak AMC. When he joined the organization in December 2002 where he was initially in Research, Dealing and then moved into Fund Management from November 2006.	All Fixed Maturity Plans and Interval Plans , Kotak Floater Long Term, Kotak Floater Short Term Kotak Bond, Kotak Liquid and Kotak Gilt
<b>Mr. Abhishek Bisen</b>	29 years	B. A. and MBA (Finance)	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.	All Fixed Maturity Plans and Interval Plans , Kotak Floater Long Term, Kotak Floater Short Term Kotak Bond, Kotak Liquid and Kotak Gilt Kotak Balance, Kotak Income Plus, Kotak Equity Arbitrage Fund

#### I. What are the investment restrictions?

The following investment limitations and other restrictions, inter-alia, as contained in the Trust Deed and the Regulations apply to the Scheme:

1. No loans may be advanced by the Mutual Fund and the Fund shall not borrow except to meet temporary liquidity needs of the Fund for the purpose of repurchase, redemption of Units or payment of interest or dividends to Unitholders, provided the 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 or as may be permitted by the Regulations from time to time.
2. The Scheme may invest in another scheme, under the same AMC or any other mutual fund provided that the aggregate interscheme investments made by all schemes under the same AMC or any other mutual fund shall not exceed 5% of the net assets of the Fund or any other limit as prescribed by the Regulations from time to time. The AMC is not permitted by the Regulations to charge any investment management and advisory services fee on such investments.
3. Pending deployment of the funds of the Scheme in terms of the investment objective, the Fund can invest the funds of the Scheme in short term deposits of scheduled commercial banks as per the guidelines given in SEBI Circular no. SEBI/IMD/CIR No. 1/91171/07 dated April 16, 2007 and June 23, 2008.
4. The Scheme shall not make any investment in:
  - a) any unlisted security of an associate or group company of the Sponsor; or
  - b) any security issued by way of private placement by any associate or group company of the Sponsor; or
  - c) the listed securities of group companies of the Sponsor in excess of 25% of its net assets.
5. The Scheme shall not invest in any Fund of Funds Scheme and foreign securities
6. The Scheme shall not invest more than 15% of its Net Assets in debt instruments, including debentures issued by a single issuer which are rated not below investment grade; such limit may be extended to 20% of the Net Assets of the Scheme with the prior approval of the Board of the Trustee and the Board of the AMC;
7. The scheme shall not invest more than 30% of its net assets in money market instruments of an issuer; Provided that such limit shall not be applicable for investments in Government securities, treasury bills and collateralized borrowing and lending obligations.
8. The Scheme shall not invest more than 10% of its Net Assets in unrated debt instruments, including debentures, (Irrespective of residual maturity period) issued by a single issuer and the total investment in such instruments shall not exceed 25% of the Net Assets of the scheme. All such investments shall be as per the

parameters approved by the Boards of the Trustee and the AMC.

9. Wherever investments are intended to be of a long-term nature, the securities shall be purchased or transferred in the name of the Fund, on account of the Scheme concerned.
10. Investments in Debentures shall be with respect to maturity period of the scheme and shall attract the investment restrictions as applicable for debt instruments as specified under Clause 1 and 1 A of Seventh Schedule to the Regulations.
11. The fund may engage in short selling in accordance with SEBI circular no MRD/DoP/SE/Dep/Cir- 14 /2007 dated December 20, 2007 and from such date that SEBI may declare
12. Transfer of Investments from one Scheme to another scheme, present or to be floated in future, may be made at the discretion of the Fund Manager, as per the current regulations, only if:
  - Such transfer is done at the prevailing market price

for quoted instruments on spot basis; and

- The securities so transferred is/are in conformity with the Investment objective of the scheme to which such transfer has been made.

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

#### **Investments by the AMC in the Fund**

The AMC reserves the right to invest its own funds in the Scheme as may be decided by the AMC from time to time and in accordance with SEBI Circular no. SEBI/IMD/CIR No. 10/22701/03 dated December 12, 2003 regarding minimum number of investors in the Scheme/ Plan. Under the Regulations, the AMC is not permitted to charge any investment management and advisory services fee on its own investment in the Scheme.

#### **J. How has the scheme performed?**

This is a new scheme and does not have any performance track record.

## IV. UNITS AND OFFER

This section provides details you need to know for investing in the scheme.

### A. NEW FUND OFFER (NFO)

Scheme Name	NFO Opens On:	NFO Closes On:
Kotak FMP 19M Series 2	September 1, 2009	September 7, 2009
The AMC reserves the right to extend the closing date, subject to the condition that the New Fund Offer shall not be kept open for more than 45 days as permissible under Regulations.		
<b>New Fund Offer Price:</b> This is the price per unit that the investors have to pay to invest during the NFO.	Rs. 10 per Unit.	
<b>Minimum Amount for Application in the NFO of scheme</b>	Rs. 5, 000/- and in multiples of Rs 10 for purchase and switch-ins	
<b>Minimum Target amount</b> 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 without any return. However, if AMC fails to refund the amount within 6 weeks, interest as specified by SEBI (currently 15% p.a.) will be paid to the investors from the expiry of six weeks from the date of closure of the subscription period.	The Fund seeks to collect a minimum subscription amount of Rs. 2,00,00,000/- (Rupees Two Crores Only), in the New Fund Offer of Kotak FMP 19M Series 2	
<b>Maximum Amount to be raised (if any)</b> This is the maximum amount which can be collected during the NFO period, as decided by the AMC.	There is no upper limit on the total amount that may be collected. After the minimum subscription amount has been collected, allotment will be made to all valid applications.	
<b>Plans / Options offered</b>	The scheme has two options namely Dividend payout Option and Growth Option  If the applicant does not indicate the choice of Option in the Application Form, the Fund accepts the application as being for the Growth Option.	
<b>Allotment</b>	Subject to the receipt of the specified Minimum Subscription Amount for the Scheme, full allotment will be made to all valid applications received during the New Fund Offer. The Trustee reserves the right, at their discretion without assigning any reason thereof, to reject any application. Allotment will be completed within 30 (Thirty) days after the closure of the New Fund Offer. In case of applicant who have quoted their demat account, the units will be credited to the demat account as per the depository account details as stated by the applicant in the application form. Allotment of units and dispatch of allotment advice to Fils will be subject to RBI approval if required.	
<b>Refund</b>	If application is rejected, full amount will be refunded within 6 weeks of closure of NFO. If refunded later than 6 weeks, interest @ 15% p.a. for delay period will be paid and charged to the AMC.	
<b>Dividend Policy</b>	Only growth and dividend payout options are available under the scheme.  <b>Growth Option:</b> 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.  <b>Dividend Option</b> Under the Dividend option, the Trustee may at any time decide to distribute by way of dividend, the surplus by way	

	<p>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 dividend.</p> <p>Dividend will be paid on the number of units held by the unit holder on the record date as per the records of CAMS (the Registrar) and /or as per the records maintained by depositories. The record date shall be announced in advance.</p> <p><i>Dividend Payout Option:</i> Unitholders will have the option to receive payout of their dividend by way of dividend warrant or any other means which can be encahsed or by way of direct credit into their account.</p> <p>However, the Trustees reserve the right to introduce new options and / or alter the dividend payout intervals, frequency, including the day of payout.</p>
<p><b>Who can Invest</b> This is an indicative list and you are requested to consult your financial advisor to ascertain whether the scheme</p>	<p>The following are eligible to apply for purchase of the Units:</p> <ul style="list-style-type: none"> <li>• Resident Indian Adult Individuals, either singly or jointly (not exceeding three).</li> <li>• Parents/Lawful guardians on behalf of Minors.</li> <li>• Companies, corporate bodies, registered in India.</li> <li>• Registered Societies and Co-operative Societies authorised to invest in such Units.</li> <li>• 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.</li> <li>• Trustees of private trusts authorised to invest in mutual fund schemes under their trust deeds.</li> <li>• Partner(s) of Partnership Firms.</li> <li>• Association of Persons or Body of Individuals, whether incorporated or not.</li> <li>• Hindu Undivided Families (HUFs).</li> <li>• Banks (including Co-operative Banks and Regional Rural Banks) and Financial Institutions and Investment Institutions.</li> <li>• Non-Resident Indians/Persons of Indian origin resident abroad (NRIs) on full repatriation or non-repatriation basis.</li> <li>• Other Mutual Funds registered with SEBI.</li> <li>• Foreign Institutional Investors (FIIs) registered with SEBI.</li> <li>• International Multilateral Agencies approved by the Government of India.</li> <li>• Army/Navy/Air Force, Para-Military Units and other eligible institutions.</li> <li>• Scientific and Industrial Research Organizations.</li> <li>• Provident/Pension/Gratuity and such other Funds as and when permitted to invest.</li> <li>• Universities and Educational Institutions.</li> <li>• 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.</li> </ul> <p>The list given above is indicative and the applicable law, if any, shall supersede the list.</p>
<p><b>Where can you submit the filled up applications</b></p>	<p>Applications can be made either by way of a "Regular Application or Transaction slip" along with a cheque/DD or fund transfer instruction. The Fund may introduce other newer methods of application which will be notified as and when introduced. Investors should complete the Application Form and deliver it along with a cheque/draft (i.e. in case of "Regular Application") or fund transfer instructions at any</p>

	<p>of the official points of acceptance of transactions listed below,</p> <ul style="list-style-type: none"> <li>• Offices of the AMC</li> <li>• Kotak Mahindra Bank Collection Centres</li> </ul> <p>The addresses of the Official points of acceptance of transactions are given on the back cover of this document.</p>
<b>How to Apply</b>	<p>Application form and Key Information Memorandum may be obtained from the offices of AMC or Investor Services Centers of the Registrar or distributors or downloaded from <a href="http://www.kotakmutual.com">www.kotakmutual.com</a>. Investors are also advised to refer to Statement of Additional Information before submitting the application form.</p> <p>All cheques and drafts should be crossed "<b>Account Payee Only</b>" and drawn in favour "<b>Kotak FMP 19M Series 2</b>"</p> <p>Please refer to the SAI and Application form for the instructions.</p>
<b>Listing</b>	The units of the scheme will be listed on NSE on allotment.
Special Products / facilities available during the NFO	Systematic Investment Plan, Systematic Transfer Plan, Systematic Withdrawal Plan are not available under the scheme
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	<p>Units held by way of an Account Statement cannot be transferred.</p> <p>Units held in Demat form are transferable in accordance with the provisions of The Depositories Act and Bye laws and business rules of depositories.</p>

## B. ONGOING OFFER DETAILS

<p><b>Ongoing Offer Period</b></p> <p>This is the date from which the scheme will reopen for subscriptions/redemptions after the closure of the NFO period.</p>	<p>The scheme is a close ended scheme. Investors can only invest during NFO. After listing of the scheme , units of the scheme can be traded on stock exchange</p>
<p><b>Ongoing price for subscription (purchase)/switch-in</b></p>	Not Applicable
<p><b>Ongoing price for redemption (sale) /switch outs (to other schemes/plans of the Mutual Fund) by investors.</b></p> <p>This is the price you will receive for redemptions/switch outs.</p> <p>Example: If the applicable NAV is Rs. 10, exit load is 2% then redemption price will be:</p> <p><math>Rs. 10 \times (1-0.02) = Rs. 9.80</math></p>	<p>The units of the scheme can be traded on the stock exchange, post listing.</p> <p>On maturity the redemption will be at the applicable NAV.</p>
<p><b>Cut off timing for subscriptions/ redemptions/ switches</b></p> <p>This is the time before which your application (complete in all respects) should reach the official points of acceptance.</p>	Not Applicable , all units of the scheme shall be redeemed on maturity
<p><b>Where can the applications for purchase/ redemption/switches be submitted?</b></p>	Not Applicable
<p><b>Minimum amount for purchase/ redemption/switches</b></p>	Not Applicable

<p><b>Special Products available</b></p>	<p>Systematic Investment Plan, Systematic Transfer Plan, Systematic Withdrawal Plan are not available under the scheme</p>
<p><b>Accounts Statements</b></p>	<p><b>For normal transactions (other than SIP/STP/SWP) during NFO and repurchase:</b></p> <ul style="list-style-type: none"> <li>• The AMC shall issue to the investor whose application (other than SIP/STP/SWP) has been accepted, an account statement specifying the number of units allotted within 30 (Thirty)days from the date of the transaction. The account statements will be sent to Unitholders in accordance with SEBI circular dated November 20, 2006. An Account Statement may be sent to a Unitholder using e-mail. Account Statements to be issued in lieu of Unit Certificates under the Scheme are non-transferable. These Account Statements shall not be construed as proof of title and are only computer printed statements, indicating the details of transactions under the Scheme concerned during the relevant financial year and giving the closing balance of Units for the information of Unitholders. The Trustee may issue a Unit Certificate in lieu of Account Statement in respect of Units held, to those Unitholders who request for the same within six weeks of the receipt of request, at the cost and expense of the Unitholder or otherwise, as may be decided from time to time. Any discrepancy in the Account Statement / Unit Certificate should be brought to the notice of the Fund/AMC immediately. Contents of the Account Statement / Unit Certificate will be deemed to be correct if no error is reported within 30 days from the date of Account Statement / Unit Certificate. Further, the Trustee also reserves the right to issue, on an ongoing basis, in lieu of Account Statements, Transaction Confirmation Slips, therein indicating the price and the Units debited or credited to the Account of the Investor/Unitholder, along with the closing balance of his Account. Under this system, a periodical statement of holdings of the Investor in the relevant Scheme of KMMF will be given.</li> <li>• For those unitholders who have provided an e-mail address, the AMC will send the account statement by e-mail.</li> <li>• The unitholder may request for a physical account statement by writing/calling the AMC/ISC/R&amp;T. The unit holder can write to any of the AMC office or call the call centre (Toll Free Number) and come in person to any of the ISC of the AMC / RTA for physical account statement. AMC / RTA would do the basic verification of identity of the unitholder and issue / mail the account statement as per the unit holder's request.</li> <li>• In case of unit holder who have given demat account details, the transfer of units shown to their credit as per the statement of account issued by depositories shall be final.</li> </ul> <p><b>Annual Account Statement:</b></p> <ul style="list-style-type: none"> <li>• The Mutual Funds shall provide the Account Statement to the Unitholders who have not transacted during the last six months prior to the date of generation of account statements. The Account Statement shall reflect the latest closing balance and value of the Units prior to the date of generation of the account statement.</li> <li>• The account statements in such cases may be generated and issued along with the Portfolio Statement or Annual Report of the Scheme.</li> </ul>

	<ul style="list-style-type: none"> <li>Alternately, soft copy of the account statements shall be mailed to the investors' e-mail address, instead of physical statement, if so mandated.</li> </ul>
<b>Dividend</b>	<p>The dividend warrants shall be dispatched to the unitholders within 30 days of the date of declaration of the dividend.</p> <p>Dividend may also be paid to the Unitholder in any other manner viz., through ECS, Direct Credit or NEFT in to Bank account, RTGS facility offered RBI or through Banker's cheque, etc as the AMC may decide, from time to time for the smooth and efficient functioning of the Scheme.</p>
<b>Redemption</b>	<p>Investors will not be able to redeem their units during the tenor of the Scheme directly from the fund and there will be redemption by the fund only on the maturity of the Scheme. The redemption proceeds shall be dispatched to the unit holders within 10 working days from the date of maturity of the Scheme.</p> <p>Redemption proceeds will be paid by cheques, marked "Account Payee only" and drawn in the name of the sole holder/first-named holder (as determine by the records of the Registrar/Depositories). The Bank Name and No., as specified in the Registrar's/Depositories records, will be mentioned in the cheque, which will be payable at par at all the cities designated by the Fund from time to time. If the Unitholder resides in any other city, he will be paid by a Demand Draft payable at the city of his residence.</p> <p>Redemption cheques will generally be sent to the Unitholder's address, (or, if there is more than one joint holder, the address of the first-named holder) as per the Registrar's/Depositories records, by courier. The payments to unitholders as per the Depository Records will be sufficient discharge of its obligations by the AMC. Any further claims shall not be entertained by the AMC.</p> <p>Redemption proceeds may also be paid to the Unitholder in any other manner viz., through ECS, Direct Credit or NEFT in to Bank account, RTGS facility offered RBI or through Banker's cheque, etc as the AMC may decide, from time to time for the smooth and efficient functioning of the Scheme.</p>
<b>Delay in payment of redemption / repurchase proceeds</b>	<p>The Asset Management Company shall be liable to pay interest to the unitholders at such rate as may be specified by SEBI for the period of such delay (presently @ 15% per annum).</p>
<b>Bank A/c Details</b>	<p>As per the directives issued by SEBI it is mandatory for an investor to declare his/her bank account number. The Bank account details as mentioned with the Depository should be mentioned in case investors who hold units in demat form. For investors investing through the account statement mode, the bank details as mentioned on the application form shall be treated as final for all actions, relating to his account. To safeguard the interest of Unitholders from loss or theft of their refund orders/redemption cheques, investors are requested to provide their bank details in the Application Form.</p>

## C. PERIODIC DISCLOSURES

<p><b>Net Asset Value</b> This is the value per unit of the scheme on a particular day. You can ascertain the value of your investments by multiplying the NAV with your unit balance.</p>	<p>The Mutual Fund shall endeavour to update the Net asset value of the scheme on every business day on AMFI's website <a href="http://www.amfiindia.com">www.amfiindia.com</a> by 9.00 p.m. The NAVs shall also be updated on the website of the Mutual Fund <a href="http://www.kotakmutual.com">www.kotakmutual.com</a> and will be released in two newspapers for publication.</p>		
<p><b>Half yearly Disclosures: Portfolio / Financial Results</b>  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.</p>	<p>The unaudited financial results will be published through an advertisement in one English daily newspaper circulating in the whole of India and in a newspaper published in the language of the region where the Registered Office of the Trustee is situated, before the expiry of one month from the close of each half year, that is the 31st of March and the 30th of September. The same will also be posted on the website of <a href="http://www.kotakmutual.com">www.kotakmutual.com</a> and will be sent to AMFI for posting on its website <a href="http://www.amfiindia.com">www.amfiindia.com</a>.</p>		
<p><b>Half Yearly Results</b></p>	<p>A complete statement of the portfolio of the Scheme will either be sent to all Unitholders, or published by way of an advertisement, before the expiry of one month from the close of each half year, that is the 31st of March and the 30th of September, 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 Trustee is situated. The same will also be posted on the website of the <a href="http://www.kotakmutual.com">www.kotakmutual.com</a></p>		
<p><b>Annual Report</b></p>	<p>Scheme wise Annual Report shall be mailed to all unitholders within six months from the date of closure of the relevant accounts year i.e. 31st March every Year; or an abridged summary thereof shall be mailed to all unitholders within four months from the date of closure of the relevant accounts year.</p>		
<p><b>Associate Transactions</b></p>	<p>Please refer to Statement of Additional Information (SAI).</p>		
<p><b>Taxation</b>  The information is provided for general information only. However, in view of the individual nature of the implications, each investor is advised to consult his or her own tax advisors/authorised dealers with respect to the specific amount of tax and other implications arising out of his or her participation in the schemes.</p>		<p><b>Resident Investors</b></p>	<p><b>Mutual Fund (dividend distribution tax)</b></p>
	<p><b>Tax on Dividend</b></p>	<p>NIL</p>	<p>Nil (please refer to the note below)</p>
	<p><b>Capital Gains:</b>  Long Term  Short Term</p>	<p>10/20 % (please refer to the note below)  30 %</p>	<p>NIL</p>
	<p>Note: The above table is indicative; the actual rates applicable to each unitholder depend on the specific tax status of the unitholder. For further details on taxation please refer to the clause on Taxation in the SAI. Any tax liability on account of change in tax treatment with respect to dividend distribution tax, shall be borne by investor</p>		
<p><b>Investor services</b></p>	<p>Mr. R. Chandrasekaran Kotak Mahindra Asset Management Company Limited 6<sup>th</sup> Floor, Kotak Infinity, Building No. 21, Infinity Park, Off. Western Express Highway, Gen.A.K. Vaidya Marg, Malad (E) Mumbai - 400 097. Phone: 66384400; Fax: 6638 4455 e-mail: <a href="mailto:mutual@kotak.com">mutual@kotak.com</a></p>		

## D COMPUTATION OF NAV

The 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 Fund shall value its investments according to the valuation norms, as specified in the Eighth Schedule of the Regulations, or such guidelines / recommendations as may be specified by SEBI/AMFI 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:

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

NAV for the Scheme 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 four decimals.

Computation of NAV will be done after taking into account dividends declared, if any, and the distribution tax thereon, if applicable. The income earned and the profits realized in respect of the Units remain invested and are reflected in the NAV of the Units.

## V. FEES & EXPENSES

This section outlines the expenses that will be charged to the scheme.

### A. 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 AMC shall bear the sales, marketing and such other expenses connected with sales and distribution of scheme during the new fund offer.

### B. Annual scheme recurring expenses

These are the fees and expenses for operating the scheme. These expenses include Investment Management and Advisory Fee charged by the AMC, Registrar and Transfer Agents' fee, marketing and selling costs etc. as given in the table below:

The AMC has estimated that the following percentage of the weekly average net assets of the scheme will be charged to the scheme as expenses. For the actual current expenses being charged, the investor should refer to the website of the mutual fund.

#### For Kotak FMP 19M Series 2:

Description	(% per annum of daily average net assets)
Investment Management and Advisory Services Fees payable to AMC	1.00
Trustee Fees	0.05
Service Tax on Management & Trustee Fees	0.05
Custodian Fees	0.05
Marketing and Selling Expense (incl. Agents commission)	0.85
Registrar and Transfer Agent Fees	0.10
Other Operational Expenses attributable to the scheme, including listing fees	0.15
<b>Total Annual Recurring Expenses (Estimated)</b>	<b>2.25</b>

These estimates are made in good faith by the Investment Manager and are subject to change, both inter se and as an increase or decrease in the estimated total annual recurring expenses. Though the Investment Manager will make efforts to keep the recurring expenses to the minimum, 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.

The above estimates are based on an amount of Rs. 100

crores for the Scheme and will change to the extent assets are lower or higher.

The recurring expenses of the Scheme (including investment and advisory fees) will be subject to the following maximum limits (as a percentage of Weekly Average Net Assets) as per Regulation 52(6).

Expenses over and above the permitted limit under the applicable Regulations will be borne by the AMC.

Weekly Average Net Assets (Rs.)	
First 100 crores	2.25%
Next 300 crores	2.00%
Next 300 crores	1.75%
Balance Assets	1.50%

The AMC may charge the Scheme with investment and advisory fees subject to the currently applicable maximum limits (as a percentage of Weekly Average Net Assets of the Scheme) as per Regulation 52(2).

Weekly Average Net Assets outstanding in each accounting year (Rs.)	Fees chargeable
First 100 crores	1.25%
On Balance Assets	1.00%

Listing fees shall be a permissible expense to be charged under Regulation 52(4)

### C. Load structure

Load is an amount which is paid by the investor to subscribe to the units or 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 of [www.kotakmutual.com](http://www.kotakmutual.com) or may call at 1800-22-2626 or your distributor.

#### For Kotak FMP 19M Series 2

##### Exit Load: Nil

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.

Of the exit load or CDSC, a maximum of 1% of the redemption proceeds shall be maintained in a separate account which can be utilized towards payment of commissions to the distributors and towards meeting the sales and marketing expenses. Any balance in excess shall be credited to the scheme immediately.

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

For any change in load structure AMC will issue an addendum and display it on the website/Investor Service Centres.

## VI. RIGHTS OF UNITHOLDERS

Please refer to SAI for details.

**VII. 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**

<b>SEBI Requirements</b>	<b>Response</b>
Details of all monetary penalties imposed and/ or action taken during the last three years or pending with any financial regulatory body or governmental authority, against Sponsor(s) and/ or the AMC and/ or the Board of Trustees /Trustee Company; for irregularities or for violations in the financial services sector, or for defaults with respect to share holders or debenture holders and depositors, or for economic offences, or for violation of securities law.	Nil
Details of all enforcement actions taken by SEBI in the last three years and/ or pending with SEBI for the violation of SEBI Act, 1992 and Rules and Regulations framed there under including debarment and/ or suspension and/ or cancellation and/ or imposition of monetary penalty/ adjudication/enquiry proceedings, if any, to which the Sponsor(s) and/ or the AMC and/ or the Board of Trustees /Trustee Company and/ or any of the directors and/ or key personnel (especially the fund managers) of the AMC and Trustee Company were/ are a party	Nil
Any pending material civil or criminal litigation incidental to the business of the Mutual Fund to which the Sponsor(s) and/ or the AMC and/ or the Board of Trustees /Trustee Company and/ or any of the directors and/ or key personnel are a party	Nil
Any deficiency in the systems and operations of the Sponsor(s) and/ or the AMC and/ or the Board of Trustees/Trustee Company which SEBI has specifically advised to be disclosed in the SID, or which has been notified by any other regulatory agency	Nil

**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.**

Note: The Scheme under this Scheme information Document was approved by the Trustee through resolution passed by circulation on July 27, 2009.

## OFFICIAL COLLECTION CENTRES (For New Fund Offer)

### KMAMC AUTHORISED COLLECTION CENTRES

● **Ahmedabad:** 9,10,11- 2nd floor, Siddhi Vinayak complex,Shivranjani Cross Roads, Satellite, Ahmedabad - 380015 ● **Bangalore:** 2nd Fl., Umiya Landmark10/7, Lavelle Road, Bangalore - 560001 ● **Chennai:** 1st Floor, Eldorado Building, 112, Nungambakkam High Road, Chennai - 600034 ● **Hyderabad:** Jade Arcade, 102A, 1ST Floor, 126, MG Road, Near Paradise Circle, Hyderabad - 500003 ● **Kolkata:** 1st Floor, Horizon, 57 Chowranghee Road, Kolkata - 700 071 ● **Mumbai:** 6<sup>th</sup> Floor, Kotak Infinity, Building No. 21, Infinity Park, Off. Western Express Highway, Gen.A.K. Vaidya Marg, Malad (E) Mumbai - 400 097. ● **New Delhi:** 12-14, Upper Ground Floor, Ambadeep Building, 14, Kasturba Gandhi Marg, New Delhi - 110 001. ● **Pune:** Yeshwant, Office no 31, 3rd Floor, Plot No 37/10 B, Opposite Lane no 9, Prabhat Road, Erandwana, Pune - 411004.

### KOTAK MAHINDRA BANK AUTHORISED COLLECTION CENTRES

● **Ahmedabad:** 503, Sakar II, Ellis Bridge Corner, Ashram Road, Ahmedabad -380 006 ● **Bangalore:** 10/7, Umiya Land Mark, Nextto Chancery Hotel, Lavelle Road, Bangalore -560 001. ● **Chennai:** LCC Dept, 5thFloor, Ceebros Centre, 39, Montieth Road, Chennai - 600 008 ● **Hyderabad:** Pavani Jewel Tower, Ground Floor, Somajiguda, Hyderabad - 500 089 ● **Kolkata:** LCC Kolkata, Apeejay House, 15, Parkstreet, Kolkata -700 016 ● **Mumbai :** Mittal Court, C Wing, Nariman Point, Mumbai - 400 021 ● **New Delhi:** 7<sup>th</sup> Floor, Ambadeep, 14, K.G.Marg, New Delhi - 110001 ● **Pune:** Bakre Avenue, FP No 226/3, Bhandarkar Road, Pune - 411 004

CAMS, Registrar and Transfer Agent to Kotak Mutual Fund will be the official point of acceptance for electronic transaction received through specified banks, Financial Institutions with whom Kotak Mahindra Mutual Fund has entered or may enter into specific arrangement for purchase/sale/switch of units and secured internet site operated by Kotak Mahindra Mutual Fund