

## **KOTAK FUNDS**

*Société d'investissement à capital variable*

Registered office: 80, Route d'Esch,

L-1470 Luxembourg,

Grand Duchy of Luxembourg

R.C.S. Luxembourg B131576

(the "**Fund**")

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### **NOTICE TO SHAREHOLDERS OF KOTAK FUNDS – INDIA GROWTH FUND (the "Sub-Fund")**

Luxembourg, 11 January, 2022

Dear Shareholder,

The Company's board of directors (the "**Board**") would like to inform you about some changes to the Sub-Fund in which you own shares.

#### **I. Investment objective and policy**

The investment objective and policy of the Sub-Fund will be enhanced with effect from 15 February, 2022 (the "**Effective Date**") to reflect that the Sub-Fund is managed as a fund qualifying as Article 8 under Regulation (UE) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial sector ("**SFDR**"). As a consequence, the name of the Sub-Fund will also change from the Effective Date to "Kotak Funds – India ESG Fund".

Article 8 funds promote environmental, social and governance ("**ESG**") factors as an integral part of their investment strategy and decision making process. This could be accomplished by focussing, for example, on companies with a better than average ESG rating, companies following strong corporate governance practices or companies which are actively operating in areas which reduce ESG risk, such as green energy firms.

The core investment objective and risk weighting of the Sub-Fund is not changing. The continuing aim is to provide long term capital appreciation by investing at least two thirds of the Sub-Fund's total assets in equity and equity linked securities of companies registered in India or deriving a significant portion of their business from India.

#### **II. Benchmark disclosure**

The Sub-Fund is actively managed and currently uses the Nifty 50 Index for performance comparison purposes only.

The Board has decided to change to the MSCI India Index to compare the performance of the Sub-Fund as this index is more representative of the Sub-Fund's investment universe.

As a consequence, the section "Benchmark" in the Sub-Fund's appendix will be amended accordingly.

This change will not have any impact on the way the Sub-Fund is managed, on its asset allocation or its risk profile.

If you do not agree with the changes mentioned under item I. above, you may request the redemption of your shares free of charge until 1.00 PM (Luxembourg time) on 14 February, 2022.

The planned changes are shown in detail in the annex attached hereto and in the draft of the revised Prospectus made available at the registered office of the Company upon request and free of charge.

Yours sincerely,

**On Behalf of the Board of the Company**

Annex – Detail of the changes

| Current name   | New name   |
|--|--|
| Kotak Funds – India Growth Fund  | Kotak Funds – India <del>Growth</del> <u>ESG</u> Fund  |
| Current investment objective and policy  | New investment objective and policy  |
| <p>The objective of the Sub-Fund is to achieve long term capital appreciation by primarily investing at least two thirds of its total assets in equity and equity linked securities of companies registered in India or deriving a significant portion of their business from India. The Sub-Fund will invest at least 50% of its total assets in equity securities.</p> <p>The Sub-Fund will invest directly and/or indirectly in equity and equity-linked securities of companies that in the opinion of the Investment Manager have one or more of the following characteristics:</p> <ul style="list-style-type: none"> <li>i) Companies which are expected to sustain high growth due to their ability to create new markets, develop nascent business segments, operate successfully in niche segments with scale-up potential.</li> <li>ii) Companies expected to create and deliver long term value due to innovation and IPR development.</li> <li>iii) Companies with the potential for value unlocking in the medium to long term due to strategic sale, change in management, deregulation, economic legislation and reform.</li> <li>iv) Companies which are sectoral leaders and enjoy leadership in their respective segments.</li> <li>v) Companies which are strong asset plays.</li> </ul> | <p>The objective of the Sub-Fund is to achieve long term capital appreciation by primarily investing at least two thirds of its total assets in equity and equity linked securities of companies registered in India or deriving a significant portion of their business from India. The Sub-Fund will invest at least 50% of its total assets in equity securities.</p> <p>The Sub-Fund will invest directly and/or indirectly in equity and equity-linked securities of companies that in the opinion of the Investment Manager have one or more of the following characteristics:</p> <ul style="list-style-type: none"> <li>i) Companies which are expected to sustain high growth due to their ability to create new markets, develop nascent business segments, operate successfully in niche segments with scale-up potential.</li> <li>ii) Companies expected to create and deliver long term value due to innovation and IPR development.</li> <li>iii) Companies with the potential for value unlocking in the medium to long term due to strategic sale, change in management, deregulation, economic legislation and reform.</li> <li>iv) Companies which are sectoral leaders and enjoy leadership in their respective segments.</li> <li>v) Companies which are strong asset plays.</li> </ul> |

vi) Companies which are expected to witness operational and financial improvement due to positive swing in their business cycles.

The Investment Manager integrates Environmental Social and Governance (“ESG”) factors in its investment management process and evaluates companies on the basis of these factors before an investment decision is made. These ESG factors are however not binding upon the Investment Manager in the allocation of the Sub-Fund’s portfolio.

The Sub-Fund can invest up to one third of its total assets temporarily in liquid assets, including money-market instruments having a residual maturity not exceeding twelve months and demand or time deposits.

The Sub-Fund may also invest, for the exclusive purposes of hedging and efficient portfolio management, in financial derivative instruments such as futures, equity swaps, options and forward currency contracts and in other currency and equity derivatives including index based derivative instruments.

A Mauritius subsidiary, wholly-owned by the Fund, may be used as an efficient means of investing.

Notwithstanding the provisions of the main part of the Prospectus, the Sub-Fund will not enter into securities financing transactions as defined in Regulation (EU) 2015/2365 on transparency of securities financing transactions and of reuse and amending Regulation (EU) 648/012, namely

vi) Companies which are expected to witness operational and financial improvement due to positive swing in their business cycles.

The Investment Manager integrates **Sub-Fund will seek to deliver returns in a socially responsive manner by combining a value and growth oriented investment philosophy with an** Environmental Social and Governance (“ESG”) **principle overlay. The Investment Manager integrates ESG** factors in its investment management process and evaluates companies on the basis of these factors before an investment decision is made. ~~These ESG factors are however not binding upon the Investment Manager in the allocation of the Sub-Fund’s portfolio,~~ **thereby promoting, among other characteristics, environmental and social characteristics within the meaning of Article 8 of SFDR. While identifying investee companies, the Investment Manager will seek to incorporate ESG considerations within the fundamental analysis and seek to gain an understanding of the relevant ESG issues applicable to such companies.**

**The Investment Manager will seek to limit and/or exclude direct investment (as applicable) in corporate issuers which, in its opinion have exposure to, or ties with, certain sectors including but not limited to:**

- (i) the production of certain types of controversial weapons such as cluster munitions;**
- (ii) the distribution or production of firearms or small arms ammunition intended for retail civilians;**

total return swaps, repurchase and reverse repurchase agreements and securities lending transactions.

- (iii) the extraction and distribution of certain types of fossil fuel (excluding distribution of gas) and/or the generation of power from them for onward sale;
- (iv) the production of tobacco products; and
- (v) production of alcohol products
- (vi) the ownership or operation of gambling-related activities or facilities
- (vii) production of adult entertainment materials

The assessment of the level of involvement in each activity may be based on percentage of revenue or any other parameter connected to a restricted activity.

In addition to exclusion as mentioned above, the Investment Manager shall use a rating method developed by an external service provider of global repute and / or approved by regulators. Currently, the Investment Manager uses the rating provided by Sustainalytics and the rating methodology is available on the website: <https://www.sustainalytics.com/esg-data>, whereby an ESG risk rating measuring the degree to which a company's economic value is at risk driven by ESG factors is attributed to investee companies.

Based on the rating assigned to an investee company, the latter will fall within one of the following categories of ESG risk severity:

| <u>Score</u> | <u>ESG risk severity</u> |
|--------------|--------------------------|
| <u>0-10</u>  | <u>Negligible</u>        |
| <u>10-20</u> | <u>Low</u>               |
| <u>20-30</u> | <u>Medium</u>            |

|              |               |
|--------------|---------------|
| <u>30-40</u> | <u>High</u>   |
| <u>40+</u>   | <u>Severe</u> |

Investee companies for which a score is not available or with a score of more than 40 shall be limited, in aggregate, to 20% of the Sub-Fund's portfolio at the time of investment. For investee companies where Sustainalytics doesn't provide coverage, the Investment Manager may use rating provided by other approved external ESG rating service providers. The direct interactions of the Investment Manager with the investee companies will also be taken into account in its investment decisions.

If the Investment Manager determines that an investee company no longer meets its ESG criteria (such as the development of controversial behaviour, an acquisition, a change of business mix or due to new information), the Investment Manager will first seek to remediate through engagement with the investee company. Where the investment is deemed inappropriate in respect of the Investment Manager's ESG criteria and the investment objective and policy of the relevant Sub-Fund, a commercially reasonable effort will be made to divest promptly. If divestment is not practical or would be inconsistent with sound financial management, the Investment Manager will develop a reasonable plan for divestment. There is no blanket requirement for forced disposals, and there may be occasions where the exposure to undesirable investments or restricted activities (in respect of the ESG criteria) may take a period of time to be eliminated.

**In line with its ESG methodology, the Sub-Fund promotes, inter alia, the aforementioned environmental criteria but does not commit to invest in taxonomy-aligned environmentally sustainable activities which contribute to the environmental objectives set out under Article 9 of Regulation (EU) 2020/852.**

The Sub-Fund can invest up to one third of its total assets temporarily in liquid assets, including money-market instruments having a residual maturity not exceeding twelve months and demand or time deposits.

The Sub-Fund may also invest, for the exclusive purposes of hedging and efficient portfolio management, in financial derivative instruments such as futures, equity swaps, options and forward currency contracts and in other currency and equity derivatives including index based derivative instruments.

A Mauritius subsidiary, wholly-owned by the Fund, may be used as an efficient means of investing.

Notwithstanding the provisions of the main part of the Prospectus, the Sub-Fund will not enter into securities financing transactions as defined in Regulation (EU) 2015/2365 on transparency of securities financing transactions and of reuse and amending Regulation (EU) 648/012, namely total return swaps, repurchase and reverse repurchase agreements and securities lending transactions.

| Current benchmark  | New benchmark  |
|--|--|
| <p data-bbox="138 331 338 363">Nifty 50 Index</p> <p data-bbox="138 424 1115 456">The Sub-Fund uses the benchmark for performance comparison purposes.</p> <p data-bbox="138 517 1115 865">The Sub-Fund is actively managed. This means the Investment Manager is taking investment decisions with the intention of achieving the Sub-Fund's investment objective with complete discretion with respect to portfolio allocation and overall level of exposure to the market. The Investment Manager is not in any way constrained by the benchmark in its portfolio positioning, and the Sub-Fund will not hold all, or indeed may not hold any, of the benchmark constituents. The deviation from the benchmark may be complete or significant.</p> | <p data-bbox="1124 331 1547 363"><del>Nifty 50 Index</del> <b><u>MSCI India Index</u></b></p> <p data-bbox="1124 424 2098 456">The Sub-Fund uses the benchmark for performance comparison purposes.</p> <p data-bbox="1124 517 2098 865">The Sub-Fund is actively managed. This means the Investment Manager is taking investment decisions with the intention of achieving the Sub-Fund's investment objective with complete discretion with respect to portfolio allocation and overall level of exposure to the market. The Investment Manager is not in any way constrained by the benchmark in its portfolio positioning, and the Sub-Fund will not hold all, or indeed may not hold any, of the benchmark constituents. The deviation from the benchmark may be complete or significant.</p> |