

KOTAK PSU BANK ETF

Kotak PSU Bank ETF - Fact File (as on July 30th, 2010)[#]

CNX PSU Bank Index Facts*

Market Cap : Rs 3,23,253 Crores

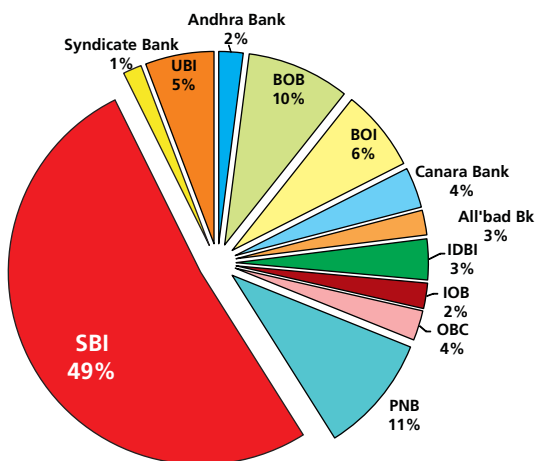
P/E Multiple : 10.95

P/B Multiple : 1.97

Div. Yield : 1.66 %

*Source : nseindia.com

CNX PSU Bank - Constituents



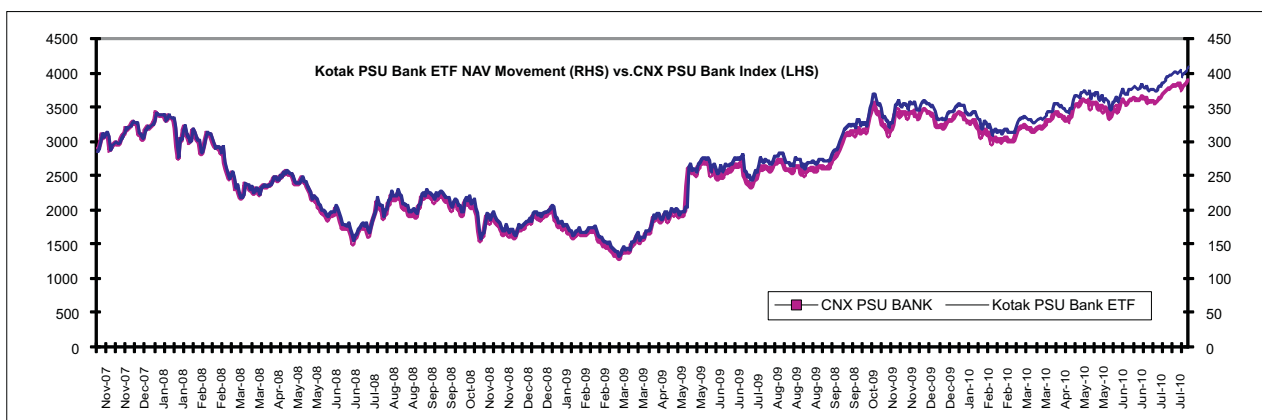
Investment Objective

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.

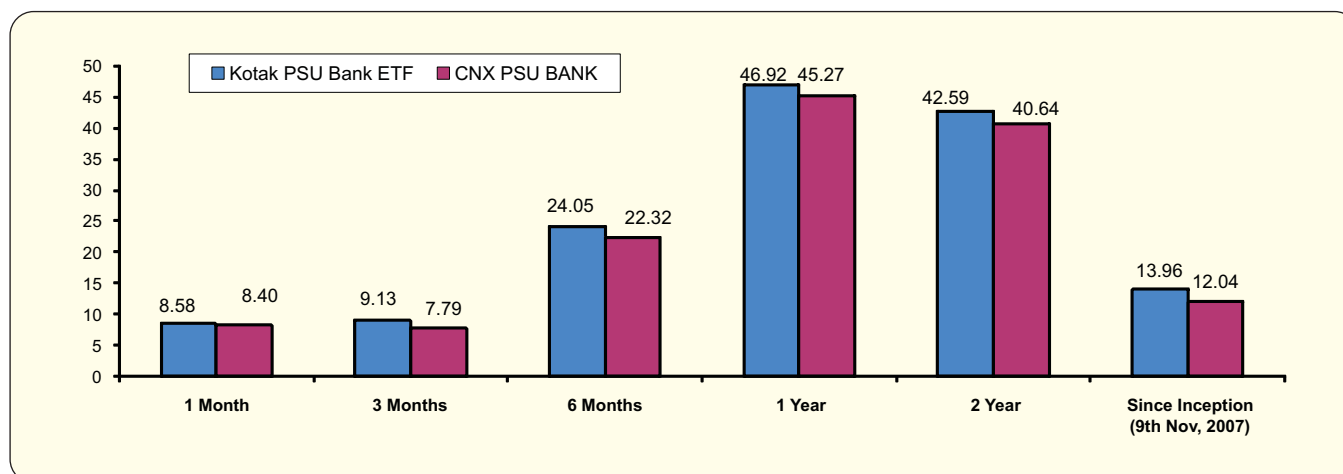
Investment Manager	: Kotak Mahindra Asset Management Co. Ltd.
Trustee	: Kotak Mahindra Trustee Co Ltd
Benchmark Index	: CNX PSU Bank Index
Load Structure	: Entry: Nil Exit Load: Nil
Exchange Listed	: National Stock Exchange
Exchange Symbol	: "KOTAKPSUBK"
ISIN	: INF373I01023
Bloomberg Code	: KOPSUB IN Equity
Reuters Code	: KTPU.NS
Expense Ratio	: 0.65%
Tracking Error	: 0.34*
Pricing	: 1/10th CNX PSU Bank Index Value
NAV	: Rs 408.91
Creation Size	: 10000 units & in multiples thereof.
Allotment Date	: 9th Nov 2007
AUM	: Rs 32.60 Cr

NAV Movement

*Tracking error is annualized & calculated since inception till July 30th, 2010
[#]31st July 2010 being a non working day



Fund Performance (%) as on 30th July 2010[#]



Source: ICRA MFI Explorer & nseindia.com. Returns <= 1 Year: Absolute; Returns > 1 Year: CAGR (Compounded Annualised Growth Rate). Past performance may or may not be sustained in future. [#]31st July 2010 being a non working day

PSU Banks - A Universe of opportunities

- In our view the PSU Banks are trading at a discount relative to the valuations of private sector banks while earning similar if not superior ROEs.
- Concerns on worsening asset quality are likely to diminish as economic recovery gathers pace.
- Technology implementation has gained significant traction in most PSU banks. This enables them to leverage the technology platform and earn higher core fee income and improve CASA.
- Implementation of the base rate would lead to an upward movement in yields for most PSU Banks. Currently a large portion of lending done by PSU Bank is sub PLR in nature.
- With G-Sec yields remaining comfortable, PSU Banks which are more vulnerable to rising yields are likely to benefit.

About Kotak AMC

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 capitalisation of USD 5.79 billion* (as on 30th July 2010[#]). 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 5.94 billion* as of 30th July 2010[#]. (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 : 1800-222-666 (Toll Free), **Mumbai** 6638-4400, **Delhi** 66306900 / 02, **Chennai** 64557686/87, **Kolkatta** 64509817/19/06, **Pune** 64013395/96, **Ahmedabad** 26779888, **Bangalore** 66128050/51, **Hyderabad** 66178140/41
Visit: www.kotakmutual.com

General Risks: Mutual Fund and securities investments are subject to market risks and there is no assurance or guarantee that the objectives of the Schemes will be achieved. As with any securities investment, the NAV of the Units issued under the Schemes can go up or down depending on the factors and forces affecting the securities markets. Past performance of the Sponsor/AMC/Fund or that of existing Schemes of the Fund does not indicate the future performance of the Schemes. Kotak PSU Bank ETF is only the name of the scheme and does not in any manner indicate the quality of the Scheme, its future prospects or returns.

Scheme Specific Risk:

Liquidity Risk: Trading in Kotak PSU Bank ETF may be halted due to market conditions or for reasons that in the view of the Exchange Authorities or SEBI, trading in Kotak PSU Bank ETF is not advisable. There could also be trading halts caused by extraordinary market volatility and pursuant to NSE/BSE and SEBI circuit filter rules. There can be no assurance that the requirements of the exchange, necessary to maintain the listing of the Kotak PSU Bank ETF will continue to be met or will remain unchanged.

The concept of exchange-traded funds is relatively new to Indian capital markets. Trading in Kotak PSU Bank ETF could therefore be restricted due to which market price may or may not reflect the true NAV of Kotak PSU Bank 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.

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.

Sectoral Risk: The banking sector in general could underperform returns from the securities included in the index or other asset classes.

Concentration risk: The scheme will invest in stocks included in the CNX PSU Banking index; the number of stocks in the index is limited i.e., about 12 stocks (at present). Therefore the scheme is exposed to high level of concentration risk.

Investors may note that even though this is an open-ended scheme, they will have to buy or sell units of the scheme on the stock exchanges where these units are listed for liquidity at the market price, 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, securities transactions tax and such other costs. 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. However since the Authorised Participants and Large Investors can transact with the AMC for units beyond the creation unit size there should not be a significant variance from the 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.

Statutory: Kotak Mahindra Mutual Fund has been established as a trust under the Indian Trusts Act, 1882, by Kotak Mahindra Bank Limited (liability Rs. NIL) with Kotak Mahindra Trustee Company Limited as the Trustee and with Kotak Mahindra Asset Management Company Limited as the Investment Manager. Kotak Mahindra Bank Limited is not liable or responsible for any loss or shortfall resulting from the operations of the Scheme. **Before investing, please read the Scheme Information Document (SID) and Statement of Additional Information (SIA) for full understanding of the Scheme and detailed risk factors. SID & SIA are available on www.kotakmutual.com**