

Dear Investor



Dear Investor,

In a relief from the trend of the past few months, the key equity indices, SENSEX and Nifty, bounced back 1,621 and 500 points respectively, closing the month at 9.10% and 9.38%. All the same, the SENSEX and Nifty posted an annual growth of 10.94% and 11.14% respectively for the financial year ended 2011. This performance placed the Indian markets in the second quartile amongst the key global performers for the given period.

The present upswing in the market may be attributable to the renewed buying interest from the FIIs in the derivatives market. The present upswing in the market may be attributable to the renewed buying interest from the

FIIs in the derivatives market. The fact that Japanese markets too have begun to show early signs of restoration from the devastating aftermath of the earthquake in their home country, has come as some relief for the global financial markets, including India.

The change in the equity market momentum may be attributable to a combination of factors like: indications of easing in the liquidity conditions, mitigation of the price rally in crude oil, emergence of the attractive valuation at select equity counters and short covering by the investors. Having said that, the political uncertainty and the extended risk of inflation from sudden spike in the crude oil levels continues to remain a key downside risk to the domestic and global economy.

Indian equity market has consequently been playing out largely in a broad range, with intermittent bouts of high volatility emanating from time to time. It is expected that the resurgence of growth in the developed markets may moderate the FII inflows; albeit, India would still remain a key investment destination amongst the emerging markets.

On the mutual funds perspective, the average AUM of the industry in the Jan-Mar 2011 quarter has expanded by 3.2%. This growth in the industry AUM, especially during the period of liquidity squeeze, may be indicative that the investment flows are of a more durable nature. We remain optimistic that this growth rate would expand further as the FII inflows pick pace, and the impact of the systemic events phase-out.

On this note wishing everyone a prosperous new financial year!!!



Regards,

Sandesh Kirkire
CEO

Fund Manager Speak



Q & A with Lakshmi Iyer – Head Fixed Income and Products

Q) Indians usually invest in physical gold. How do you see the reach of Gold Fund of Funds (FOF) and ETFs in such a scenario?

A: The physical gold hoard is essentially a cultural phenomenon. So while it may take some time to convince the investor of a more convenient method of investment in gold (namely through Gold ETF and Gold FoF), the tangible benefits are increasingly driving more investors to take this route. Consequently, we believe that as financial awareness about this subject expands, we would continue to see increased investor acceptability. Yet still, if more than 100% growth in ETF folios in last 1 year is any indication, it goes to highlight the fact that investors are increasingly leaning on this mode of investment to increase their allocation in gold.



Q) What is the penetration of Gold FOFs and ETFs worldwide compared to India?

A: The penetration of Gold ETF in India is very low compared to matured markets. Gold ETF in India started in year 2007 as compared to 2003 worldwide. Even though the penetration has been relatively low, the growth in terms of AUM has been tremendous in last 3 years in India. The AUM has grown 300% year on year since the first Gold ETF launched in March 2007*. Also, in other countries, non retail participation into gold ETFs has been pretty encouraging. As for India, much of the industry growth has been predominantly contributed to by retail / HNI investors. (*Source: AMFI)

Q) What would be your advice to retail customers for investing in gold?

A: Firstly, the investors must give primacy to their investment objective and the ensuing constraints placed by the risk-return tradeoff. Notwithstanding that, investors must appreciate that gold has an inverse/ negligible correlation with most financial asset classes. Thus, gold comes in handy to pursue portfolio stability and growth in times of economic anxiety wherein equity and debt assets usually tend to underperform. Resultantly, for an investor, the gold investment can be utilized to diversify asset class risk while also give them the potential upside benefit. Moreover, the convenience and the safety of investment through Gold ETF and Gold FoF route is an added advantage which the retail investor should look to capitalize.

Kotak Mutual Fund launched the Kotak Gold Fund which gives investors the benefit of starting your SIP in gold with a minimum of ₹ 1,000 without having a demat account.

The New Fund Offer (NFO) was from 4th – 18th March 2011 and the scheme re-opens for investments on 5th April 2011.

So in case you haven't chosen Gold in your portfolio yet, this is the time. Start your SIP with Kotak Gold Fund.



It is a general perception that choosing an equity scheme is simpler compared to debt scheme. However that is not necessarily true. Let's have a look at three important parameters while evaluating debt schemes before you shortlist a correct scheme for yourself:

Modified Duration (MD): -

The modified duration is a measure of the sensitivity of a bond price to interest rates: $\text{Modified duration} = D \div (1+r)$ where D is the duration and r is the interest rate paid per period: Modified duration follows the concept that interest rates and bond prices move in opposite directions. The importance of duration is that it tells us how much the price of a security will change by, given a change in interest rates. Modified Duration (MD) thus reflects the responsiveness of the debt securities price when the interest rate scenario changes. By taking this parameter into consideration, the volatility of the debt portfolio is revealed. Higher the MD, more volatile is the security and lower the MD less volatile is the security.

Yield to Maturity (YTM): -

The YTM, also called as the yield on the portfolio, refers to the rate of return anticipated if it is held till maturity. YTM is expressed as an annual rate. Calculation of YTM takes into account the current market price, par value, coupon interest rate and time to maturity. A bond's YTM is complex and involves trial and error hence it is usually done by using a programmable business calculator. Longer YTM is riskier since it is difficult to anticipate the interest rate scenario and other factors affecting the yield.

Average Maturity:-

A debt scheme has various papers of varying maturities in its portfolio. The average maturity refers to weighted average time until all securities in a debt portfolio of a mutual fund mature. Lower the average maturity; the better it is in terms of the interest rate risk and lower volatility,ed to other asset classes

We hope these concepts will give you a fair idea as to how you should select your scheme and will help you in making better and more informed decisions.

Source: - <http://www.referenceforbusiness.com> ; <http://www.investopedia.com>

Know-a-scheme



Kotak Gold Fund

The month of March 2011 saw the launch of Kotak Gold Fund. It is an open ended fund of funds scheme which invests in units of Kotak Gold ETF. This scheme thus gives you the benefit for investing in gold through the SIP route without a demat account.

You should look at investing in gold because: -

- During periods of economic concerns or when the market has fallen substantially, gold has historically been perceived by investors as a potential safe heaven and store of value.
- Historically Gold is also used as a hedge against inflation and a weakening currency (dollar).
- In recent times, Gold has shown a low correlation with other asset classes, while at the same time, its return potential has been similar to equity assets performance. As a result, allocation into Gold improves portfolio diversification and can minimize the downside risk of the portfolio.

NOW A FUND
THAT'S TRULY
GOOD AS

GOLD

NOW INVEST IN GOLD WITH THE BENEFIT OF SIP.

KOTAK GOLD FUND

To invest and to know more about the scheme you can call us on 1800-222-626 (Toll Free). Alternatively you can also visit mutualfund.kotak.com or consult your investment advisor for more details.



If you are right handed, you will tend to chew your food on your right side. If you are left handed, you will tend to chew your food on your left side



Chewing gum while peeling onions will keep you from crying.



The Mercedes-Benz motto is "Das Beste oder Nichts" meaning "the best or nothing".



The pupil of the eye expands as much as 45 percent when a person looks at something pleasing.



State with the highest percentage of people who walk to work: Alaska



Dalmatians are born without spots.



The reason honey is so easy to digest is that it's already been digested by a bee



Every time you sneeze some of your brain cells die.



The lion that roars in the MGM logo is named Volney.



Switching letters is called spoonerism. For example, saying jag of Flapan, instead of flag of Japan.



The plastic things on the end of shoelaces are called agletsmit.

Source: - <http://www.kellys.com>



HAAHAHEEHEE

Teacher to Student: What is age of your father?
Student Replied: My father's age is equal to mine.
Teacher: How?
Student: When I was born he become father.

A very lonely man decided his life would be more fun if he had a pet. So he went to the pet store and told the owner that he wanted to buy an unusual pet.

"After some discussion, he finally bought a centipede (100-legged bug), which came in a little white box to use for his house. He took the box back home, found a good location for the box, and decided he would start off by taking his new pet to the bar to have a drink. "So he asked the centipede in the box, "Would you like to go to Frank's with me and have a beer?" But there was no answer from his new pet.

This bothered him a bit, but he waited a few minutes and then asked him again, "How about going to the bar and having a drink with me?" . "But again, there was no answer from his new friend and pet. So he waited a few minutes more, thinking about the situation."

He decided to ask him one more time; this time putting his face up against the centipede's house and shouting, "Hey, in there! Would you like to go to Frank's place and have a drink with me?", " A little voice came out of the box....."

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"I heard you the first time! I'm just putting on my shoes"

Source: - <http://www.prokerala.com>

Get in touch



We would love to hear from you. Please give us your feedback / suggestions on how we can make Rishtey better. Please write into rishtey@kotak.com. For any product / service related queries you can always call our service desk on 1800-222-626 (MTNL / BSNL lines)

Risk Factors

Kotak Gold ETF: - ETF is an open-ended Gold Exchange Traded Fund. Investment Objective: 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 error.

Kotak Gold Fund: An open ended Fund of Funds Scheme. aver: - Investment Objective: The investment objective of the scheme is to generate returns by investing in units of Kotak Gold Exchange Traded Funde. **Load Structure: Entry Load:** : - NIL; **Exit Load:** 2%, if redeemed/switch- out within 6 months from date of allotment; 1%, if redeemed/switch- out after 6 months and before 1 year from the date of allotment; Nil, if redeemed/switch-out after 1 year from the date of allotment

Scheme Specific Risk Factors: The investors of the Scheme will bear dual recurring expenses and possibly dual loads, viz, those of the Scheme and those of the underlying Scheme

Mutual Funds and securities investments are subject to market risks. There is no assurance that the Scheme's objective will be achieved. NAV of the Scheme's Units can go up / down depending on factors and forces affecting securities markets. Past performance of Sponsor / AMC / Fund does not indicate the scheme's future

performance **Kotak Gold ETF and Kotak Gold Fund are only the name of the schemes and do not in any manner indicate either the quality of the schemes, future prospects or returns**
Statutory details: Kotak Mahindra Mutual fund is a Trust (Indian Trust act, 1882);
Investment Manager: Kotak Mahindra Asset Management Company Ltd.;
Sponsor: Kotak Mahindra Mutual Fund is a Trust (Indian Trust act, 1882);
Trustee: : Kotak Mahindra Bank Ltd. (Liability Rs. Nil);
Please read the Scheme Information Document (SID) and Statement of Additional Information (SAI) carefully before investing. SID and SAI available on mutualfund.kotak.com



Quote

“ Bring revolution within yourself to change the world outside” – Anonymous