

Kotak Equity Arbitrage

About Kotak Equity Arbitrage Investment Strategy

- Enter into simultaneous transactions of a long position in cash and exactly off-setting short position in futures
- Equity position is completely hedged at trade initiation.
- Towards the expiry or before the expiry of the derivatives contract, the positions are reversed or rolled over (if spread is available for next month)

Market Outlook

Uptrending and volatile markets are conducive for arbitrage funds. Since in such circumstance, the participants are willing to pay premium in the futures segment to capture the upside in the stocks. Also, if the stop losses of these participants get hit, the arbitrage funds can also get the opportunity to unwind the trades intra month at a profit. Thus, we believe that unless the markets slip into a prolonged bearish phase, the arbitrage funds would continue to do well on a post tax adjusted basis. Also, we believe that the imposition of curbs on FIIs and other participants in the forex market by RBI may have led to the increase in the cost of hedging by the FIIs; and as a result, they too may demand higher spreads in the arbitrage market. This may ensure that the arbitrage spreads remain buoyant. The investor must ideally look to invest with a minimum horizon of 6-9 months so that whipsaws in the performance get evened out and the investor reaps the benefit of the strategy used in the scheme to the optimum.

Kotak Equity Arbitrage* (Div) Performance (%) as on 30th December, 2011

| Date | NAV Per Unit (₹.) | Scheme Returns (%) ^ | Crisil Liquid Fund Index # (%) | S&P CNX Nifty # (%) | Current Value of Standard Investment of ₹ 10000 in the | | |
|--|-------------------|----------------------|--------------------------------|---------------------|--|-----------------|----------------------------|
| | | | | | Scheme (₹) | Benchmark # (₹) | Additional Benchmark # (₹) |
| Kotak Equity Arbitrage | | | | | | | |
| Since inception till December 31, 2011 | 15.46 | 7.22 | 6.58 | 9.57 | 15463 | 14897 | 17712 |
| December 31, 2010 to December 30, 2011 | 15.46 | 7.51 | 8.15 | -24.62 | Not Applicable | | |
| December 31, 2009 to December 30, 2010 | 14.39 | 6.31 | 5.12 | 17.95 | | | |
| December 31, 2008 to December 30, 2009 | 13.54 | 5.15 | 4.86 | 75.76 | | | |

Scheme Inception date is 29/9/2005. Fund Managed by Mr. Deepak Gupta & Mr. Abhishek Bisen.

*All payouts during the period have been reinvested in the units of the scheme at the then prevailing NAV. Returns <= 1 year: Absolute; Returns > 1 year: CAGR (Compounded Annualised Growth Rate). Past performance may or may not be sustained in future. N.A stands for data not available. Note: Point to Point (PTP) Returns in INR show the value of ₹10,000/- invested at the beginning of a 12 month period as at the end of that period scheme performance. Source: ICRA MFI Explorer. Please refer page no. 2 for top 3 and bottom 3 schemes managed by Mr. Deepak Gupta & Mr. Abhishek Bisen.

Scheme Facts

| | |
|---|------------------------------------|
| Structure | An Open Ended Equity Growth Scheme |
| Quarterly AAUM* | ₹125.61crs |
| NAV | |
| Dividend Option | ₹10.6077 |
| Growth Option (as on 30th Dec 2011) | ₹15.4627 |
| Launch Date | 29 th September 2005 |
| Benchmark | CRISIL Liquid Fund Index |
| Min. Initial Inv. | ₹5000 |
| Additional Inv. | ₹1000 & in multiples of ₹1 |
| Standard Deviation^ | 0.76 |
| Beta^ | -0.06 |
| Sharpe^ | 1.87 |
| Portfolio Turnover Ratio^ | 153.08% |

*As on 30th December 2011. ^ As on 31st December 2011. Data considered from 31/12/2008 to 30/12/2011.

Source: Value Research and MFI Explorer.

Top 10 Companies

| | | |
|------------------------------------|-----------------------|-------|
| CORE Education & Technologies Ltd. | Software | 6.79% |
| Ruchi Soya Industries Ltd. | Consumer Non Durables | 6.16% |
| Gitanjali Gems Ltd. | Consumer Non Durables | 5.47% |
| Reliance Industries Ltd. | Petroleum Products | 4.62% |
| Jindal Steel & Power Ltd. | Ferrous Metals | 2.84% |
| Dena Bank | Banks | 2.70% |
| Reliance Infrastructure Ltd | Power | 1.87% |
| GVK Power & Infrastructure Ltd. | Power | 1.84% |
| Pantaloon Retail (India) Ltd. | Retailing | 1.62% |
| Raymond Limited | Textile Products | 1.50% |

Top10 Sectors

| Sector | % |
|---------------------------------|-------|
| CBLO & Term Deposits & Rev.Repo | 32.09 |
| Consumer Non-Durables | 14.94 |
| Software | 7.31 |
| Banks | 6.83 |
| Power | 6.58 |
| Petroleum Products | 5.69 |
| Ferrous Metals | 5.43 |
| Telecom - Services | 1.86 |
| Auto | 1.79 |
| Retailing | 1.62 |

Load Structure

| | |
|--------------------|---|
| Entry Load: | Nil |
| Exit Load: | 1.For redemptions/switch outs (including SIP/STP) within 90 days from the date of allotment of units, irrespective of the amount of investment: 0.50% 2.For redemptions/ switch outs (including SIP/STP) after 90days from the date of allotment of units, irrespective of the amount of investment: NIL |

Other Funds Managed by Mr. Deepak Gupta

Kotak Equity Arbitrage

| Date | NAV Per Unit (₹.) | Scheme Returns (%) ^ | MSCI Emerging Market Index # (%) | S&P CNX Nifty # (%) | Current Value of Standard Investment of ₹ 10000 in the | | |
|---|-------------------|----------------------|----------------------------------|---------------------|--|-----------------|----------------------------|
| | | | | | Scheme (₹) | Benchmark # (₹) | Additional Benchmark # (₹) |
| Kotak Global Emerging Equity Market Fund | | | | | | | |
| Since inception till December 31, 2011 | 9.73 | -0.64 | -5.78 | -1.54 | 9725 | 7725 | 9350 |
| December 31, 2010 to December 30, 2011 | 9.73 | -4.41 | -7.39 | -24.62 | | | |
| December 31, 2009 to December 30, 2010 | 10.16 | 10.38 | 16.36 | 17.95 | | | |
| December 31, 2008 to December 30, 2009 | 9.11 | 70.00 | 74.50 | 75.76 | | | |

Scheme Inception date is 26/9/2007. Fund Managed by Mr. Deepak Gupta (Dedicated fund manager for overseas investment) & Mr. Abhishek Bisen

| Date | NAV Per Unit (₹.) | Scheme Returns (%) ^ | S&P Nifty # (%) | BSE SENSEX # (%) | Current Value of Standard Investment of ₹ 10000 in the | | |
|--|-------------------|----------------------|-----------------|------------------|--|-----------------|----------------------------|
| | | | | | Scheme (₹) | Benchmark # (₹) | Additional Benchmark # (₹) |
| Kotak SENSEX ETF | | | | | | | |
| Since inception till December 31, 2011 | 158.59 | 1.57 | 0.72 | -0.21 | 10571 | 10259 | 9925 |
| December 31, 2010 to December 30, 2011 | 158.59 | -23.94 | -24.62 | -24.64 | | | |
| December 31, 2009 to December 30, 2010 | 207.28 | 18.32 | 17.95 | 17.43 | | | |
| December 31, 2008 to December 30, 2009 | 175.00 | 82.10 | 75.76 | 81.03 | | | |

Scheme Inception date is 06/06/2008. Fund Managed by Mr. Deepak Gupta..

| Date | NAV Per Unit (₹.) | Scheme Returns (%) ^ | S&P Nifty # (%) | BSE Sensex # (%) | Current Value of Standard Investment of ₹ 10000 in the | | |
|--|-------------------|----------------------|-----------------|------------------|--|-----------------|----------------------------|
| | | | | | Scheme (₹) | Benchmark # (₹) | Additional Benchmark # (₹) |
| Kotak Nifty ETF | | | | | | | |
| Since inception till December 31, 2011 | 469.50 | -3.69 | -4.31 | -2.32 | 9308 | 9194 | 9562 |
| December 31, 2010 to December 30, 2011 | 469.50 | -23.99 | -24.62 | -24.64 | | | |

Scheme Inception date is 02/02/2010. Fund Managed by Mr. Deepak Gupta.

| Date | NAV Per Unit (₹.) | Scheme Returns (%) ^ | S&P CNX Nifty # (%) | BSE Sensex # (%) | Current Value of Standard Investment of ₹ 10000 in the | | |
|--|-------------------|----------------------|---------------------|------------------|--|-----------------|----------------------------|
| | | | | | Scheme (₹) | Benchmark # (₹) | Additional Benchmark # (₹) |
| Kotak Equity FOF | | | | | | | |
| Since inception till December 31, 2011 | 29.92 | 15.97 | 15.02 | 15.77 | 29918 | 28144 | 29531 |
| December 31, 2010 to December 30, 2011 | 29.92 | -25.57 | -24.62 | -24.64 | | | |
| December 31, 2009 to December 30, 2010 | 39.90 | 17.00 | 17.95 | 17.43 | | | |
| December 31, 2008 to December 30, 2009 | 34.21 | 81.04 | 75.76 | 81.03 | | | |

Scheme Inception date is 09/08/2004. Fund Managed by Mr. Deepak Gupta.

| Date | NAV Per Unit (₹.) | Scheme Returns (%) ^ | CNX PSU Bank Index # (%) | S&P Nifty # (%) | Current Value of Standard Investment of ₹ 10000 in the | | |
|--|-------------------|----------------------|--------------------------|-----------------|--|-----------------|----------------------------|
| | | | | | Scheme (₹) | Benchmark # (₹) | Additional Benchmark # (₹) |
| Kotak PSU Bank ETF | | | | | | | |
| Since inception till December 31, 2011 | 276.10 | 0.89 | -2.21 | -4.77 | 10374 | 9116 | 8167 |
| December 31, 2010 to December 30, 2011 | 276.10 | -41.11 | -41.82 | -24.62 | | | |
| December 31, 2009 to December 30, 2010 | 460.90 | 35.77 | 34.3 | 17.95 | | | |
| December 31, 2008 to December 30, 2009 | 343.09 | 76.23 | 73.3 | 75.76 | | | |

Scheme Inception date is 08/11/2007. Fund Managed by Mr. Deepak Gupta.

Top 3 Funds Managed by Mr. Abhishek Bisen

| Date | NAV Per Unit (₹.) | Scheme Returns (%) ^ | Physical Gold Price # (%) | CRISIL 10 Year Gilt Index # (%) | Current Value of Standard Investment of ₹ 10000 in the | | |
|--|-------------------|----------------------|---------------------------|---------------------------------|--|-----------------|----------------------------|
| | | | | | Scheme (₹) | Benchmark # (₹) | Additional Benchmark # (₹) |
| Kotak Gold ETF | | | | | | | |
| Since inception till December 31, 2011 | 2628.15 | 27.97 | 29.28 | 5.48 | 29820 | 31196 | 12666 |
| December 31, 2010 to December 30, 2011 | 2628.15 | 30.91 | 31.24 | 1.91 | | | |
| December 31, 2009 to December 30, 2010 | 2013.45 | 21.69 | 23.5 | 3.11 | | | |
| December 31, 2008 to December 30, 2009 | 1634.63 | 22.34 | 22.89 | -8.66 | | | |

Scheme Inception date is 27/07/2007. Fund Managed by Mr. Abhishek Bisen.

| Date | NAV Per Unit (₹.) | Scheme Returns (%) ^ | Crisil Short Term Bond Fund Index # (%) | CRISIL 1 Year T-Bill Index # (%) | Current Value of Standard Investment of ₹ 10000 in the | | |
|--|-------------------|----------------------|---|----------------------------------|--|-----------------|----------------------------|
| | | | | | Scheme (₹) | Benchmark # (₹) | Additional Benchmark # (₹) |
| Kotak FMP - 15 Months - Series 7 - Growth | | | | | | | |
| Since inception till December 31, 2011 | 10.99 | 8.93 | 7.49 | 6.22 | 10988 | 10828 | 10687 |
| December 31, 2010 to December 30, 2011 | 10.99 | 9.54 | 7.84 | 6.42 | | | |

Scheme Inception date is 23/11/2010 . Fund Managed by Mr. Abhishek Bisen & Mr. Mayank Prakash.

| Date | NAV Per Unit (₹.) | Scheme Returns (%) ^ | Crisil Composite Bond Fund Index # (%) | CRISIL 1 Year T-Bill Index # (%) | Current Value of Standard Investment of ₹ 10000 in the | | |
|--|-------------------|----------------------|--|----------------------------------|--|-----------------|----------------------------|
| | | | | | Scheme (₹) | Benchmark # (₹) | Additional Benchmark # (₹) |
| Kotak FMP - 15 Months - Series 6 - Growth | | | | | | | |
| Since inception till December 31, 2011 | 10.97 | 8.73 | 6.61 | 1.00 | 10976 | 10738 | 10111 |
| December 31, 2010 to December 30, 2011 | 10.97 | 9.36 | 6.9 | 6.42 | | | |

Scheme Inception date is 19/11/2010 . Fund Managed by Mr. Abhishek Bisen & Mr. Mayank Prakash.

Bottom 3 Funds Managed by Mr. Abhishek Bisen

Kotak Equity Arbitrage

| Date | NAV Per Unit (₹.) | Scheme Returns (%) ^ | MSCI Emerging Market Index # (%) | S&P CNX Nifty # (%) | Current Value of Standard Investment of ₹ 10000 in the | | |
|---|-------------------|----------------------|----------------------------------|---------------------|--|-----------------|----------------------------|
| | | | | | Scheme (₹) | Benchmark # (₹) | Additional Benchmark # (₹) |
| Kotak Global Emerging Equity Market Fund | | | | | | | |
| Since inception till December 31, 2011 | 9.73 | -0.64 | -5.78 | -1.54 | 9725 | 7725 | 9350 |
| December 31, 2010 to December 30, 2011 | 9.73 | -4.41 | -7.39 | -24.62 | | | |
| December 31, 2009 to December 30, 2010 | 10.16 | 10.38 | 16.36 | 17.95 | | | |
| December 31, 2008 to December 30, 2009 | 9.11 | 70.00 | 74.50 | 75.76 | | | |

Scheme Inception date is 26/9/2007. Fund Managed by Mr. Deepak Gupta (Dedicated fund manager for overseas investment) & Mr. Abhishek Bisen

| Date | NAV Per Unit (₹.) | Scheme Returns (%) ^ | Crisil Balanced Fund Index # (%) | S&P Nifty # (%) | Current Value of Standard Investment of ₹ 10000 in the | | |
|--|-------------------|----------------------|----------------------------------|-----------------|--|-----------------|----------------------------|
| | | | | | Scheme (₹) | Benchmark # (₹) | Additional Benchmark # (₹) |
| Kotak Balance | | | | | | | |
| Since inception till December 31, 2011 | 19.47 | 15.04 | N.A | 10.26 | 54488 | N.A | 32616 |
| December 31, 2010 to December 30, 2011 | 19.47 | -14.07 | -14.4 | -24.62 | | | |
| December 31, 2009 to December 30, 2010 | 23.62 | 12.43 | 13.55 | 17.95 | | | |
| December 31, 2008 to December 30, 2009 | 23.74 | 53.07 | 48.65 | 75.76 | | | |

Scheme Inception date is 25/11/1999. Fund Managed by Mr. Emmanuel Elango & Mr. Krishna Sanghvi & Mr. Abhishek Bisen

| Date | NAV Per Unit (₹.) | Scheme Returns (%) ^ | S&P CNX Nifty # (%) | BSE Sensex # (%) | Current Value of Standard Investment of ₹ 10000 in the | | |
|--|-------------------|----------------------|---------------------|------------------|--|-----------------|----------------------------|
| | | | | | Scheme (₹) | Benchmark # (₹) | Additional Benchmark # (₹) |
| Kotak Select Focus Fund | | | | | | | |
| Since inception till December 31, 2011 | 9.93 | -0.33 | -1.87 | -2.19 | 9925 | 9575 | 9503 |
| December 31, 2010 to December 30, 2011 | 9.93 | -22.29 | -24.62 | -24.64 | | | |
| December 31, 2009 to December 30, 2010 | 12.68 | 20.05 | 17.95 | 17.43 | | | |

Scheme Inception date is 11/09/2009. Fund Managed by Mr. Krishna Sanghvi, Mr. Pradeep Kumar & Mr. Abhishek Bisen.

N.A stands for data not available. Past Performance may or may not be sustained in future.

Note: Point to Point (PTP) Returns in INR show the value of ₹10,000/- invested at the beginning of a 12 month period as at the end of that period scheme performance, Scheme benchmark - source: ICRA MFI Explorer.*All payouts during the period have been reinvested in the units of the scheme at the then prevailing NAV. Returns <= 1 year: Absolute; Returns > 1 year: CAGR (Compounded Annualised Growth Rate). Pastperformance may or may not be sustained in future.

About Kotak Mutual Fund

Kotak Mahindra Asset Management Company Limited (KMAMC) is a wholly owned subsidiary of Kotak Mahindra Bank Limited (KMBL). KMBL has over two decades of experience in financial services and services 6.7 million customers. KMBL has a market capitalization of USD 5.97 billion* (as on 30th December 2011). KMAMC is the Asset Manager for Kotak Mahindra Mutual Fund (KMMF). It started operations in December 1998 and has over one million investors in various schemes. KMMF offers schemes catering to investors with varying risk - return profiles and was the first fund house in the country to launch a dedicated gilt scheme. KMAMC manages assets worth USD 5.67 billion* as of 30th December 2011. (Source: kotak.com & amfiindia.com)

* The numbers are converted using the Rupee- USD reference rate published by the Reserve Bank of India as on the respective dates.

To know more

Call : 1800-222-626 (Toll Free), Mumbai 6638-4400, Delhi 66306900 / 02, Chennai 28221333 / 45038171, Kolkatta 64509802 / 03, Pune 64013395 / 96, Ahmedabad 26779888, Bangalore 66128050 / 51, Hyderabad 66178140 / 41, Visit mutualfund.kotak.com

Disclaimer

Kotak Equity Arbitrage is an open-ended equity growth scheme. **Investment Objective:** To generate capital appreciation and income by predominantly investing in arbitrage opportunities in the cash and derivatives segment of the equity market, and by investing the balance in debt and money market instruments. **Kotak Equity Arbitrage is only the name of the scheme and does not in any manner indicate either the quality of the scheme, future prospects or returns.**

Kotak Global Emerging Market Fund is an open-ended equity scheme. **Investment Objective:** The investment objective of the scheme is to provide long-term capital appreciation by investing in an overseas mutual fund scheme that invests in a diversified portfolio of securities as prescribed by SEBI from time to time in global emerging markets. **Kotak Global Emerging Market Fund is only the name of the scheme and does not in any manner indicate either the quality of the scheme, future prospects or returns.**

Kotak SENSEX ETF (an open ended exchange traded fund): To provide returns before expenses that closely correspond to the total returns of the BSE SENSEX subject, to tracking errors. **Kotak Sensex ETF is only the name of the scheme and does not in any manner indicate either the quality of the scheme, future prospects or returns.**

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Kotak Equity Arbitrage

Kotak PSU Bank ETF (an open ended exchange traded fund): To provide returns that closely correspond to the total returns of CNX PSU Bank Index, subject to tracking errors. **Kotak PSU Bank ETF is only the name of the scheme and does not in any manner indicate either the quality of the scheme, future prospects or returns.**

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Kotak Gold ETF (an open ended gold exchange traded fund): To generate returns that are in line with the returns on investment in physical gold, subject to tracking errors. **Kotak Gold ETF is only the name of the scheme and does not in any manner indicate either the quality of the scheme, future prospects or returns.**

Kotak Flexi Debt is an open-ended debt scheme. **Investment Objective:** To maximize returns through an active management of a portfolio of debt and money market securities. **Kotak Flexi Debt is only the name of the scheme and does not in any manner indicate either the quality of the scheme, future prospects or returns.**

Kotak Floater Long Term is an open-ended debt scheme. **Investment Objective:** To reduce the interest rate risk associated with investments in fixed rate instruments by investing predominantly in floating rate securities, money market instruments and using appropriate derivatives. **Kotak Floater Long Term is only the name of the scheme and does not in any manner indicate either the quality of the scheme, future prospects or returns.**

Kotak Balance is an open-ended balanced scheme. **Investment Objective:** To achieve growth by investing in equity & equity related instruments, balanced with income generation by investing in debt & money market instruments. **Kotak Balance is only the name of the scheme and does not in any manner indicate either the quality of the scheme, future prospects or returns.**

Kotak Select Focus Fund is an open-ended equity scheme. **Investment Objective:** The investment objective of the scheme is to generate long-term capital appreciation from a portfolio of equity and equity related securities, generally focused on a few selected sectors. **Kotak Select Focus Fund is only the name of the scheme and does not in any manner indicate either the quality of the scheme, future prospects or returns.**

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.

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 ₹. 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**