KOTAK MAHINDRA ASSET MANAGEMENT CO. LTD.

PORTFOLIO MANAGEMENT SERVICES – DISCLOSURE DOCUMENT

Kotak Mahindra Asset Management Company Limited

Key Information and Disclosure document for Portfolio Management Services by Kotak Mahindra Asset Management Co. Ltd.

- This Disclosure Document has been filed with the Securities and Exchange Board of India (SEBI) along with the certificate in the prescribed format in terms of Regulation 22of SEBI (Portfolio Managers) Regulations, 2020.
- The purpose of the Document is to provide essential information about the portfolio services in a manner to assist and enable the investors in making informed decisions for engaging Kotak Mahindra Asset Management Co. Ltd. As a Portfolio Manager.
- This disclosure document sets forth concisely the necessary information about Kotak Mahindra Asset Management Company Limited that is required by a prospective investor before investing.
- The investor should carefully read the entire disclosure document prior to making a decision to avail of the Portfolio Management Services and should retain this Disclosure document for future reference.

Principal Officer Mr. Anshul Saigal 2nd Floor, 12-BKC, Plot No. C-12, G-Block, Bandra Kurla Complex Bandra East Mumbai - 400051 Tel no. 62185209 Email add: anshul.saigal@kotak.com	PORTFOLIO MANAGER Kotak Mahindra Asset Management Company Limited **Registered Office** 27 BKC, C-27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400051. Tel no. 6638 4444

Dated: July 06, 2021

KOTAK MAHINDRA ASSET MANAGEMENT CO. LTD.

PORTFOLIO MANAGEMENT SERVICES – DISCLOSURE DOCUMENT

Table of Contents

KOTAK MAHINDRA ASSET MANAGEMENT CO. LTD.

PORTFOLIO MANAGEMENT SERVICES – DISCLOSURE DOCUMENT

1. Disclaimer Clause

This Disclosure Document has been prepared in accordance with the Securities and Exchange Board of India (Portfolio Managers) Regulations 2020 as amended till date and filed with SEBI. This Document has neither been approved nor disapproved by SEBI nor has SEBI certified the accuracy or adequacy of the contents of this Document.

2. Definitions

In this Disclosure Document, unless the context otherwise requires:

Act	Securities and Exchange Board of India, Act, 1992 (15 of 1992).
"Agreement" or "Portfolio Management Services Agreement" or "Non-Discretionary Portfolio Management Services Agreement" or "PMS Agreement"	Means the agreement executed between the Portfolio Manager and its Clients in terms of Regulation 22 and Schedule IV of Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020.
Advisory Services	Investment Advisory Services in terms of SEBI (Portfolio Managers) Regulations 2020 and shall include the responsibility of advising on the portfolio investment approach and investment and disinvestment of individual securities on the clients portfolio, for an agreed fee structure, entirely at the Client's risk.
Board	Securities and Exchange Board of India.
Broker	A person through which buying and selling of securities is executed on behalf of client. At present, Anand Rathi Share and Stock Brokers Limited, Axis Capital Limited, Emkay Global Financial Services Ltd, IIFL Securities Limited and Kotak Securities Ltd has been appointed as a broker for execution of trades. In future, the Portfolio manager may appoint any other broker for execution of trades.
Client or Investor	Any person who registers with the Portfolio Manager for availing the services of portfolio management
Corpus	"Corpus" means the value of the funds and the market value of readily realizable investments brought in by the client and accepted and accounted by the Portfolio Manager.
Custodian	A person who has been granted a certificate of registration to carry on the business of custodian of securities under the Securities and Exchange Board of India (Custodian of Securities) Regulations 1996. For our PMS services, Deutsche Bank Ltd is appointed as Custodian of securities.
Depository	A Body Corporate as defined in the Depositories Act, 1996 and includes National Securities Depository Ltd (NSDL) and Central Depository Services (India) Ltd (CDSL)
Depository Account	Any account of the Client or for the Client with an entity registered as a depository participant as per the relevant regulations

Direct on-boarding	Direct on-boarding means an option provided to clients to be on-boarded directly with the Portfolio Manager without intermediation of persons engaged in distribution services.
“Discretionary Portfolio Manager”	Means a portfolio manager who under a contract relating to portfolio management, exercises or may exercise any degree of discretion as to the investment of funds or management of the portfolio of securities of the client, as the case may be.
Disclosure Document	This document issued by Kotak Mahindra Asset Management Company Limited
Discretionary Portfolio Management Services	Portfolio Management Services provided by the Portfolio Manager exercising its sole and absolute discretion to invest in respect of the Client’s account in any type of security as per an Agreement relating to portfolio management and to ensure that all benefits accrue to the Client’s Portfolio, for an agreed fee structure and for a definite period as described, entirely at the Client’s risk.
Financial year	Year starting from April 1 and ending on 31st March the following year
Funds	means the monies managed by the Portfolio Manager on behalf of the Client’s pursuant to the PMS Agreement and includes the monies mentioned in the account opening form, any further monies placed by the Client with the Portfolio Manager for being managed pursuant to PMS Agreement, the proceeds of sale or other realization of the portfolio and interest, dividend or other monies arising from the assets, so long as the same is managed by the portfolio manager.
Funds managed	Market value of the Portfolio of the Client as on date
Goods	Means the goods notified by the Central Government under clause (bc) of section 2 of the Securities Contracts (Regulation) Act, 1956 and forming the underlying of any commodity derivative.
Initial Corpus	Means the value of the funds and / or the market value of securities brought in by the Client at the time of subscribing to Portfolio Management Services
Investment Approach	Investment Approach means a broad outlay of the type of securities and permissible instruments to be invested in by the portfolio manager for the Client, taking into account factors specific to clients and securities which shall inter-alia include but not limited to investment objective, description of type of securities, investment horizon and risks associated with the investment approach In case of Non-discretionary Portfolio Management Services the investment approach and the type of securities and permissible instruments to be invested in shall be decided by the Client on the recommendations by the Portfolio Manager. Investment Approach in case of NDPMS is broad guideline to provide recommendation.
Kotak AMC	Kotak Mahindra Asset Management Company Limited
Non-discretionary Portfolio Management Services	Portfolio Management Services under which the Portfolio Manager, subject to expressed prior instructions issued by the Client from time to time in writing, for an agreed fee structure and for a definite described period, invests in respect of the Client’s account in any type of security entirely at the Client’s risk and to ensure that all benefits accrue to the Client’s Portfolio.
NISM	Means the National Institute of Securities Market established by SEBI
Portfolio	The total holdings of securities and goods belonging to any person;
Portfolio Manager	A body corporate, which pursuant to a contract with a client, advises or

	directs or undertakes on behalf of the client (whether as a discretionary portfolio manager or otherwise) the management or administration of a portfolio of securities or goods or funds of the client, as the case may be: Provided that the Portfolio Manager may deal in goods received in delivery against physical settlement of commodity derivatives. Kotak Mahindra Asset Management Company Limited, a company incorporated under the Companies Act, 1956 and having its registered office at 27 BKC, C-27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400051, is the Portfolio Manager. It is registered with SEBI as a Portfolio Manager vide Registration Certificate No. INP000000837 under the Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993, valid till it is suspended or cancelled by the Board.
Principal Officer	"principal officer" means an employee of the portfolio manager who has been designated as such by the portfolio manager and is responsible for: (i) the decisions made by the portfolio manager for the management or administration of portfolio of securities or the funds of the client, as the case may be; and (ii) all other operations of the portfolio manager.
Regulations	Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020
Rules	Securities and Exchange Board of India (Portfolio Managers) Rules, 1993
Securities	Means security as defined in Section 2(h) of the Securities Contract (Regulation) Act, 1956, provided that securities shall not include any securities which the Portfolio Manager is prohibited from investing in or advising on under the Regulations or any other law for the time being in force.

Words and expressions used in this disclosure document and not expressly defined shall be interpreted according to their general meaning and usage. The definitions are not exhaustive. They have been included only for the purpose of clarity and shall in addition be interpreted according to their general meaning and usage and shall also carry meanings assigned to them in regulations governing Portfolio Management Services.

3. Description

3.1 History, present business and background of the Portfolio Manager

Kotak Mahindra Asset Management Company Limited, a company incorporated under the Companies Act, 1956, on August 08, 1994, has been appointed to act as the Investment Manager to Kotak Mahindra Mutual Fund vide Investment Management Agreement dated May 20, 1996, as amended up to date. It is a wholly owned subsidiary of Kotak Mahindra Bank Ltd.

An approval by the Division of Funds, Investment Management Department under the SEBI (Portfolio Manager) Regulations, 1993 and Mutual Funds Division of SEBI under the SEBI ('Mutual Funds') Regulations, 1996, has been granted to the Company for undertaking Portfolio Management Service.

3.2 Promoter of the Portfolio Manager, Directors and their background

3.2.1 Promoter - Kotak Mahindra Bank Limited

The erstwhile Sponsor Company, Kotak Mahindra Finance Limited (KMFL) was converted into Kotak Mahindra Bank Limited (Kotak Bank) in March 2003 after being granted a banking license by the Reserve Bank of India. KMFL started with a capital base of Rs. 30.88 lakh. From being a provider of a single financial product, KMFL grew substantially into a highly diversified financial services conglomerate.

As on March 31, 2021, the net worth (capital plus reserves & surplus) of Kotak Bank is Rs. 63,727crores. The Sponsor and its subsidiaries/associates offer wide ranging financial services such as loans, lease and hire purchase, consumer finance, home loans, commercial vehicles and car finance, investment banking, stock broking, mutual funds, primary market distribution of equity and debt products, life insurance and general insurance.

3.2.2 Particulars of Directors in Kotak AMC

Mr. Uday S. Kotak, aged 62 years, holds a Bachelors degree in Commerce and an MBA from Jamnalal Bajaj Institute of Management Studies, Mumbai. He has over 31 years of experience in the Financial Services industry. He is the Executive Vice-Chairman and Managing Director of the Bank and its principal founder and promoter. Under Mr. Kotak's leadership, over the past 34 years, Kotak Mahindra group established a prominent presence in every area of financial services from stock broking, investment banking, car finance, life insurance and mutual funds. Mr. Kotak is the recipient of several prestigious awards. He is a member of the Government of India's high level committee on Financing Infrastructure, the Primary Market Advisory Committee of SEBI, Member of the Board of Governors of Indian Council for Research on International Economic Relations, National Institute of Securities Markets and The Anglo Scottish Education Society (Cathedral & John Connon School). He is also a Governing Member of the Mahindra United World College of India. Mr. Kotak was recognised as 'Entrepreneur of the Year' at Forbes India Leadership Awards 2015.

Mr. Nilesh Shah, aged 53 years, is the Managing Director of Kotak Mahindra Asset Management Company Ltd. Mr. Nilesh Shah is a gold medalist chartered accountant and a merit ranked cost accountant. He last held the position of Managing Director and CEO at Axis Capital Limited. During his tenure Axis Capital emerged as market leader for equity capital raise in CY 14. Axis Capital also maintained its position as one of the largest distributor of Mutual Funds to institutional investors. During his four year stint with Axis Bank, Nilesh guided the bank's foray in online trading and retail Broking through Axis Securities Limited, Non-banking financial services through Axis Finance Limited and managed private banking. Before Axis Bank, he was Deputy Managing Director and Chief Investment Officer at ICICI Prudential Mutual Fund. During his seven-year stint with ICICI Prudential Mutual Fund, he was responsible for overall funds management across mutual fund, portfolio management and offshore advisory across debt, equity and real estate. Before that, Nilesh was Chief Investment Officer - Debt of Franklin Templeton Mutual Fund. He was one of the founding member of the Franklin Templeton Debt team. During his seven year stint with Franklin Templeton he was responsible for managing debt funds. He received inaugural business standard fund manager of the year for debt award in 2004. Before that he worked with ICICI Securities Limited.

Mr. Gaurang Shah, aged 60 years, is a Chartered Accountant , Cost Accountant, Company Secretary and also hold M.Com degree from Gujarat University. He is the Group Head – Asset Management and Life Insurance at Kotak Mahindra Group and is responsible for Domestic and International Asset Management and Life Insurance businesses of the Group. He is also appointed as Whole Time Director in Kotak Mahindra Bank Limited with effect from November 1, 2019 and an Additional Director in Kotak Investment Advisors Limited with effect from November 5, 2019. In his immediate prior assignment, he was the Managing Director of Kotak Mahindra Old Mutual Life Insurance Limited, (a 74:26 joint venture between Kotak Mahindra Bank Ltd., its affiliates and Old Mutual plc) among India's leading Life Insurers. He is also on board of Kotak Mahindra Pension Fund Limited. Mr. Shah has over 30 years of rich and varied experience primarily in the Financial Services sector, several of which are in the Kotak Mahindra Group. He has held several positions of high responsibility over the years, including, inter alia, the Head of Retail Assets at Kotak Mahindra Bank. He was also closely associated with Kotak Mahindra Primus (a joint venture between Kotak Mahindra Group and Ford Credit International), among India's leading automobile finance companies. He is member of Investment Committee, ICSI, Asset Liability Committee and Chairman of Risk Management Committee of the Company.

Mr. Chengalath Jayaram, aged 65 years**,** a degree B. A. (Economics), PGDM-IIM, Kolkata. Mr. C. Jayaram, headed the wealth management business and international operations for Kotak Mahindra group. He was responsible for overseeing the alternative investments business which included private equity funds and real estate funds, as well as the institutional equities business. He has varied experience of over 39 years in many areas of finance and business and was earlier the Managing Director of Kotak Securities Limited. He has been with the Kotak Group for 26 years and has been instrumental in building a number of new businesses at Kotak Group. Prior to joining the Kotak Group, he was with Overseas Sanmar Financial Ltd. Post his retirement on 30th April 2016, on attaining the age of superannuation, Mr. C. Jayaram continues as non-executive non-independent director of the Bank with effect from 1st May 2016.

Mr. Nalin Shah, aged 74 years, has about 41 years of work experience. Mr. Shah began his career as a chartered accountant in 1974 by joining S. B. Billimoria & Co. He became a partner of the firm in February 1977. S. B. Billimoria & Co. became an affiliate of Deloitte Haskins & Sells in 2000 and subsequently Mr. Shah also became a partner of Deloitte Haskins & Sells. He retired from Deloitte Haskins & Sells from 1st April, 2012. He was an audit partner throughout his career and worked with Padmashri Y. H. Malegam for 30 years. He was a member of the Governing Board of Deloitte India for several years and was also the National Professional Practice Director of Deloitte India for 2 years and Chairman of the firm's Audit Technical Committee for over five years. He was a member of the Accounting Standards Board of the Institute of Chartered Accountants of India for 1 year and a member of the Institute's Expert Advisory Committee (for 5 terms). He was the Technical Reviewer for the Financial Reporting Board (FRRB) of the Institute and a member of the Institute's Shield Panel for the Best Published Accounts 2012 and 2014. He was the Technical Reviewer for the FRRB and for the Qualified Audit Report Committee of SEBI/ICAI. He was also a member of the Corporate Laws Committee of the Bombay Chamber of Commerce & Industry for one year.

Mr. Sanjiv Malhotra, aged 69 years, is a Chartered Accountant (England & Wales, Canada and India). He has 45 years of Global Banking & Finance experience in senior positions in Risk Management, Private Equity, Corporate and Investment Banking, Consumer Finance, Micro Enterprise lending & Wealth Management, Seasoned Business and Risk management professional with a sound knowledge of Global Financial Markets and well versed in Crisis Management. He has served until June 2020 , as an Independent Director on the Board of State Bank of India. He is also a Director in Pratham Education Foundation He was Citigroup's Chief Risk Officer for Thailand, during the Asian Crisis and Bank Danamon's Chief Risk Officer, during the 2008/09 Global Financial Crisis. He had worked in Canada, England, India, Indonesia, The Philippines, Thailand and the United Arab Emirates, with Global Financial Institutions i.e. Bank of

America Merrill Lynch, Citigroup, Bank Danamon (A Temasek Group owned Financial Institution), Bank of Montreal, and Deloitte Touche Tohmatsu. He had close connections with Senior Leadership teams in large Corporates, Financial Institutions & Private Equity Firms in India, Indonesia & Singapore. He is well versed in dealing with and establishing close professional relationships with Senior Banking and Market Regulatory Authorities.

Ms. Anjali Bansal, aged 50 years, has done a Bachelors degree in Computer Engineering from Gujarat University and a Masters in International Finance and Business from Columbia University, has 30 Years of experience. She is the founder of Avaana Capital, a growth fund platform that invests in and supports the scaling up of promising revenue stage start-ups by providing capital as well as business building support. She was previously global Partner and Managing Director with TPG Growth PE, Spencer Stuart India CEO, and strategy consultant with McKinsey and Co in New York and India. She has also been an active angel investor in India with investments in various early and growth stage consumer companies. She started her career as an engineer.

She was non-executive independent chairperson of Dena Bank, and also served as an independent non-executive director on the public boards of GlaxoSmithKline (GSK) Pharmaceuticals India and in Bata India Limited. Currently she serves as an independent non-executive director in Tata Power as well as Delhivery Private Limited. She is on the Advisory Board of the Columbia University Global Centers, South Asia. Previously, she chaired the India board of Women's World Banking, a leading global livelihood-promoting institution.

She is a charter member of TiE, serves on the managing committee of the Indian Venture Capital Association, angel investor and mentor to Facebook She Leads Tech, NITI Aayog's Women Entrepreneurship Platform and others. An active contributor to the dialogue on corporate governance and diversity, Anjali co-founded and chaired the FICCI Center for Corporate Governance program for Women on Corporate Boards. She serves on the managing committee of the Bombay Chamber of Commerce and Industry and also Member of experts advisory committee in Startup India Seed Fund Scheme. She is a member of the Young Presidents' Organization.

Krishnakumar Natarajan, aged, 64 years, is a leading authority in the global IT sector. He has co-founded Mindtree in 1999 and has played key roles in building the company’s innovative approach to delivering IT services and solutions to global 2000 enterprises. In his role as Executive Chairman he focused on leadership development and ensuring a high quality of governance. He also actively mentored different business groups within the company and worked closely with the start-up ecosystem to bring in innovative models of business transformation for clients.

His key skill is to help Enterprises navigate the ‘Digital transformation’ agenda and help technology deployments by which enterprises enhance customer experience and Industry leading growth.

In his prior role as CEO and Managing Director (April 2008-March 2016), Krishnakumar was responsible for making Mindtree a global IT player. Krishnakumar ’s efforts as a business leader has been recognized worldwide, winning him several laurels. Business world & Forbes ranked him amongst the most valuable CEOs in India in 2016. He won Bloomberg UTV’s award as the CEO of the Year in 2010, Business Today CEO of the year award in 2014 and was recognized by Chief Executive Magazine’s as one of the twelve global leaders of tomorrow. EY honored him with Entrepreneur of the year 2015 in Services. His efforts resulted in Mindtree winning the “Most promising company of the Year” in 2013 by CNBC TV18.

A 37-year IT industry veteran, Krishnakumar held several key positions at Wipro before co-founding Mindtree. In 2013, Krishnakumar served as Chairman of the National Association of Software and Services Companies (NASSCOM), where he worked to strengthen the Indian IT industry to build a globally competitive ecosystem. He now serves as the Chairman of Nasscom Foundation.

Social enterprises and Philanthropy are other Key interests of Krishnakumar. He is an active partner of Social Venture Partners- an organization involved in impactful Philanthropy. Along with his wife Akila he runs their Personal foundation "Mela" which is focused on helping high potential rural girls to attain professional qualifications and helping Senior Citizens age gracefully.

Krishnakumar is an active member of the Confederation of Indian Industry (CII). He is also a regular speaker at international IT industry conferences and a faculty member at management schools around the world. He has a bachelor's degree in mechanical engineering from the College of Engineering, Chennai, India, and a master's degree in Business Administration from the Xavier Institute, Jamshedpur, India.

3.2.3 Top 10 Group Companies / Firms of Portfolio Manager as on March 31, 2020

The following are details appearing as per the latest audited financial statements

Sr. No.	Name of Entity	Main Business Area	Total Income for FY 2019-2020 (Rupees in Crores)
1	Kotak Mahindra Bank Ltd.	Commercial Banking	50365.736
2	Kotak Mahindra General Insurance Company Limited	Business of general insurance	33,820.63
3	Kotak Mahindra Life Insurance Company Limited	Life Insurance	10,640.97
4	Kotak Mahindra Prime Ltd.	Car Finance and Other Lending	3,326.61
5	Kotak Securities Limited	Broking, Depository Services, proprietary Management Services, Mobilisation of Deposits and Marketing of Issues	1,690.04
6	Kotak Mahindra Investments Limited	Investments and financing	1,060.46
7	Kotak Mahindra Capital Company Limited	Investment Banking	228.77
8	BSS Microfinance Limited	Non-Banking Finance Company microfinance institution	197.05
9	Kotak Mahindra (UK) Limited	Principal distributor of the funds managed by Kotak Mahindra Asset Management (Singapore) Pte Limited.	139.06
10	Kotak Investment Advisors Limited	Investment Management and Advisory.	119.86

Note: The numbers reported here are as per IGAAP (used for consolidation by Kotak Mahindra Bank) and financials of Indian Subsidiaries of Bank are required to be prepared under IND AS.

Details of conflict of interest related services offered by group companies or associates of the portfolio manager

Each group/associate companies have independent management and transaction, if any are entered into on arm's length basis and all the regulatory requirements pertaining to the same will be adhered.

1. The Portfolio Manager has invested and may invest the funds of the Clients in the units of Schemes of mutual fund of Kotak Mahindra Asset Management Company and other short term products of other group companies.
2. The Portfolio Manager has opened or may open the bank account(s) of the clients in its own name as per the requirement of each investment approach, with Kotak Mahindra Bank Limited and for this purpose the Portfolio Manager may be required to maintain a minimum balance with the Bank. The Portfolio Manager may invest un-invested amounts in Kotak Mahindra Bank Limited as deposits.
3. Kotak Securities Limited has been appointed as a one of the brokers for execution of trades.
4. Kotak Mahindra bank has been appointed as Depository participant.

5. The portfolio manager shall comply with the provisions of the PMS regulations while managing or administering clients' portfolio.

Transactions of purchase and sale of securities by portfolio manager and its employees who are directly involved in investment operations

Employees in Investment operations of PMS operations are "Access" employees as per the policy on prohibition of Insider Trading, adopted by Portfolio manager. There is no conflict of interest with the transactions in any of the client's portfolio since permissions to trade in shares is given in accordance with Restricted trading list applicable to Access employees.

3.2.4 Details of the services being offered:

The Portfolio Manager broadly offers services under the following categories.

- **Discretionary Services**

Under these services, the choice as well as the timings of the investment decisions rest solely with the Portfolio Manager. The Portfolio Manager may at times and at its own discretion, adhere to the views of the Client pertaining to the investment / disinvestment decisions of the Client's Portfolio.

The Portfolio Manager shall have the sole and absolute discretion to invest in respect of the Client's account in any type of security as per the executed agreement and make such changes in the investments and invest some or all of the Client's account in such manner and in such markets at it deems fit. The Client may give informal guidance to customize the portfolio, however the final decision rests with the Portfolio Manager. The securities invested / disinvested by the Portfolio Manager for Clients may differ from Client to Client. The Portfolio Manager's decision (taken in good faith) in deployment of the Client's account is absolute and final and cannot be called in question or be open to review at any time during the currency of the agreement or any time thereafter except on the ground of malafide, fraud, conflict of interest or gross negligence. This right of the Portfolio Manager shall be exercised strictly in accordance with the relevant Acts, Rules, and Regulations, guidelines and notifications in force from time to time.

Under these services, the Clients may authorize the Portfolio Manager to invest their Portfolio funds in specific financial instruments or a mix of specific financial instruments or restrict the Portfolio Manager from investing in specific financial instruments or securities. Periodical statements in respect of Client's Portfolio shall be sent to the respective Client.

- **Non-Discretionary Services**

Under these services, the Client decides their own investments, with the Portfolio Manager, wherein the portfolio manager facilitates only with research/recommendation and execution of transactions. The Portfolio Manager's role would include but not limited to providing research, structuring of client's portfolios, investment advice, and guidance and trade execution at the Client's request. The Portfolio Manager shall execute orders as per the mandate received from Clients. Portfolio manager and client will have an agreed fee structure and for a definite described period, entirely at the Client's risk.

The deployment (investment / disinvestment) of the Client's Funds by the Portfolio Manager on the instructions of the Client is absolute and final and can never be called in question or shall not be open to review at any time during the currency of the Client agreement or at any time thereafter except on the ground of malafide, fraud, conflict of interest or gross negligence. The Portfolio Manager executes the investment instructions and follows up with payments, settlements, custody and other back-office functions. The Portfolio Manager will accept funds from the client and provide the client a comprehensive advisory package designed to help the client in his investment decisions. The rights and obligations of the Portfolio Manager shall be exercised strictly in accordance with the Act, Rules and/or Regulations, guidelines and notifications in force from time to time.

The Portfolio Manager's advise (taken in good faith) in deployment of funds is absolute and final and cannot be called in question or be open to review at any time during the currency of the agreement or any time thereafter except on the ground of malafide fraud, conflict of interest or gross negligence. The rights and obligations of the Portfolio Manager shall be exercised strictly in accordance with the relevant Act, rules and regulations, guidelines and notifications in force from time to time.

The Portfolio manager may identify investment opportunities and showcase the same to the client. The client on the basis of the information and such other checks which he may wish to carry on, could decide to participate in the opportunity. On obtaining his consent the Portfolio manager may process the instruction and execute the deal in the interest of the client. The client is fully aware that the risks and rewards belong to the client and portfolio manager shall not be held responsible for such decisions of the client.

- **Advisory Services**

The Portfolio Manager will provide Advisory Portfolio Management Services, in terms of the Regulations, which shall be in the nature of investment advisory and shall include the responsibility of advising on the investment and disinvestment of individual securities in the client's portfolio, for an agreed fee structure, entirely at the Client's risk.

The Portfolio Manager shall be solely acting as an advisor to the Portfolio of the client and shall not be responsible for the Investment/Disinvestment of Securities and /or administrative activities of the clients Portfolio. The Portfolio Manager shall provide advisory services in accordance with such guidelines and / or directives issued by the regulatory authorities and/or the client from time to time in this regard. It will be the discretion/responsibility of the client whether to execute trades based on the advice of Portfolio Manager.

The advisory services offered to clients may be for investment up to 25% of the assets under management of such clients in unlisted securities, in addition to the securities permitted for discretionary portfolio management.

4. Penalties, pending litigation or proceedings, findings of inspection or investigations for which action may have been taken or initiated by any regulatory authority

1. All cases of penalties imposed by the Board or the directions issued by the Board under the Act or Rules or Regulations made thereunder	None in capacity of Kotak Mahindra Asset Management Company Ltd acting as Portfolio Manager. I. Kotak Mahindra Trustee Company Limited (Trustee Company) had been served a Show Cause Notice on July 26, 2018 vide letter No. EAD/SS-SKS/OW/20656/1/2018 dated July 23, 2018 and letter No. EAD/SS-SKS/OW/20656/2/2018 dated July 23, 2018, respectively, by the Securities and Exchange Board of India (SEBI), mentioning Adjudication proceedings in respect of the possible violation of the following provisions of law: Not putting in place proper systems relating to parking of funds in short-term deposits of schedule commercial banks. Maintaining invalid email IDs of investors. Using previous day's NAV for calculation of cash component in case of redemption in 'cash' for Kotak Gold ETF. Kotak Mahindra Asset Management Company Ltd and Kotak Mahindra Trustee Company Ltd had presented the facts of the each case as reply to the aforesaid show cause notice with a request of personal hearing. Subsequent to Personal hearing, the Adjudicating Officer of SEBI, vide its order no. EAD-2/SS/SK/2018-19/1408-1409 dated October 12, 2018, disposed off the aforesaid show cause notice and stated that the case does not deserve imposition of any monetary penalty. Further in this regard, AMC and Trustee Company have been served a Show Cause Notice no. EFD/DRA4/OW/AS/31206/1/2018 and EFD/DRA4/OW/AS/31206/2/2018 dated November 12 2018, respectively to show cause as to why penalty should not be imposed upon the entities involved under the relevant provisions of SEBI Act, 1992 with reference to the above mentioned alleged violations. AMC and Trustee Company had filed the detailed response to SEBI in this regard.

	Subsequently, SEBI vide its order no. WTM/AB/EFD-1/DRA-4/08/2019-20 dated May 31, 2019, disposed off the show cause notices dated November 12 2018. II. Kotak Mahindra Asset Management Company Limited (AMC) has been served a Show Cause Notice (SCN) by SEBI, vide its letter No. SEBI/HO/IMD/DF2/OW/P/2019/11854/1 dated May 10, 2019, and Supplementary Show Cause Notice vide SEBI's letter No. SEBI/HO/IMD/DF2/OW/P/2019/014772/1 dated June 12, 2019, issued under Section 11(1), 11B and 11B (2) of Securities and Exchange Board of India Act, 1992 read with provisions of SEBI (Mutual Fund) Regulations, 1996, in the matter of Kotak Mahindra Asset Management Co. Ltd. The alleged charge is, that on maturity date of Kotak FMP Series 127 and 183, close ended debt Scheme, investors were not paid full proceeds on the declared NAV due to pending recovery of dues from Essel Group of Companies. The AMC vide its letter dated August 29, 2019, had filed its reply to the aforesaid show cause notice and supplementary show cause notice. A personal hearing on the matter was held on October 16, 2019 before Hon'ble Whole Time Member-SEBI. AMC had also filed its written submission with SEBI post hearing. Order from SEBI is awaited. Further, Kotak Mahindra Trustee Company Limited (Trustee Company) and few officials of Kotak Mahindra Asset Management Company Limited, had been served a Show Cause Notice by SEBI on the aforesaid matter, vide its Letter no. EAD/EAD5/MC/CB/2019/13787/4 dated May 31, 2019 under Rule 4(1) of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995, Section 15I, Section 15D and Section 15HB of Securities and Exchange Board of India Act, 1992 read with provisions of SEBI (Mutual Fund) Regulations, 1996, in the matter of Kotak Mahindra Mutual Fund. The reply of the letter dated May 31, 2019, was filed with SEBI by Trustees on October14, 2019, and by required officials of AMC on October 23, 2019. The Hearing for letter dated May 31, 2019 was held on

	November 19, 2019 before Adjudicating Officer of SEBI. Order from SEBI is awaited in this regard. In early September 2019, part payment of the pending dues, was also paid to all unitholders of the respective Scheme. On September 25, 2019, balance payment along with accrued interest was paid off to the unitholders of the respective Scheme. III. Kotak Mahindra Asset Management Company Limited (AMC) has been served a Show Cause Notice (SCN) by SEBI, vide its letter No. SEBI/HO/IMD/DF2/OW/P/2020/13217/1 dated August 13, 2020, issued under Section 11(1), 11B and 11B(2) of Securities and Exchange Board of India Act, 1992 read rule 4 (1) of the SEBI (Procedure for holding Inquiry and imposing Penalties) Rules, 1995 for inquiry and imposing penalty under sections 15D (b) and 15 HB of the act read with provisions of the SEBI (Mutual Fund) Regulations, 1996, in the matter of Kotak Mahindra Asset Management Co. Ltd. Further in this regard, AMC Employees and Trustee Company have been served a Show Cause Notice no. EAD/EAD6/BJD/AB/2020/16954/1 dated October 12, 2020, under Section 11(1), 11B and 11B(2) of Securities and Exchange Board of India Act, 1992 read rule 4 (1) of the SEBI (Procedure for holding Inquiry and imposing Penalties) Rules, 1995 for inquiry and imposing penalty under sections 15D (b) and 15 HB of the act read with provisions of the SEBI (Mutual Fund) Regulations, 1996. The alleged charge is, that on maturity date of Kotak FMP Series 187, 189, 193 and 194 close ended debt Scheme, investors were not paid full proceeds on the declared NAV due to pending recovery of dues from Essel Group of Companies. The gist of the charges in the SCN and the Supplementary SCN issued to the AMC is the following: a. Investments in debt securities without rendering high standards of service, not exercising due diligence and not ensuring proper care b. Investments in debt securities without research report and analyzing various Factors` c. Non-Disclosure of information having adverse bearing on the investments of the investors d. Maturity date of the ZCNCDs of Issuers exceeded the maturity date of the Scheme e. Partial redemption of FMPs at the end of their maturity periods and the FMPs not being wound up at the end of their maturities

	f. creation of segregated portfolio without a provision of the same being provided in the SIDs g. Valuation of assets of mutual fund Scheme should have been on the basis of principles of fair value and not amortization. h. Reply to the Show Cause notice dated August 13, 2020 was filed with SEBI on December 17, 2020. i. Reply to the Show Cause notice dated October 12, 2020 was filed with SEBI on February 8, 2021. j. Reply to the Show Cause notice dated October 12, 2020 on behalf of few AMC Employees was filed with SEBI on March 22, 2021. k. The Hearing for show cause notice dated August 13, 2020 was held on April 16, 2021 before whole time members of SEBI. l. Reply to queries raised by SEBI after personal hearing dated April 16, 2021 for show cause notice dated August 13, 2020 was filed with SEBI on May 28, 2021.
2. The nature of the penalty/direction.	None (except as disclosed in point1)
3. Penalties/fines imposed for any economic offence and/ or for violation of any securities laws.	None
4. Any pending material litigation/legal proceedings against the portfolio manager / key personnel with separate disclosure regarding pending criminal cases, if any.	None
5. Any deficiency in the systems and operations of the portfolio manager observed by the Board or any regulatory agency.	None
6. Any enquiry/ adjudication proceedings initiated by the Board against the portfolio manager or its directors, principal officer or employee or any person directly or indirectly connected with the portfolio manager or its directors, principal officer or employee, under the Act or Rules or Regulations made thereunder.	None

5. Services offered.

5.1 Portfolio Investment Approach Specific Details – Discretionary Services

The Portfolio Manager offers Discretionary Portfolio Management Services, as per Agreement executed with each Client.

Kotak AMC in its capacity as Discretionary Portfolio Manager manages the funds of each client in accordance with the needs and investment objective of the client. Accordingly, various portfolio investment approach may be advised to the clients, which will limit the discretion of the portfolio manager over the portfolio, based on the portfolio investment approach opted by the client. The Client, based on his/her understanding of the portfolio investment approach and the clarifications/explanations offered by the portfolio manager, may give informal guidance to customize the portfolio, which may be different than the portfolio investment approach mentioned below. Portfolio Manager endeavors to customize the portfolio of client to the extent practicable within the broad framework of the portfolio investment approach opted by the client; however, the final decision with respect to shaping of the portfolio for the client rests with the Portfolio Manager. Under the broad principles of portfolio investment approach given below, the Portfolio Manager may form sub investment approach.

Following are the detailed Investment approach:

1. Special Situations Value Investment Approach - Series I

Name of Investment approach	Special Situations Value Investment Approach - Series I
Investment Objective	The main objective of the Investment approach is to generate capital appreciation through investments in equities with a medium to long-term perspective.
Description of types of securities eg., equity or debt, listed or unlisted, convertible instruments, etc.	Listed Equity
Basis of selection of such types of securities as part of the investment approach	The portfolio shall essentially target to invest in Value Opportunities and Special Situations in individual stocks and related instruments. Value Opportunities are ones, where in the opinion of the fund manager, the company's Intrinsic Value is 'X', while the stock is trading at a discount to X. Special Situations are dependent on the probability of occurrence of one or more corporate events, rather than market events. These situations can largely be classified as follows: a) Price arbitrage: In such situations securities are bought at a discount to the price, which is/ maybe guaranteed by any institution. These situations can arise in the form of buybacks, delisting, etc. b) Merger arbitrage: In such arbitrage, shares of a company can be created at a discount to the current market price. c) Corporate restructuring: Such arbitrage is a consequence of specific corporate action in the form of spin offs, asset sales, management

	change, etc. leading to either value unlocking or cash payouts to investors.
Allocation of portfolio across types of securities	The portfolio would be diversified across such opportunities and corporate situations. The portfolio will be a mix of small, medium and large capitalization companies. The portfolio Investment approach shall also evaluate any other special situations other than the ones stated herewith.
Appropriate benchmark to compare performance and basis for choice of benchmark	India Value Index
Indicative tenure or investment horizon	Open Ended, minimum investment of 3 years
Risk associated with the investment approach	Risk related to Equity and Equity related Securities, High Risk
Other salient features, if any	
Risks	Kotak SSV Investment approach may invest substantially in equity and equity related securities. The level of concentration of sectors and stocks in this Investment approach is likely to be higher than a well-diversified equity strategy/fund. The risks associated with such an Investment approach, are likely to be higher than in a well-diversified equity investment/fund. As the Investment approach will be invested in a limited number of stocks, the movement of the corpus may be more volatile than in the case of a diversified equity Investment approach/fund. Since the Investment approach follows a concentrated stock Investment approach, in case the chosen Stock does not perform, it could adversely impact the returns of the Investment approach. The value of the portfolio's investments may be affected by factors affecting the securities market such as price and volume volatility in the capital markets, interest rates, currency exchange rates, changes in law/policies of the Government, taxation laws and political, economic or other developments which may have an adverse bearing on individual securities, a specific sector or all sectors. Consequently, the value of investments may be affected. Equity securities and equity related securities are volatile and prone to price fluctuations on a daily basis. The liquidity of investments made in the portfolio may be restricted by trading volumes and settlement periods. Settlement periods may be extended significantly by unforeseen circumstances. The inability of the portfolio to make intended securities purchases due to settlement problems could cause the Portfolio to miss certain investment opportunities. Similarly, the inability to sell securities held in the Investment approach's portfolio may result, at times, in potential losses to the Investment approach, should there be a subsequent decline in the value of securities held in the Investment approach's portfolio. Investments in equity and equity related securities involve a degree of risk and investors should not invest in the Investment approach unless they can afford to take the risk of losing their investment.

2. Special Situations Value Investment Approach - Series II

Name of Investment approach	Special Situations Value Investment Approach - Series II
Investment Objective	The main objective of the Investment approach is to generate capital appreciation through investments in equities with a medium to long-term perspective.
Description of types of securities eg., equity or debt, listed or unlisted, convertible instruments, etc.	Listed Equity
Basis of selection of such types of securities as part of the investment approach	The portfolio shall essentially target to invest in Value Opportunities and Special Situations in individual stocks and related instruments. Value Opportunities are ones, where in the opinion of the fund manager, the company's Intrinsic Value is 'X', while the stock is trading at a discount to X. Special Situations are dependent on the probability of occurrence of one or more corporate events, rather than market events. These situations can largely be classified as follows: a) Price arbitrage: In such situations securities are bought at a discount to the price, which is/ maybe guaranteed by any institution. These situations can arise in the form of buybacks, delisting, etc. b) Merger arbitrage: In such arbitrage, shares of a company can be created at a discount to the current market price. c) Corporate restructuring: Such arbitrage is a consequence of specific corporate action in the form of spin offs, asset sales, management change, etc. leading to either value unlocking or cash payouts to investors
Allocation of portfolio across types of securities	The portfolio would be diversified across such opportunities and corporate situations. The portfolio will be a mix of small, medium and large capitalization companies. The portfolio Investment approach shall also evaluate any other special situations other than the ones stated herewith.
Appropriate benchmark to compare performance and basis for choice of benchmark	India Value Index
Indicative tenure or investment horizon	Open Ended, minimum investment of 3 years
Risk associated with the investment approach	Risk related to Equity and Equity related Securities, High Risk
Other salient features, if any	
Risks	Kotak SSV Investment approach may invest substantially in equity and equity related securities. The level of concentration of sectors and stocks in this Investment approach is likely to be higher than a well-diversified equity strategy/fund. The risks associated with such a Investment approach, are likely to be higher than in a well-diversified equity investment/fund. As the Investment approach will be invested in a limited number of stocks, the

	movement of the corpus may be more volatile than in the case of a diversified equity Investment approach/fund. Since the Investment approach follows a concentrated stock Investment approach, in case the chosen Stock does not perform, it could adversely impact the returns of the Investment approach. The value of the portfolio's investments may be affected by factors affecting the securities market such as price and volume volatility in the capital markets, interest rates, currency exchange rates, changes in law/policies of the Government, taxation laws and political, economic or other developments which may have an adverse bearing on individual securities, a specific sector or all sectors. Consequently, the value of investments may be affected. Equity securities and equity related securities are volatile and prone to price fluctuations on a daily basis. The liquidity of investments made in the portfolio may be restricted by trading volumes and settlement periods. Settlement periods may be extended significantly by unforeseen circumstances. The inability of the portfolio to make intended securities purchases due to settlement problems could cause the Portfolio to miss certain investment opportunities. Similarly, the inability to sell securities held in the Investment approach's portfolio may result, at times, in potential losses to the Investment approach, should there be a subsequent decline in the value of securities held in the Investment approach's portfolio. Investments in equity and equity related securities involve a degree of risk and investors should not invest in the Investment approach unless they can afford to take the risk of losing their investment.

3. Special Situations Value Investment approach - Customised

Name of Investment approach	Special Situations Value Investment approach - Customised
Investment Objective	The main objective of the Investment approach is to generate capital appreciation through investments in equities with a medium to long-term perspective.
Description of types of securities eg., equity or debt, listed or unlisted, convertible instruments, etc.	Listed Equity
Basis of selection of such types of securities as part of the investment approach	The portfolio shall essentially target to invest in Value Opportunities and Special Situations in individual stocks and related instruments. Value Opportunities are ones, where in the opinion of the fund manager, the company's Intrinsic Value is 'X', while the stock is trading at a discount to X. Special Situations are dependent on the probability of occurrence of one or more corporate events, rather than market events. These situations can largely be classified as follows: a) Price arbitrage: In such situations securities are bought at a discount to the price, which is/ maybe guaranteed by any institution. These situations can arise in the form of buybacks, delisting, etc.

	b) Merger arbitrage: In such arbitrage, shares of a company can be created at a discount to the current market price. c) Corporate restructuring: Such arbitrage is a consequence of specific corporate action in the form of spin offs, asset sales, management change, etc. leading to either value unlocking or cash payouts to investors.
Allocation of portfolio across types of securities	The portfolio would be diversified across such opportunities and corporate situations. The portfolio will be a mix of small, medium and large capitalization companies. The portfolio Investment approach shall also evaluate any other special situations other than the ones stated herewith.
Appropriate benchmark to compare performance and basis for choice of benchmark	India Value Index
Indicative tenure or investment horizon	Open Ended, minimum investment of 3 years
Risk associated with the investment approach	Risk related to Equity and Equity related Securities, High Risk
Other salient features, if any	These will be customised portfolios
Risks	Kotak SSV Investment approach may invest substantially in equity and equity related securities. The level of concentration of sectors and stocks in this Investment approach is likely to be higher than a well-diversified equity strategy/fund. The risks associated with such a Investment approach, are likely to be higher than in a well-diversified equity investment/fund. As the Investment approach will be invested in a limited number of stocks, the movement of the corpus may be more volatile than in the case of a diversified equity Investment approach/fund. Since the Investment approach follows a concentrated stock Investment approach, in case the chosen Stock does not perform, it could adversely impact the returns of the Investment approach. The value of the portfolio's investments may be affected by factors affecting the securities market such as price and volume volatility in the capital markets, interest rates, currency exchange rates, changes in law/policies of the Government, taxation laws and political, economic or other developments which may have an adverse bearing on individual securities, a specific sector or all sectors. Consequently, the value of investments may be affected. Equity securities and equity related securities are volatile and prone to price fluctuations on a daily basis. The liquidity of investments made in the portfolio may be restricted by trading volumes and settlement periods. Settlement periods may be extended significantly by unforeseen circumstances. The inability of the portfolio to make intended securities purchases due to settlement problems could cause the Portfolio to miss certain investment opportunities. Similarly, the inability to sell securities held in the Investment approach's portfolio may result, at times, in potential losses to the Investment approach, should there be a subsequent decline in the value of securities held in the Investment approach's portfolio. Investments in equity and equity related securities involve a degree of risk and investors should not invest in the Investment approach unless they can afford to take the risk of losing their investment.

4. Small and Mid-Cap Equity Investment Approach

Name of Investment approach	Small and Mid-Cap Equity Investment Approach
Investment Objective	The main objective of our Investment approach is to generate capital appreciation through investments in equities with a medium to long-term perspective.
Description of types of securities eg., equity or debt, listed or unlisted, convertible instruments, etc.	Listed Equity
Basis of selection of such types of securities as part of the investment approach	The portfolio shall follow a stock-specific approach with a medium to long term perspective. The portfolio shall invest across sectors with a bias to invest in companies backed by able managements with sound fundamentals and strong future potential. The portfolio may also include stocks which have exhibited market leadership in their respective product lines. The portfolio investments shall be based on in-depth understanding of the underlying business.
Allocation of portfolio across types of securities	The Investment approach will invest in all listed equity and equity related instruments with emphasis on capturing absolute returns by investing in 10-25 stocks in the small and midcap category as defined by SEBI. The portfolio shall have the flexibility to also invest up to 25% of portfolio value in largecap stocks.
Appropriate benchmark to compare performance and basis for choice of benchmark	Nifty Small Cap 100
Indicative tenure or investment horizon	Open Ended, minimum investment of 3 years
Risk associated with the investment approach	Risk related to Equity and Equity related Securities, High Risk
Other salient features, if any	
Risks	The portfolio of Kotak Small & Mid cap Investment approach will comprise predominantly of equity and equity related securities and there could be Moderate to High risk on account of Price Fluctuations and volatility. The ability of the mid & small cap companies to withstand the change in the business cycle is limited, which may also lead to higher volatility in stock prices. Mid and small cap companies may lack depth of management, be unable to generate funds necessary for growth or development, or be developing or marketing new products or services for which the markets are not well established and may never become established. They could also suffer from disadvantages such as suboptimal technologies, lack of bargaining power with suppliers, low entry barriers, inadequate transparency & corporate governance, limited resilience to withstand shocks of business / economic cycles etc. Since the liquidity in the stocks of mid & small cap companies is relatively lower than the stocks of large companies, the liquidity risk is also expected to be relatively higher.

5. FinTech Investment Approach

Name of Investment approach	FinTech Investment Approach
Investment Objective	The main objective of our Investment approach is to generate capital appreciation through investments in equities with a medium to long-term perspective.
Description of types of securities eg., equity or debt, listed or unlisted, convertible instruments, etc.	Listed Equity
Basis of selection of such types of securities as part of the investment approach	The portfolio shall predominantly invest in Banking and Financial Services (BFSI) and Information technology (IT) Sector related securities. Our philosophy in this portfolio will be to identify mispriced opportunities in the BFSI and IT space. We would look to identify companies which trade at a discount to their intrinsic value or could suprise on growth. Our endeavor will be to understand reasons for discount to intrinsic value and triggers for value unlocking.
Allocation of portfolio across types of securities	The portfolio would be diversified, with a mix of small, medium and large cap companies.
Appropriate benchmark to compare performance and basis for choice of benchmark	India FinTech Index
Indicative tenure or investment horizon	Open Ended, minimum investment of 3 years
Risk associated with the investment approach	Risk related to Equity and Equity related Securities, Moderate Risk
Other salient features, if any	
Risks	Kotak Fintech Investment approach may invest substantially in equity and equity related securities related to BFSI and IT sectors. The level of concentration of sectors and stocks in this Investment approach is likely to be higher than a well-diversified equity strategy/fund. The risks associated with such an Investment approach, are likely to be higher than in a well-diversified equity investment/fund. As the Investment approach will be invested in a limited number of stocks, the movement of the corpus may be more volatile than in the case of a diversified equity Investment approach/fund. Since the Investment approach follows a concentrated stock Investment approach, in case the chosen Stock does not perform, it could adversely impact the returns of the Investment approach. The value of the portfolio's investments may be affected by factors affecting the securities market such as price and volume volatility in the capital markets, interest rates, currency exchange rates, changes in law/policies of the Government, taxation laws and political, economic or other developments which may have an adverse bearing on individual securities, a specific sector or all sectors. Consequently, the value of investments may be affected. Equity securities and equity related securities are volatile and prone to price fluctuations on a daily basis. The liquidity of investments made in the portfolio may be restricted by trading volumes and

	settlement periods. Settlement periods may be extended significantly by unforeseen circumstances. The inability of the portfolio to make intended securities purchases due to settlement problems could cause the Portfolio to miss certain investment opportunities. Similarly, the inability to sell securities held in the Investment approach's portfolio may result, at times, in potential losses to the Investment approach, should there be a subsequent decline in the value of securities held in the Investment approach's portfolio. Investments in equity and equity related securities involve a degree of risk and investors should not invest in the Investment approach unless they can afford to take the risk of losing their investment.

6. Pharma & Healthcare Investment approach

Name of Investment approach	Pharma & Healthcare Investment approach
Investment Objective	The main objective of the Investment approach is to generate capital appreciation through investments in equities with a medium to long-term perspective.
Description of types of securities eg., equity or debt, listed or unlisted, convertible instruments, etc.	Listed Equity
Basis of selection of such types of securities as part of the investment approach	The Investment approach will invest in all equity and equity related instruments with emphasis on capturing available opportunities in Pharma and Health care related stocks
Allocation of portfolio across types of securities	The portfolio would be diversified, with a mix of small, medium and large cap companies.
Appropriate benchmark to compare performance and basis for choice of benchmark	Nifty Pharma
Indicative tenure or investment horizon	Open Ended, minimum investment of 3 years
Risk associated with the investment approach	Risk related to Equity and Equity related Securities, Moderate Risk
Other salient features, if any	
Risks	Kotak Pharma & Healthcare Investment approach may invest substantially in equity and equity related securities from the Pharma & healthcare Sector. The level of concentration of sectors and stocks in this Investment approach is likely to be higher than a well-diversified equity strategy/fund. The risks associated with such an Investment approach, are likely to be higher than in a well-diversified equity investment/fund. As the Investment approach will be invested in a limited number of stocks, the movement of the corpus may be more volatile than in the case of a diversified equity Investment approach/fund. Since the Investment approach follows a concentrated stock Investment approach, in case the chosen Stock does not perform, it could adversely impact the returns of the Investment approach. The value of the portfolio's investments may be affected by factors affecting the securities market such as price and volume volatility in the capital markets, interest rates,

	currency exchange rates, changes in law/policies of the Government, taxation laws and political, economic or other developments which may have an adverse bearing on individual securities, a specific sector or all sectors. Consequently, the value of investments may be affected. Equity securities and equity related securities are volatile and prone to price fluctuations on a daily basis. The liquidity of investments made in the portfolio may be restricted by trading volumes and settlement periods. Settlement periods may be extended significantly by unforeseen circumstances. The inability of the portfolio to make intended securities purchases due to settlement problems could cause the Portfolio to miss certain investment opportunities. Similarly, the inability to sell securities held in the Investment approach's portfolio may result, at times, in potential losses to the Investment approach, should there be a subsequent decline in the value of securities held in the Investment approach's portfolio. Investments in equity and equity related securities involve a degree of risk and investors should not invest in the Investment approach unless they can afford to take the risk of losing their investment.

7. Focus Top 12 Investment Approach

Name of Investment approach	Focus Top 12 Investment Approach
Investment Objective	The main objective of the Investment approach us to generate capital appreciation through investment in Equity and Equity related instruments with a medium to long term perspective.
Description of types of securities eg., equity or debt, listed or unlisted, convertible instruments, etc.	Listed Equity
Basis of selection of such types of securities as part of the investment approach	The approach will look to invest in all listed equity and equity related instruments with emphasis on capturing available opportunities having expanding Return on Equity Dynamics and available at reasonable valuations. Portfolio Manager will be looking at stocks on predominantly three Operating Value Metrics: • Sales Growth Acceleration; • Operating Margin Expansion and • Lower Incremental Investment Rate.
Allocation of portfolio across types of securities	12 Stocks
Appropriate benchmark to compare performance and basis for choice of benchmark	NIFTY 500
Indicative tenure or investment horizon	Open Ended, minimum investment of 3 years
Risk associated with the investment approach	Risk related to Equity and Equity related Securities, Moderate Risk
Other salient features, if any	

Risks	The portfolio of Kotak Focus Top 12 Investment approach will comprise predominantly of Large Cap & Mid Cap equity and equity related securities and there could be Moderate to High risk on account of Price Fluctuations and volatility. The ability of the mid cap companies to withstand the change in the business cycle is limited as compared to Large Caps, which may also lead to higher volatility in stock prices. Mid cap companies may lack depth of management, be unable to generate funds necessary for growth or development, or be developing or marketing new products or services for which the markets are not well established and may never become established. They could also suffer from disadvantages such as suboptimal technologies, lack of bargaining power with suppliers, low entry barriers, inadequate transparency & corporate governance, limited resilience to withstand shocks of business / economic cycles etc. Since the liquidity in the stocks of mid cap companies is relatively lower than the stocks of large companies, the liquidity risk is also expected to be relatively higher. However, the Large Cap companies reduces the overall volatility and liquidity risk of the portfolio.

8. India New Age Investment Approach

Name of Investment approach	India New Age Investment Approach
Investment Objective	The main objective of the Investment approach is to generate capital appreciation through investments primarily in Mutual Fund registered with SEBI with a medium to long-term perspective.
Description of types of securities eg., equity or debt, listed or unlisted, convertible instruments, etc.	Mutual Funds registered with SEBI including the schemes of Kotak Mahindra Mutual Fund
Basis of selection of such types of securities as part of the investment approach	Though not limited to, but they could be a combination of large cap, mid cap and small cap funds as well as funds with themes like Infrastructure or flexible Investment approach funds. The ratio of investments amongst the category may change over a period of time.
Allocation of portfolio across types of securities	Investments can also be made in equities and fixed income asset class. Investments in fixed income asset class will be in case of pending deployment of funds or for short term parking till the time appropriate opportunities are available in the market. However, if the client gives a written confirmation mandating allocation to fixed income asset class, the portfolio manager will recommend active debt mutual fund schemes, with possibly a long term investment horizon.
Appropriate benchmark to compare performance and basis for choice of benchmark	Nifty 50
Indicative tenure or investment horizon	Open Ended, minimum investment of 3 years
Risk associated with the investment approach	Risk related to Equity and Equity related Securities, suitable for investors with aggressive risk appetite.
Other salient features, if any	

Risks	The portfolio performance is subject to market risks and may lead to loss of capital during the tenor of the portfolio. Investors with ability to take such risk shall be suitable for the portfolio Investment approach. Investments in mutual funds are subject to market risk and there is no assurance or guarantee of the objectives of the Portfolio Investment approach being achieved. The investment returns from the portfolio Investment approach may be a function of mutual fund scheme selection and portfolio actions as well as market conditions during the investment tenor of the portfolio Investment approach. Past performance does not indicate the future performance of the Investment approach. Investors must keep in mind that the aforementioned statements/presentation cannot disclose all the risks and characteristics. The investors are requested to take into consideration all the risk factors including their financial condition, suitability to risk return profile and the like and take professional advice before investing. Since this is intended to be a concentrated portfolio there could be situations that the scheme may not match the underlying benchmark. The investors should note that the risk factors of the underlying mutual fund schemes where the portfolio manager will invest shall be applicable.

9. Covid Recovery Investment approach

Name of Investment approach	Covid Recovery Investment approach
Investment Objective	The key objective of the Investment approach is to generate capital appreciation by investing in sectors and stocks which are likely to benefit from post-Covid recovery in business.
Description of types of securities eg., equity or debt, listed or unlisted, convertible instruments, etc.	Listed Equity
Basis of selection of such types of securities as part of the investment approach	Invest in sectors and stocks which play on recovery post Covid
Allocation of portfolio across types of securities	The portfolio would be diversified, with a mix of small, medium and large cap companies.
Appropriate benchmark to compare performance and basis for choice of benchmark	The performance of the portfolio will be benchmarked against suitable benchmark indices based on the portfolio Investment approach/composition.
Indicative tenure or investment horizon	Open Ended, minimum investment of 3 years
Risk associated with the investment approach	Risk related to Equity and Equity related Securities, High Risk
Other salient features, if any	
Risks	Investment approach may invest substantially in equity and equity related securities. The level of concentration of sectors and stocks in this Investment approach is likely to be higher than a well-diversified equity strategy/fund. The risks associated with such an Investment approach, are likely to be higher than in a well-diversified equity investment/fund. As the Investment approach

	will be invested in a limited number of stocks, the movement of the corpus may be more volatile than in the case of a diversified equity Investment approach/fund. Since the Investment approach follows a concentrated stock Investment approach, in case the chosen Stock does not perform, it could adversely impact the returns of the Investment approach. The value of the portfolio's investments may be affected by factors affecting the securities market such as price and volume volatility in the capital markets, interest rates, currency exchange rates, changes in law/policies of the Government, taxation laws and political, economic or other developments which may have an adverse bearing on individual securities, a specific sector or all sectors. Consequently, the value of investments may be affected. Equity securities and equity related securities are volatile and prone to price fluctuations on a daily basis. The liquidity of investments made in the portfolio may be restricted by trading volumes and settlement periods. Settlement periods may be extended significantly by unforeseen circumstances. The inability of the portfolio to make intended securities purchases due to settlement problems could cause the Portfolio to miss certain investment opportunities. Similarly, the inability to sell securities held in the Investment approach's portfolio may result, at times, in potential losses to the Investment approach, should there be a subsequent decline in the value of securities held in the Investment approach's portfolio. Investments in equity and equity related securities involve a degree of risk and investors should not invest in the Investment approach unless they can afford to take the risk of losing their investment. Also in case of a 2nd wave of covid, or covid relapses, the recovery cycle could increase and lead to longer period.

10. Factor Based Quantitative PMS Investment approach

Name of Investment approach	Factor Based Quantitative PMS Investment approach
Investment Objective	The main objective of the Investment approach is to generate capital appreciation through investments in equities with a quantitative investment approach with minimal dependence on qualitative / subjective factors.
Description of types of securities eg., equity or debt, listed or unlisted, convertible instruments, etc.	Investments will be generally in listed equity stocks. Some corpus may be deployed in liquid, overnight or money market mutual fund schemes of Kotak Mutual Fund or money market instruments to manage liquidity.
Basis of selection of such types of securities as part of the investment approach	This is a systematic rules based methodology where a portfolio of around 25 stocks is chosen from a universe of 125 large and midcap companies. • The universe of 125 companies is chosen from top 200 stocks by market capitalisation based on liquidity, business fundamentals, and quality of management & valuation of the business. • The strategy uses a four factor model comprising momentum, sentiment, volatility and fundamentals. • Scores are generated for each stock based on a set of rules which define each of the above 4 factors.

	• The portfolio is then constructed with the top 25 stocks ranked on the basis of average of the 4 individual factor scores.
Allocation of portfolio across types of securities	The portfolio shall have large and mid-cap companies. The sector selection will vary on a monthly basis depending on the scoring of individual stocks.
Appropriate benchmark to compare performance and basis for choice of benchmark	Nifty 200
Indicative tenure or investment horizon	Open Ended, minimum investment of 3 years
Risk associated with the investment approach	Risk related to Equity and Equity related Securities, High Risk
Other salient features, if any	
Risks	• The level of concentration in certain sectors and the sectoral weights / stock weights of the portfolio can be materially different from the benchmark. • The portfolio would involve a higher degree of churn compared to typical long only buy & hold portfolios – this is an essential component of the strategy. However, this could result in a higher trading cost.

11. Equity Portfolio Investment approach

Name of Investment approach	Equity Portfolio Investment approach
Investment Objective	The investment objective of the portfolio is to generate capital appreciation through investments in equities and equity related instruments with a medium to long-term perspective.
Description of types of securities eg., equity or debt, listed or unlisted, convertible instruments, etc.	Listed Equity, Mutual Funds registered with SEBI including the schemes of Kotak Mahindra Mutual Fund
Basis of selection of such types of securities as part of the investment approach	The portfolio manager could use various sub strategies to give optimal returns to the investor. The Portfolio Manager may invest in futures and options to hedge, to generate returns, or to balance the portfolio, the quantum of exposure to derivatives value will not normally exceed 50% of the portfolio invested by the Client. The portfolio of each client may differ from that of the other client in the same portfolio Investment approach, as per the discretion of the Portfolio Manager. The Client may give informal guidance to customize the portfolio Investment approach; however the final decision rests with the Portfolio Manager. The un-invested amounts in all the above investment strategy may be deployed in liquid fund schemes, debt oriented schemes of mutual funds, Gilt schemes, bank accounts and other short-term avenues for investment. The securities invested / disinvested by the Portfolio Manager for clients in the same portfolio Investment approach may differ from client to client.

Allocation of portfolio across types of securities	The portfolio would invest in all equity and equity related instruments of companies across small, medium and large capitalization companies based on the portfolio Investment approach. The investments may pertain to any sector either in the private or public state domain.
Appropriate benchmark to compare performance and basis for choice of benchmark	The performance of the portfolio will be benchmarked against suitable benchmark indices based on the portfolio Investment approach/composition.
Indicative tenure or investment horizon	Open Ended, minimum investment of 3 years
Risk associated with the investment approach	Risk related to Equity and Equity related Securities, High Risk
Other salient features, if any	
Risks	Investment approach may invest substantially in equity and equity related securities. The level of concentration of sectors and stocks in this Investment approach is likely to be higher than a well-diversified equity strategy/fund. The risks associated with such a Investment approach, are likely to be higher than in a well-diversified equity investment/fund. As the Investment approach will be invested in a limited number of stocks, the movement of the corpus may be more volatile than in the case of a diversified equity Investment approach/fund. Since the Investment approach follows a concentrated stock Investment approach, in case the chosen Stock does not perform, it could adversely impact the returns of the Investment approach. The value of the portfolio's investments may be affected by factors affecting the securities market such as price and volume volatility in the capital markets, interest rates, currency exchange rates, changes in law/policies of the Government, taxation laws and political, economic or other developments which may have an adverse bearing on individual securities, a specific sector or all sectors. Consequently, the value of investments may be affected. Equity securities and equity related securities are volatile and prone to price fluctuations on a daily basis. The liquidity of investments made in the portfolio may be restricted by trading volumes and settlement periods. Settlement periods may be extended significantly by unforeseen circumstances. The inability of the portfolio to make intended securities purchases due to settlement problems could cause the Portfolio to miss certain investment opportunities. Similarly, the inability to sell securities held in the Investment approach's portfolio may result, at times, in potential losses to the Investment approach, should there be a subsequent decline in the value of securities held in the Investment approach's portfolio. Investments in equity and equity related securities involve a degree of risk and investors should not invest in the Investment approach unless they can afford to take the risk of losing their investment. Also in case of a 2nd wave of covid, or covid relapses, the recovery cycle could increase and lead to longer period.
Note: Currently there are no investors in Equity Portfolio Investment approach	

5.2 Minimum Investment Amount

The Client shall deposit with the Portfolio Manager, an initial corpus consisting of Securities and /or funds of an amount prescribed by Portfolio Manager for a Portfolio, subject to minimum amount as specified under SEBI Regulations, as amended from time to time. The portfolio manager shall not accept from the client, funds or securities worth less than fifty lakh rupees, Provided that the minimum investment amount per client shall be applicable for new clients and fresh investments by existing clients.

5.3 Policy for investment in Associates/ Group Companies of the Portfolio Manager

Portfolio Manager will, before investing / advising in the securities of its associate / group companies, evaluate such investments, the criteria for the evaluation being the same as is applied to other similar investments to be made under the Client's Portfolio. The investment in associate / group companies at time of investments may be up to 100% of Client's Portfolio. The investment in securities of the associate / group companies under any type of portfolio management services could also include unlisted securities and in the schemes of Kotak Mahindra Mutual Fund which would be within the overall framework of Regulations and in terms of PMS Agreement executed with the Client.

6. Risk factors

6.1.1 Investments in securities are subject to market risks which include price fluctuation risks. The extent of market risk can change dynamically from time to time. There is no assurance or guarantee that the objectives of investments will be achieved. The investments may not be suited to all categories of investors. The principal value of portfolio invested by the investor may be subject to risk during the tenor of the investment as well as at the end of the portfolio tenor. The portfolio manager may/may not be able to protect the portfolio from market risk. The liquidity risk of the portfolio shall be subject to market conditions. Also the market is subject to wild volatility which may be beyond portfolio manager's control and investment decisions on account of that could lead to potential losses for the clients.

6.2 The past performance of the Portfolio Manager does not indicate its future performance There is no assurance that past performances will be repeated. Investors are not being offered any guaranteed or indicative returns by the Portfolio Manager.

6.3 The names of the portfolio investment approach do not in any manner indicate their prospects or returns. The performance in the equity portfolio investment approach may be adversely affected by the performance of individual companies, changes in the market place and industry specific and macro-economic factors.

6.4 Equity and Equity related instruments on account of its volatile nature are subject to price fluctuations on daily basis. The volatility in the value of the equity and equity related instruments is due to various micro and macro-economic factors affecting the securities markets. This may have adverse impact on individual securities /sector and consequently on the portfolio value of investment Product/. Trading volumes, settlement periods and transfer procedures may restrict the liquidity of the Investments.

6.5 The inability of the Portfolio Manager to make intended securities purchases due to settlement problems could cause the Product to miss certain investment opportunities as in certain cases, settlement periods may be extended significantly by unforeseen circumstances. Similarly, the inability to sell securities held in the portfolio may result, at times, in potential losses to the

Product/Option, should there be a subsequent decline in the value of the securities held in the portfolio of Product.

6.6 Portfolio's investment in unlisted securities could increase the risk of the portfolio as these unlisted securities are inherently illiquid in nature and carry larger liquidity risk as compared to the listed securities or those that offer other exit options to the investors.

6.7 The debt investments and other fixed income securities may be subject to Interest rate risk, liquidity risk, credit risk, and reinvestment risk. Liquidity in these investments may be affected by trading volumes, settlement periods and transfer procedures.

6.8 In the case of stock lending, risks relate to the defaults from counterparties with regard to securities lent and the corporate benefits accruing thereon, inadequacy of the collateral and settlement risks. The Portfolio Manager is not responsible or liable for any loss resulting from the operations of the portfolio investment approach.

6.9 Investors are not being offered any guaranteed or assured return/s i.e. either of principal or appreciation on the portfolio.

6.10 The liquidity of the Portfolio's investments is inherently restricted by trading volumes in the securities in which it invests.

6.11 The Portfolio Manager may, considering the overall level of risk of the portfolio, invest in lower rated/unrated securities offering higher yield. This may increase the risk of the portfolio. Such investments shall be subject to the scope of investments as laid down in the Agreement.

6.12 Clients may note that Portfolio Manager's investment decisions may not be always profitable, as actual market movements may be at variance with anticipated trends.

6.13 The Portfolio Manager may, subject to authorization by the Client in writing, participate in securities lending. The Portfolio Manager may not be able to sell/lend out securities, which can lead to temporary illiquidity.

6.14 Investments in the portfolio shall be at the full discretion of the Portfolio Manager and the investor shall not be able to influence the decisions of the Portfolio manager. The portfolio may be at risk of portfolio investment approach/investment decisions or asset allocation undertaken by the Portfolio Manager not delivering results in line with the portfolio objective.

Risks associated with Equity and Equity Related Securities:

Equity and Equity Related Securities by nature are volatile and prone to price fluctuations on a daily basis due to macro and micro economic factors. The value of Equity and Equity Related Securities may fluctuate due to factors affecting the securities markets such as volume and volatility in the capital markets, interest rates, currency exchange rates, changes in law/policies of the Government, taxation laws, political, economic or other developments, which may have an adverse impact on individual securities, a specific sector or all sectors. Consequently, the Value of the Client Portfolio may be adversely affected.

Further, the Equity and Equity Related Securities are risk capital and are subordinate in the right of payment to other securities, including debt securities.

Equity and Equity Related Securities listed on the stock exchange carry lower liquidity risk; however, the Portfolio Manager's ability to sell these investments is limited by the overall trading volume on the stock exchanges. In certain cases, settlement periods may be extended significantly by unforeseen circumstances. The inability of the Portfolio Manager to make intended securities purchases due to settlement problems could cause the Client to miss certain investment opportunities. Similarly, the inability to sell securities held in the Portfolio may result, at times, in potential losses to the Portfolio, should there be a subsequent decline in the value of securities held in the Client's Portfolio.

The Portfolio Manager may invest in securities which are not listed on the stock exchanges. These securities may be illiquid in nature and carry a higher amount of liquidity risk, in comparison to securities that are listed on the stock exchanges or offer other exit options to the investor. The liquidity and valuation of the investments held in Portfolio, due to its holdings of unlisted securities may be affected if they have to be sold prior to the target date of disinvestment.

Risks associated with Debt / Money Markets (i.e. Markets in which Interest bearing Securities or Discounted Instruments are traded)

a) Credit Risk:

Securities carry a Credit risk of repayment of principal or interest by the borrower. This risk depends on micro-economic factors such as financial soundness and ability of the borrower as also macro-economic factors such as Industry performance, Competition from Imports, Competitiveness of Exports, Input costs, Trade barriers, Favorability of Foreign Currency conversion rates, etc.

Credit risks of most issuers of Debt securities are rated by Independent and professionally run rating agencies. Ratings of Credit issued by these agencies typically range from "AAA" (read as "Triple A" denoting "Highest Safety") to "D" (denoting "Default"), with about 6 distinct ratings between the two extremes.

The highest credit rating (i.e. lowest credit risk) commands a low yield for the borrower. Conversely, the lowest credit rated borrower can raise funds at a relatively higher cost. On account of a higher credit risk for lower rated borrowers lenders prefer higher rated instruments further justifying the lower yields. The minimal grade for rated instruments shall not be below A+.

b) Price-Risk or Interest-Rate Risk:

From the perspective of coupon rates, Debt securities can be classified in two categories, i.e., Fixed Income bearing Securities and Floating Rate Securities. In Fixed Income Bearing Securities, the Coupon rate is determined at the time of investment and paid/received at the predetermined frequency. In the Floating Rate Securities, on the other hand, the coupon rate changes - 'floats' - with the underlying benchmark rate, e.g., MIBOR, 1 yr. Treasury Bill.

Fixed Income Securities (such as Government Securities, bonds, debentures and money market instruments) where a fixed return is offered, run price-risk. Generally, when interest rates rise, prices of fixed income securities fall and when interest rates drop, the prices increase. The extent of fall or rise in the prices is a function of the existing coupon, the payment-frequency of such coupon, days to maturity and the increase or decrease in the level of interest rates. The prices of Government Securities (existing and new) will be influenced only by movement in interest rates in the financial system. Whereas, in the case of corporate or institutional fixed income securities, such as bonds or debentures, prices are influenced not only by the change in interest rates but also by credit rating of the security and liquidity thereof.

Floating rate securities issued by a government (coupon linked to treasury bill benchmark or a real return inflation linked bond) have the least sensitivity to interest rate movements, as compared to other securities. The Government of India has already issued a few such securities and the Investment Manager believes that such securities may become available in future as well. These securities can play an important role in minimizing interest rate risk on a portfolio.

c) Risk of Rating Migration:
The following table illustrates the impact of change of rating (credit worthiness) on the price of a hypothetical AA rated security with a maturity period of 3 years, a coupon of 10.00% p.a. and a market value of Rs. 100. If it is downgraded to A category, which commands a market yield of, say, 11.00% p.a., its market value would drop to Rs. 97.53 (i.e. 2.47%) If the security is up-graded to AAA category which commands a market yield of, say, 9.00% p.a. its market value would increase to Rs. 102.51 (i.e. by 2.51%). The figures shown in the table are only indicative and are intended to demonstrate how the price of a security can be affected by change in credit rating.

Rating	Yield (% p.a.)	Market Value (Rs.)
AA	10.00	100.00
If upgraded to AAA	9.00	102.51
If downgraded to A	11.00	97.53

d) Basis Risk:
During the life of floating rate security or a swap the underlying benchmark index may become less active and may not capture the actual movement in the interest rates or at times the benchmark may cease to exist. These types of events may result in loss of value in the portfolio. Where swaps are used to hedge an underlying fixed income security, basis risk could arise when the fixed income yield curve moves differently from that of the swap benchmark curve.

e) Spread Risk:
In a floating rate security the coupon is expressed in terms of a spread or mark up over the benchmark rate. However, depending upon the market conditions the spreads may move adversely or favourably leading to fluctuation in returns of the portfolio.

f) Reinvestment Risk:
Investments in fixed income securities may carry reinvestment risk as interest rates prevailing on the interest or maturity due dates may differ from the original coupon of the bond. Consequently, the proceeds may get invested at a lower rate.

g) Liquidity Risk:
The ability of the Portfolio Manager to execute sale/purchase order is dependent on the liquidity or marketability. The primary measure of liquidity risk is the spread between the bid price and the offer price quoted by a dealer. The securities that are listed on the stock exchange carry lower liquidity risk, but the ability to sell these securities is limited by the overall trading volumes. Further, different segments of Indian financial markets have different settlement cycles and may be extended significantly by unforeseen circumstances.

Risks associated with Investing in Securitised Debt:
The Schemes may from time to time invest in domestic securitised debt, for instance, in asset backed securities (ABS) or mortgage backed securities (MBS). Typically, investments in securitised debt carry credit risk (where credit losses in the underlying pool exceed credit enhancement provided, (if any) and the

reinvestment risk (which is higher as compared to the normal corporate or sovereign debt). The underlying assets in securitised debt are receivables arising from automobile loans, personal loans, loans against consumer durables, loans backed by mortgage of residential / commercial properties, underlying single loans etc.

ABS/MBS instruments reflect the proportionate undivided beneficial interest in the pool of loans and do not represent the obligation of the issuer of ABS/MBS or the originator of the underlying receivables. Investments in securitised debt are largely guided by following factors:

- Attractive yields i.e. where securitised papers offer better yields as compared to the other debt papers and also considering the risk profile of the securitised papers.
- Diversification of the portfolio
- Better performance

Broadly following types of loans are securitized:

a) Auto Loans

The underlying assets (cars etc.) are susceptible to depreciation in value whereas the loans are given at high loan to value ratios. Thus, after a few months, the value of asset becomes lower than the loan outstanding. The borrowers, therefore, may sometimes tend to default on loans and allow the vehicle to be repossessed.

These loans are also subject to model risk i.e. if a particular automobile model does not become popular, loans given for financing that model have a much higher likelihood of turning bad. In such cases, loss on sale of repossession vehicles is higher than usual.

Commercial vehicle loans are susceptible to the cyclicality in the economy. In a downturn in economy, freight rates drop leading to higher defaults in commercial vehicle loans. Further, the second hand prices of these vehicles also decline in such economic environment.

b) Housing Loans

Housing loans in India have shown very low default rates historically. However, in recent years, loans have been given at high loan to value ratios and to a much younger borrower classes. The loans have not yet gone through the full economic cycle and have not yet seen a period of declining property prices. Thus the performance of these housing loans is yet to be tested and it need not conform to the historical experience of low default rates.

c) Consumer Durable Loans

The underlying security for such loans is easily transferable without the bank's knowledge and hence repossession is difficult. The underlying security for such loans is also susceptible to quick depreciation in value. This gives the borrowers a high incentive to default.

d) Personal Loans

These are unsecured loans. In case of a default, the bank has no security to fall back on. The lender has no control over how the borrower has used the borrowed money.

Further, all the above categories of loans have the following common risks:

All the above loans are retail, relatively small value loans. There is a possibility that the borrower takes different loans using the same income proof and thus the income is not sufficient to meet the debt service obligations of all these loans.

In India, there is no ready database available regarding past credit record of borrowers. Thus, loans may be given to borrowers with poor credit record. In retail loans, the risks due to frauds are high.

e) Single Loan PTC

A single loan PTC is a securitization transaction in which a loan given by an originator (Bank/ NBFC/ FI etc.) to a single entity (obligor) is converted into pass through certificates and sold to investors. The transaction involves the assignment of the loan and the underlying receivables by the originator to a trust, which funds the purchase by issuing PTCs to investors at the discounted value of the receivables. The PTCs are rated by a rating agency, which is based on the financial strength of the obligor alone, as the PTCs have no recourse to the originator.

The advantage of a single loan PTC is that the rating represents the credit risk of a single entity (the obligor) and is hence easy to understand and track over the tenure of the PTC. The primary risk is that of all securitized instruments, which are not traded as often in the secondary market and hence carry an illiquidity risk. The structure involves an assignment of the loan by the originator to the trustee who then has no interest in monitoring the credit quality of the originator. The originator that is most often a bank is in the best position to monitor the credit quality of the originator. The investor then has to rely on an external rating agency to monitor the PTC. Since the AMC relies on the documentation provided by the originator, there is a risk to the extent of the underlying documentation between the seller and underlying borrower.

Risks associated with investments in Mutual Funds
The Portfolios may invest in schemes of Mutual Funds. Hence scheme specific risk factors of each such underlying scheme will be applicable to the portfolios.

Risks Associated with Investment in Equity Linked Debenture
Market Risk: There is no guarantee on whether the reference index will appreciate or depreciate. The value of the Debenture, prior to the Redemption and Maturity Date, may be affected by a number of factors, including but not limited to the level of the Underlying Reference Index, option volatility of Underlying Reference Index, interest rates and time remaining to Maturity. Movements in the index will not necessarily result in corresponding movements in the market value of the Debenture.

Potential Loss of Interest Income: It is possible that the prospective investor may receive no interest over the Investment period. The Debenture is Principal Protected.

Event Risk: The Underlying Reference Index is subject to certain event risks including but not limited to certain events such as Market Disruption, etc. Determination Agent may in such case adjust the terms at its sole discretion to reflect the new market conditions. This may even include redeeming the Debenture prior to the Redemption and Maturity Date.

Risk Associated with Investment in Derivatives Market
Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the Client. Execution of such investment approach depends upon the ability of the Portfolio Manager to identify such opportunities. Identification and execution of the investment approach to be pursued by the Portfolio Manager involve uncertainty and decision of Portfolio Manager

may not always be profitable. No assurance can be given that the fund manager will be able to identify or execute such investment approach. The risks associated with the use of derivatives are different from or possibly greater than, the risks associated with investing directly in securities and other traditional investment.

Derivative products are specialized instruments that require investment techniques and risk analysis different from those associated with stocks and bonds. Derivatives require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to the portfolio and the ability to forecast price of interest rate movements correctly. The risks associated with the use of derivatives are different from or possibly greater than, the risks associated with investing directly in securities and other traditional investments. Other risks include settlement risk, risk of mispricing or improper valuation and the inability of the derivative to correlate perfectly with underlying assets, rates and indices, illiquidity risk whereby the Portfolio Manager may not be able to sell or purchase derivative quickly enough at a fair price. The portfolio manager shall not leverage the portfolio of its clients for investment in derivatives.

Risk Associated with Premature Withdrawal.
In case the Client requests for premature withdrawal / closure of his account, then the securities can be liquidated at loss, for facilitating to generate cash for the closure / partial withdrawal of his account. The portfolio manager shall not be liable for this loss as he would have constructed portfolio on the time horizon given by the client.

7. Client Representation

7.1 Under discretionary / Non-Discretionary PMS:

Category of Clients	**No of Clients**	**Fund Managed (AUM) ** (Rs in crores)**
As on May 31, 2021 (Active Clients only)		
Discretionary Clients	**3449**	**1,670.32**
Non-Discretionary clients	NIL	NIL
Clients being Associates or Group Cos.	NIL	NIL
As on March 31, 2021 (Active Clients only)		
Discretionary Clients	**3806**	**1,645.06**
Non-Discretionary clients	NIL	NIL
Clients being Associates or Group Cos.	NIL	NIL
As on March 31, 2020 (Active Clients only)		
Discretionary Clients	**6148**	**1597.45**
Non-Discretionary clients*	NIL	NIL
Clients being Associates or Group Cos.	NIL	NIL
As on March 31, 2019 (Active Clients only)		
Discretionary Clients	**7410**	**3332.23**
Non-Discretionary clients*	NIL	NIL
Clients being Associates or Group Cos.	NIL	NIL

As on March 31, 2018 (Active Clients only)		
Discretionary Clients	**6347**	**3,761.88**
Non-Discretionary clients*	NIL	NIL
Clients being Associates or Group Cos.	NIL	NIL

**AUM as on March 31, 2018, March 31, 2019, March 31, 2020, March 31, 2021 and May 31, 2021 includes securities received from the client but which do not form part of Client's portfolio as decision to include such securities in Portfolio lies with Portfolio Manager. The same would be added to the portfolio either by liquidation or by taking it into portfolio.

7.2 Under Advisory services:

Category of clients	**No. of clients**	**Funds managed (Rs. Crores)**
As on May 31, 2021		
Associates /group companies	**-**	**-**
Others	**0**	**0.00**
Total	**0**	**0.00**
As on March 31, 2021		
Associates /group companies	**-**	**-**
Others	**0**	**0.00**
Total	**0**	**0.00**
As on March 31, 2020		
Associates /group companies	-	-
Others	4	73.83
Total	**4**	**73.83**
As on March 31, 2019		
Associates /group companies	-	-
Others	3	9.95
Total	**3**	**9.95**
As on March 31, 2018		
Associates /group companies	2	21504.39
Others	5	282.34
Total	**7**	**21786.73**

7.3 Complete disclosure in respect of transactions with related parties as per the standards specified by the Institute of Chartered Accountants of India

The disclosure on related party transactions as per the information provided in the Audited Accounts of Kotak Mahindra Asset Management Company Limited for the financial year ended on March 31, 2021 is attached in annexure A.

7.4 List of Related Parties and their relationships (Based on the Audited Financial Statement for March 31, 2021):

Parties where control exist:

Nature of relationship	Name of related party
Holding Company	Kotak Mahindra Bank Limited holds 100% of equity share capital
Subsidiary Company	Kotak Mahindra Pension Fund Limited
Fellow Subsidiaries	Kotak Mahindra Trustee Company Limited Kotak Mahindra (International) Limited Kotak Securities Limited Kotak Mahindra Prime Limited Kotak Mahindra Life Insurance Company Limited (formerly known as Kotak Mahindra Old Mutual Life Insurance Limited) Kotak Mahindra General Insurance Company Limited Kotak Mahindra Financial Services Limited Kotak Mahindra Asset Management (Singapore) PTE. Limited
Key Management Personnel	Mr. Nilesh Shah, Managing Director
Enterprises over which Mr. Uday S Kotak along with its relatives have significant influence	Aero Agencies Limited
Mutual Fund managed by the Company	Kotak Mahindra Mutual Fund

7.5 Transactions with related parties with respect to PMS Activities as per Audited accounts for the year ended March 31, 2021

Name of the Party	Nature	Amount in Lacs
Kotak Mahindra Asset Management (Singapore) PTE. Limited	Advisory Fees	253
Kotak Mahindra (International) Limited N.A.	Advisory Fees	355
Kotak Securities Limited	Referral fees (Brokerage Expenses)	3.39
Kotak Mahindra Bank Limited	Referral fees (Brokerage Expenses)	808.48

8. The Financial Performance of the portfolio manager (based on audited financial statements),

Given below is a brief summary of Kotak Mahindra Asset Management Company's financials:

Amount (Rupees in lacs)

Particulars	**Year ended March 31, 2021**	**Year ended March 31, 2020**	**Year ended March 31, 2019**
Total Revenue	64,530.70	63,354.77	67,419.41
Profit Before Tax	42,775.73	42,016.35	35,142.81
Profit After Tax	32,327.12	31,174.45	22,899.96
Free Reserves	102,287.96	69,894.56	41,738.02
Capital Redemption Reserve	1,270.00	1,270.00	1,270.00
Net Worth -Without Preference capital and CRR	107,357.05	73,954.77	45,459.57
Earning per share (Rs.)	108.48	104.61	76.85
Paid up Capital (Equity)	2,980.00	2,980.00	2,980.00
Application of Funds			
Fixed Assets	1,155.34	1,333.63	1,535.15
Investments	113,623.21	76,566.31	45,344.24
Net Current Assets	(1,183.28)	1,206.67	1,104.37

Note:

1. 2019 & 2020 fig are as per IND AS
2. Profit after tax does not include comprehensive income
3. Net current assets = (Non Fin Assets - Non Fin Liability)

9. Performance of the Portfolio Manager

	01.04.2021 to 31.05.2021	**01.04.2020 to 31.03.2021**	**01.04.2019 to 31.03.2020**	**01.04.2018 to 31.03.2019**
	(refer note 1)	**(refer note 1)**	**(refer note 1)**	**(refer note 1)**
	% Returns p.a.	% Returns p.a.	% Returns p.a.	% Returns p.a.
Discretionary Services				
Fintech investment approach	7.56%	85.55%	-28.49%	12.90%
Focus Top 12 investment approach	6.29%	47.51%	-28.48%	4.05%
Indian Pharma and Health care Investment approach	21.20%	67.56%	-8.53%	8.83%
Small & Mid Cap Equity Investment approach	18.03%	103.78%	-39.91%	-10.60%

Special Situations Value Investment approach - Customised	11.32%	74.14%	-35.34%	-11.98%
Special Situations Value Investment approach - Series 1	13.05%	83.14%	-41.19%	-15.02%
Special Situations Value Investment approach - Series 2	16.53%	82.03%	-33.89%	-11.83%
Non-Discretionary Services	-	-	-	-

Note: 1. The exhibit captures the past performance of the schemes offered by the Portfolio Manager for the last 3 years for each category of investments, based on TWRR method.

Note: 2. Data is based on audited financial statements, however, the information provided herein is not verified by SEBI.

Benchmark Performance:

Performance Indicators	**01.04.2021 to 31.05.2021**	**01.04.2020 to 31.03.2021**	**01.04.2019 to 31.03.2020**	**01.04.2018 to 31.03.2019**
	(refer note)	**(refer note)**	**(refer note)**	**(refer note)**
% Change in FINTECH	7.19%	94.66%	-24.66%	24.51%
% Change in Nifty 500	7.41%	75.99%	-27.60%	8.43%
% Change in NIFTY PHARMA	14.50%	71.01%	-23.22%	11.83%
% Change in S&P NIFTY SMALLCAP 100 -	14.22%	125.70%	-46.13%	-14.37%
% Change in INDIA VALUE INDEX	11.70%	97.47%	-49.54%	-4.19%

Note: Performance indicators represent the Absolute return of the indexes.

10. Audit Observations - There have been no Audit observations by the statutory auditors in the preceding 3 years

11. Option of Direct on boarding of clients

Investors can also invest in PMS directly without intermediation of persons engaged in distribution services. To know more about direct on boarding, write us at Kmamcpmsclient.Servicing@kotak.com

At the time of on-boarding of clients directly, no charges except franking, statutory charges shall be levied. The charges as per the agreement would be charged as agreed once the portfolio is active.

12. Nature of expenses

The following are indicative types of costs and expenses for clients availing the Portfolio Management Services.

The exact basis of charge relating to each of the following services shall be annexed to the Portfolio Management Agreement and the agreements in respect of each of the services availed at the time of execution of such agreements. The below mentioned fees, charges and expenses shall be directly debited to the clients account as and when the same becomes due for payment.

a. Management Fees

Management fees relate to the portfolio management services offered to clients. The fee may be in the form exit charge or a recurring charge in the nature of a fixed charge (which can be an absolute amount or a percentage of the quantum of funds managed) or in the nature of a variable charge that are linked to portfolio returns achieved or a combination of all or any of these.

<u>High Water Mark Principal</u>

In case the fees are linked to the portfolio returns, then the fees shall be computed on the basis of high water mark principle over the life of the investment. “High Water Mark” shall be the highest value that the Portfolio has reached. Value of Portfolio for the computation of high water mark shall be taken to be the value on the date on which performance fees are charged. Performance based fee would be only on increase in Portfolio value in excess of the previously achieved high water mark.

Management fees as an exit charge or as a percentage of the quantum of funds managed shall each be charged, at such rate as may be agreed between the Portfolio Manager and the Client from time to time.

These charges, not exceeding the rate specified, will be applicable irrespective of whether the clients’ funds are managed for the whole year or part of the year. Where the management fees is a percentage of the quantum of funds managed, the average value of portfolio (calculated on a daily/ weekly/ monthly or quarterly basis), as agreed between the client and the Portfolio Manager. Management fees can vary from client to client, in the same portfolio of investment approach or in different portfolio of Investment Approach.

b. Custodian / Depository Fees

The charges relating to opening and operation of dematerialised accounts, custody and transaction charges for shares, bonds and units, dematerialisation, rematerialisation and other charges including statutory levies as applicable in connection with the operation and management of the depository/custody accounts.

c. Registrar and transfer agent fee

Charges payable to registrars and transfer agents in connection with effecting transfer of securities and bonds including stamp charges, cost of affidavits, notary charges, postage stamp and courier charges.

d. Brokerage and transaction costs

The brokerage charges and other charges like service charge, stamp duty, transaction costs, securities transaction tax, turnover tax, exit and entry loads and such other expenses incurred in respect of on the purchase and sale of shares, stocks, bonds, debt, deposits, units and other financial instruments.

e. Securities lending charges

The charges pertaining to the lending of securities and costs associated with transfers of securities connected with the lending transfer operations.

f. Certification and professional/Audit charges

Charges payable for outsourced professional services like accounting, taxation and legal services notarisations etc for certifications, attestations required by bankers or regulatory authorities.

g. Bank and Depositary charges

For availing the Portfolio Management Service the Clients have to open the bank account and demat account and in this regard the clients will have to pay charges as per schedule of charges forming part of the account opening forms signed by them.

h. Operating Expenses Limit

All the regulatory requirements pertaining to the operating expense limit will be adhered.

i. Incidental Expenses

Charges in connection with the courier expenses, stamp duty, goods and services tax, postal, telegraphic, opening and operation of bank accounts, expenses pertaining to storage/retrieval of documents etc.

Expense schedule	
Fixed Management Fee	Upto 2.50% p.a. on daily portfolio value / on corpus / Anniversary value charged at decided time intervals. Note: These charges are indicative, in future the Portfolio Manager or the service provider can revise the charges.
Variable Fee (HWM Fee)	**Management Fee** : Upto 1.50% p.a. **Variable Management Fee :** - For Return upto 15% p.a. NIL - For Return above 15% p.a. – upto 25% fee on excess return

Custody Fee	**Account Opening Charges** - INR 300 per account **Transaction Charges** - On actuals (currently INR 50/- per transaction for movements between pool account and individual accounts) **Safekeeping Charges** - On actuals (currently 2.00basis points per annum on assets under custody subject to minimum of INR 150/- per client per month) **Depository Charges -** On actuals (currently INR 5.00 per debit to client account) **Out of pocket charges -** On actuals (Including courier charges, legal expenses, stamp duties payable, etc.)
Bank Charges for NRI(charged by the bank for the specialized service given)	PINS approval issuance fee (one time fee) Rs. 1500 Annual account maintenance fee Rs. 1000 Transaction Fees (per contract - Purchase and sale separate contract notes) Rs. 100 CA certificate for Deduction of Long term/Short term Capital Gains tax Rs.100 per transaction (with a maximum of Rs 300 per day)
Brokerage on trading	Brokerage Rate @ 0.10% for the trade value of every buy and sell transaction with a minimum of 10 paise per share.
Exit Load	❖ If redeemed in full or part in the first year, maximum of 3% of the amount redeemed. ❖ If redeemed in full or part in the second year, maximum of 2% of the amount redeemed. ❖ If redeemed in full or part in the third year, maximum of 1% of the amount redeemed. ❖ If redeemed in full or part after a period of three years from the date of investment, no exit load. Or as agreed with the client
Account Opening Charges	upto Rs 1600 for Individual and upto Rs 4500 for NRI (franking etc)
Audit report Charges	upto Rs 500 pa

All statutory charges, as applicable, will be levied.

13.TAXATION

TAX IMPLICATIONS FOR CLIENTS.

The information set out below outlines the tax implications based on relevant provisions of the Indian Income-tax Act, 1961 **(“the Act**”) as amended by the Finance Act, 2020 and Chapter VII of the Finance (No. 2) Act, 2004 **(“Securities Transactions Tax Act”/ “STT”)**. However below mentioned tax implications do not cover the provisions of Finance Bill 2021 which is yet to be passed by the Parliament of India and to be converted into an Act.

13.1 General

Investment in securities is subject to the provisions of the Act. Special reference needs to be made in respect of provisions related to capital gains, business income and all other provisions of the Act. Interest and dividend would be subject to tax as per the provisions of the Act. Client owns the liability for his Taxation.

The General Information stated below is based on the general understanding of direct tax laws in force in India as of the date of the Disclosure Document and is provided only for general information to the Client only vis-à-vis the investments made through the Portfolio Management Scheme of the Company. This information gives the income tax implications in respect of the securities are/will be held for the purpose of investments. In case the securities are held as stock-in-trade, the income tax treatment will substantially vary and the issue whether the investments are held as capital asset or stock-in-trade needs to be examined on a case to case basis. There is no guarantee that the tax position prevailing as on the date of the Disclosure Document/the date of making investment in the Portfolio Management Scheme shall endure indefinitely or accepted by the tax authorities. Further, the statements with regard to benefits mentioned below are expressions of views and not representations of the Portfolio Manager to induce any client, prospective or existing, to invest in the Portfolio Management Schemes of the Company. Tax implications of any judicial pronouncements/Double Tax Avoidance Treaties, etc. are not explained herein. The Client should not treat the contents of this section of the Disclosure Document as advice relating to legal, taxation, investment or any other matter. In view of the individual nature of tax consequence on the income, capital gains or otherwise, arising from investments, each Client is advised to consult his / her / its tax advisor with respect to the specific tax consequences to him / her / it of participation in the portfolio management services. The Portfolio Manager shall not be responsible for assisting in or completing the fulfillment of the client's tax obligations.

In case of foreign investors, the taxation of income will be governed by the provisions of the Act read with the provisions of the applicable tax treaty i.e. Double Tax Avoidance Agreement **(“DTAA”)**, if any. As per Section 90(2) of the Act, the provisions of the Act would apply to the extent they are more beneficial than the provisions of the DTAA.

All the Tax Rates contained in this clause are applicable for the financial year 2020-21 , in accordance with Finance Act, 2020.

13.2 Resident and Non- Resident Taxation

13.2.1 Resident Taxation

A resident investor will be subject to income tax on his / her global income. In the case of a resident butnot ordinarily resident, any income which accrues/ arises outside India will not be subject to tax in India, unless it is derived from a business/ profession controlled from India.

A Hindu undivided family (HUF), firm or other association of persons is said to be resident in India in any previous year unless where the control and management of its affairs is situated wholly outside India during the year under consideration.

A Company is said to be a resident in India in the previous year if (i) it is an Indian Company; or (ii) its place of effective management is situated in India.

Every other person is said to be resident in India during the year under consideration except where the control and management of affairs is situated wholly outside India.The Finance Act 2020 has amended the minimum period of stay to qualify as a Resident of India from 182 to 120 days during the relevant financial year, in case of an individual who is a citizen of India or a person of Indian origin (PIO), who comes on a visit to India from financial year 2020-21 onwards and having total income (other than income from foreign sources) exceeding INR 15 lakh. Such a person would be treated as 'Resident but Not Ordinarily Resident' (RNOR) if his aggregate stay during the relevant financial year is less than 182 days. Further, Indian citizen who is not subject to tax in any other country by reason of his domicile, residence or any other criterion of similar nature would be deemed to be a resident of India only if such person has total income (other than income from foreign sources) exceeding INR 15 lakh and consequentially, subject to tax on his global income in India. Such a person, who is deemed to be a resident of India under this provision, would be treated as RNOR. It is clarified that the term 'income from foreign sources' would mean income which accrues or arises outside India, except income derived from a business controlled in or a profession set up in India. It is further clarified that this provision is not intended to tax those Indian citizens who are bonfide workers in other countries.

In addition to the above two categories of individual;/HUF, who becomes deemed resident of India, other Individual/HUF shall be said to be RNOR in India in a financial year, if the individual or manager of the HUF is non-resident in India in 9 out of 10 financial years or his stay in India is less than 730 days during the preceding 7 financial years .

13.2.**2** Non-resident Taxation

A non-resident investor would be subject to taxation in India if he derives (a) Indian-sourced income; or (b) if any income is received / deemed to be received in India; or (c) if any income has accrued / deemed to have accrued to him in India in terms of the provisions of the Act.

Section 6 of the Act was amended by the Finance Act, 2015 to provide that a foreign company should be treated as a tax resident in India if its place of effective management ('POEM') is in India in that year. The Finance Act, 2016 provided that the said amended provisions are effective from 1April 2017. POEM has been defined to mean a place where key management and commercial decisions that are necessary for the conduct of the business of an entity as a whole are, in substance made.

The CBDT had vide its Circular dated 24 January 2017, issued guiding principles for determination of POEM of a Company ('POEM Guidelines'). The POEM Guidelines lays down emphasis on POEM concept being 'substance over form' and further provides that place where the management decisions are taken would be more important than the place where the decisions are implemented for determining POEM. The CBDT had vide circular dated 23 February 2017, clarified that provisions of Sec 6(3)(ii) relating to POEM would not apply to companies having turnover or gross receipts less than or equal to INR 50 crore during the Financial Year.

13.3 Multilateral Convention to implement Tax Treaty related measures to prevent Base Erosion and Profit Shifting

The Organisation of Economic Co-operation and Development ('OECD') released the Multilateral Convention to implement DTAA related measures to prevent Base Erosion and Profit Shifting **("MLI")**. The MLI, amongst others, includes a "principal purpose test"; wherein DTAA benefits can be denied if one of the principal purpose of an arrangement or a transaction was to, directly or indirectly, obtain tax benefit. India has been an active participant in the entire discussion and its involvement in the BEPS project has been intensive. In a ceremony held in Paris on 7 June 2017, various countries including India, signed the MLIs. The Union Cabinet of India issued a press release dated 12 June 2019 approving the ratification of the MLI to implement tax treaty related measures to prevent BEPS. The application of MLI to a DTAA is dependent on ratification as well as positions adopted by both the countries signing a DTAA. India had ratified and deposited the MLI on 25 June 2019, as a result of which the MLI has come into force for India on 1 October 2019. Article 6 of the MLI provides for modification of the Covered Tax Agreements (i.e. DTAA covered by MLI) to include the intention of eliminating double taxation without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance including treaty shopping arrangements. Consequently, the Finance Act, 2020 has made amendment in Section 90 to that effect that DTAAs should not create opportunities for non-taxation or reduced taxation including through treaty shopping in order to align the purpose of DTAAs with the MLI with effect from 1 April 2020.

13.4 Tax deduction at source

In the case of Non-residents, any income received or accrues or arises; or deemed to be received or accrue or arise to him in India is subject to the provisions of tax deduction at source under the Act. The authorized dealer is obliged and responsible to make sure that all such relevant compliances are made while making any payment or remittances from India to such non-residents. Also, if any tax is required to be withheld on account of any future legislation, the Portfolio Manager shall be obliged to act in accordance with the regulatory requirements in this regard.

Non-residents without PAN or tax residency certificate of the country of his residence are currently subjected to a higher rate of TDS.

13.5 Advance tax installment obligations

It shall be the Client's responsibility to meet the obligation on account of advance tax installments payable on the due dates under the Act. The provisions related to payment of advance tax shall not apply to an individual resident in India, who does not have any income chargeable under the head "Profit and gains of business or profession"; and is of the age of sixty years or more at any time during the relevant financial year.

13.6 Securities Transaction Tax

Securities Transaction Tax ("STT") is applicable on transactions of purchase or sale of equity shares in a company or Exchange Traded fund ("ETF") or a derivative or units of Equity Oriented Fund or units of Business Trust entered into on a recognized stock exchange and sale of units of Equity Oriented Fund to the Mutual Fund.

The STT rates as applicable are given in the following table:

Transaction	Rates	Payable by
Purchase/ Sale of equity shares (delivery based) or a unit of business trust	0.1%	Purchaser / Seller
Purchase of units of equity oriented mutual fund (delivery based)	Nil	NA
Sale of units of equity oriented mutual fund (delivery based)	0.001%	Seller
Sale of equity shares, units of business trusts, units of equity oriented mutual fund (non-delivery based)	0.025%	Seller
Sale of an option in securities	0.017%	Seller
Sale of an option in securities, where option is exercised	0.125%	Purchaser
Sale of a futures in securities	0.01%	Seller
Sale of unit of an equity-oriented fund to the Mutual Fund	0.001%	Seller
Sale of unlisted equity shares and units of business trust under an initial offer	0.2%	Seller
Sale of unlisted units of a business trust which were acquired in consideration of a transfer referred to in clause (xvii) of section 47 of the Act, under an offer for sale to the public included in an initial offer and where such units are subsequently listed on a recognized stock exchange.	0.2%	Seller

13.7 Characterization of Income on transfer of securities of companies.

Income arising from purchase and sale of securities can give rise to capital gains or business income in the hands of the investor. The issue of characterization of income is relevant as the income tax computation and rates differ in the two situations.

The characterization is essentially a question of fact and depends on whether the shares are held as business/trading assets or as capital assets.

The Central Board of Direct Taxes ("CBDT") has issued a circular which deals with listed shares/ securities which states that:

- Where the assessee opts to treat the listed shares/ securities as stock-in-trade, the income arising from the transfer of such listed shares/ securities would be treated as business income.

- If the assessed desires to treat the gains arising from transfer of listed shares/ securities held for a period of more than 12 months as capital gains, the same shall not be put to dispute by the Assessing Officer.

Further the CBDT has also issued a clarification for unlisted shares stating that the income arising from transfer of unlisted shares would be considered under the head 'capital gain', irrespective of period of holding. It is, however, clarified that the above would not be necessarily applied in the situations where:

- the genuineness of transactions in unlisted shares itself is questionable; or
- the transfer of unlisted shares is related to an issue pertaining to lifting of corporate veil; or
- the transfer of unlisted shares is made along with the control and management of underlying business and the Assessing Officer would take appropriate view in such situations.

Further, in cases not following within the purview of the above circulars, the nature of the transaction (i.e. whether the same is in the nature of capital gains or business income) shall continue to be decided keeping in view the certain points and principles laid down by the judicial precedents and earlier CBDT circulars.

Based on the earlier CBDT circulars and judicial decisions, following are the key factors and principles which need to be considered while determining the nature of assets as above

- Motive for the purchase of shares.
- Frequency of transactions and the length of period of holding of the shares
- Treatment of the shares and profit or loss on their sale in the accounts of the assessees.
- Source of funds out of which the shares were acquired – borrowed or own.
- Existence of an object clause permitting trading in shares – relevant only in the case of corporate bodies.
- Acquisition of the shares – from primary market or secondary market.
- Infrastructure employed for the share transactions by the client including the appointment of managers, etc.

The issue of income characterization as above is essentially a question of fact and dependent on whether the shares are held as Business / Trading assets or on Capital Account.

Any single factor discussed above in isolation cannot be conclusive to determine the exact nature of the shares. All factors and principles need to be construed harmoniously. Further, the background of the investor (Professional vs. a trader in shares) would also be a relevant factor in determining the nature of the shares.

CBDT has clarified that, it is possible for a tax payer to have two portfolios, i.e., an investment portfolio comprising of securities which are to be treated as capital assets and a trading portfolio comprising of stock-in-trade which are to be treated as trading assets. Where an assessee has two portfolios, the assessee may have income under both heads i.e., capital gains as well as business income.

In view of the above, the profits or gains arising from transaction in securities could be taxed either as "Profits or Gains of Business or Profession" under section 28 of the Act or as "Capital Gains" under section 45 of the Act.

As per CBDT Circular No.6/2016 dated 29February 2016 regarding taxability of surplus on sale of listed shares and securities, it states that:

a) Where the assessee itself, irrespective of the period of holding the listed shares and securities, opts to treat them as stock-in-trade, the income arising from transfer of such shares/securities would be treated as its business income

b) In respect of listed shares and securities held for a period of more than 12 months immediately preceding the date of its transfer, if the assessee desires to treat the income arising from the transfer thereof as Capital Gain, the same shall not be put to dispute by the Assessing Officer. However, this stand, once taken by the assessee in a particular Assessment Year, shall remain applicable in subsequent Assessment Years also and the taxpayers shall not be allowed to adopt a different/contrary stand in this regard in subsequent years.

It should also be noted that in the context of portfolio management schemes there has been litigation in the past on the characterization of income and judicial precedents have taken positions based on facts of each case.

13.8 TAX IMPLICATIONS WHERE TRANSACTION IN SECURITIES ARE IN THE NATURE OF INVESTMENTS

Where investment under Portfolio Management Services is treated as investment, the gain or loss from transfer of securities shall be taxed as Capital Gains under section 45 of the Act.

The Finance Act, 2020 has amended the provisions relating to taxation of dividend income. The dividend distribution tax (DDT) [has now been abolished on dividend declared, distributed or paid by domestic companies or income on units distributed by mutual funds with effect from 1 April 2020. Tax on dividend distributed by domestic companies and income from units of mutual funds will be borne by the recipient of dividend/income at respective slab rates or fixed rate, as the case may be. To avoid double taxation of dividend, dividend received by a domestic company from another domestic company or specified foreign company or business trust will not be taxable in the hands of first domestic company, provided such receipt of dividend does not exceed the amount of dividend distributed by the first mentioned domestic company one month prior to the due date of filing a return under Section 139(1). In the case of a resident shareholder, wwithholding tax of 10% will be levied on dividends declared/paid by domestic company whereas in the case of a non-resident shareholder, withholding tax at the rate of 20% or the rates that are specified in the DTAA, whichever is beneficial to him, would apply. Further, the minimum threshold for applicability of withholding tax on dividend payments to the resident shareholder during the financial year will be INR 5,000.

As per the amendment made to section 115QA of the Act, by the Finance (No.2) Act, 2019w.e.f. 05 July 2019, even the companies listed on recognized stock exchanges have to pay tax on distributed income included in the buyback of shares at the rate of 20% on such distributed income. Consequently, the amount received by the shareholders on buy back of shares will be exempt under section 10(34A) of the Act in the hands of the shareholder.

13.9 LONG TERM CAPITAL GAINS

As per the earlier provisions under Section 10(38), Long Term Capital Gains on sale of Equity Shares in a company or units of Equity Oriented Fund are exempt from income tax provided such transactions are entered on a recognized stock exchange or such units are sold to the Mutual Fund and such transactions are chargeable to STT. However, the Finance Act 2018 amended the said provision by imposing tax on Long Term Capital Gains exceeding INR 1 lakh at the rate of 10%, without allowing any indexation benefit. However, all gains up to 31 January 2018 will be exempt from such tax.

Further, withholding tax on distributed income by equity oriented mutual funds would be 10 %. The CBDT has clarified that the proposal of 10% withholding tax as per the Finance Act, 2020 will be applicable only on dividend payment by mutual funds and not on gain arising out of redemption of units.

Exemption does not Apply

In respect of capital gains not exempted under section 10(38), the provisions for taxation of long-term capital gains for different categories of assessee and depending upon the period for which the securities are held, are explained hereunder:

Sr. No	Securities	Period of Holding	Characterization
1	Listed Securities (other than Units) and units of equity oriented Mutual Funds	More than twelve (12) months	Long-term Capital Asset
		Twelve (12) months or less	Short-term Capital Asset
2	Unlisted shares of a company	More than twenty-four (24) months	Long-term Capital Asset
		Twenty-four (24) or less	Short-term Capital Asset

3	Other securities	More than Thirty-six (36) months	Long-term Capital Asset
		Thirty-six (36) months or less	Short-term Capital Asset

13.9.1 For Resident Indians

Long-term Capital Gains in respect of capital asset (other than listed securities and units of equity oriented mutual funds) will be chargeable under section 112 of the Act at the rate of 20% plus applicable surcharge and education cess, as applicable. Capital gains would be computed after taking into account cost of acquisition as adjusted by Cost Inflation Index notified by the Central Government and expenditure incurred wholly & exclusively in connection with such transfer.

In case where taxable income as reduced by long term capital gains is below the exemption limit, the long-term capital gains will be reduced to the extent of the shortfall and only the balance long term capital gains will be charged at the flat rate of 20%plus applicable surcharge and education cess, as may be applicable.

As per Finance Act, 2017, the base year for indexation purpose has been shifted from 1981 to 2001 to calculate the cost of acquisition or to take fair market value of the asset as on that date. Further, it provides that cost of acquisition of an asset acquired before 1 April 2001 shall be allowed to be taken as fair market value as on 1 April 2001.

13.9.2 For Non-resident Indians

Under section 115E of the Act ,

(i) any income from investment or income from long-term capital gains of an asset other than specified asset as defined in Section 115C (Specified Assets include shares of Indian Company, Debentures and deposits in an Indian Company which is not a private company and securities issued by Central Government or such other securities as notified by Central Government) is chargeable at the rate of 20% plus applicable surcharge and cess.

(ii) Income by way long-term capital gains is chargeable at the rate of 10% plus applicable surcharge and cess.

Long term capital gains arising to a non-resident from transfer of unlisted securities or shares of a company, not being a company in which the public are substantially interested, subject to 10% tax (without benefit of indexation and foreign currency fluctuation).

13.9.3 Tax on Long Term Gain in Certain Cases:

Under section 112A of the Act, long-term capital gains on transfer of (i) listed equity shares on which STT has been paid both at the time of acquisition and sale of such shares; or (ii) units of equity oriented mutual fund or business trust on which STT has been paid on transfer; shall be chargeable to tax at the rate of 10% on such long-term gains exceeding one lakh rupees. However, all gains up to 31st January, 2018 will be exempt from such tax.

In case of Individual or HUF being a resident, where the taxable income as reduced by long term capital gains is below the exemption limit, the long-term capital gains will be reduced to the extent of the shortfall and only the balance long term capital gains will be charged at the flat rate of 10% plus cess, as may be applicable.

The Taxation Laws (Amendment) Ordinance, 2019 dated 20th September 2019provided that in case where the total income includes any income chargeable under Section 111A and Section 112A of the Income Tax Act, the rate of surcharge on the amount of income-tax deducted in respect of that part of income shall not exceed 15% for an individual, HUF, AOP, BOI and Artificial Judiciary Person.

The condition with respect to STT shall not apply to transfers undertaken on a recognized stock exchange located in any International Financial Services Centre and where the consideration for such transfer is received or receivable in foreign currency.

13.10 Short Term Capital Gains

Section 111A of the Act provides that short-term capital gains arising on sale of Equity Shares of a company or units of Equity Oriented Fund or units of a business trust entered on a recognized stock exchange and on sale of units of Equity Oriented Fund to the Mutual Fund are chargeable to income tax at a concessional rate of 15% plus applicable surcharge and cess, provided such transactions are entered on a recognized stock exchange and are chargeable to STT. However, the above shall not be applicable to transaction undertaken on a recognized stock exchange located in any International Financial Services Centre and where the consideration for such transaction is paid or payable in foreign currency. Further, Section 48 provides that no deduction shall be allowed in respect of STT paid for the purpose of computing Capital Gains. In respect of capital gains not chargeable under Section 111A, the provisions for taxation of short-term capital gains for different categories of assesses are explained hereunder:

Short Term Capital Gains in respect of shares of a company (listed on a recognized stock exchange), units of Mutual Fund, units of Business Trust and any other listed securities held for a period of not more than 12 months and share of a company (not being a share listed in a recognized stock exchange) held for a period of not more than 24months is added to the total income, total income including short-term capital gains is chargeable to tax as per the relevant slab rates.

The Taxation Laws (Amendment) Ordinance, 2019 dated 20 September 2019, provided that in case where the total income includes any income chargeable under Section 111A and Section 112A of the Income Tax Act, the rate of surcharge on the amount of income-tax deducted in respect of that part of income shall not exceed 15% for an individual, HUF, AOP, BOI and Artificial Judiciary Person..

13.11 PROFITS AND GAINS OF BUSINESS OR PROFESSION

13.11.1 If the investment under the Portfolio Management Services is regarded as "Business / Trading Asset" then the gain / loss arising there from is likely to be taxed as income from business as per slab rates i.e. in the case of resident individual and HUF and at the rate of 30% or 25% or 22% plus applicable surcharge and cess,(as the case may be, in case of resident other than individual and HUF(as the case may be) and also for non-residents other than a foreign company (assuming the highest slab rate for individual). It shall be taxable at the rate of 40% (plus applicable surcharge and cess) in case of a foreign company. The above rates would be subject to availability of benefits under the DTAA, if any in case of non-resident assessee.

13.11.2 Interest income arising on securities could be characterized as 'Income from Other Sources' or 'business income' depending on facts of the case. Any expenses incurred to earn such interest income should be available as deduction, subject to the provisions of the Act.

13.11.3 Earlier, as per section 40(a)(ib) of the Act, any sum paid on account of STT will not be allowed as deduction in computing the income under the head "Profit and gains of business or profession" However, this provision was applicable only up to assessment year 2008-09. With effect from April 1, 2009, the said clause has been deleted. From the assessment year 2009-10, where income referred to above is treated as Business Income, the person is eligible for deduction u/s 36(1)(xv), for the amount of STT paid.

13.12 TAX RATES

Rates of taxation for the Financial Year 2020-21 are given below:

<u>Individuals, HUF, AOP & BOI:</u>

Total Income	**Tax Rate (Without Surcharge)**
Up to INR 2,50,000	Nil
INR 2,50,001 - 5,00,000	5%
INR 5,00,001 - 10,00,000	20%
INR 10,00,001 onwards	30%

Resident Individual whose age is 60 years or more but less than 80 years:

Total Income	**Tax Rate (Without Surcharge)**
Up to INR 3,00,000	Nil
INR 3,00,001 - 5,00,000	5%

INR 5,00,001 - 10,00,000	20%
INR 10,00,001 onwards	30%

Resident Individual whose age is 80 years or more:

Total Income	**Tax Rate (Without Surcharge)**
Up to INR 5,00,000	Nil
INR 5,00,001 - 10,00,000	20%
INR 10,00,001 onwards	30%

Note 1 - Finance Act, 2019 provides a rebate of lower of actual tax liability or INR 12,500 (against earlier rebate of INR 2,500) in case of individuals having total income of less than INR 5 lakh (against earlier total income of INR 3.5 lakh).

Note 2 – The above tax rates are further to be increased by Health and Education cess of 4%(As amended by Finance Act 2018) and Surcharge wherever applicable.

Note 3 – (i) The amount of income-tax shall be increased by a surcharge at the rate of 10% of such tax, where total income exceeds INR 15 lakh but does not exceed INR 1 crore . However, the surcharge shall be subject to marginal relief (where income exceeds INR 50 lakh, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of INR 50 lakh by more than the amount of income that exceeds INR 50 lakh).

ii) The amount of income-tax shall be increased by a surcharge at the rate of 15% of such tax, where total income exceeds INR 1 crore but doesn't exceed INR 2 crore . However, the surcharge shall be subject to marginal relief (where income exceeds INR 1 crore , the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of INR 1 crore by more than the amount of income that exceeds INR 1 crore).

iii) The amount of income-tax shall be increased by a surcharge at the rate of 25% of such tax, where total income exceeds INR 1 crore but doesn't exceed INR 5 crore . However, the surcharge shall be subject to marginal relief (where income exceeds INR 2 crore , the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of INR 2 crore by more than the amount of income that exceeds INR 2 crore).

iv) The amount of income-tax shall be increased by a surcharge at the rate of 37% of such tax, where total income INR 5 crore . However, the surcharge shall be subject to marginal relief (where income exceeds INR 5 crore, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of INR 5 crore by more than the amount of income that exceeds INR 5 crore).

The enhanced surcharge of 25% levied on the total taxable income exceeding INR 2 crore but upto INR 5 crore and 37% levied on the total taxable income exceeding INR 5 crore would not apply on the dividend income (included in the total taxable income) from FY 2020-21 and onwards.

The Finance Act, 2020 has simplified tax regime for individual and HUF with effect from financial year 2020-21 whereby individuals and HUF ('specified persons') can opt for a lower rate of tax (simplified regime tax rates as given below) if they forego certain exemptions and deductions and comply with certain conditions. This option can be exercised only once by the specified persons having business/professional income and once exercised it will remain same for the subsequent years as well.

Aggregate Income (INR)	Simplified Regime tax rates (%)
0 – 2,50,000	NIL
2,50,000– 5,00,000	5
5,00,000 – 7,50,000	10
7,50,000 – 10,00,000	15
10,00,000– 12,50,000	20
12,50,000– 15,00,000	25
Above 15,00,000	30

Alternate Minimum Tax will no longer be applicable if the option under the simplified tax regime is exercised.

Partnership Firm (Including LLP's):
A partnership firm (including LLP) is taxable at 30%.

Note 1 - The amount of income-tax shall be increased by a surcharge at the rate of 12% of such tax, where total income exceeds INR 1 crore . However, the surcharge shall be subject to marginal relief (where income exceeds INR 1 crore , the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of INR 1 crore by more than the amount of income that exceeds INR 1 crore).

Note 2- Health and Education Cess: The amount of income-tax and the applicable surcharge, shall be further increased by health and education cess calculated at the rate of 4% of such income-tax and surcharge

Local Authority:

A local authority is taxable at 30%.

Note - 1: The amount of income-tax shall be increased by a surcharge at the rate of 12% of such tax, where total income exceeds INR 1 crore . However, the surcharge shall be subject to marginal relief (where income exceeds INR 1 crore , the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of INR 1 crore by more than the amount of income that exceeds INR 1 crore).

Note - 2: The amount of income-tax and the applicable surcharge shall be further increased by health and education cess calculated at the rate of 4% of such income-tax and surcharge.

Domestic Company:

For the assessment year 2019-20, a domestic company is taxable at 30%. However, the tax rate would be 25% if turnover or gross receipt of the company does not exceed INR 250 crore in the previous year 2016-17.

For the assessment year 2020-21, a domestic company is taxable at 30%. However, the tax rate would be 25% if turnover or gross receipt of the company does not exceed INR 400 crore in the previous year 2017-18.

Note - 1: The amount of income-tax shall be increased by a surcharge at the rate of 7% of such tax, where total income exceeds one crore rupees but not exceeding INR 10 crore and at the rate of 12% of such tax, where total income exceeds INR 10 crore . However, the surcharge shall be subject to marginal relief, which shall be as under:

(i) Where income exceeds INR 1 crore but not exceeding INR 10 crore , the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of INR 1 crore by more than the amount of income that exceeds INR 1 crore .

(ii) Where income exceeds INR 10 crore , the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of INR 10 crore by more than the amount of income that exceeds INR 10 crore .

Note - 2: The amount of income-tax and the applicable surcharge shall be further increased by health and education cess calculated at the rate of 4% of such income-tax and surcharge.

As per the The Taxation Laws (Amendment) Act, 2019 Domestic companies which do not avail tax incentives have an option to pay income tax at the rate of 22%. New domestic manufacturing companies incorporated on or after 01 October 2019 and commencing their production on or before 31 March 2023 have an option to pay lower income tax at the rate of 15%. Surcharge applicable to domestic companies opting for a lower base tax rate of 15%/22%:

Aggregate income	Surcharge for domestic company (%)	Surcharge for companies opting for 15%/22%
Income exceeding INR 1 crore but not exceeding INR 10 crores	7	10
Income exceeding INR 10 crores	12	

Foreign Company:

Sr. No	Nature of Income Tax	Tax Rate
1.	Royalty received from Government or an Indian concern in pursuance of an agreement made with the Indian concern after March 31, 1961, but before April 1, 1976, or fees for rendering technical services in pursuance of an agreement made after February 29, 1964 but before April 1, 1976 and where such agreement has, in either case, been approved by the Central Government	50%
2.	Any other income	40%

Note -1: The amount of income-tax shall be increased by a surcharge at the rate of 2% of such tax, where total income exceeds INR 1 crore but not exceeding INR 10 crore and at the rate of 5% of such tax, where total income exceeds INR 10 crore . However, the surcharge shall be subject to marginal relief, which shall be as under:

(i) Where income exceeds INR 1 crore but not exceeding INR 10 crore , the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of INR 1 crore by more than the amount of income that exceeds INR 1 crore .

(ii) Where income exceeds INR 10 crore , the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of INR 10 crore by more than the amount of income that exceeds INR 10 crore.

Note - 2: The amount of income-tax and the applicable surcharge shall be further increased by health and education cess calculated at the rate of 4% of such income-tax and surcharge.

Co-operative Society:

Co-operative societies shall be taxed at the following rates:

Sr. No	Taxable income	Tax Rate
1.	Up to Rs. 10,000	10%
2.	Rs. 10,000 to Rs. 20,000	20%
3.	Above Rs. 20,000	30%

Note - 1: The amount of income-tax shall be increased by a surcharge at the rate of 12% of such tax, where total income exceeds INR 1 crore . However, the surcharge shall be subject to marginal relief (where income exceeds INR 1 crore , the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of INR 1 crore by more than the amount of income that exceeds INR 1 crore).

Note - 2: The amount of income-tax and the applicable surcharge shall be further increased by health and education cess calculated at the rate of 4% of such income-tax and surcharge.

The Finance Act, 2020, has made amendment in tax rate for Co-operative societies with effect from the financial year 2020-21 where they can opt for the reduced rate of tax at 22% and reduced surcharge of 10% and health and education cess of 4% (effective rate of tax of 25.168%) provided they comply with the prescribed conditions.

13.13 LOSSES UNDER THE HEAD BUSINESS INCOME

In terms of section 70 read with section 74 of the Act, short term capital loss arising during a year can be set-off against short term as well as long term capital gains. Balance loss, if any, shall be carried forward and set-off against any capital gains arising during the subsequent 8 assessment years. A long-term capital loss arising during a year is allowed to be set-off only against long term capital gains. Balance loss, if any, shall be carried forward and set-off against long term capital gains arising during the subsequent 8 assessment years.

13.14 DIVIDEND STRIPPING

According to section 94(7) of the Act , if any person buys or acquires units within a period of three months prior to the record date fixed for declaration of dividend or distribution of income and sells or transfers the same within a period of nine months from such record date, then capital losses arising from such sale to the extent of income received or receivable on such units, which are exempt under the Act , will be ignored for the purpose of computing his income chargeable to tax.

The Finance Act, 2020 has abolished DDT and tax dividend income in the hands of shareholders in respect of dividend declared, distributed or paid on or after 1 April 2020 and therefore, in such cases the provisions of section 94(7) would not apply.

13.15 BONUS STRIPPING

Where any person buys or acquires any units of a mutual fund or the Unit Trust of India within a period of three months prior to the record date (i.e., the date that may be fixed by a Mutual Fund or the Administrator of the specified undertaking or the specified company, for the purposes of entitlement of the holder of the units to receive additional unit without any consideration) and such person is allotted additional units (without any payment) on the basis of holding of the aforesaid units on the record date, and if such person sells or transfers all or any of the original units within a period of nine months after the record date while continuing to hold all or any of the additional units, then any loss arising to him on account of such purchase and sale of all or any of the units would be ignored for the purpose of computing his income chargeable to tax. Further, the loss so ignored would be deemed to be the cost of acquisition of such additional units as are held by him on the date of sale or transfer of original units.

14. Accounting policy / Valuations

A. The Portfolio Manager shall maintain a separate Portfolio record in the name of the Client in its book for accounting the assets of the Client and any receipt, income in connection therewith as provided under SEBI (Portfolio Managers) Regulations, 2020.

B. For every Client Portfolio, the Portfolio Manager shall keep and maintain proper books of accounts, records and documents, for the Client, so as to explain its transactions and to disclose at any point of time the financial position of the Client's Portfolio.

C. Following Accounting Policies are followed for the purpose of maintaining books of account & records of the Client.

1. The Books of Account of the Client is maintained on an historical cost basis.
2. Investments are stated at cost of acquisition by the Portfolio Manager.
3. Dividend income earned shall be recognized, on the date the share is quoted on an ex-dividend basis. For investments, which are not quoted on a stock exchange, dividend income shall be recognized on the date of receipt. –
4. Tax on Dividend from equity will be accounted as below
   a) In case of Pool client - dividend income will be booked at gross value on ex-date and outflow posted at gross value on same day
   b) In case of Non Pool client - dividend income will be booked at gross value on ex-date, on actual receipt of dividend income will be settled at gross value and separate Tax deduction will be shown under TDS ledger as per the Tax deducted by the company.
5. Tax Deducted at source will be shown as corpus withdrawal in portfolio.
6. In case of NRI clients, clients shall open a PINS Bank A/c, on such terms as agreed between the bank and the client. Such charges are not for the portfolio management service and accordingly, shall not be reckoned to determine the limit of PMS operating expenses charged. The same will be shown as corpus withdrawal in portfolio.
7. In determining the holding cost of investments and the gains or loss on sale of investments, the First-in-First-out (FIFO) method shall be followed.
8. Transactions for purchase or sale of investments shall be recognized as of the trade date, so that the effect of all investments traded during a financial year is recorded and reflected in the financial statements for that year.
9. Bonus shares shall be recognized when the original shares on which the bonus entitlement accrues are traded on the stock exchange on an ex-bonus basis.
10. For Rights Issue, Rights Entitlement (REs) shall be recognized at NIL cost, when the original shares on which the rights entitlement accrues are traded on the stock exchange on an ex-rights basis. These REs shall be valued at available closing price on the National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange (BSE). In case, closing price of NSE and BSE are unavailable, same will be valued at fair value basis as

per Fund Manager's discretion. These REs (if applied for issue), will be converted to original shares on allotment of shares into investor's demat accounts.

11. Traded equity securities and warrants are valued at the last quoted closing price on the National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange (BSE). However, if the equity securities and warrants are not listed/traded on NSE/BSE, as the case may be the securities are valued at the last quoted closing price on the exchange where it is principally traded. When a security is not traded on any stock exchange on a particular valuation day, the value at which it was traded on NSE or any other stock exchange as the case may be, on the earliest previous day is used, provided that such day is not more than thirty days prior to the valuation date.
12. Private equity/Pre IPO placements will be valued at cost or at a last deal publicly available price at which company has placed shares to other investors till it is listed.
13. In respect of all interest-bearing securities, income shall be accrued on a day-to-day basis as it is earned. Therefore, when such investments are purchased, interest paid for the period from the last interest due date upto the date of purchase shall not be treated as a cost of purchase but shall be debited to Interest Recoverable Account. Similarly, interest received at the time of sale for the period from the last interest due date up to the date of sale shall not be treated as an addition to sale value but shall be credited to Interest Recoverable Account.
14. In respect of privately placed debt instruments any front-end discount offered shall be reduced from the cost of the investment.
15. All other expenses payable by the Client shall be accrued as and when Liability is incurred.
16. Unrealised gain/losses are the differences, between the current market value/ Net Asset Value and the historical cost of the securities (Acqusition)/price at which securities are valued on the date of admitting as a Corpus.
17. Where investment transaction take place outside the stock market, for example, acquisitions through private placement or purchases or sales through private treaty, the transaction should be recorded, in the event of a purchase, as of the date on which the portfolio obtains an enforceable obligation to pay the price or, in the event of a sale, when the portfolio obtains an enforceable right to collect the proceeds of sale or an enforceable obligation to deliver the instruments sold.
18. Debt securities shall be valued as per the prices given by third party valuation agencies like ICRA, CRISIL or any other recognized valuation agencies.
19. Open positions in derivative transactions, will be marked to market on the valuation day.
20. In case of listed investments in mutual fund, valuation shall be at the last quoted closing price at the principal stock exchange. If the traded price is not available, then last declared net asset value of the schemes by the respective fund house will be considered for valuation. Investments in unlisted mutual fund schemes are valued based on the last declared net asset value of the schemes by the respective fund house.
21. In case of Scheme of Arrangements like demergers, Spin offs etc. cost ratio of the existing and new scrip/s will be adjusted on the basis of Cost Apportionment ratio shared by respective companies. In case of exceptional circumstances, valuation shall be done on a fair value basis as determined by the AMC. Such fair valuation principles could be the difference between the price as existed on the date previous to the ex-date and the ex-date price of the existing equity shares, duly adjusted for discount, if any. Any unlisted / pending listing resultant / new scrip arising out of such corporate action will be valued at cost, till the time, it is listed on recognized exchange/s.
22. The securities received toward corpus and added to the portfolio are valued and accounted at the previous day closing rate of NSE & the securities withdrawn as corpus are valued and accounted at the closing rate of NSE as on the date of withdrawal.

23. In case closing rate of NSE as mentioned above is not available on the transaction date, the latest available price on the BSE/ NSE is considered.
24. In case the executed quantity is less than the ordered quantity; the logic followed for allocation in case of aggregation of trades is as under :
    a) The Executed quantity will be proportionately allocated to the clients in proportion of order quantity. In case at the time of such allocation the allocated quantity is in fraction, it will be rounded down (if allocated quantity is 10.75 the client will be allocated 10 shares) Thus there will always be balance executed quantity which would remain unallocated.
    b) Such unallocated executed quantity will be assigned to clients in the order of their creation in the system in such a manner that their unfulfilled orders get fully allocated

25. If the Portfolio Management Account being a NRI account, a specific Bank Account has to be opened by the investor as per the regulatory requirement. For the services rendered by the bank such as Certification charges for taxation purpose, transaction fees, etc the bank charges the account as per the terms and conditions agreed by the client with the bank. Since these expenses are not part of the standard expense charged by the Portfolio Manager, it is accounted as a withdrawal in the portfolio.
26. For the buy and sell trade to be executed in the portfolio, upfront margin has to be provided to the custodian, as per the extant settlement norms of exchange . In order to meet the margin requirement, part of the clients funds is transferred as margin. It is not an expense to the portfolio. The margin balance is readjusted periodically.

The accounting policies and standards as outlined above are subject to changes made from time to time by Portfolio Manager. However, such changes would be in conformity with the Regulations.

15. Investor Services

15.1 Contact information

Name, address and telephone number of the investor relations officer who shall attend to the investor queries and complaints.

Name	:	Ms. Karishma More
Address	:	Kotak Towers, 6thFloor, Bldg No 21 Infinity Park, Gen A K. Vaidya Marg, Malad (E), Mumbai 400097
Telephone	:	022 42858155
Email	:	Kmamcpmsclient.Servicing@kotak.com

The Portfolio Manager will ensure that this official is vested with the necessary authority, independence and the wherewithal to handle investor complaints.

15.2 Grievance Redressal and dispute settlement mechanism

The Portfolio Manager will endeavor to address all complaints regarding service deficiencies or causes for grievance, for whatever reason, in a reasonable manner and time. If the investor remains dissatisfied with the remedies offered or the stand taken by the Portfolio Manager, the investor and the Portfolio Manager shall abide by the following mechanisms.

Client or Investor can register their grievance/complaint through SCORES (SEBI Complaints Redress System)

All disputes, differences, claims and questions whatsoever arising between the Client and the Portfolio Manager and/or their respective representatives shall be settled in accordance with and subject to the provisions of The Arbitration and Conciliation Act 1996, or any statutory requirement, modification or re-enactment thereof. Such Arbitration proceedings shall be held at Mumbai or such other place as the Portfolio Manager thinks fit.

15.3 General

The Portfolio Manager and the client can mutually agree to be bound by specific terms through a written two- way agreement between themselves in addition to the standard agreement

Approved by the Directors of Kotak Mahindra Asset Management Company Limited

Sr. No.	Name of the Director	Signature
1.	Mr. Nilesh Shah - Managing Director	Nilesh Dhirajlal Shah Digitally signed by Nilesh Dhirajlal Shah DN: c=IN, o=Personal, postalCode=400049, st=Maharashtra, 2.5.4.20=11d5519a495f9fa4318b259e4df25a1cdea7289dd1a6033d655689a579691e2e, serialNumber=c0e5779d1ecfabcac09db1977d26e8129ea99ae9fe52464a9f0fb1990dcb9ac6, cn=Nilesh Dhirajlal Shah Date: 2021.07.06 19:08:14 +05'30'
2.	Mr. Krishnakumar Natarajan - Director	Krishnakumar Natarajan Digitally signed by Krishnakumar Natarajan DN: c=IN, o=Personal, 2.5.4.20=[illegible], postalCode=560017, st=Karnataka, serialNumber=[illegible], cn=Krishnakumar Natarajan Date: 2021.07.07 14:49:52 +05'30'

Annexure A

KOTAK MAHINDRA ASSET MANAGEMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH,2021

Note 29 Related Party Disclosures

A. Names of Related Parties

Sr. No.	Particulars	Country of Incorporation	Proportion of ownership interest
1	**Subsidiary Company :**		
	Kotak Mahindra Pension Fund Limited	India	95.71%
	Holding Company :		
	Kotak Mahindra Bank Limited	India	
	(Mr. Uday S. Kotak along with his relatives and enterprises in which he has beneficial interest holds 26.02% of the equity share capital and 17.29% of the paid-up share capital of Kotak Mahindra Bank Limited as on 31st March, 2021)		
	Fellow subsidiaries with whom transactions have taken place during the year:		
	Kotak Mahindra Trustee Company Limited	India	
	Kotak Securities Limited	India	
	Kotak Mahindra Prime Limited	India	
	Kotak Mahindra Life Insurance Company Limited	India	
	Kotak Mahindra General Insurance Company Limited	India	
	Kotak Investment Advisors Limited	India	
	Kotak Mahindra (International) Limited	Mauritius	
	Kotak Mahindra Asset Management (Singapore) PTE. Limited	Singapore	
	Enterprises over which Mr. Uday S Kotak along with its relatives have significant influence		
	Aero Agencies Limited	India	
	Mutual Fund managed by the Company		
	Kotak Mahindra Mutual Fund	India	
	Post Employment Benefits Plan		
	Kotak Mahindra Asset Management Company Limited Employees Gratuity Fund		
	Key Management Personnel		
	Managing Director		
	Nilesh Shah		
	Directors with whom transactions have taken place during the year:		
	Anjali Bansal - Independent Director		
	C Jayaram - Non Independent - Non Executive Director		
	Krishnakumar Natarajan - Independent Director		
	Nalin M. Shah - Independent Director		
	Sanjiv Malhotra - Independent Director		

B. Transactions with Related party

i. Key Management Personnel compensation

(Rupees in Lakhs)

Sr. No.	Particulars	For the Year ended 31st March, 2021	For the Year ended 31st March, 2020
	Managing Director*		
i.	Short-term employee benefits	279.69	284.21
ii.	Other contribution to fund	10.84	12.05
iii.	Share-based payments	484.79	434.77
	Directors		
i.	Sitting Fees	28.32	26.60
ii.	Commission	30.00	26.25

Note: The remuneration to the key managerial personnel does not include the provisions made for gratuity, leave encashment and bonus which are provided for group of employees on an overall basis.

KOTAK MAHINDRA ASSET MANAGEMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH,2021

Note 29 Related Party Disclosures (Continued)

ii. Transaction with other related party
Note 29 above provides the information about the Company's structure, including the details of the subsidiaries and the holding company. The following table provides the total amount of transactions that have been entered into during the year and balance as at year end with related parties for the relevant financial year:

(Rupees in Lakhs)

Nature of Transaction	Year ended March 31	Holding Company	Fellow Subsidiaries	Enterprises over which Director / relatives / Key Management Personnel have significant influence	Kotak Mahindra Mutual Fund	Kotak Mahindra Pension Fund (Subsidiary)
A. Transaction during the year						
Management Fees						
Kotak Mahindra Mutual Fund	2021				55,000.38	
	2020				51,922.83	
Other Miscellaneous Receipts						
Kotak Mahindra Mutual Fund	2021				-	
	2020				7.92	
Advisory Fees						
(i) Kotak Mahindra (International) Limited	2021		355.00			
	2020		363.00			
(ii) Kotak Mahindra Asset Management (Singapore) PTE. Limited	2021		253.00			
	2020		213.00			
Miscellaneous Receipts						
Employee transfer related receipts						
(i) Kotak Mahindra Bank Limited	2021	0.14				
	2020	19.95				
(ii) Kotak Mahindra Pension Fund Limited	2021					1.62
	2020					-
(iii) Kotak Mahindra Life Insurance Company Limited	2021		7.65			
	2020		-			
(iv) Kotak Securities Limited	2021		0.46			
	2020		-			
(v) Kotak Mahindra Trustee Company Limited	2021		1.42			
	2020		-			
Recovery of employee cost						
(i) Kotak Mahindra Pension Fund Limited	2021					6.00
	2020					12.00
(ii) Kotak Mahindra Trustee Company Limited	2021		73.17			
	2020		73.52			
Recovery of Common administrative cost						
Kotak Mahindra Trustee Company Limited	2021		4.27			
	2020		5.17			

Note 29 Related Party Disclosures (Continued)

Nature of Transaction	Year ended March 31	Holding Company	Fellow Subsidiaries	Enterprises over which Director / relatives / Key Management Personnel have significant influence	Kotak Mahindra Mutual Fund	Kotak Mahindra Pension Fund (Subsidiary)
Expenses						
Reimbursement of Common administrative cost						
(i) Kotak Mahindra Bank Limited	2021	430.77				
	2020	474.40				
(ii) Kotak Mahindra Life Insurance Company Limited	2021		14.48			
	2020		14.18			
Royalty Expenses						
Kotak Mahindra Bank Limited	2021	157.51				
	2020	-				
Referral Fees						
(i) Kotak Mahindra Bank Limited	2021	808.48				
	2020	639.03				
(ii) Kotak Securities Limited	2021		3.39			
	2020		41.91			
Rent expenses						
(i) Kotak Mahindra Bank Limited	2021	668.07				
	2020	697.71				
(ii) Kotak Mahindra Prime Limited	2021		2.45			
	2020		2.45			
Insurance expenses						
(i) Kotak General Insurance Company Limited	2021		9.73			
	2020		7.01			
(ii) Kotak Mahindra Life Insurance Company Limited	2021		10.15			
	2020		10.48			
Computer related expenses						
Kotak Securities Limited	2021		16.95			
	2020		21.60			
Other Expenditure						
Kotak Mahindra Prime Limited	2021		1.03			
	2020		1.73			
Travel related expenses						
Aero Agencies Limited	2021			1.41		
	2020			48.56		
Business promotion, Distribution and Mutual Fund expenses						
Kotak Mahindra Mutual Fund	2021				28.72	
	2020				56.96	
Miscellaneous Payments						
(Electricity, Housekeeping, Custody charges etc.)						
Kotak Mahindra Bank Limited	2021	804.33				
	2020	973.09				
Employee transfer related cost						
Kotak Mahindra Pension Fund Limited	2021					9.77
	2020					-

Note 29 Related Party Disclosures (Continued)

Nature of Transaction	Year ended March 31	Holding Company	Fellow Subsidiaries	Enterprises over which Director / relatives / Key Management Personnel have significant influence	Kotak Mahindra Mutual Fund	Kotak Mahindra Pension Fund (Subsidiary)
Equity Dividend Paid						
Kotak Mahindra Bank Limited	2021	-				
	2020	2,384.00				
Cost of Insurance of Vehicle						
Kotak General Insurance Company Limited	2021		1.56			
	2020		-			
Investments						
Kotak Mahindra Mutual Fund						
Purchases	2021				61,425.00	
	2020				60,275.00	
Sales	2021				28,807.00	
	2020				32,444.92	
B. Balances at year end						
Balances with banks						
Kotak Mahindra Bank Limited	2021	347.56				
	2020	709.31				
Equity Share Capital						
Kotak Mahindra Bank Limited	2021	2,980.00				
	2020	2,980.00				
Net gain/(loss) on fair value changes (Realised)	2021				169.00	
	2020				352.44	
Mutual Funds Investment as at year end						
Kotak Mahindra Mutual Fund	2021				110,938.21	
	2020				73,881.31	
Equity Investments as at year end						
Kotak Mahindra Pension Fund Limited	2021					2,680.00
	2020					2,680.00
Prepaid Expenses						
(i) Kotak Mahindra Life Insurance Company Limited	2021		-			
	2020		10.15			
(ii) Kotak General Insurance Company Limited	2021		5.70			
	2020		7.10			
Receivables as at year end						
(i) Kotak Mahindra Bank Limited	2021	-				
	2020	19.04				
(ii) Kotak Mahindra Mutual Fund	2021				2,667.15	
	2020				2,556.32	
(iii) Kotak Mahindra Pension Fund Limited	2021					0.19
	2020					1.08
(iv) Kotak Mahindra International Limited	2021		29.58			
	2020		60.50			
(v) Kotak Mahindra Asset Management (Singapore) PTE. Limited	2021		21.08			
	2020		-			

Note 29 Related Party Disclosures (Continued)

Nature of Transaction	Year ended March 31	Holding Company	Fellow Subsidiaries	Enterprises over which Director / relatives / Key Management Personnel have significant influence	Kotak Mahindra Mutual Fund	Kotak Mahindra Pension Fund (Subsidiary)
(vi) Kotak Mahindra Trustee Company Limited	2021		4.26			
	2020		5.02			
(vii) Kotak Investment Advisors Limited	2021		3.70			
	2020		-			
Trade Payables as at year end						
(i) Kotak Mahindra Bank Limited	2021	422.54				
	2020	717.84				
(ii) Kotak Mahindra Mutual Fund	2021				-	
	2020				24.28	
(iii)Kotak Securities Limited	2021		6.17			
	2020		0.27			
(iv) Kotak Mahindra Trustee Company Limited	2021		1.42			
	2020		-			
(v) Kotak Mahindra Prime Limited	2021		0.95			
	2020		0.50			
(vi) Kotak Mahindra Life Insurance Company Limited	2021		1.11			
	2020		1.08			
(vii) Kotak Investment Advisors Limited	2021		0.04			
	2020		-			
Kotak Mahindra Asset Management Company Limited Employees Gratuity Fund (Kindly refer note 30 for details)						

(c) Terms and conditions of transactions with related parties

The transactions with related parties are made in the normal course of business and on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and settlement occurs in cash.

FORM C

SECURITIES AND EXCHANGE BOARD OF INDIA
(PORTFOLIO MANAGERS) REGULATIONS, 2020
(Regulation 22)

Kotak Mahindra Asset Management Company Limited
Registered Office: 27 BKC, C-27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400051, India
Principal place of business: 2nd Floor, 12-BKC, Plot No. C-12, G-Block, Bandra Kurla Complex, Bandra East, Mumbai – 400051
Telephone No: 62185209
Fax: 66384455
Email: anshul.saigal@kotak.com

We confirm that:

(i) The Disclosure Document forwarded to the Board is in accordance with the SEBI (Portfolio Managers) Regulations, 2020 and the guidelines and directives issued by the Board from time to time;
(ii) the disclosures made in the document are true, fair and adequate to enable the investors to make a well informed decision regarding entrusting the management of the portfolio to us / investment in the Portfolio Management;
(iii) The Disclosure Document has been duly certified by an Independent Chartered Accountant, Ms. Supriya Panse Partner of M/s. S. Panse & Co. LLP, (Firm R.No. 113470W/100591) 9, Three View Society, Opp. Century Bazaar, Veer Savarkar Marg, Prabhadevi, Mumbai – 400 025, India on July 06, 2021.

Anshul Saigal

Digitally signed by Anshul Saigal
DN: cn=Anshul Saigal, o=Kotak Mahindra Asset Management Limited, ou=Portfolio Management Services, email=anshul.saigal@kotak.com, c=IN
Date: 2021.07.06 11:32:44 +05'30'

Date: July 06, 2021
Place: Mumbai

Anshul Saigal
Principal Officer

S Panse & Co LLP

"formerly S. Panse & Co."

Chartered Accountants

9, Three View Society, Veer Savarkar Marg, Mumbai - 400 025. India. Tel / Fax : 2437 0483 / 84 Email: admin@panse.in

CERTIFICATE

In the matter of: **Kotak Mahindra Asset Management Company Limited**
27 BKC, C-27
G Block, Bandra Kurla Complex
Bandra (E), Mumbai - 400 051.

On the basis of verification of Disclosure Document as required by the SEBI (Portfolio Managers) Regulations, 2020 and other documents, records,audited Financial Statements as on March 31, 2021 of **Kotak Mahindra Asset Management Company Limited** and the information and explanation given to us, it is confirmed that:

The disclosures made in the Disclosure Document dated July 6, 2021,copy attached herewith, as required by the SEBI (Portfolio Managers) Regulations, 2020 and the circulars ,guidelines, notifications issued by SEBI from time to time are true, fair and adequate to enable the investors to make a well-informed decision.

For & on behalf of
S Panse & Co LLP
Chartered Accountants

Supriya Sanjay Panse

Digitally signed by Supriya Sanjay Panse
DN: CN = Supriya Sanjay Panse, C = IN, S = Maharashtra, O = Personal
Reason: I have reviewed this document
Date: 2021.07.06 15:48:38 +05'30'

Supriya Panse
Partner
Membership No:046607
FRN No: 113470W/W100591
UDIN :21046607AAAADW5472

Place: Mumbai
Date: July 6, 2021