



# Kotak Gold Fund

(An Open Ended Fund Of Funds)

NFO Opens:- 4<sup>th</sup> March 2011





NFO Closes:- 18<sup>th</sup> March 2011



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# Gold in India

-  India is the world's largest consumer of gold approximately 25%\* of world production is consumed in India.
-  The majority of gold used in India is imported but most jewellery is fabricated within the country. Indeed India has a thriving jewellery industry and has become a major exporter.
-  Gold is purchased extensively during weddings & festivals like Diwali & Akshaya Tritiya.
-  Over half the demand comes from rural & semi-urban areas. In these areas gold is also considered as an important & safe form of storing wealth.

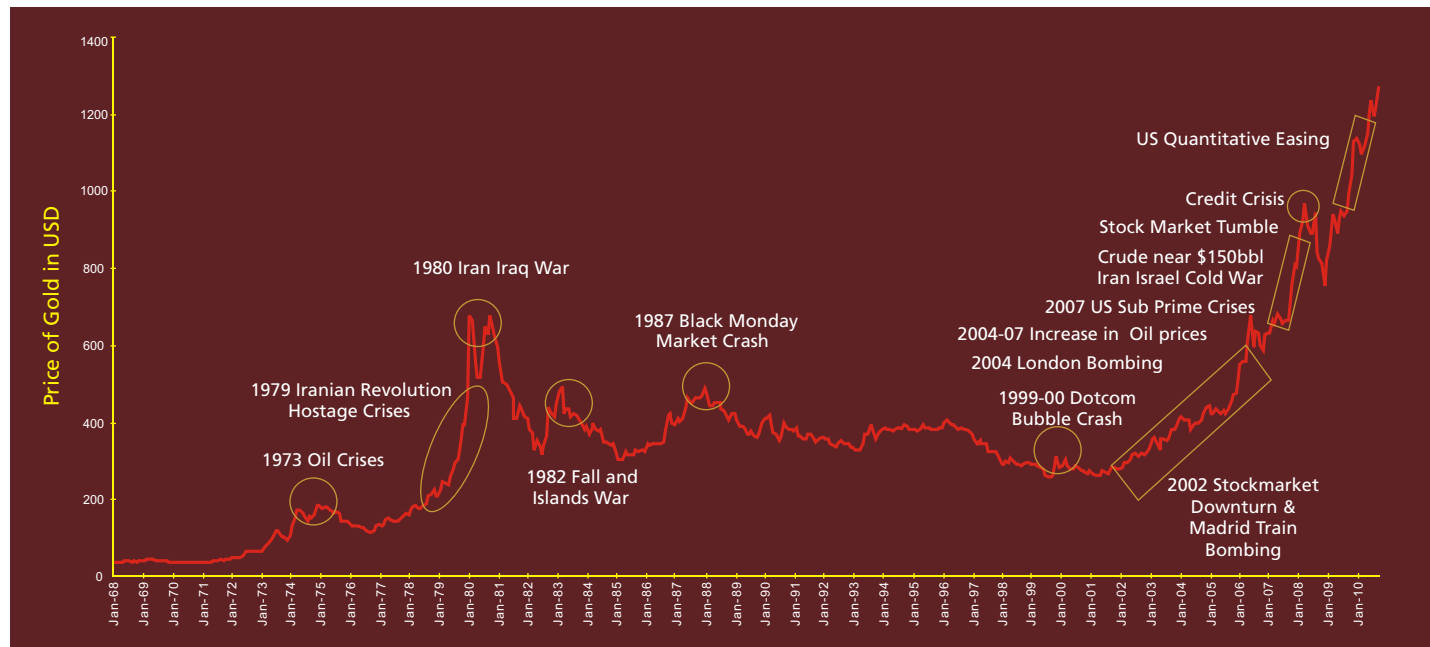
\* As per World Gold Council report



# Importance of Gold – Store of Value



## Gold in Financial & Economic Turbulence



Gold provides "insurance" against unforeseen events or financial catastrophe.

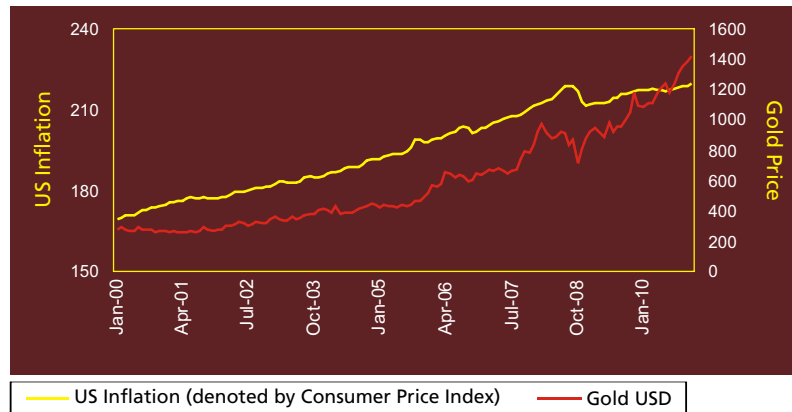
In times of national crisis, people fear that their assets may be seized and the currency may become worthless and therefore they prefer gold as an alternative.

Source: Bloomberg

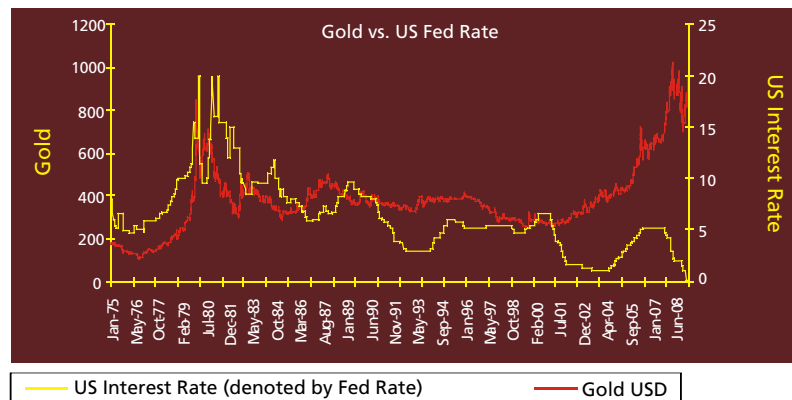
# Importance of Gold – Hedge Against Inflation



Gold has been an effective hedge against inflation. Historically higher inflation have led to higher gold prices.



As gold is denominated internationally in dollars, the US interest rate has a great impact on prices. During times of low interest rates (and rising inflation), investors seek the safe haven of gold.

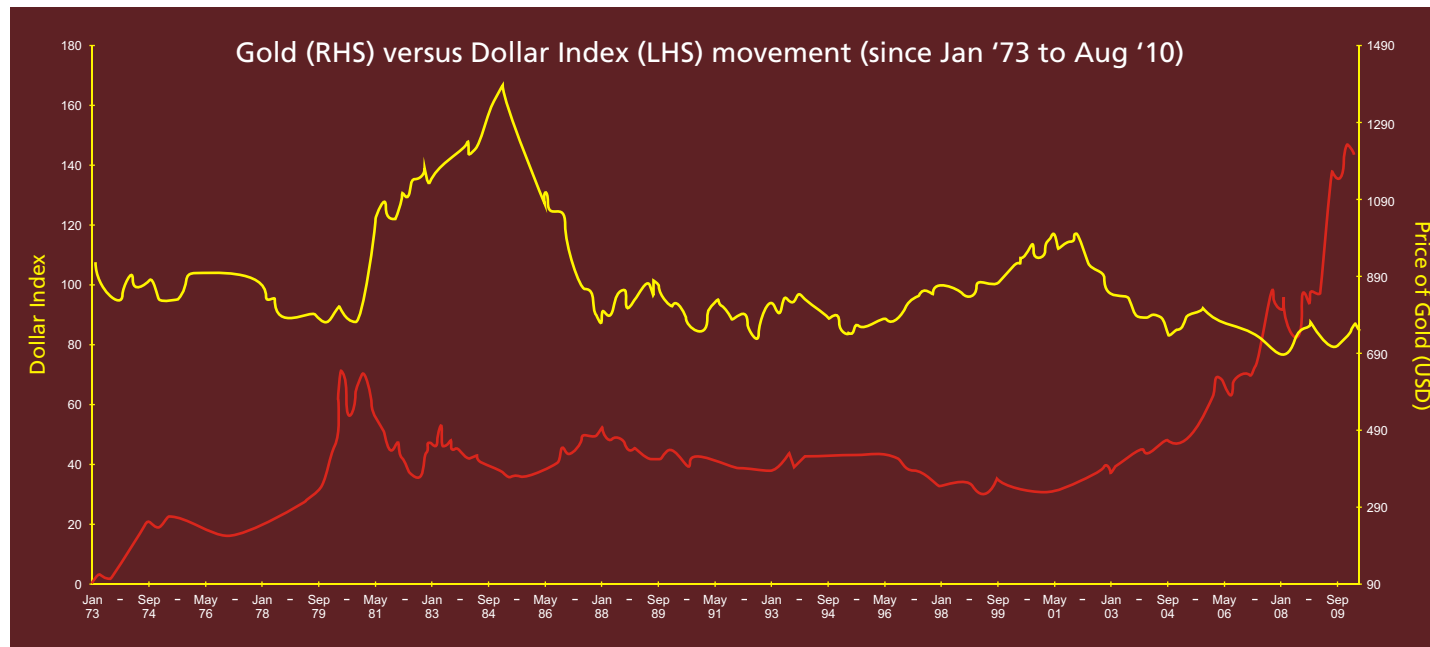


Source: Bloomberg

# Importance of Gold – Hedge Against Dollar Currency Exposure



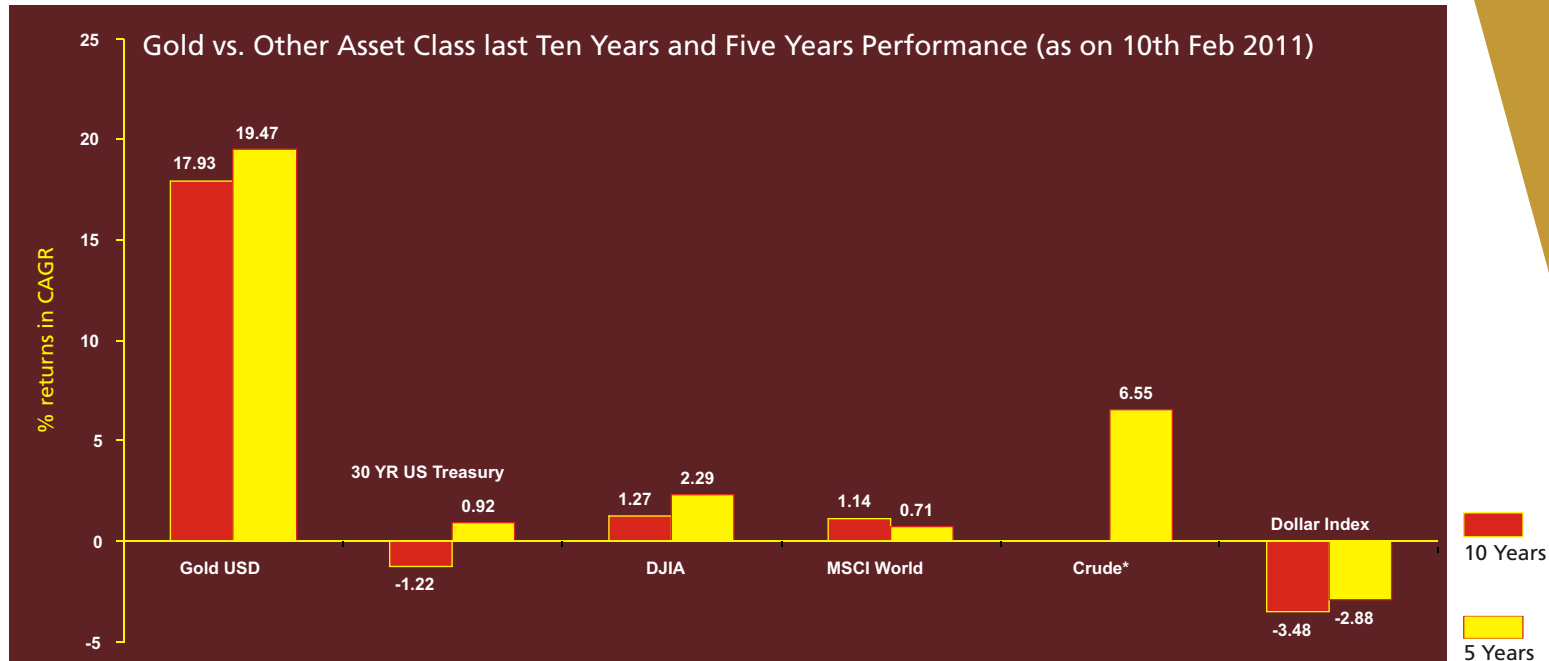
Gold versus US dollar index



Gold has an inverse relationship with US dollar indicating that Gold can act as a hedge against dollar currency exposure.

Source: Bloomberg

# Importance of Gold – Alternative asset class



Gold has very low correlation with other asset classes making it a handy asset to diversify the overall portfolio.

\* Last 10 years data for crude is not available in Bloomberg  
Source: Bloomberg

**Disclaimer: - Past performance may or may not be sustained in future.**

# Historical Gold Performance



The table below shows that whenever equities have given low or negative returns, gold has stood out.

Historical Returns (Jan. - Dec.)		
Year	SENSEX	Gold (INR)
1982	4.0%	21.0%
<b>1986</b>	<b>-1.0%</b>	<b>29.0%</b>
<b>1987</b>	<b>-16.0%</b>	<b>22.0%</b>
1991	82.1%	30.8%
1993	28.6%	27.7%
<b>1995</b>	<b>-21.0%</b>	<b>13.0%</b>
1998	-16.0%	8.0%
1999	63.8%	3.3%
2000	-21.0%	1.0%
<b>2001</b>	<b>-18.0%</b>	<b>6.0%</b>
2002	4.0%	24.0%
2003	72.9%	15.8%
2004	13.1%	0.0%
2005	42.3%	21.4%
2006	46.7%	21.6%
2007	47.2%	17.3%
<b>2008</b>	<b>-53.0%</b>	<b>26.0%</b>
2009	81%	21.97%
2010	17.4%	22.87%

The table below shows the returns given by Gold & BSE SENSEX.

Spot Gold INR versus Sensex Performance in %						
	1Year	2Year	3Year	5Year	Risk*	Risk-Adj Return**
Gold INR	23.85	19.32	19.63	20.27	23.38	0.87
SENSEX	9.68	34.54	0.00	11.54	34.97	0.33

\* Returns are as on 10th Feb 11

Note: \* Volatility in last five years monthly performance annualised  
 \*\* 5 Year CAGR performance divided by commensurate risk

Gold performance is marked by reduced volatility and low underlying risk

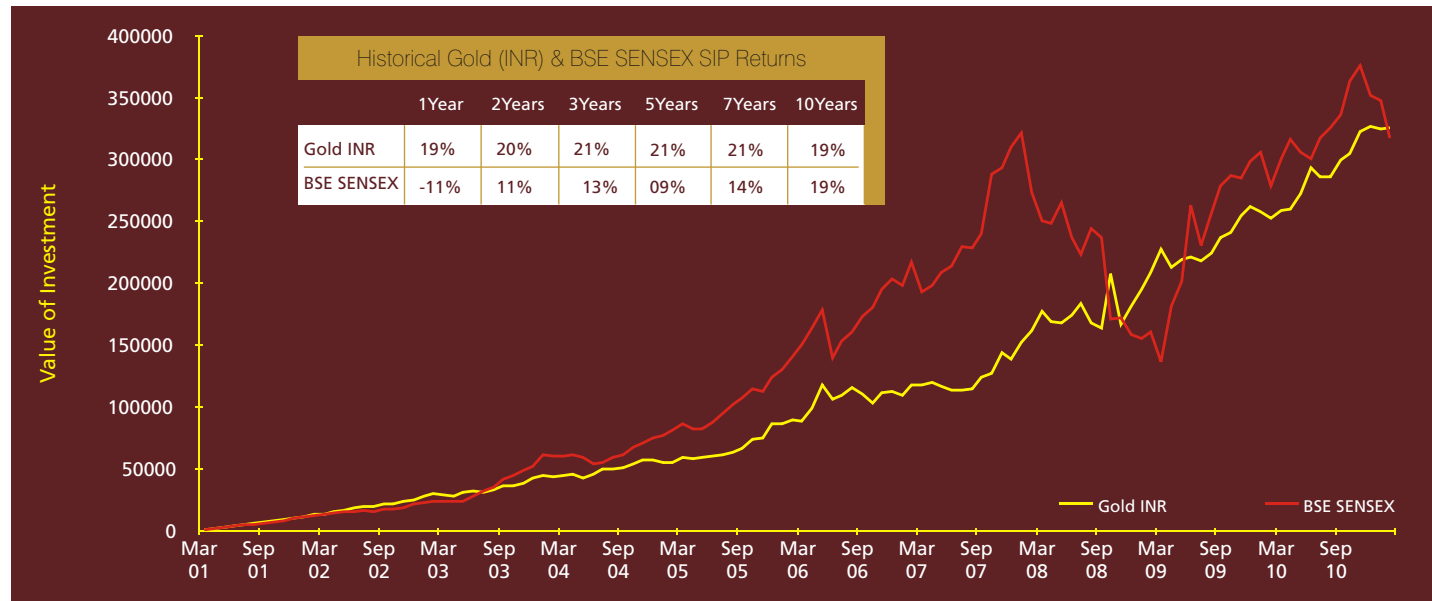
Source : Bloomberg & ICRA

**Disclaimer: - Past performance may or may not be sustained in future.**

# Historical Gold Performance



Last 10 Years SIP Returns - Gold INR vs. BSE SENSEX  
(Investment Value Rs 1000 per month)

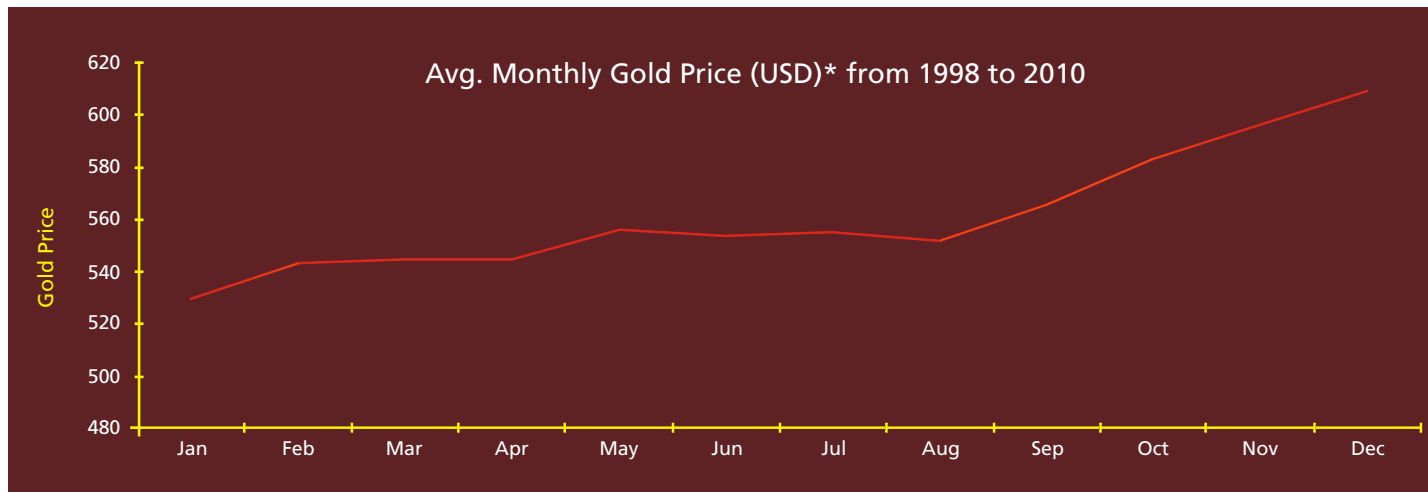


Gold has displayed a consistency in performance

Returns are as on 10th Feb 2011  
Source: Bloomberg & ICRA

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# Gold Prices Seasonal Trend

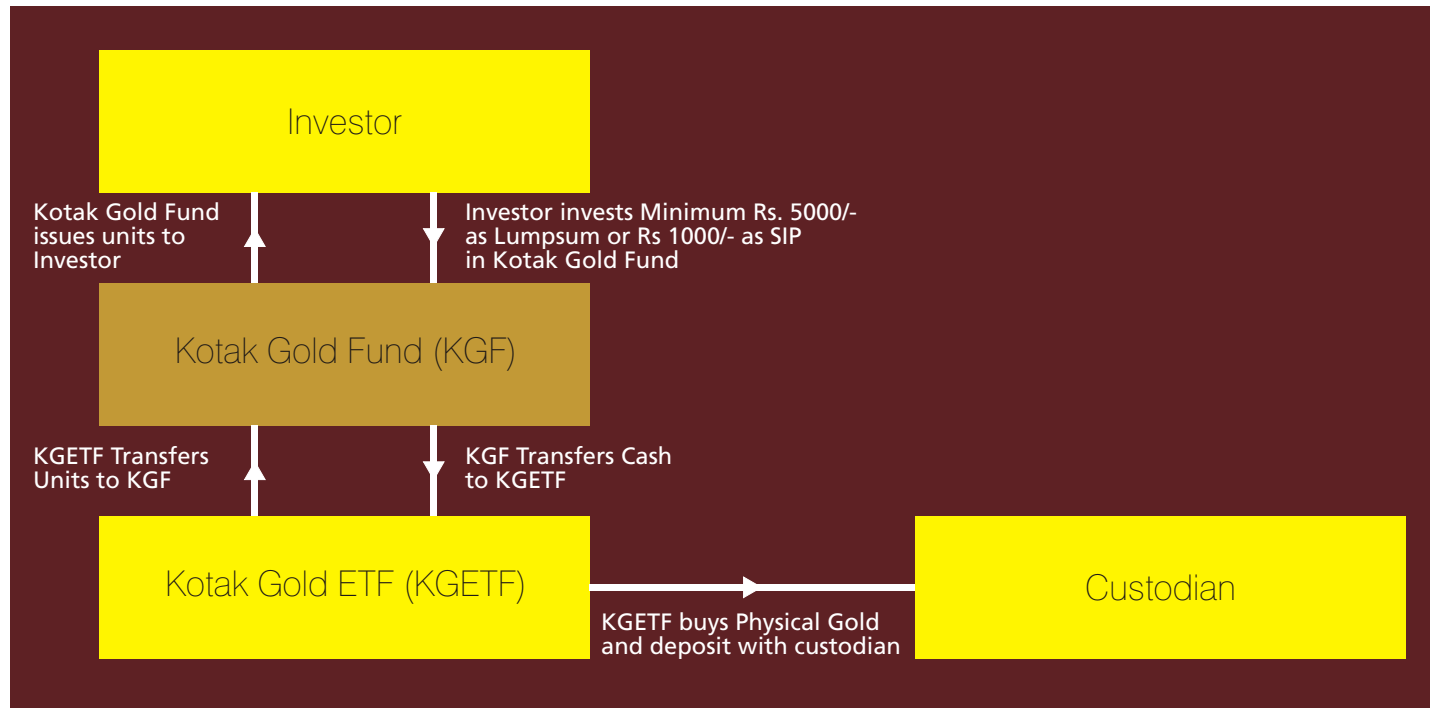


Our analysis for the period 1998 to 2010 shows that gold prices often remain subdued in the period from Jan to June each year prior to a rally into the year-end.







\*Source: LBMA

**Disclaimer: - Past performance may or may not be sustained in future.**

# Kotak Gold Fund - Structure



# Why invest through a Fund Of Funds structure?

-  No need to hold or open Demat and Trading account
-  Investment through SIP
-  Convenience of direct dealing with AMC
-  Liquidity
-  Low Cost
-  Taxation
  - Long term capital gain tax after one year
  - No wealth tax

# Options for Investing in Gold



Benefit	Physical Gold	Commodity Exchange	Gold ETF	Kotak Gold Fund
Good Control on quality of gold	No	Yes	Yes	Yes
Low cost of holding	Yes	High Brokerage Cost	Yes	Yes
Risk of theft	Yes	No	No	No
Available on small denominations	Yes	Yes	Yes	Yes
Wealth tax	Yes	No	No	No
Long term investment	Yes	Speculation or Trading	Yes	Yes
Long term capital gain tax	After 3 Years	No	After 1 Year	After 1 Year
Auto SIP Facility	No	No	No	Yes

As Kotak Gold Fund gives the similar benefits as Gold ETF, it stands out as the best investment vehicle.

# Options for Investing in Gold



Point Of Purchase	Purchase Price/10 gram	Purity	Liquidity While Selling
Jewellers	20550 INR	995	High but will get discounted rate
Banks	24200 INR	999	Low*
Post Offices	23951 INR	999	Low*
Gold ETF	20420 INR	995	High and at current market price

Kotak Gold Fund invests its total corpus into Kotak Gold ETF, it gives you the best pricing and investment option.

Prices are actual as on 11-Feb-2011

Source: Jewelers – TBZ & Riddhi Siddhi Bullion, Banks – Kotak & HDFC, ICICI Gold ETF – LBMA

\*Bank and Post offices do not buy back, have to sell to a Jewelers at a discounted rates

# Kotak Gold Fund – An open ended FOF

Scheme Type:

An open-ended Fund of Funds (FOF) Scheme.

Investment Objective:

The investment objective of the scheme is to generate returns by investing in units of Kotak Gold Exchange Traded Fund .

Asset Allocation

Investments	Indicative Allocation (% to net assets)		Risk Profile
	Min.	Max.	
Units of Kotak Gold ETF	95%	100%	Low
Reverse repo and /or CBLO and/or short-term fixed deposits and /or money market instruments and/or Schemes which invest predominantly in the money market securities or Liquid Schemes*	0%	5%	Low

\*The Fund Manager may invest in Liquid Schemes of Kotak Mahindra Mutual Fund. However, the Fund Manager may invest in any other scheme of a mutual fund registered with SEBI, which invest predominantly in the money market securities. When the asset allocation falls outside the range, review and rebalancing will be conducted in 5 working days. The scheme may either invest directly with the underlying fund i.e. Kotak Gold ETF in creation unit size or through the secondary market or combination of both depending on the market dynamics keeping investors interest in mind. The scheme will not invest in securitized debt.

# Kotak Gold Fund – An open ended FOF

<p>Minimum Investment</p>	<p>Non SIP</p> <p>Additional Ongoing Purchase (Non-SIP)</p> <p>SIP Purchase</p>	<p>Rs 5000/- and in multiples of Rs 1 for purchases and for Re 0.01 for switches</p> <p>Rs. 1000 and in multiples of Rs. 1</p> <p>Rs.1000 (subject to a minimum of 6 SIP installments of Rs. 1000/- each)</p>
<p>Investment Options</p>	<p>Growth, Dividend Payout and Dividend Reinvestment.</p>	
<p>Liquidity</p>	<p>Purchases and redemptions at prices related to applicable NAV, on each business day.</p>	
<p>Taxation</p>	<p>As applicable for a Debt fund. Short Term – As per slab &amp; Long Term -10% without Indexation or 20% with Indexation</p>	
<p>Annual Recurring Expenses</p>	<p>Maximum 1.50%. (The annual recurring expenses of the scheme will be 0.75% of the daily average net assets. The total expenses of the scheme including the expenses of the underlying scheme, shall be capped at 1.50% of the daily average net assets of the scheme)</p>	

# Kotak Gold Fund – An open ended FOF

## Loads

### Entry Load: Nil\*

\*In terms of SEBI Circular No. SEBI/IMD/CIR No. 4/168230/09 dated June 30, 2009, no entry load will be charged on purchase/additional purchase/switch-in. The upfront commission, if any, on investment made by the investor shall be paid by the investor directly to the Distributor, based on his assessment of various factors including the service rendered by the Distributor.

### Exit Load:

2% if redeemed/switch- out within 6 months from date of allotment.

1% if redeemed/switch- out after 6 months and before 1 year from the date of allotment.

Nil if redeemed/switch-out after 1 year from the date of allotment

## Benchmark Index

Physical Gold Price.

## Fund Manager

Mr. Abhishek Bisen

# Risk Factors

**Kotak Gold Fund:** An open ended Fund of Funds Scheme.

**Investment Objective:** The investment objective of the scheme is to generate returns by investing in units of Kotak Gold Exchange Traded Fund.

**Asset Allocation:** Units of Kotak Gold ETF – 95% - 100%; Reverse repo and /or CBLO and/or short-term fixed deposits and /or money market instruments and/or Schemes which invest predominantly in the money market securities or Liquid Schemes\* - 0%- 5%. \*The Fund Manager may invest in Liquid Schemes of Kotak Mahindra Mutual Fund. However, the Fund Manager may invest in any other scheme of a mutual fund registered with SEBI, which invest predominantly in the money market securities.

**Liquidity:** Open-ended. Purchases and redemptions at prices related to Applicable NAV, on each Business Day.

# Risk Factors

**Scheme Specific Risk Factors:** The Scheme will predominantly invest in units of Kotak Gold ETF. Hence the Scheme's performance may depend upon the performance of the Kotak Gold ETF. Any change in the investment policies or the fundamental attributes of the underlying scheme could affect the performance of the Scheme. The deviation in performance between the scheme & the underlying scheme i.e. Kotak Gold ETF could also be on account of cash flows which on an average takes 5 days as per current operational procedure. The investors of the Scheme will bear dual recurring expenses and possibly dual loads, viz, those of the Scheme and those of the underlying Scheme. Hence the investor under the Scheme may receive lower pre-tax returns than what they could have received if they had invested directly in the underlying Scheme in the same proportion. The Portfolio disclosure of the Scheme will be limited to providing the particulars of the underlying scheme where the Scheme has invested and will not include the investments made by the underlying Scheme. However, as the scheme proposes to invest in Kotak Gold ETF, the underlying assets will by and large be physical gold. The value (price) of gold may fluctuate for several reasons and all such fluctuations will result in changes in the NAV of units under the scheme. The factors that may affect the price of gold, among other things, include demand and supply for gold in India and in the global market, Indian and Foreign

# Risk Factors

exchange rates, Interest rates, Inflation trends, trading in gold as commodity, legal restrictions on the movement/trade of gold that may be imposed by RBI, Government of India or countries that supply or purchase gold to/from India, trends and restrictions on import/export of golden jewellery in and out of India, etc. The fund assets are predominantly invested in Kotak Gold ETF and valued at the market price of the said units on the principal exchange. The same may be at a variance to the underlying NAV of the fund, due to market expectations, demand supply of the units, etc. To that extent the performance of scheme shall be at variance with that of the underlying scheme. The endeavour would always be to get cash on redemptions from the underlying funds. However, in case the underlying fund is unable to sell for any reason, and delivers physical gold, there could be delay in payment of redemptions proceeds pending such realization. The fund will subscribe according to the value equivalent to unit creation size as applicable for Kotak Gold ETF. When subscriptions received are not adequate enough to invest in creation unit size, the subscriptions may be deployed in debt and money market instruments which will have a different return profile compared to gold returns profile. Alternatively the ETF units may be acquired from the stock exchanges where the price quoted may be at variance with the underlying NAV, resulting in a higher acquisition costs.

# Risk Factors

**General Risk Factors: - Mutual Funds and securities investments are subject to market risks and there is no assurance or guarantee that the objective of the Scheme will be achieved. As with any securities investment, the NAV of the Units issued under the Scheme can go up or down depending on the factors and forces affecting the securities market.**

Past performance of the Sponsor/AMC/Fund or that of any scheme of the Fund does not indicate the future performance of the Schemes of the Fund.

**Kotak Gold Fund is only the name of the Scheme and does not in any manner indicate the quality of the Scheme, future prospects or returns.**

**Statutory Details:-** Kotak Mahindra Mutual Fund is a Trust (Indian Trust Act, 1882);

**Investment Manager:-** Kotak Mahindra Asset Management Company Ltd.

**Sponsor:-** Kotak Mahindra Bank Ltd. (liability Rs. Nil).

**Trustee:-** Kotak Mahindra Trustee Company Ltd. Kotak Mahindra Bank Limited is not liable or responsible for any loss or shortfall resulting from the operations of the Scheme.

**Please read the Scheme Information Document (SID) and Statement of Additional Information (SAI) carefully before investing. SID and SAI are available on [mutualfund.kotak.com](http://mutualfund.kotak.com)**

Think Investments.  
Think Kotak

