

Dear Investor



Dear Investor,

The past month continued to be marred by high volatility, with Nifty swaying around 410 points between it's high and low. The performance of the key indices, SENSEX and Nifty, stood at around -1.33% and -1.15% respectively during the period.

Despite the decline, the Indian market's performance in the last month was relatively commendable vis-à-vis the international market. The average monthly performance of 18 prominent indices globally was around -7.43%; with India being the 2nd best performer in the lot.

While Indian economy is led primarily by domestic factors, yet, the increasing integration with the global economy may contribute to intermittent volatility in the rupee, equities market, and export & FDI dependent sectors. Though Indian markets seem to have factored-in most of the negatives and is therefore responding in a more mitigated manner vis-à-vis other markets.



A visibly good monsoon season has raised hopes of increased crop output, and an associated decline in the agri-commodity prices. The preliminary estimates indicate that the food-grains output in the current Kharif season may grow by around 3% yoy to around 123 mn tonnes. The compounded effect of these two phenomenons may alleviate the inflation concerns considerably in the coming months. This may in-turn establish the necessary condition for the interest rates to improve and create a more amenable growth atmosphere.

For now, the trading sentiments in the equities market remain sensitive to the global market volatility, and would continue to follow the unfolding events in Europe closely. In this context, we may expect the key indices to trade in a broad range over the few weeks.

On the mutual funds side, the mutual funds industry AUM registered a growth of around 3 % yoy in the July-Sept 2011 quarter. During the similar period, the Kotak Mutual Fund AUM grew by 16.71% yoy. We remain firm in our belief that expanding investor awareness may increasingly highlight the cost-competitive value advantage which mutual funds provide in the long run, and thus provide further growth impetus.

Regards,

Sandesh Kirkire
CEO

Expert Speak



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

Q) 1. What is the change in acceptability of ETFs from its launch till date?

A: ETFs are still in a nascent stage in our country and requires further familiarization with Indian investors. AUM in the entire mutual fund industry in the ETF space has increased from Rs 2,657 crs as of June 2008 to Rs 9,641 crs as of August 2011*. This goes to believing that acceptability of investing in ETFs has increased over the past few years. The product offering in this space ranges from gold ETFs, equity ETFs, debt ETFs which give investors more options to choose from for their portfolios. (* Source: - www.amfiindia.com)



Q) 2. How is the retail investor benefiting from ETFs?

A: It may not be possible for a retail investor to buy all the stocks or securities listed in a particular exchange. This may be because of lack of time, knowledge and or expertise. ETFs on the other hand, because of their very nature and structure, track a particular index and reflect its performance which gives investors the advantage to get exposure to the securities in that index. Also investors can buy and sell ETF units on the exchange at real time prices like stocks as opposed to traditional mutual funds where the NAV is allotted at day end. Thus an investor can take intraday benefit by investing in ETFs. This offers convenience and the ease of transaction.

Q) What is the way ahead for ETFs?

A: The acceptability of any relatively new or innovative financial idea is largely proportional to the financial literacy prevalent in the economy. And it is this financial literacy that needs to be augmented in a more concerted manner. While the regulatory measures have ensured a relatively wider acceptance and a more cost-competitive structure, the larger populace still remains largely unaware, more so pertaining the ETFs. Therefore, as the financial awareness expands the acceptability of ETFs could be more pronounced.

Gurukul



An exchange-traded fund (ETF) is a fund traded on a stock exchange. An ETF holds assets such as stocks or commodities and trades close to its net asset value over the course of the trading day. For investing in ETFs an investor mandatorily needs a demat and a trading account with a broker. ETFs replicate the index it follows and can be a good tool for asset allocation. ETFs follow a passive way of investing and try to give returns in line with the benchmark it mirrors. The various entities involved in ETFs are: -

Asset Management Company: -

which comes out with the product and launches the fund. .

Authorized participants: -

who are typically large institutional investors. They actually buy or sell units of an ETF directly from or to the fund house. Authorized participants may wish to invest in the ETF shares for the long-term, but usually act as market makers on the open market, using their ability to exchange creation units with their underlying securities to provide liquidity of the ETF and help ensure that their intraday market price approximates to the net asset value of the underlying assets. An ETF can be bought or sold during a trading day for its net asset value

Custodian:-

keeps the underlying securities of the scheme / stocks in demat form

Registrar & Transfer Agents (R&T):-

who compile investor database, process transactions and ensure correct allocation of units to investors. They act on the instructions of the AMC to ensure smooth flow of processes.

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

Know-a-scheme



Now that you have a fair idea of how ETFs operate, let's have a look at the offerings from Kotak Mutual Fund. Kotak Mutual Fund has 4 ETF offerings to its investors: -

- **Kotak Gold ETF:** - invests in physical gold and endeavors to track the domestic spot price of gold as closely as possible. Units of the scheme listed on stock exchanges and can be easily traded in demat form. Each unit of the scheme is approximately equal to 1 gram of gold. Units of the schemes are backed by physical gold held by the custodian. The scrip code of Kotak Gold Fund is **KOTAKGOLD**. The advantages of investing in Kotak Gold Fund include:
 - Investing in gold ETF provides portfolio diversification
 - There is no risk of theft and quality of gold
 - Simple to buy and sell just like trading of shares

- **Kotak Nifty ETF:** - is listed and traded on the National Stock Exchange (NSE). The scheme invests predominantly in stocks forming part of the NSE in the same ratio. Units can be bought and sold like any other security on the Stock Exchange through a stockbroker. Each Kotak Nifty ETF unit is approximately valued at 1/10th of the S&P CNX Nifty value. The scrip code of Kotak Nifty ETF is **KOTAKNIFTY**.

- **Kotak PSU Bank ETF:** - Kotak PSU Bank ETF is listed and traded on the National Stock Exchange (NSE) & Bombay Stock Exchange (BSE). It reflects the evolution of the CNX PSU Bank Index. The scheme invests predominantly in stocks forming part of the underlying in the same ratio. Kotak PSU Bank ETF is close to 1/10th of CNX PSU Bank Index. The scrip code for the same is **KOTAKPSUBK**.

- **Kotak SENSEX ETF:** - Kotak SENSEX ETF tracks the BSE SENSEX and the fund manager invests predominantly in stocks forming part of the same. Kotak SENSEX ETF endeavors to replicate the returns given by the SENSEX as closely as possible post expenses. Units can be bought and sold like any other equity share on the Stock Exchange through a stockbroker. The scrip code for Kotak SENSEX ETF is **KTSENSEX**.

To invest in ETFs you can visit any of our offices or visit our website mutualfund.kotak.com to know more. Alternatively you can

Did you know?



• South Africa is the only country with three official capitals: Pretoria (administrative), Cape Town (legislative) and Bloemfontein (judicial).



• Mickey Mouse is known as "Topolino" in Italy.



• The one-hundred eleventh element is known as "ununilennium"



• The longest time someone has typed on a typewriter continuously is 264 hours set by Violet Gibson Burns.



• Winston Churchill, Franklin Delano Roosevelt, Theodore Roosevelt and Eleanor Roosevelt were all cousins through one connection or another



• The names of all the continents end with the same letter that they start with, e.g. Asia, Europe, Africa, America



• When two words are combined to form a single word (e.g., motor + hotel = motel, breakfast + lunch = brunch) the new word is called a "portmanteau."



• Ontario is the only Canadian Province that borders the Great Lakes.



• Alaska has the longest border with Canada of all the fifty states.



• Montana has the longest border with Canada of the lower forty-eight States



• The first letters of the months July through November, in order, spell the name JASON.



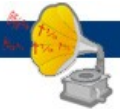
• Soldiers from every country salute with their right hand.



• Men can read smaller print than women; women can hear better

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

Ha ha hee hee...



HAHAHEEHEE

- A couple celebrated their 25th wedding anniversary. When they were asked what their secret was to a long lasting marriage they said: "We take the time to go out to a restaurant two times a week. A candle light dinner, soft music and a slow walk home. She goes on Tuesdays, and I go on Fridays.
- Married life can become very frustrating. In the first year of marriage, the man speaks and the woman listens. In the second year, the woman speaks and the man listens. In the third year, they both speak and the neighbors listen

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 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 errors.

Kotak Nifty ETF is an open ended exchange traded fund. Investment Objective: - The investment objective of the scheme is to provide returns before expenses that closely correspond to the total returns of the S&P CNX Nifty subject to tracking errors.

Kotak SENSEX ETF: - is an open ended exchange traded fund. Investment Objective: The investment of the scheme is to provide returns before expenses that closely correspond to the total returns of the BSE SENSEX, subject to tracking errors.

Kotak PSU Bank ETF: - is an open-ended exchange traded fund. Investment Objective: The investment objective of the scheme is to provide returns that closely correspond to the total returns of CNX PSU Bank Index, subject to tracking errors.

General Risks: - 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, Kotak Nifty ETF, Kotak SENSEX ETF and Kotak PSU Bank ETF are only the names 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 Bank Ltd. (Liability Rs. Nil); Trustee: Kotak Mahindra Trustee Company Ltd. Please read the Scheme Information Document (SID) and Statement of Additional Information (SAI) carefully before investing. SID and SAI available on mutualfund.kotak.com

Disclaimers: - For Kotak Nifty ETF: - "S&P®" and "Standard and Poors" are trademarks of the McGraw-hill Companies, Inc. ("S&P"), and have been licensed for use by India Index Services & Products Limited in connection with the S&P CNX Nifty Index. "The Product is not sponsored, endorsed, sold or promoted by India Index Services & Products Limited ("IISL") or Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P"). Neither IISL nor S&P makes any representation or warranty, express or implied, to the owners of the Product or any member of the public regarding the advisability of investing in securities generally or in the Product. Please read the full Disclaimers in relation to the S&P CNX Nifty Index in the Scheme Information Document and Key Information Memorandum."

For Kotak SENSEX ETF: - All rights in the SENSEX vest in Bombay Stock Exchange Limited ("BSE"). BSE and SENSEX are trademarks of BSE and are used by Kotak Mahindra Asset Management Company under license and governed by the Index License Agreement. BSE shall not be liable in any manner whatsoever (including in negligence) for any loss arising to any person whatsoever out of use of or reliance on the SENSEX by any person.

For Kotak PSU Bank ETF: - The products on CNX PSU Bank Index is not sponsored, endorsed, sold or promoted by India Index Services & Products Limited (IISL). IISL does not make and expressly disclaims any representation or warranty, express or implied (including warranties of merchantability or fitness for particular purpose or use) regarding the advisability of investing in the products linked to CNX PSU Bank Index or particularly in the ability of the CNX PSU Bank Index to track general stock market performance in India. Please read the full Disclaimers in relation to the CNX PSU Bank Index in the Scheme Information Document / Prospectus / Information Statement.



Quote

"One of the virtues of being very young is that you dont let Facts get in the way of your Imagination"
– Sam Levenson