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## SCHEME INFORMATION DOCUMENT (SID)

### KOTAK GOLD ETF

(An Open Ended Gold Exchange Traded Fund)

Continuous Offer of Units at NAV based prices

Scheme reopened on August 8, 2007

Name of Mutual Fund	<b>Kotak Mahindra Mutual Fund</b>
Name of Asset Management Company	<b>Kotak Mahindra Asset Management Company Ltd</b>
Name of Trustee Company	<b>Kotak Mahindra Trustee Company Ltd</b>
Address of the Companies	<b>36-38A Nariman Bhavan, 227, Nariman Point Mumbai - 400 021</b>
Corporate Office of Asset Management Company	<b>6th Floor, Vinay Bhavya Complex, 159-A, C S T Road, Kalina, Santacruz (E), Mumbai - 400 098</b>
Website	<b><u><a href="http://mutualfund.kotak.com">mutualfund.kotak.com</a></u></b>

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

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

The investors are advised to refer to the Statement of Additional Information (SAI) for details of Kotak Mahindra Mutual Fund, Tax and Legal issues and general information on [mutualfund.kotak.com](http://mutualfund.kotak.com)

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

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



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## I. HIGHLIGHTS/ SUMMARY OF THE SCHEME

<b>Investment Objective</b>	The investment objective of the scheme is to generate returns that are in line with the returns on investment in physical gold, subject to tracking errors.
<b>Type of scheme</b>	An open ended Gold Exchange Traded Fund
<b>Investment In</b>	The Fund would invest in gold, and endeavor to track the spot price of gold. The Fund would invest all the residual funds after investing in gold, in debt and money market instruments.
<b>Suitable for</b>	Investors who aim to earn gold linked earnings on their investments.
<b>Liquidity</b>	All investors including Authorised Participants, Large Investors and Other 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. Mutual fund will repurchase units from Authorised Participants and Large Investors on any Business Day provided the value of units offered for repurchase is not less than creation unit size
<b>Benchmark</b>	The Scheme's performance will be benchmarked against the price of gold.
<b>NAV Information</b>	The NAV of the Scheme will be calculated and announced by the Fund on each Business Day in at least two daily newspapers. The NAV shall also be communicated to the National Stock Exchange where, the units are listed. NAV information will also be posted, on each Business day, on the Fund's website <a href="http://mutualfund.kotak.com">mutualfund.kotak.com</a> and on the AMFI website - <a href="http://www.amfiindia.com">www.amfiindia.com</a>  For Purchase/ Redemption directly from the fund on any business day: <ul style="list-style-type: none"> <li>• upto 3.00 p.m. on a business day, the NAV of such business day.</li> <li>• After 3.00 p.m. on a business day, the NAV of the following business day.</li> </ul> For markets, the Mutual Fund will endeavour to declare the portfolio composition (gold and cash equivalents) at the beginning of each day on its website.
<b>Load Structure</b>	<b>Entry Load:</b> Nil In terms of SEBI Circular No. SEBI/IMD/CIR No. 4/168230/09 dated June 30, 2009, no entry load will be charged on purchase / additional purchase / switch-in. The upfront commission, if any, on investment made by the investor shall be paid by the investor directly to the Distributor, based on his assessment of various factors including the service rendered by the Distributor. <b>Exit Load:</b> Nil Bonus units and units issued on reinvestment of dividends shall not be subject to entry and exit load.
<b>Sale of Units by Mutual Fund/ Minimum Application amount</b>	Ongoing purchases directly from the Mutual Fund would be restricted to Authorized Participants and Large Investors provided the value of units to be purchased is in creation unit size. Authorised Participants and Large Investors may buy the units on any Business day for the scheme directly from the Mutual Fund at applicable NAV and transaction charges, if applicable, by depositing gold or cash, value of which is equal to creation unit size. The units are listed on NSE to provide liquidity through secondary market. All categories of investors may purchase the units through secondary market on any trading day. The AMC will appoint Authorised Participant(s) to provide liquidity in secondary market on an ongoing basis. The Authorised Participant(s) would offer daily two way quote in the market.
<b>Face Value of units</b>	The face value of each unit offered under the Scheme shall be Rs. 100 and will be issued at premium/discount equivalent to the difference between allotment price and the face value of Rs. 100.
<b>Transaction handling charges</b>	Charges payable to Custodian and/or RBI approved bullion bankers and Canalising agents for receiving in or delivering gold every time gold is purchased or sold and any incidental expenses relating to such purchase and sale, inclusive of but not limited to Fixing commission, CIF, etc., which may be recovered from the unitholder.
<b>Cost of trading on the stock exchange</b>	Investor will have to bear the cost of brokerage and other applicable statutory levies eg, Securities Transaction Tax, etc when the units are bought or sold on the stock exchange.

## **II. INTRODUCTION**

### **Gold Exchange Traded Fund (ETF) and Kotak Gold ETF**

Securities and Exchange Board of India, vide its circular number SEBI/IMD/CIR No.4/58422/06 dated January 24, 2006 has enabled mutual funds in India to offer mutual fund schemes that invest in physical Gold. This policy initiative helps mutual fund investors to diversify into new asset classes and thus reduce risks associated with concentrating investments into one or a few asset classes.

Exchange-traded funds are a relatively recent innovation to the investment company concepts, with the first ETF introduced in 1993 in the USA. However, ETFs - number of ETFs and assets under management of ETFs have grown dramatically in the last one and a half decades.

ETFs are registered investment companies, most of which seek to mirror the return of a particular market index, such as the S&P 500. Investopedia describes ETF as a security that tracks an index, a commodity or a basket of assets like an index fund, but trades like a stock on an exchange, thus experiencing price changes through out the day as it is bought and sold. An investor, by owning an ETF gets the diversification of an index fund as well as the ability to sell short, buy on margin and purchase as little as one share. The ETFs can be bought and sold through stock market brokers on payment of stock market related brokerages.

Although most ETFs are registered as open-end funds, there are some key difference between ETFs and other open –end funds such as mutual funds.

One difference is how retail investors buy and sell shares. A retail investor in a mutual fund typically purchases or redeems shares directly with the fund. By contrast, retail shareholders in an ETF do not conduct transactions directly with the ETF but instead buy or sell ETF shares on a stock exchange, just as they would sell or buy the shares of a publicly traded company. ETF shares originally enter the market through an institutional investor, known as a creation unit holder. These investors deposit with the ETF sponsor a specified basket of securities. In return for this basket of securities, the ETF issues to the creation unit holder as specified number of fund shares, which can be sold to the public through a stock exchange. A creation unit holder can liquidate its position by returning a fixed number of ETF shares to the ETF; in return, the creation unit holder receives the basket of securities from the ETF. A retail investor in an ETF could liquidate their position by selling their ETF shares on a stock exchange.

Another feature that distinguishes ETFs from open-end funds is pricing. ETF shares may trade above or below the underlying value of the securities in the fund. Unlike a mutual fund, whose price per share is based on the fund's net asset value (NAV), an ETF's share price is influenced by the forces of supply and demand. For example, when investors demand increase, the ETF share price rises. However, ETFs are structured so that large differences between their share price and the value of the underlying basket of securities do not exist for long period of time. Creation unit holders counteract the impact of supply and demand for ETF share by buying and selling ETF shares in the market, and if necessary, by creating or redeeming creation units with the fund. In doing so, creation unit holders help keep the market price of an ETF's share close to the underlying value of its securities.

(Source: Fact book 2006; Institute of Capital Investments, New York)

With increasing acceptability ETFs in the market, ETFs to mirror different class of assets are being introduced including ETFs to mirror the return on commodities like Gold, etc. Kotak Mahindra Mutual Fund is introducing Gold ETF based on the new regulations introduced permitting launching of Gold ETF. Three types of investors may participate in Kotak Gold ETF viz., Authorized Participants, Large Investors and Other investors. During the continuous offer, Authorised Participants and Large Investors may directly buy or redeem Gold ETF units from the Fund house; however the transactions shall be in Creation Units Size. When the Gold ETF units are purchased or redeemed directly from the mutual fund, it creates/redeems units in predefined lot sizes called "portfolio deposit". Authorised Participants and Large Investors may purchase Gold ETF units either by portfolio deposit of gold (they buy gold and deposit with the Fund House) or by portfolio deposit in cash. When Portfolio deposit is made in cash, the mutual

fund will buy gold; however, mutual fund may charge transaction handling cost (generally known as creation fee) for acquiring gold against the portfolio deposit in cash. Kotak Gold ETF accepts portfolio deposit in cash and gold for creation of units under the scheme.

The chapter on Kotak Gold ETF and the flow chart and a table listing transactions of different types of participants given under Chapter "Units and Offer", which will provide greater clarity on how Kotak Gold ETF will work.

### **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 with any securities investment, the NAV of the Units issued under the Scheme can go up or down depending on the factors and forces affecting the gold, forex markets and debt and money markets.
- Past performance of the Sponsor/AMC/Mutual Fund does not guarantee future performance of the scheme.
- Kotak Gold ETF is only 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**

Some or all of these risks may adversely affect Scheme's NAV, trading price, yield, total return and/or its ability to meet its objectives.

#### **Risks for the Fund**

- The NAV of the units is closely related to the value of gold held by the scheme. The value (price) of gold may fluctuate for several reasons and all such fluctuations will result in changes in the NAV of units under the scheme. The factors that may effect the price of gold, among other things, include demand and supply for gold in India and in the global market, Indian and Foreign exchange rates, Interest rates, Inflation trends, trading in gold as commodity, legal restrictions on the movement/ trade of gold that may be imposed by RBI, Government of India or countries that supply or purchase gold to/ from India, trends and restrictions on import/export of golden jewellery in and out of India, etc.
- Counter party Risk: There is no Exchange for physical gold in India. The Fund may have to buy or sell gold from the open market, which may lead to counter party risks for the Fund for trading and settlement.
- Liquidity Risk: The fund has to sell gold only to RBI approved bullion bankers and Canalising agents who are authorized to buy gold. Though, there are adequate numbers of players (commercial or bullion bankers) to whom the Fund can sell gold. Fund may have to resort to distress sale of gold if there is no or low demand for gold to meet its cash needs of redemption or expenses.
- Currency Risk: The formula for determining NAV of the units is based on the imported (landed) value of gold. The landed value of gold is computed by multiplying international market price by US dollar value. The value of gold or NAV, therefore will depend upon the conversion value of US dollar into Indian rupee and attracts all the risks attached to such conversion.
- Regulatory Risk: Any changes in trading regulations by the stock exchange (s) or SEBI may affect the ability of Authorised Participant to arbitrage resulting into wider premium/ discount to NAV. Any changes in the regulations relating to import and export of gold or gold jewellery (including customs duty, sales tax and any such other statutory levies) may affect the ability of the scheme to buy/sell gold against the purchase and redemption requests received.
- Asset Class Risk: The returns from physical Gold in which the Scheme invests may underperform returns from the securities or other asset classes.

- Physical gold: There is a risk that part or all of the Scheme's gold could be lost, damaged or stolen. Access to the Scheme's gold could also be restricted by natural events or human actions. Any of these actions may have adverse impact on the operations of the scheme and consequently on investment in units.

Impact cost risk: If the scheme is heavily subscribed and as all the subscription amount has to be deployed in gold over a short period of time, there could be a surge in the demand for gold which in turn may lead to increase in cost of acquiring gold. However, as gold can be freely.

- Imported, the demand generated, if heavily subscribed, by this scheme may get transferred to global markets and the demand of this scheme may not have any significant impact on the global level demand.
- As the scheme proposes to invest not less than 90% of the net assets in Gold, the Scheme is a passively managed scheme and provides exposure to Gold and tracking its performance and yield as closely as possible. The Schemes performance may be affected by a general price decline in the Gold prices. The Scheme invests in the physical Gold regardless of their investment merit. The Mutual Fund does not attempt to take defensive positions in declining markets.
- Tracking error may have an impact on the performance of the scheme. However KMAMC will endeavour to keep the tracking error as low as possible.

#### Risks for Investors

- Investors may note that even though this is an open-ended scheme, they will have to buy or sell units of the scheme at market price on the stock exchanges where these units are listed for liquidity, subject to the rules and regulations of the exchange. Buying and selling units on stock exchange requires the investor to engage the services of a broker and are subject to payment of margins as required by the stock exchange/broker, payment of brokerage, applicable statutory levies etc.,
- The concept of Exchange Traded Funds is relatively new to Indian capital markets. Trading in Gold ETF could therefore be restricted due to which market price may or may not reflect the true NAV of Gold ETF at any point of time. Also there can be no assurance that an active secondary market will develop or be maintained for the Scheme units.
- The market price of ETF units, 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 ETF is less likely to hold significant variance (large premium or discount) from the latest declared NAV all the time.
- Capital Gains Impact: Investors who trade in Kotak Gold ETF may be subject to Long Term Capital Gains or Short Term Capital Gains. Investors are requested to consult their tax/ legal consultants before investing in the scheme.
- The Fund may have to sell gold to meet recurring expenses due to which underlying assets may deplete to that extent.
- The NAV of the units is determined based on the formula for valuation of gold prescribed by SEBI whereas the actual price of gold in the market may be different from the value of gold arrived at, based on the prescribed formula. This may lead to extreme conditions like NAV being far too different from the domestic market price of gold. In such extreme conditions, the trustees reserve the right to delay or suspend the redemption of units.
- The units will be issued only in demat form through depositories. The records of the depository are final with respect to the number of units available to the credit of unit holder. Settlement of trades, repurchase of units by the mutual fund depend up on the confirmations to be received from depository (ies) on which the mutual fund has no control.

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

The requirement of minimum number of investors in the scheme is not applicable to Kotak Gold ETF.

#### C. SPECIAL CONSIDERATIONS

- Prospective investors should review/study SAI along with SID carefully and in its entirety and shall not construe the contents hereof or regard the summaries contained herein as advice relating to legal, taxation, or financial/investment matters and are advised to consult their own professional advisor(s) as to the

legal or any other requirements or restrictions relating to the subscriptions, gifting, acquisition, holding, disposal (sale, transfer, switch or redemption or conversion into money) of units and to the treatment of income (if any), capitalization, capital gains, any distribution, and other tax consequences relevant to their subscription, acquisition, holding, capitalization, disposal (sale, transfer, switch or redemption or conversion into money) of units within their jurisdiction/nationality, residence, domicile etc. or under the laws of any jurisdiction to which they or any managed Funds to be used to purchase/gift units are subject, and also to determine possible legal, tax, financial or other consequences of subscribing/gifting to, purchasing or holding units before making an application for units.

- Neither this SID and SAI, nor the units have been registered in any jurisdiction. The distribution of this SID in certain jurisdictions may be restricted or subject to registration and accordingly, any person who gets possession of this SID is required to inform themselves about, and to observe, any such restrictions. It is the responsibility of any persons in possession of this SID and any persons wishing to apply for units pursuant to this SID to inform themselves of and to observe, all applicable laws and Regulations of such relevant jurisdiction. Any changes in SEBI/RBI regulations and other applicable laws/regulations could have an effect on such investments and valuation thereof.
- Kotak Mahindra Mutual Fund/AMC has not authorised any person to give any information or make any representations, either oral or written, not stated in this SID in connection with issue of units under the Schemes. Prospective investors are advised not to rely upon any information or representations not incorporated in the SAI and SID as the same have not been authorised by the Fund or the AMC. Any purchase or redemption made by any person on the basis of statements or representations which are not contained in this SID or which are not consistent with the information contained herein shall be solely at the risk of the investor. The investor is requested to check the credentials of the individual, firm or other entity he/she is entrusting his/her application form and payment to, for any transaction with the Fund. The Fund shall not be responsible for any acts done by the intermediaries representing or purportedly representing such investor.
- If the units are held by any person in breach of the Regulations, law or requirements of any governmental, statutory authority including, without limitation, Exchange Control Regulations, the Fund may mandatorily redeem all the units of any Unit holder where the units are held by a Unit holder in breach of the same. The Trustee may further mandatorily redeem units of any Unit holder in the event it is found that the Unit holder has submitted information either in the application or otherwise that is false, misleading or incomplete.
- If a Unit holder makes a redemption request immediately after purchase of units, the Fund shall have a right to withhold the redemption request till sufficient time has elapsed to ensure that the amount remitted by the Unit holder (for purchase of units) is realized and the proceeds have been credited to the Scheme's Account. However, this is only applicable if the value of redemption is such that some or all of the freshly purchased units may have to be redeemed to effect the full redemption.
- In terms of the Prevention of Money Laundering Act, 2002 ("PMLA") the rules issued there under and the guidelines/circulars issued by SEBI regarding the Anti Money Laundering (AML) Laws, all intermediaries, including mutual funds, are required to formulate and implement a client identification programme, and to verify and maintain the record of identity and address(es) of investors.
- If after due diligence, the AMC believes that any transaction is suspicious in nature as regards money laundering, the AMC shall report any such suspicious transactions to competent authorities under PMLA and rules/guidelines issued thereunder by SEBI and/or RBI, furnish any such information in connection therewith to such authorities and take any other actions as may be required for the purposes of fulfilling its obligations under PMLA and rules/guidelines issued thereunder by SEBI and/or RBI without obtaining the prior approval of the investor/Unit holder/any other person.

#### Types of investors:

The following three types of investors may subscribe to the units of

the scheme:

- **Authorised Participants (AP):** AP is an entity engaged by AMC to undertake the responsibility of a market maker and ensure liquidity in the stock market. The role of AP will endeavour to assure liquidity for Kotak Gold ETF units in the stock exchanges where the units are listed. AP will offer buy and sell quotes in the market such that buy and sell orders get executed in the market subject to price compatibility. AP will deliver ETF units out of the creation units purchased during NFO, where AP has net delivery obligation in the market. If AP's net delivery obligation is more than the stock of ETF available with it, AP may place purchase request with the Fund house. If the AP has a net buy position (need to settle in cash), AP may redeem units with the Fund House for generating cash.
- **Large Investors (LI):** LI may buy and redeem units in creation unit size from the Fund directly on any business day at applicable NAV price and applicable entry load. I
- **Other Investors:** Investors other than AP and LI may buy or sell Kotak Gold ETF units from the stock market only, on an ongoing basis.

**1. Requirement of Demat account for investing in the scheme:**

The applicant under the Scheme will be required to have a beneficiary account with a Depository Participant of NSDL/CDSL and will be required to indicate in the application the Depository Participants (DP's) name, DP ID Number and the beneficiary account number of the applicant.

**2. Procedure for Purchase/ Redemption of Units directly from the Fund:**

Only Authorised Participants/Large Investors can purchase or redeem unit directly from the Fund as per the procedure given below:

**a. Creation/ Redemption of units in Creation Unit Size by Exchanging Portfolio Deposit**

The Fund creates/ redeems the scheme units in large size known as "Creation Unit". The value of the "Creation Unit" is 1000 gram of physical Gold or in multiple thereof called as the "Portfolio Deposit" and a "Cash Component" which will be exchanged for corresponding number of units. The Portfolio Deposit and Cash Component may change from time to time and will be announced by Fund on its website.

**b. Procedure for Creating Scheme's units in Creation Unit Size**

AP/ LI may deposit requisite physical gold constituting the Portfolio Deposit and Cash component. The physical gold may be deposited with the Custodian for the physical gold for the scheme. As per the agreement with Custodian for physical gold, Custodian will accept physical gold only if the gold in compliance with the Good Delivery norms as specified by LBMA which are as under:

The Custodian shall ensure that all Gold deposited by the AMC with the Custodian is accompanied by the following:

- (A) Original Assay Certificate;
- (b) Bar list from the refiner;
- (c) relevant shipping documents (airway bill and customs invoice) establishing that the gold has been shipped directly from a Good London Refiner using an accredited international shipping company on a door to door basis through one of the accredited agencies; and
- (d) such other documents that the Custodian may require from time to time so as to adequately indicate the purity of the Gold deposited with it. The Custodian will ensure that all Gold deposited with it is accompanied by the above documents and that the Gold bars indicate that the fineness is 995 or above. The cash component may be paid to the AMC by way of a cheque or pay order or demand draft. On confirmation of the quality and quantity of the physical gold and realization of cheque/pay order/DD for the cash component, the AMC will have the corresponding number of units credited to the depository account of the AP/LI.

The Portfolio Deposit and Cash Component for the Scheme may change from time to time due to change in NAV.

**Purchase Price**

**During New Fund Offer and Continuous Offer**

The Purchase price during New Fund Offer would be Rs. 100 x (1+entry Load).

For eg:-

Price of Gold on Allotment Date	1	900
Amount received during NFO	2	1,00,00,00,000
Load Collected @ 1.00%	3	1,00,00,000.00
Net Assets	4	99,00,00,000
Number of units	5 = (4/1)	11,00,000.00
Amount set aside for liquidity@0.50%	6 = (4*0.50%)	49,50,000.00
Balance Assets for purchasing gold	7 = (4-6)	98,50,50,000.00
Gold Purchased * (in grams)	8 (= 7/1)	10,94,500.00 gms
Grams Representing Kotak Gold ETF	9 (= 8/5)	0.995 grams

\*assuming gold price at buying time and allotment time remains nearly same as time lag between two would be less. Gold Price at time of Purchase and allotment date may be different depending on market dynamics.

**NAV for continuous offer**

Price of 1 gm gold	1	2,233.50
Value of 1 kg gold (i.e. 1 portfolio deposit or 1 creation unit)	2	2,233,500.00
Cash Component (say)**	3	10,000.00
Net Assets	4=(2+3)	2,243,500.00
No.of units in creation unit	5	1,000.00
<b>NAV per unit</b>	<b>6=(4/5)</b>	<b>2,243.5000</b>

In addition to the NAV, any person transacting with the fund will have to reimburse transaction charges as mentioned elsewhere in the Scheme Information Document.

\*\*Cash component = custodian and incidental charges

Subject to receipt of minimum amount of investment during the New Fund Offer, allotment of units will be made to the extent of units in whole figures. The balance amount represented for fractional units will be refunded to the investor.

Suppose an investor invests	A	Rs. 20,000
Load @ 1%	B	Rs. 200
Net Assets	C = (A-B)	Rs. 19,800
NAV	D	Rs. 920
No. of units	E = (C/D)	21.522
Actual Units allotted	F	21
Balance fractional units refunded to unitholders	G = (0.522 * D)	Rs. 480.24

The Purchase Price for every Working Day will be released to the press for publication in at least in two daily newspapers. Further the Fund shall also declare the portfolio composition (gold and cash equivalents), for purchase and redemption of 'Creation Unit Size', at the beginning of each day on its website [www.kotakmutual.com](http://www.kotakmutual.com). On going purchases directly from the Mutual Fund would be restricted to Authorized Participants and Large Investors. Authorised Participants and Large Investors may buy the units on any business day for the scheme directly from the Mutual Fund at applicable NAV and entry load, in creation unit size. Every creation unit shall have total monetary value in Rupee terms equivalent to that day's portfolio deposit and cash component.

**c. Procedure for Redeeming Scheme's units in Creation Unit Size**

AP/ LI may submit Redemption request transaction form prescribed by the AMC enclosed with redemption request slip used in the depository system duly acknowledged by the depository participant with which AP/LI has a depository account. After successful verification of the redemption request, the AMC will instruct its Custodian to transfer the Portfolio Deposit to the custody account of AP/ LI or have it delivered to AP/ LI at the location instructed by AP/ LI and remit the cash component after adjusting transaction handling, other applicable charges and the difference between the applicable NAV and closing price of gold.

The AMC may redeem Creation Unit of Scheme units prior to

receipt of all or portion of the relevant units in certain circumstances where the purchaser, among other things, posts collateral to secure its obligation to deliver such outstanding units.

The Portfolio Deposit and Cash Component for the Scheme may change from time to time due to change in NAV.

**Allotment of units and fractional units**

During the new fund offer and during continuous offer, fractional units may have to be allotted depending on the applicable NAV/allotment price. Units will be allotted on the date of realization of cheque. Stock exchanges may not allow trading of fractional units. Trustees may, with a view to avoid creation of fractional units, decide to allot units only in integers by rounding off the units allotted to the lower integer and the balance will be refunded to the investor.

**d. Redemption method:**

Unitholder (large investor or authorized participant) may submit to any of the offices of AMC Redemption request Form with a copy of redemption request duly acknowledged by the depository participant.

The depository participant will process the request and forward the same to Registrar to the Scheme in the normal course.

The time taken for confirmation of repurchase of units is dependent upon the timelines and procedures of depositories.

Redemption proceeds will be sent to the unitholder within 10 business days from the date of confirmation with the depository records.

**e. Buying/ Selling through the Stock Exchange**

Buying/ Selling units on the stock exchange is just like buying/ selling any other normal listed securities. If an investor has

bought units, an investor has to pay the purchase amount to the broker/ sub-broker such that the amount paid is realised before the funds pay-in day of the settlement cycle on the exchange. If an investor has sold units, an investor has to deliver the units to the broker/sub-broker before the securities pay-in day of the settlement cycle on the exchange. The units (in case of units bought) and the funds (in the case of units sold) are paid out to the broker on the payout day of the settlement cycle on the exchange. The trading member would pay the money or deliver the units to the investor in accordance with time prescribed by the stock exchange regulations.

If an investor has bought units, he should give standing instructions for 'Delivery-In' to his/ her DP for accepting units in his/her beneficiary account. An investor should give the details of his/her beneficiary account and the DP-ID of his/her trading member. The trading member will transfer the units directly to his/her beneficiary account on receipt of the same from exchange's clearing corporation.

An investor who has sold units should instruct his/ her Depository Participant (DP) to give 'Delivery Out' instructions to transfer the units from his/her account to the trading member account through whom he/she have sold the units. The details of the pool A/c of his/her trading member to which the units are to be transferred, unit quantity etc should be mentioned in the delivery out instructions given by him/her to the DP. The instructions should be given will before the prescribed securities pay-in day. SEBI has advised that delivery out instructions should be given atleast 24 hours prior to the cut off time for the prescribed securities pay in An investor who has sold to avoid any rejection of instructions due to data entry errors, network problems, etc.

The above procedure relating to purchase and sale of units by different types of investors/participants in the scheme is tabulated for easy reference

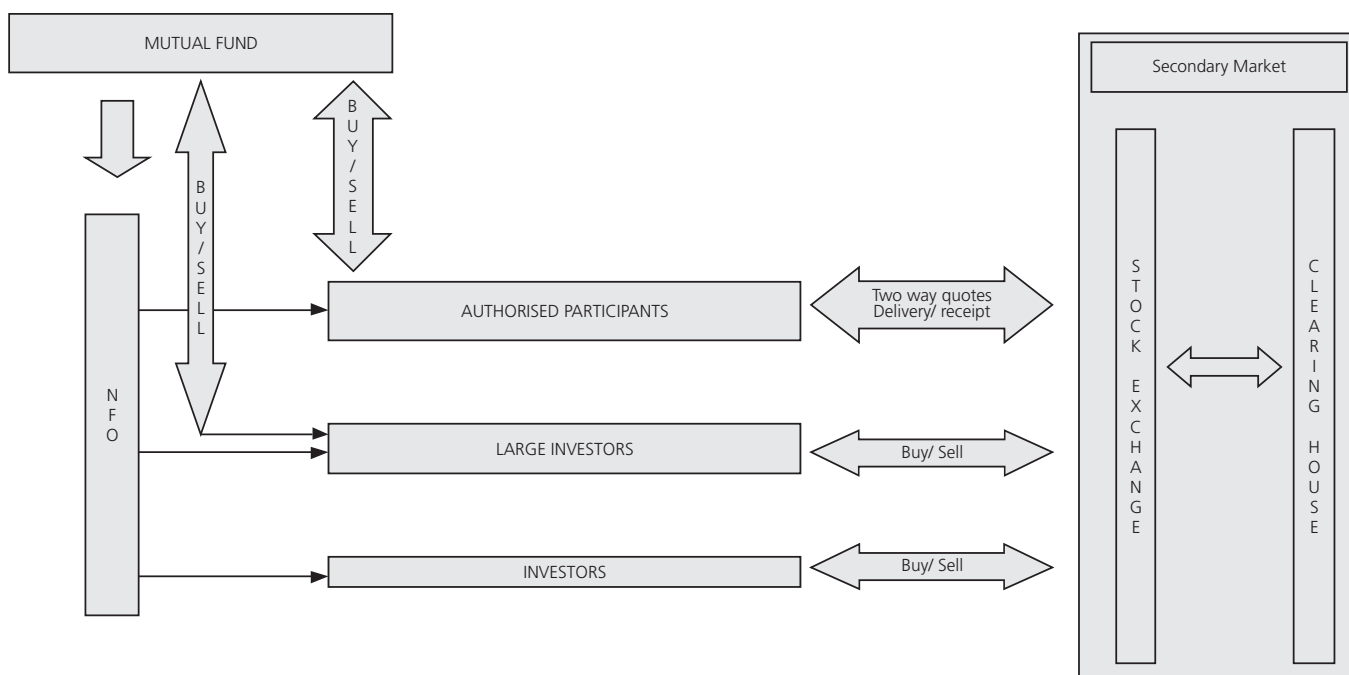
Type of investor and transaction details	Sale of units by Mutual Fund	Redemption of units by unit holders
<b>During NFO</b> Authorized Participants Large Investors Other investors	Creation unit* and multiples thereof Creation unit* and multiples thereof Any investment of Rs 5,000 and in multiples of Rs. 1,000	-
<b>During Continuous offer</b> Authorized Participants Large Investor Other investors	Any business day in creation unit* Size Any business day in creation unit* Size Only through stock exchange	Any business day in creation unit* Size Any business day in creation unit* Size Only through stock exchange
<b>Applicable NAV</b>	Applicable NAV as per uniform cut off rule – applicable only to Authorized participants and Large Investors	Applicable NAV as per uniform cut off rule - applicable only to Authorized participants and Large Investors
<b>Allotment Price during NFO</b>	The face value of each unit offered under the Scheme shall be Rs. 100 and will be issued at premium/discount equivalent to the difference between allotment price and the face value of Rs. 100.  Allotment Price will be on basis of the closing value of Gold Price on the allotment date of the New Fund Offer Period. In the beginning each unit of Kotak Gold ETF will be approximately equal to 1 gram of gold. Once the Scheme reopens, issue and redemption of units will be linked to prevailing NAV.	-
<b>Role of Authorised participants</b>	Gives two way quotes in the secondary market. Stands as a seller for a buy order.	Gives two-way quotes in the secondary market. Stands as a buyer against a sell order.
<b>Role of large investor</b>	Only an investor – no other role in the scheme operations.	-

**\* Creation unit**

Each creation unit consists of 1000 units of Kotak Gold ETF.

Each unit of Kotak Gold ETF will be approximately equal to 1 gram of gold.

### Flow chart and a table listing transactions of different types of participants



### 3. Investment in GOLD ETF

#### Investment in Gold

The Fund would invest in gold in domestic markets and endeavor to track the spot price of gold.

#### Mode of Investment

After the close of NFO, the scheme may purchase physical gold of the prescribed quality from a bank or any other institution or by way of imports or by way of purchase from local market.

#### Purchase Consideration

During the continuous offer, the Scheme accepts Portfolio deposit in creation unit size in the form of physical gold or cash. When Authorised Participant or Large Investor deposits cash, the fund will purchase physical gold from RBI approved bullion bankers and Canalising agents, after setting aside cash to meet liquidity requirement, if necessary, out of the cash so collected. As per the prevailing market practice, custodians of gold will accept deposit of gold in standard one KG bars tendered for delivery through selected set of gold custodians. The Custodian for the scheme decides the selection of list of such custodians i.e. The Bank of Nova Scotia. The Custodian for this scheme will not accept gold from any one except

when tendered through Brinks Arya India (P) Ltd, Group4 Securicor, Viamat or such other recognised entities. Authorised Participants and Large investors may on any Business day, buy units from the scheme by paying amount equal to creation unit size or gold equivalent to creation unit size. When cash (cheque/pay order/demand draft) is deposited, the Scheme will endeavor to issue units simultaneously on receiving clear funds and purchase of physical gold.

#### • Dematerialization

- Units of the Scheme will be available in Dematerialized (electronic) form only.
- The applicant under the Scheme will be required to have a beneficiary account with a Depository Participant of NSDL/CDSL and will be required to indicate in the application the Depository Participants (DP's) name, DP ID Number and the beneficiary account number of the applicant.
- Units of the Schemes will be issued, traded and settled compulsorily in dematerialized form.

### D. DEFINITIONS

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

<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>Authorised Participant</b>	Member of the Stock Exchanges having trading terminals nation wide on which the units of the scheme are listed and appointed by the AMC to give two way quotes on the stock exchanges.
<b>Business day</b>	A day other than any of the following: (i) Saturday or Sunday; (ii) a day on which banks in Mumbai including the Reserve Bank of India are closed for business or clearing; (iii) a day on which the NSE/BSE are closed; (iv) a day on which the sale and redemption of Units is suspended by the AMC; (v) a day on which Banks/Bullion market is closed for purchase and sale of gold. 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.
<b>Custodian</b>	The Bank of Nova Scotia (for custody of physical gold) and Deutsche Bank AG (for debt and money market instruments), acting as Custodians to the Scheme, or any other Custodian appointed by the Trustee.

<b>Creation Unit</b>	<p>Creation Unit is number of units of Scheme, which is exchanged against Cash equal to the value of 1000 units of the scheme or a predefined quantity and purity of physical Gold called the Portfolio Deposit and a Cash Component. For redemption of units it is vice versa i.e. fixed number of units of Scheme are exchanged for Portfolio Deposit and Cash Component or cash equal to the value of 1000 units of the scheme. The Portfolio Deposit and Cash Component will change from time to time and will be notified by the Mutual Fund on its website.</p> <p>Each creation unit consists of 1000 units of Kotak Gold ETF. Each unit of Kotak Gold ETF will be approximately equal to 1 gram of gold.</p> <p>The creation unit size may be changed by the AMC at their discretion with prior approval of Trustees subject to a condition that minimum deliverable quantity of gold under the creation unit size shall always constitute "good delivery" under LBMA good delivery norms.</p>
<b>Creation date</b>	Creation date is the date on which units are allotted against a creation unit transaction.
<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>Entry Load</b>	The charge that is paid by a Unitholder when he invests an amount in the Scheme.
<b>Exit Load</b>	The charge that is paid by a Unitholder when he redeems Units from the Scheme.
<b>Exchange Traded Funds (ETF)</b>	Exchange Traded Funds are passively managed funds tracking a benchmark index and reflect the performance of that index. They have the flexibility of trading on stock exchanges like a share and offer the best features of open and close end funds.
<b>Large Investors</b>	For the purpose of Purchase and Redemption of units under Kotak Gold ETF, "Large Investors" would mean investors other than Authorised Participants who deal in creation unit size.
<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</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 Gold ETF</b>	An open-ended Gold Exchange Traded Fund.
<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 authorised by SEBI to act as the Trustee for the Schemes of Kotak Mahindra Mutual Fund.
<b>Money Market Instruments</b>	Includes commercial papers, commercial bills, treasury bills, and Government securities having an unexpired maturity up to 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 twice every day by Reuters, as specifically applied to each contract.
<b>Mutual Fund Regulations/ 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 Scheme Information Document or as may be prescribed by Regulations from time to time. The NAV is computed upto four decimal places.
<b>NRI</b>	Non-Resident Indian and Person of Indian Origin as defined in Foreign Exchange Management Act, 1999.
<b>Portfolio deposit</b>	Portfolio Deposit consists of physical gold which will be predefined quantity and purity and will be defined and announced by AMC from time to time.
<b>Physical gold for creation unit</b>	Physical Gold for the purposes of this scheme will mean Standard Gold bars bearing the certificate issued by a refiner or manufacturer accredited by London Bullion Market Association weighing 1000 grams and is of fineness of 995 parts per 1000 (99.5%).
<b>Purchase Price</b>	Purchase Price, to an investor, of Units of respective Schemes (including Options thereunder) computed in the manner indicated under sub-paragraph 'Purchase Price' under paragraph 'Purchase of Units' in Chapter IV 'Units and Offer'.
<b>Redemption Price</b>	Redemption Price to an investor of Units of the Scheme (including Options thereunder) computed in the manner indicated under sub-paragraph 'Redemption Price' under paragraph 'Redemption of Units' in Chapter IV 'Units and Offer'.
<b>Registrar</b>	Computer Age Management Services Private Limited ('CAMS'), acting as Registrar to the Scheme including the services relating to providing interface with depository system, 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>Risk - Free</b>	Absence of credit risks i.e. no risk of default on payment of principal and interest.
<b>Scheme</b>	Kotak Gold ETF.
<b>SEBI</b>	The Securities and Exchange Board of India.
<b>Scheme 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>Tracking Error</b>	Means the extent to which the NAV of the fund moves in a manner inconsistent with the movements of the benchmark Index (price of gold) on any given day or over any given period of time from any cause or reason whatsoever including but not limited to expenditure incurred by the scheme, dividend payouts if any, whole cash not invested at all times as it may keep a portion of funds in cash to meet redemption etc.
<b>Transaction handling charges</b>	Charges payable to Custodian and/or RBI approved bullion bankers and Canalising agents for receiving in or delivering gold every time gold is purchased or sold and any incidental expenses relating to such purchase and sale, inclusive of but not limited to Fixing commission, CIF, etc.
<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 any of the Schemes, which consists of each Unit representing one undivided share in the assets of the respective Schemes.
<b>Unitholder</b>	A person who holds Unit(s) under 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>Words and Expressions used in this Scheme Information Document and not defined</b>	Same meaning as in Trust Deed.

#### **E. Due Diligence by the Asset Management Company**

It is confirmed that:

- (i) the 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: May 10, 2011

**Sandeep Kamath**  
Compliance Officer

### III. INFORMATION ABOUT THE SCHEME

#### **Kotak Gold ETF**

##### **A. Type of the scheme:**

An open ended gold exchange traded fund

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

The investment objective of the scheme is to generate returns that are in line with the returns on investment in physical gold, subject to tracking errors.

**There is no assurance that the investment objective of the Scheme will be achieved.**

##### **Tracking Error**

Tracking error means the variance between daily returns of the underlying benchmark (gold in this case) and the NAV of the scheme for any given period.

NAV of the Scheme is dependant on valuation of gold. Gold has to be valued based on the formula as per Gazette Notification dated December 20, 2006. NAV so computed may vary from the price of Gold in the domestic market.

Tracking error could be the result of a variety of factors including but not limited to:

- Delay in the purchase or sale of gold due to
  - Illiquidity of gold,
  - Delay in realisation of sale proceeds,
  - Creating a lot size to buy the required amount of gold
- The scheme may buy or sell the gold at different points of time during the trading session at the then prevailing prices which may not correspond to its closing prices.
- The potential for trades to fail, which may result in the Scheme not having acquired gold at a price necessary to track the benchmark price.
- The holding of a cash position and accrued income prior to distribution of income and payment of accrued expenses.
- Disinvestments to meet redemptions, recurring expenses, dividend payouts etc.
- Execution of large buy/sell orders
- Transaction cost (including taxes and insurance premium) and recurring expenses
- Realisation of Unit holders' funds

The scheme will endeavor to minimise the tracking error by

- Setting off of incremental subscriptions against redemptions,
- Rebalancing of the portfolio

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

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

<b>Investments</b>	<b>Indicative Allocation (% to net assets)</b>	<b>Risk Profile</b>
Physical Gold	90% to 100%*	Low to Medium
Debt and money market instruments	0% to 10%	Low

\* As the scheme invests 90% to 100% of the net assets into Gold, the scheme will, by and large, be passively managed fund. However, if and when the scheme is permitted to invest in gold related securities including derivatives, the scheme may become actively managed fund.

As per Regulation 43(4) of SEBI (Mutual Fund) Regulations, money collected under any gold exchange traded fund scheme shall be invested only in gold or gold related instruments in accordance with sub regulation (5) of Regulation 44. As per sub-regulation 44(5)(b), the funds of any gold exchange traded fund scheme shall be invested only in gold or gold related instruments in accordance with its investment objective, except to the extent necessary to meet the liquidity requirements for honouring repurchases or redemptions, as disclosed SAI. The Scheme will invest in physical gold of the prescribed quality and standard. As on date, SEBI has not permitted investment in gold related instruments.

The Scheme may retain some part of the cash or may invest in money market and debt instruments under the following conditions in addition to the reasons specified in Regulation 44(5)(b):

- Residual cash after buying gold in multiples of standard quantity in the market
- To meet recurring expenses for a reasonable period
- To meet redemption requirements of Authorised Participants and Large Investors.

##### **Overview of Gold**

Ever since Gold was discovered, it has captured the imaginations of craftsman and artisans. Not only is gold pleasing to the eye, but also its resistance to corrosion and malleability has made it an ideal metal for craftsmen to mold into pieces of adornment, as well as a symbol of wealth and power. As the ancient philosopher Pinder wrote nearly 3,000 years ago, "Gold is the child of Zeus, neither moth nor rust can devour it".

Gold also has a long history of being a store of value. Gold is primarily a monetary asset partly a commodity. More than two thirds of gold's total accumulated holdings account as 'value for investment' with central bank reserves, private players and high-carat Jewellery. Gold is considered to be a safe haven of value against inflation.

##### **Gold as medium of exchange:**

Gold's use as a medium of exchange predates the Roman Empire. The Chinese and Hindu cultures used Gold as the basis for their coinage.

In 1816, Great Britain adopted a gold-backed paper currency and the rest of the industrialized world shortly followed suit. Prior to 1934, the United States Dollar was equal to 1/20th of an ounce of gold, redeemable upon request. Except for a brief halt of conversions from dollars for Gold during World War II, the United States Dollar was backed by Gold under an agreement known as the Bretton Woods agreement. Under Bretton Woods, the United States Dollar, and other global currencies, were tied to a value of Gold. From 1934 to 1968, this amount was \$35/oz of gold. To protect the amount of Gold held in reserve for protecting the dollar, it was illegal for United States citizens to own Gold prior to President Nixon's revocation of the Gold Standard. Upon revocation of the Gold Standard, Gold became a popular investment medium.

##### **Gold Market, measure and FIX (pricing)**

The Gold market is highly liquid and gold held by central banks, other major institutions and retail Jewelry keep coming back to the market.

The pureness of Gold is measured in terms of carats, with 24 carats being 99.99 percent pure. The most popular carat

rankings of Gold are 18 and 14 carat pure, representing 75% and 58.3% pure, respectively. The most popular carat for jewelry in Europe is 18 and 14, as it is in the United States. In the Middle East, India, and South East Asia, where jewelry is used as much as an investment as it is for decoration, 22 carat is more popular. In these countries, 22 carat items usually sell at a marginal markup to the metal value (usually 10 to 20%). These items can be traded in or sold back to distributors at any time. England has, in recent years, begun manufacturing 9 carat jewelry items, while Portugal has a unique designation of 19.2 carats. Given that Gold demand is so closely tied to the jewelry industry, the fortunes of both industries tend to rise and fall in tandem.

Some mining companies refer to their output in terms of ounces. Others use the metric system. In general, gold is thought of in terms of the troy ounce, which takes its name from the old French city of Troyes, where there was a regular marketplace at which gold was traded.

London has been the center of Gold trading since the 17th century. The Australian Gold rush of 1852, and the discovery of Gold in South Africa in 1886, solidified London's grip on the Gold market as Gold from these locals channeled through London for refining and distribution. As a center for distribution of Gold, London began a method for disseminating the price of Gold known as the "Fix" in 1919. Held at N.M. Rothchild's at 10:30 am (Morning) and at 3:00pm (Afternoon) Fix. The Fix is a single price for Gold where the members, or Fixing Seat Holder's, match up their entire buy and sell orders. The price, at which the most buy and sell orders match, or balance, is known as the Fix. The strength of the fix is that a large volume of physical Gold can be bought or sold at a single, clearly posted price. The fix is a benchmark price for many transactions worldwide, whether for mines, fabricators or central banks, because it is undisputed prices at which all six of the largest Gold trading houses are willing to do business

#### Gold - Supply and holdings:

Gold is produced from mines on every continent with the exception of Antarctica (where mining is forbidden), in operations ranging from the tiny to the enormous. The best estimates available suggest that the total volume of gold mined over history is approximately 155,500 tones, of which around 64% has been mined since 1950.

The following are the world's largest producers of gold (List of countries by production of gold in 2009 mostly based on British Geological Survey accessed in September 2011)

Country	Gold in tones
China	320
USA	223
Australia	222
Russia	205
South Africa	198

Source: en.wikipedia.org  
World Gold Official Holding  
(September 2011)

Sr. No.	Country	Tonnes	% of reserves
1	United States	8133.5	75.40%
2	Germany	3401.0	72.70%
3	IMF	2814.0	*
4	Italy	2451.8	72.40%
5	France	2435.4	68.20%
6	China	1054.1	1.60%
7	Switzerland	1040.1	17.30%
8	Russia	841.1	8.20%
9	Japan	765.2	3.50%
10	Netherlands	612.5	60.80%
11	India	557.7	8.50%
12	ECB	502.1	32.10%
13	Taiwan	423.6	5.50%
14	Portugal	382.5	88.20%
15	Venezuela	365.8	62.50%

Source: World gold council. \*IMF balance sheets do not allow this percentage to be calculated.

#### Demand/ Consumption Considerations

**1. Jewelry Fabrication:** Jewelry fabrication is the crucial cornerstone of demand for this yellow metal. Since 1991, over 2,000 tonnes of Gold has been used annually in the production of jewelry. Gold for use in the jewelry industry accounts for roughly 50% of the total demand (Source: World Gold Council) - an estimated 60 million ounces.

**2. Industrial applications:** Due to Gold's virtues of malleability, ductility, reflectivity, resistibility to corrosion and unparalleled ability as a thermal and electric conductor, Gold is used in a wide variety of industrial applications. The largest industrial user is the electronics industry. Gold is used in everything from microprocessors, semiconductors, integrated circuits, transistors, printed circuit boards, pocket calculators, washing machines, televisions, missiles and spacecraft. Japan and the United States are the largest industrial users of Gold, accounting for 45% and 30% of its industrial use, respectively.

**3. Gold as investment:** Gold as an investment or "hoarding" vehicle is the third largest component of demand. The concept of a bullion coin made by a government or in the form of small bars issued by banks and sold at a low premium to the base bullion amount, has endeared Gold as an investment vehicle for small investors. Together, the small bar and coin demand accounts between 100 and 200 tonnes of Gold on an annual basis.

#### Factors affecting gold prices:

- **Central banks' sale:** central banks across the world hold a part of their reserves in gold. The quantum of their sale in the market is one of the major determinants of gold prices. A higher supply than anticipated would lead to subdued gold prices and vice versa. Central banks buy gold to augment their existing reserves and to diversify from other asset classes. This acts as a support factor for gold prices
- **Producer mining interest:** Bringing new mines on-line is a time consuming and at times economically prohibitive process that adds years onto potential supply increases from mining production. On the other hand, lower production has a positive effect on gold prices. Conversely excessive production capacities would lead to a downward movement in gold prices as the supply goes up
- **Macro-economic factors:** A weakening dollar, high inflation, the massive US trade deficits all act in favor of gold prices. The global trend of rising interest rates also had a positive impact on gold prices. Gold being regarded as a physical asset would lose its luster in a deflationary environment as gold is used effectively as an inflation hedge
- **Geo political issues:** Any uncertainty on the political front or any war-like situation always acts as a booster to gold prices. The prices start building up war premiums and hence such movements. Stable situations would typically mean stable gold prices
- **Seasonal demand:** Since the demand for Gold is closely tied to the production of jewelry, Gold prices tend to increase during the times of year when the demand for jewelry is the greatest. The seasons around Christmas, Mothers Day, Valentine's Day, summer wedding season in India, Deewali, Akshaya Trithya festival in India are all major shopping seasons and hence the demand for metals tends to be strong a few months ahead of these holidays. The second and third quarters are usually seasonally low with a relative absence of major gold giving occasions.

## Gold in India

India is the largest consumer of gold in the world accounting for more than 25% of the total world demand annually. According to unofficial estimates, India has more than 18,000 tonnes of hoarded gold. Gold occupies a prominent part in rural Indian economy and a significant part of the rural credit market revolves around bullion as a security. It is estimated that 7% of India's \$256 billion in total household savings is currently held in gold. This stock is likely to grow over the next decade. Gold demand has historically been driven by the wedding event and this will continue.

India being the largest consumer of gold in the world, with minimal domestic supply, the demand is met mainly from imports. India is the world's largest gold jewellery market by volume accounting for around 800 tonnes of consumption demand in 2009. Traditionally gold is 22 carat. Gold jewellery buying is associated with a number of festivals and, in particular, with weddings. The gold given at weddings is important for women, as it traditionally remains her property. For festivals, Diwali is a traditional gold giving occasion. Dusshera and Akshaya Tritiya has become important festival in South India for purchase of gold.

A feature of Indian demand is its extreme sensitivity to price volatility - this is the country where price factor is of most importance in affecting gold demand.

Over half of demand comes from rural or rural town areas. Demand here is largely traditional. It is affected by incomes and thus the quality of the monsoon is important. In these areas gold is also important as a means of saving - a gold chain or bangle, which can be worn on the person, is considered a relatively safe way of storing wealth.

## Gold market in India:

Banks in India sell gold in the form of small bars. Household investors buy gold in small bar forms as an investment. Gold for jewelry purposes is bought from the jewelers and artisans. There are a few bullion dealers who buy and sell gold in large quantities to and from jewelers.

Gold related instruments can be actively traded in India on the MCX as well as NCDEX exchanges. As per directions of the Forward Markets Commission, currently the trading timings are from 10.00 am to 11.30 pm Monday to Friday and from 10.00 am to 2.00 pm on Saturdays. On the expiry date, contracts expiring on that day will not be available for trading after 5 pm. The FMC however may vary these timings with due notice. The minimum amount that can be traded is 100 grams. (Source: Commodity seasonals.com. The data is obtained from this site and adapted/edited for the purpose of this document)

## D. Where will the scheme invest

The Fund would invest in gold and endeavor to track the spot price of gold in domestic markets. Kotak Gold ETF will invest all of its funds, except to meet its liquidity requirements, in physical gold. The Fund may also invest in debt and money market instruments, in compliance with Regulations to meet liquidity and expense requirements.

## E. What are the investment strategies?

The Fund would invest in gold and endeavor to track the spot price of gold in domestic markets. Kotak Gold ETF will invest all of its funds, except to meet its liquidity requirements, in physical gold and to that extent follows a passive investment strategy.

## Risk control measures for investment strategy

The scheme aims to track the domestic gold price of physical gold as closely as possible post expenses. Since fund manager risk is not relevant, the risk control measures for investment strategy pertain to managing operational risks focused on minimizing

tracking error. Time-wise processes are well defined to enable efficient rebalancing of the portfolio and settlements with the Authorised Participants and Custodians.

## Risk mitigation measures for portfolio volatility

ETF being a passive investment carries lesser risk as compared to active fund management. The portfolio follows the index and therefore the level of portfolio volatility would be the same as that of the index, subject to tracking error. Thus there is no additional element of volatility on account of fund manager decisions. The fund manager would endeavour to keep cash levels at the minimal to control tracking error.

## Risk mitigation measures for managing liquidity

The scheme invests in physical gold bars which are approved by and satisfy the good delivery norms set out by London Bullion Market Association and are very widely accepted for the purpose of trading. Gold as a commodity is traded globally and thereby very liquid. The scheme buys and sells its gold from banks predominantly, which are big players in the gold market.

## Portfolio Turnover

Portfolio Turnover is a term used to measure the volume of trading that occurs in a Scheme's portfolio (gold in this scheme) during a given time period. Kotak Gold ETF is an open-ended scheme. It is therefore expected that there would be a number of subscriptions and redemptions on a daily basis through Authorised participants and Large Investors that may require purchase or sale of gold. The Scheme is largely passive but transactions of Authorised Participants, Large Investors, sale of gold to meet expenses of the scheme and dividend payments may require the scheme to buy and sell gold.

Portfolio Turnover is defined as the aggregate of purchases and sales as a percentage of the corpus during the specified period of time.

## F. Fundamental attributes

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

1. Type of the scheme: As mentioned under the heading "Type of the Scheme"
2. Investment Objective: As mentioned under the heading "Investment Objective"
3. Investment Pattern: As mentioned under the heading "How will the scheme allocate its assets"
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 Gold ETF is benchmarked against the price of gold.

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

## H. Who manages the scheme?

NAME	AGE	QUALIFICATION	BUSINESS EXPERIENCE	SCHEMES MANAGED
Mr. Abhishek Bisen	32 Years	B A Management, 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.	<ul style="list-style-type: none"> <li>• Kotak Bond</li> <li>• Kotak Bond Short Term</li> <li>• Kotak Gilt - Savings</li> <li>• Kotak Gilt - Investment</li> <li>• Kotak Gold ETF</li> <li>• Kotak Multi Asset Allocation Fund</li> <li>• Kotak Flexi Debt</li> <li>• Kotak Floater Long Term</li> <li>• Kotak Liquid</li> <li>• Kotak Floater Short Term</li> <li>• Kotak Credit Opportunities Fund</li> <li>• Kotak Balance</li> <li>• Kotak Select Focus Fund</li> <li>• Kotak Monthly Income Plan</li> <li>• Kotak Equity Arbitrage Fund</li> <li>• Kotak Global Emerging Equity Scheme</li> <li>• Kotak Gold Fund</li> <li>• All Fixed Maturity Plans (FMPs)</li> <li>• All Quarterly Interval Plans (QIPs)</li> </ul>

## 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. The AMC uses a "passive" approach to try and achieve scheme investment objective. The scheme invests in gold as an asset regardless of such investment merit.
2. The scheme shall invest in gold of 0.995 fineness.
3. As per Regulation 44(5)(b), the scheme may invest all its funds in gold in accordance with its investment objectives, except to the extent necessary to meet the liquidity requirements for honouring repurchase or redemptions, as disclosed in the SAI.
4. 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.
5. The Scheme, out of the funds allocated to invest in debt securities, to the extent necessary to meet the liquidity requirements for honouring repurchase or redemptions, 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.
6. The Scheme shall not invest in any Fund of Funds Scheme.
7. 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.

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

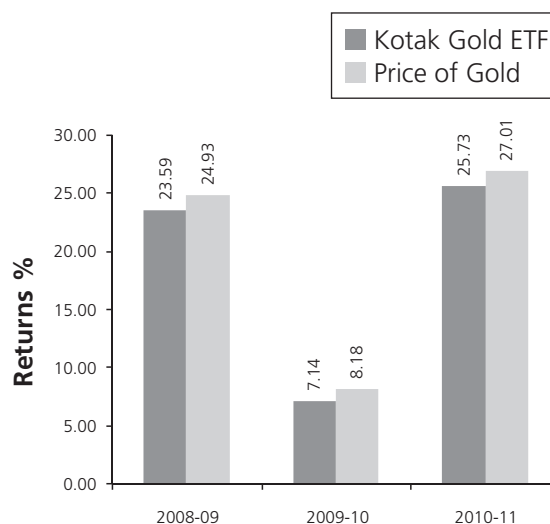
The AMC reserves the right to invest its own funds in the Scheme as may be decided by the AMC from time to time. Under the Regulations, the AMC is not permitted to charge any investment management and advisory services fee on its own investment in the Scheme.

## J. How has the scheme performed?

### Performance of the Scheme (as on March 31, 2011)

"Compounded Annualised Growth Returns (%)"	Kotak Gold ETF	Price of Gold
Last 1 year	25.73	27.01
Last 3 years	18.52	19.74
Since Inception	31.82	33.48

### Absolute Returns (%) for each financial year for the last 3 years



Past performance may or may not be sustained in future.

## IV. UNITS AND OFFER

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

### A. ONGOING OFFER DETAILS

<p><b>Ongoing Offer Period</b> This is the date from which the scheme will reopen for subscriptions/ redemptions after the closure of the NFO period.</p>	<p>The Ongoing Offer of the Scheme commenced from August 8, 2007</p>																		
<p><b>Ongoing price for subscription (purchase)/ switch-in</b> This is the price you need to pay for purchase/ switch-in.</p> <p><i>Example: If the applicable NAV is Rs. 10, entry load is 2% then sales price will be: Rs. 10* (1+0.02) = Rs. 10.20</i></p>	<p><b>Creation/ Redemption of units in Creation Unit Size by Exchanging Portfolio Deposit</b> The Fund creates/ redeems the scheme units in large size known as "Creation Unit". The value of the "Creation Unit" is 1000 gram of physical Gold or in multiple thereof called as the "Portfolio Deposit" and a "Cash Component" which will be exchanged for corresponding number of units. The Portfolio Deposit and Cash Component may change from time to time and will be announced by Fund on its website.</p> <p><b>NAV for continuous offer</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>Price of 1 gm gold</td> <td style="text-align: center;">1</td> <td style="text-align: right;">2,233.50</td> </tr> <tr> <td>Value of 1 kg gold (i.e. 1 portfolio deposit or 1 creation unit)</td> <td style="text-align: center;">2</td> <td style="text-align: right;">2,233,500.00</td> </tr> <tr> <td>Cash Component (say)</td> <td style="text-align: center;">3</td> <td style="text-align: right;">10,000.00</td> </tr> <tr> <td>Net Assets</td> <td style="text-align: center;">4=(2+3)</td> <td style="text-align: right;">2,243,500.00</td> </tr> <tr> <td>No.of units in creation unit</td> <td style="text-align: center;">5</td> <td style="text-align: right;">1,000.00</td> </tr> <tr> <td><b>NAV per unit</b></td> <td style="text-align: center;"><b>6=(4/5)</b></td> <td style="text-align: right;"><b>2,243.5000</b></td> </tr> </table> <p>In addition to the NAV, any person transacting with the fund will have to reimburse transaction charges as mentioned elsewhere in the offer document.</p> <p><b>Procedure for Creating Scheme's units in Creation Unit Size</b> AP/LI may deposit requisite physical gold constituting the Portfolio Deposit and Cash component. The physical gold may be deposited with the Custodian for the physical gold for the scheme. As per the agreement with Custodian for physical gold, Custodian will accept physical gold only if the gold in compliance with the Good Delivery norms as specified by LBMA which are as under: The Custodian shall ensure that all Gold deposited by the AMC with the Custodian is accompanied by the following: (a) Original Assay Certificate; (b) Bar list from the refiner; (c) relevant shipping documents (airway bill and customs invoice) establishing that the gold has been shipped directly from a Good London Refiner using an accredited international shipping company on a door to door basis through one of the accredited agencies; and (d) such other documents that the Custodian may require from time to time so as to adequately indicate the purity of the Gold deposited with it. The Custodian will ensure that all Gold deposited with it is accompanied by the above documents and that the Gold bars indicate that the fineness is 995 or above. The cash component may be paid to the AMC by way of a cheque or pay order or demand draft. On confirmation of the quality and quantity of the physical gold and realization of cheque/pay order/DD for the cash component, the AMC will have the corresponding number of units credited to the depository account of the AP/LI. The Portfolio Deposit and Cash Component for the Scheme may change from time to time due to change in NAV.</p> <p>On going purchases directly from the Mutual Fund would be restricted to Authorized Participants and Large Investors. Authorised Participants and Large Investors may buy the units on any Business day for the scheme directly from the Mutual Fund at applicable NAV, in creation unit size. Every creation unit shall have total monetary value in Rupee terms equivalent to that day's portfolio deposit and cash component.</p> <p>An investor can buy units of the Scheme on a continuous basis on the National Stock Exchange and / or other recognised stock exchanges where the Scheme units are listed and traded like any other publicly traded securities at prices which may be close to the actual NAV of the Scheme. There is no load for investors transacting on the stock exchange. However there would be cost of brokerage and other transactions costs payable to broker or sub-broker of the exchange.</p> <p>Switches are not allowed under the scheme</p> <p><b>Allotment Price:</b> Issue and redemption of units will be linked to prevailing NAV.</p>	Price of 1 gm gold	1	2,233.50	Value of 1 kg gold (i.e. 1 portfolio deposit or 1 creation unit)	2	2,233,500.00	Cash Component (say)	3	10,000.00	Net Assets	4=(2+3)	2,243,500.00	No.of units in creation unit	5	1,000.00	<b>NAV per unit</b>	<b>6=(4/5)</b>	<b>2,243.5000</b>
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<b>NAV per unit</b>	<b>6=(4/5)</b>	<b>2,243.5000</b>																	

<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><i>Example: If the applicable NAV is Rs. 10, exit load is 2% then redemption price will be: <math>Rs. 10 * (1 - 0.02) = Rs. 9.80</math></i></p>	<p>Authorised Participant and Large Investor can redeem units directly with the fund at Applicable NAV based prices, subject to applicable exit load; if any.</p> <p>There is no exit load. However transaction charges payable to Custodian/Depository Participants, and other incidental charges relating to conversion of units into basket of securities may be deducted from redemption proceeds. The charges will be notified on <a href="http://mutualfund.kotak.com">mutualfund.kotak.com</a> from time to time.</p> <p>Investors other than AP and LI may redeem units at the listed price plus transaction handling charges on stock exchange.</p> <p>As required under the Regulations, the Fund will ensure that the Redemption Price is not lower than 93% of the NAV and the Purchase Price is not higher than 107% of the NAV, provided that the difference between the Redemption Price and Purchase Price of the Units shall not exceed the permissible limit of 7% of the Purchase Price, as provided for under the Regulations.</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>	<p>The Fund creates / redeems the scheme units in large size known as "Creation Unit". The value of the "Creation Unit" is 1000 gram of physical Gold or in multiple thereof called as the "Portfolio Deposit" and a "Cash Component" which will be exchanged for corresponding number of units. The Portfolio Deposit and Cash Component may change from time to time and will be announced by Fund on its website.</p> <p>All other investors will buy/sell their units only on the stock exchange where the units are listed and therefore, NAV is not applicable.</p>
<p><b>Where can the applications for purchase/ redemption switches be submitted?</b></p>	<p>Request for purchase of units against portfolio deposit will be accepted only in Mumbai. The investor intending to purchase units against portfolio deposit shall deposit physical gold with the custodian for gold and submit a copy of the acknowledgement issued by custodian with any office of KMAMC in Mumbai together with a cheque for cash component in NAV.</p> <p>Request for purchase of units against deposit of cash will be accepted only in any designated offices of KMAMC. At present, request will be accepted in KMAMC offices in Mumbai, Delhi, Chennai, Kolkata, Ahmedabad, Pune, Hyderabad and Bangalore. Any change in the list of the offices will published on the website of KMAMC <a href="http://mutualfund.kotak.com">mutualfund.kotak.com</a>. However, units will be allotted on realization of cheque.</p> <p>Redemption request will be accepted at KMAMC offices located in Mumbai, Delhi, Chennai, Kolkata, Ahmedabad, Pune, Hyderabad and Bangalore. However, redemption proceeds in the form of physical gold shall be delivered only in Mumbai. Redemption proceeds in the form of cash will be issued in the form of cheque in accordance with the bank mandate mentioned in the depository account of unit holder.</p> <p>Applications can be submitted only at the offices of AMC as listed in the back cover</p> <p>As per the directives issued by SEBI it is mandatory for an investor to declare his/her bank account number. To safeguard the interest of Unitholders from loss or theft of their refund orders/redemption cheques, investors are requested to provide their bank details in the Application Form. The Bank Account details as mentioned with the Depository should be mentioned.</p> <p>If depository account details furnished in the application form are invalid or not confirmed in the depository system, the application may be rejected.</p> <p>Notwithstanding any of the above conditions, any application may be accepted or rejected at the sole and absolute discretion of the Trustee.</p>
<p><b>Who can invest</b></p> <p>This is an indicative list and you are requested to consult your financial advisor to ascertain whether the scheme is suitable to your risk profile.</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) or sub-accounts of FII's 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>How to Apply</b></p>	<p><b>Purchase from Stock Exchanges (applicable for Authorised Participants, Large Investors and other investor)</b>  An investor can buy units of the Scheme on a continuous basis on the National Stock Exchange and/or other recognised stock exchanges where the Scheme units are listed and traded like any other publicly traded securities at prices which may be close to the actual NAV of the Scheme. There is no load for investors transacting on the stock exchange. However there would be cost of brokerage and other transactions costs payable to broker or sub-broker of the exchange.</p> <p><b>For Authorised Participants &amp; Large Investors</b>  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://mutualfund.kotak.com">mutualfund.kotak.com</a>. Investors are also advised to refer to Statement of Additional Information before submitting the application form.  Any application may be accepted or rejected at the sole and absolute discretion of the Trustee.  All cheques and drafts should be crossed "Account Payee Only" and drawn in favour of "<b>Kotak Gold ETF</b>". Please refer to the SAI and Application form for the instructions.</p>
<p><b>Non acceptance of Third Party Cheques</b></p>	<p>Third Party Cheques will not be accepted by the Scheme.</p> <p><b>Definition of Third Party Cheques</b></p> <ul style="list-style-type: none"> <li>• Where payment is made through instruments issued from an account other than that of the beneficiary investor, the same is referred to as Third-Party payment.</li> <li>• In case of a payment from a joint bank account, the first holder of the mutual fund folio has to be one of the joint holders of the bank account from which payment is made. If this criterion is not fulfilled, then this is also construed to be a third party payment.</li> </ul> <p>However, afore-mentioned clause of investment with Third-Party Payment shall not be applicable for the below mentioned exceptional cases.</p> <ol style="list-style-type: none"> <li>1. Payment by Parents/Grand-Parents/related persons on behalf of a minor in consideration of natural love and affection or as gift for a value not exceeding Rs.50,000/- (each regular purchase or per SIP installment). However this restriction will not be applicable for payment made by a guardian whose name is registered in the records of Mutual Fund in that folio.</li> <li>2. Payment by Employer on behalf of employee under Systematic Investment Plans or lump sum / one-time subscription, through Payroll deductions. AMC shall exercise extra due diligence in terms of ensuring the authenticity of such arrangements from a fraud prevention and KYC perspectives.</li> <li>3. Custodian on behalf of an FII or a client.</li> </ol> <p>For pre funded instruments such as DD/Pay order it is the onus of the investor to provided adequate supporting documents to prove that such instruments are issued by debiting the first holders account.</p> <p>Kotak Mahindra Asset Management Co. Ltd. / Trustee retains the sole and absolute discretion to reject/ not process application and refund subscription money if the subscription does not comply with the specified provisions of Payment Instruments.</p>
<p><b>Minimum amount for purchase/ redemption/ switches</b></p>	<p>Creation/Redemption of units in Creation Unit Size by Exchanging Portfolio Deposit  The Fund creates / redeems the scheme units in large size known as "Creation Unit" . The value of the "Creation Unit" is 1000 gram of physical Gold or in multiple thereof called as the "Portfolio Deposit" and a "Cash Component" which will be exchanged for corresponding number of units. The Portfolio Deposit and Cash Component may change from time to time and will be announced by Fund on its website.</p> <p><b>Minimum Redemption Amount:</b>  All investors including Authorised Participants, Large Investors and other investors may sell their units in the stock exchange(s) on which these units are listed on all trading days of the stock exchange</p> <p>Mutual Fund will repurchase units from Authorised participants on any Business day in creation size units. In certain circumstances, the AMC may allow Large investors to sell units in creation unit size directly to the AMC at applicable NAV and other transaction handling charges.</p>
<p><b>Minimum balance to be maintained and consequences of non maintenance.</b></p>	<p>Not Applicable</p>
<p><b>Special Products available</b></p>	<p>No Special Products available under the scheme</p>
<p><b>Accounts Statements</b></p>	<p>The depository participant with whom the unitholder has a depository account will send a statement of transactions in accordance with the byelaws of the depository which will contain the details of transaction of units.</p> <p>Allotment of units and dispatch of Allotment Advice to FIIs will be subject to RBI approval, if required.</p> <p>Units allotted under this scheme are transferable subject to the provisions of the Depositories Act, SEBI (Depository and Depository Participant) Regulations, 1996 and other applicable provisions.</p> <p>Note: The fund house may not furnish separate accounts statement to the unitholders since the statement of accounts furnished by depository participant will contain the details of transactions in these units.</p>

<b>Dividend Policy</b>	<p>The dividend warrants shall be dispatched to the unitholders within 30 days of the date of declaration of the dividend.</p> <p>Trustees may declare dividend subject to availability and adequacy of distributable surplus. If and when dividends are declared, dividends will be distributed to all unit holders registered on the registers of the depositories on the record date.</p>
<b>Redemption</b>	<p>All investors including Authorised Participants, Large Investors and other investors may sell their units in the stock exchange(s) on which these units are listed.</p> <p>Mutual Fund will repurchase units from Authorised participants and Large Investors on any Business day in creation unit size.</p> <p>AMC will instruct the Custodian to transfer the physical gold to the account of Authorised Participant / Large Investor or have it delivered at the location as instructed by the Authorised Participant / Large Investor. The Authorised Participant / Large Investor will have to bear the handling cost.</p> <p>Cash component in 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). The Bank Name and No., as specified in the Registrar's 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/town, he will be paid by a Demand Draft payable at the city/town of his residence.</p> <p>Redemption proceeds will be paid as stated above when the unitholder opts for cash instead of gold against redemption.</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) when the unit balance is confirmed with the records of the depository, not later than 10 (Ten) Business day from the date of redemption. (Please refer sub-paragraph 'Applicable NAV' under paragraph 'Units on Offer' in this Chapter for cut-off times for receiving the redemption request).</p> <p>Redemption proceeds may also be paid to the Unitholder in any other manner like through ECS, direct credit, RTGS, demand draft, etc as the AMC may decide, from time to time, for the smooth and the efficient functioning of the Scheme.</p> <p>Note: The mutual fund will rely on the address and the bank account details recorded in the depository system. Any changes to the address and bank account details can be made only through the depository system.</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. 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. The Bank Account details as mentioned with the Depository should be mentioned.</p> <p>In case an existing Unitholder is submitting a request for Change in his Bank Details, he needs to submit a copy of cancelled cheque leaf of the new bank account or Bank statement of the new bank account attested by his banker with seal &amp; signature of banker or letter from the Banker of the investor. In absence of the same, the request for Change in Bank Mandate is liable to be rejected.</p> <p>If depository account details furnished in the application form are invalid or not confirmed in the depository system, the application may be rejected.</p>
<b>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.</b>	<p>Not Applicable</p>
<b>Restrictions, if any, on the right to freely retain or dispose of units being offered.</b>	<p>Units which are held in demat form shall be freely transferable under the depository system.</p>

## B. 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 NAV of the Scheme will be calculated and announced by the Fund on each Business day in at least two daily newspapers. The NAV shall also be communicated to the recognized Stock Exchange where, the units would be listed. NAV information will also be posted, on each Business day, on the Fund's website - <a href="http://mutualfund.kotak.com">mutualfund.kotak.com</a> and on the AMFI website - <a href="http://www.amfiindia.com">www.amfiindia.com</a></p> <p>For markets, the Mutual Fund will endeavour to declare the portfolio composition (gold and cash equivalents) at the beginning of each day on its website.</p> <p>The Mutual Fund shall endeavour to update the Net asset value of the schemes 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://mutualfund.kotak.com">mutualfund.kotak.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://mutualfund.kotak.com">mutualfund.kotak.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://mutualfund.kotak.com">mutualfund.kotak.com</a>.</p>			
<p><b>Annual Report</b></p>	<p>Scheme wise Annual Report or an abridged summary thereof shall be mailed to all unitholders within four months from the date of closure of the relevant accounts year i.e. 31st March each 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></p> <p>The information is provided for general information purposes only. However, in view of the individual nature of tax implications, each investor is advised to consult his or her own tax adviser with respect to the specific tax implications arising out of his or her participation in the scheme.</p> <p>(For Debt Scheme other than Money Market Mutual Fund or a Liquid Fund)</p>	<p><b>Applicable tax rates based on prevailing tax laws</b></p>			
	<p><b>Unit holder</b></p>			
	<p><b>Resident</b></p>	<p><b>FII</b></p>	<p><b>Mutual Fund</b></p>	
	<p>Tax on Dividend</p>	<p>NIL</p>	<p>NIL</p>	<p>Dividend Distribution Tax (DDT) on the dividend distributed under this scheme: a) 13.5188% (including surcharge and education cess) on dividend distributed to individual and HUF. b) 21.63% (32.445% with effect from June 01, 2011) (including surcharge and education cess) on dividend distributed to persons other than individual and HUF.</p>
	<p>Short Term Capital Gain (Refer note 1 below)</p>	<p>10%-30% as per the normal tax rates applicable to the assessee</p>	<p>30%</p>	<p>NIL</p>
<p>Long Term Capital Gain (Refer note 1 below)</p>	<p>10% without indexation or 20% with indexation</p>	<p>10%</p>	<p>NIL</p>	
<p>Note (1) : The above rates would be increased by a surcharge of: (a) 5%- in case of domestic corporate unit holders, where the total income exceeds Rs. 10,000,000 (b) 2%- in case of FII being a corporate, where the total income exceeds Rs. 10,000,000</p> <p>Further, an additional surcharge of 3% (Education cess of 2% and Secondary &amp; Higher education Cess of 1%) would be charged on the amount of tax inclusive of surcharge as applicable, for all unit holders.</p> <p>Under section 10(23D) of the Income tax Act, 1961, income earned by a Mutual Fund registered with SEBI is exempt from income tax.</p> <p>Since the aforesaid schemes do not qualify as an equity oriented fund, no Securities Transaction tax is payable by the unit holders on redemption / repurchase of units by the Fund.</p> <p>For further details on taxation please refer to the clause on taxation in the SAI.</p>				

<b>Investor services</b>	<p>Mr. R. Chandrasekaran  Kotak Mahindra Asset Management Company Limited  6th Floor, Kotak Towers, Building No.21,  Infinity Park, Off: Western Express Highway  Goregaon - Mulund Link Road, Malad (East), Mumbai 400097  Phone Number: 6638 4400 Fax: 6638 4455  e-mail: mutual@kotak.com</p>
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### C. 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:

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

\* Includes value of physical gold computed as described under accounting policies and market value of debt and money market instruments invested under the scheme.

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

The AMC may also calculate intra-day indicative NAV and publish the same on its website [mutualfund.kotak.com](http://mutualfund.kotak.com). Intra-day NAV will not have any bearing on the creation or redemption of units directly with the Fund by the AP/LI.

## V. FEES AND EXPENSES

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

### A. New Fund Offer (NFO) Expenses

This is an ongoing scheme on the date of updating this document

### 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 estimate of the ongoing fees and expenses of operating the Scheme on an annual basis, expressed as a percentage of the amount of the Scheme's daily average net assets is given in the table below. The purpose of the table is to assist the investor in understanding the various heads of costs and expenses that an investor of the Scheme will bear directly or indirectly.

#### Recurring Expenses

Description	(% per annum of daily average net assets)
Investment Management and Advisory Services Fees payable to AMC	1.00
Cost Relating to Investors Communication	0.10
Custodial Fees and associated costs	0.20
Registrars Fees & Processing Charges including stamp duty if any	0.20
Listing Fees/ Other associated expenses	0.05
Marketing and Sales Promotion	0.75
Miscellaneous and other charges	0.20
<b>Total Annual Recurring Expenses (Estimated)</b>	<b>2.50</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 may change to the extent assets are lower or higher.

The recurring expenses of each 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. 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.

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

### 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 [mutualfund.kotak.com](http://mutualfund.kotak.com). or may call at 1800-22-2626 or your distributor.

#### Entry Load: Nil

In terms of SEBI Circular No. SEBI/IMD/CIR No. 4/168230/09 dated June 30, 2009, no entry load will be charged on purchase / additional purchase / switch-in. The upfront commission, if any, on investment made by the investor shall be paid by the investor directly to the Distributor, based on his assessment of various factors including the service rendered by the Distributor.

#### Exit Load: Nil

Bonus units and units issued on reinvestment of dividends shall not be subject to entry and exit load.

The Trustee reserves the right to change the load structure of the Scheme on a prospective basis. Should the Trustee, on any date, decide to change the load structure, it will be on a prospective basis and investments made by Unitholders prior to such date will continue to attract the loads applicable prior to such change.

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.

All loads including Contingent Deferred Sales Charge (CDSC) for the Scheme shall be maintained in a separate account and may be utilised towards meeting the selling and distribution expenses. Any surplus in this account may be credited to the scheme, whenever felt appropriate by the AMC.

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.

Any imposition or enhancement in load shall be applicable on a prospective basis. The addendum detailing the changes may be attached to Scheme Information Documents and key information memorandum. The addendum may be circulated to all the distributors/brokers so that the same can be attached to all Scheme Information Documents and key information memoranda already in stock. Arrangements may be made to display the addendum in the Scheme Information Document in the form of a notice in all the investor service centres and distributors/brokers office. The introduction of the exit load/CDSC alongwith the details may be stamped in the acknowledgement slip issued to the investors on submission of the application form and may also be disclosed in the statement of accounts issued after the introduction of such load/CDSC. A public notice shall be given in respect of such changes in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of region where the Head Office of the Mutual Fund is situated.

## **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 at their meeting held on August 31, 2006.

## OFFICIAL COLLECTION CENTRES (For Purchase - Redemption - Switches)

### KMAMC AUTHORISED COLLECTION CENTRES

**Ahmedabad:** 9,10,11- 2nd Floor, Siddhi Vinayak complex, Shivranjani Cross Roads, Satellite, Ahmedabad - 380015. **Bangalore:** 2nd Floor, Umiya Landmark, 10/7, 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:** 6th Floor, Kotak Infinity, Building No. 21, Infinity Park, Off Western Express Highway, Gen. A K Vaidya Marg, Malad (E), Mumbai - 400097. **Mumbai (Nariman Point):** 36-38A, Nariman Bhavan, 227, Nariman Point, Mumbai - 400021. **Mumbai (Borivali):** B-601, 6th Floor, Sai Leela Building, S V Road, Opp. Moksh Plaza, Borivali (West), Mumbai - 400092. **Mumbai (Thane):** 101-102, 1st Floor, Lotus Plaza, Gokhale Road, Naupada, Thane (West) Mumbai - 400602. **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, Opp Lane no 9, Prabhat Road, Pune 411004.