

KOTAK FUNDS

Société d'Investissement à Capital Variable (SICAV)

R.C.S. Luxembourg B 131.576

SEMI-ANNUAL REPORT AND UNAUDITED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

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KOTAK FUNDS

TABLE OF CONTENTS

	Page
Management and Administration	2
Investment Objectives	3
Directors' Report	5
Statement of Net Assets	7
Statement of Operations	8
Statement of Changes in Net Assets	9
Statistical Information	10
Schedule of Investments	
Kotak Funds – India Growth Fund	12
Kotak Funds – India Midcap Fund	15
Kotak Funds – India Fixed Income Fund	19
Notes to the Financial Statements	21

KOTAK FUNDS

MANAGEMENT AND ADMINISTRATION

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KOTAK FUNDS

INVESTMENT OBJECTIVES

Kotak Funds - India Growth Fund

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 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:

- a) 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.
- b) Companies expected to create and deliver long term value due to innovation and intellectual property rights development.
- c) 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.
- d) Companies which are sectoral leaders and enjoy leadership in their respective segments.
- e) Companies which are strong asset plays.
- f) Companies which are expected to witness operational and financial improvement due to positive swing in their business cycles.

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.

Kotak Funds - India Midcap Fund

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 mid-capitalisation companies registered in India or deriving a significant portion of their business from India.

The Sub-Fund will have the flexibility to invest up to a third of its assets in equity and equity-linked instruments of large-capitalisation companies. Large-capitalisation companies are those that have a market capitalisation greater than that of the company with the largest market capitalisation in the Nifty Free Float Midcap 100 Index at the time of making an investment in that company.

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.

Kotak Funds - India Fixed Income Fund

The objective of the Sub-Fund is to generate total returns by primarily investing in debt securities issued by the central or state governments of India or issued by companies of Indian origin or deriving a significant portion of their business in India.

KOTAK FUNDS

INVESTMENT OBJECTIVES (CONTINUED)

Kotak Funds - India Fixed Income Fund (continued)

The Sub-Fund will principally gain exposure to the following instruments:

- a) Debt securities issued by the Central and State Governments in India (including but not limited to coupon bearing bonds, zero coupon bonds and treasury bills).
- b) Debt securities issued by Indian governmental agencies and statutory bodies, which may or may not carry a Central/ State Government guarantee in India.
- c) Corporate debt securities denominated in INR and issued by companies of Indian origin or deriving a significant portion of their business from India (including but not limited to Commercial Paper, Non-Convertible Debentures and bonds including zero coupon bonds).
- d) Corporate debt securities denominated in currencies other than INR and issued by companies of Indian origin or deriving a significant portion of their business from India.
- e) Mutual funds domiciled in India and regulated by Securities and Exchange Board of India.

The Sub-Fund may invest more than 35% of its net asset value in debt securities issued and/or guaranteed by the Indian government in accordance with section III c) of the Investment Restrictions. If such limit of 35% is exceeded, section III f) of the Investment Restrictions will apply.

The Sub-Fund may on an ancillary basis, invest directly or indirectly in sovereign debt securities issued by developed world countries (including US treasury bills and bonds) denominated in any currency.

All three Sub-Funds will not invest more than 10% of their assets in other Undertaking for Collective Investments.

KOTAK FUNDS

DIRECTORS' REPORT

We are pleased to present you the Semi-Annual Report as at 30 June 2018 of Kotak Funds.

Markets and Performance

Indian equity markets outperformed its global peers in 1HCY18 despite giving USD negative returns. Debt markets meanwhile witnessed selloff on higher inflation trajectory as well as risk to fiscal deficit. In equity markets, the large cap NIFTY index declined 5% while the mid cap NSEMCAP index declined 20% in USD terms. On a relative basis Indian markets out-performed other comparable markets (MSCI EM was down 7% in 1HCY18 in USD terms). The period saw net FII (Foreign Institutional Investor) outflows to the tune of around USD622 mn from the Indian equity market and outflows of around USD6 bn from debt markets. The domestic mutual fund industry continued to see momentum in flows in 1HCY18 and saw inflows of around USD13 bn. On the currency side, the INR depreciated by about 7% through the year, which was quite higher compared to the appreciation in USD against the major currency basket (DXY gained around 3% during the period).

1HCY18 was dominated by fears of global trade wars as the US engaged in protectionism by raising tariffs on USD50 bn of Chinese imports as well as threatening to impose sanctions on the European Union. Meanwhile, global crude prices rose from USD66/bbl to USD79/bbl over December 2017 to June 2018 due to fall in supply from Venezuela and Mexico, further exacerbated by the unilateral imposition of sanctions on Iran by USA. Fed FOMC too raised its federal fund rate by 25 bps in June after the 25 bps hike in March and signaled that two more rate hikes are likely in CY2018.

On the domestic front, India's 4QFY18 (Mar-18 quarter) GDP and GVA growth improved significantly at 7.7% and 7.6% respectively as against 7.0% and 6.6% in 3QFY18 (Dec-17 quarter) while FY2018 GVA growth slowed to 6.5% partly reflecting GST-led disruptions. The government has projected a FY2019BE GFD/GDP target of 3.3%. The government has budgeted (1) a 17% increase in taxation revenues, (2) 10% increase in expenditure (10% increase in revenue expenditure and 10% increase in capital expenditure) and (3) Rs800 tn of divestment revenues versus FY2018RE figure of Rs1.0 tn. The government's FY2018RE GFD/GDP figure stands at 3.5%, modestly above the 3.2% target. Bankruptcy proceedings in the first set of 12 large corporates progressed satisfactorily with Bhushan Steel and Electrosteel Steel seeing complete resolution, while Amtek Auto, Jaypee Infratech, Jyoti Structures and Monnet Ispat are very close to resolution. On the political front, BJP had emerged victorious in state elections in Gujarat and Himachal Pradesh in December. In the Karnataka elections, BJP was the single largest party; however, it was unable to prove simple majority and the JDS-Congress post poll alliance eventually formed the Government. Meanwhile TDP walked out of the NDA alliance in March as they were unhappy with the central government's allocation of funds for Andhra Pradesh. In June, BJP pulled out of their alliance with PDP in Jammu and Kashmir, thereby imposing the President's rule.

The fiscal deficit in April-May 2018 was 55% of the FY2019BE. Gross tax collections grew 29.9%. Indirect tax collections (including GST) grew 59% and direct taxes collection declined 14%. GST collection was at Rs1.13 tn with CGST+UTGST collection of Rs604 tn, IGST collection of Rs369 bn, and compensation cess of Rs157 bn. Corporate tax collections growth was at (-)82.7% while income tax collections grew 4.8%. Total expenditure grew 3% with capital expenditure growth at 21.4% while revenue expenditure grew 0.7%.

Commodity prices gained in 1HCY18. Crude oil prices rose from USD66/bbl to USD79/bbl over December 2017 to June 2018 due to fall in supply from Venezuela and Mexico, further exacerbated by the unilateral imposition of sanctions on Iran by USA. As a result, risk of a deteriorating CAD has seen INR depreciate sharply during this period. Non-oil commodity prices, like aluminium, zinc, etc. saw sharp correction on concerns of global demand.

In India, RBI raised rates in 1HCY18 by 25bps to 6.25% in the June policy meet. The inflationary trends continued into CY2018 with the actual inflation prints significantly overshooting the RBI's target. This sets expectations of another probable rate hike in 2HCY17. Headline CPI inflation averaged 4.7% in 1HCY18 with the June print coming at 5%, at the upper end of RBI's comfort levels.

KOTAK FUNDS

DIRECTORS' REPORT (CONTINUED)

Kotak Funds - India Growth Fund

For the six months ended June 2018, Kotak Funds: India Growth Fund returned -9%^ and the Nifty 50 Index returned -5% for the same period.

Kotak Funds - India Midcap Fund

Kotak Funds: India Midcap Fund yielded a return of -13%^ with the Nifty Midcap 100 Index returning -20% for the same period.

Kotak Funds - India Fixed Income Fund

Kotak Funds: India Fixed Income Fund yielded a return of -7%* for the same period.

^ The performance mentioned for the sub-funds are for Class A USD Accumulation Shares.

** The performance mentioned for the sub-funds are for Class I USD Accumulation Shares.*

All percentage (%) returns mentioned above are in USD.

The Board of Directors

1 August 2018

KOTAK FUNDS

STATEMENT OF NET ASSETS AS AT 30 JUNE 2018

		INDIA GROWTH FUND USD	INDIA MIDCAP FUND USD	INDIA FIXED INCOME FUND USD
NOTES	COMBINED USD			
Investments				
Investments in securities at cost	1,934,951,156	106,337,712	1,789,666,992	38,946,452
Unrealised appreciation/(depreciation)	89,050,225	22,917,850	67,677,572	(1,545,197)
Investments in securities at market value	2.d	2,024,001,381	129,255,562	37,401,255
Other Assets				
Cash at bank	347,892,130	6,251,637	338,104,686	3,535,807
Receivable resulting from sales of securities	9,106,063	1,346,673	7,537,854	221,536
Due from shareholders	1,147,642	585,768	560,779	1,095
Interest receivable	912,527	895	-	911,632
Sundry debtors and prepayments	1,105,569	256,297	818,099	31,173
	360,163,931	8,441,270	347,021,418	4,701,243
Total Assets	2,384,165,312	137,696,832	2,204,365,982	42,102,498
Liabilities				
Unrealised depreciation on futures contracts	2.g, 9	920,498	-	-
Payable resulting from purchases of securities		2,465,635	1,182,337	-
Due to shareholders		5,360,566	4,636,930	91,764
Capital gain tax payable	6	5,278,110	4,360,379	132,644
Sundry creditors and accruals		2,785,771	2,286,777	94,665
Total Liabilities		16,810,580	13,386,921	319,073
Net Assets		2,367,354,732	2,190,979,061	41,783,425

The accompanying notes form an integral part of these financial statements.

KOTAK FUNDS

STATEMENT OF OPERATIONS FOR THE PERIOD ENDED 30 JUNE 2018

		COMBINED	INDIA	INDIA	INDIA
	NOTES	USD	GROWTH	MIDCAP	FIXED INCOME
			FUND	FUND	FUND
			USD	USD	USD
Income					
Dividend income	2.e	5,020,278	885,343	4,134,935	-
Interest income from fixed income securities	2.e	2,817,866	-	-	2,817,866
Interest income from bank deposits		175,065	8,324	165,635	1,106
Reversal of capital gain tax accrual	6	8,443,039	238,798	8,204,241	-
Other income		555,103	-	525,447	29,656
Total income		17,011,351	1,132,465	13,030,258	2,848,628
Expenses					
Investment management fees	3	11,079,689	1,282,353	9,602,902	194,434
Administration and depositary fees	4	854,456	87,788	722,238	44,430
Audit and professional fees		55,847	5,091	47,683	3,073
Management company fees	8	388,530	22,827	358,195	7,508
Subscription tax	5	474,305	30,532	439,583	4,190
Transaction costs		44,134	18,274	17,304	8,556
Directors' fees and expenses	7	15,857	2,608	11,041	2,208
Bank interest and charges		16,776	6,483	7,605	2,688
Other expenses		631,286	60,929	475,826	94,531
Total expenses		13,560,880	1,516,885	11,682,377	361,618
Net Profit/(Loss) from Investments		3,450,471	(384,420)	1,347,881	2,487,010
Net profit/(loss) realised on:					
- investments portfolio	2.d	(16,941,468)	3,515,748	(17,982,888)	(2,474,328)
- futures contracts	2.g	(1,518,380)	-	(1,518,380)	-
- foreign exchange transactions	2.c	(21,820,769)	(259,775)	(20,026,387)	(1,534,607)
Net Realised (Loss)/Profit		(40,280,617)	3,255,973	(39,527,655)	(4,008,935)
Net change in unrealised depreciation on:					
- investment portfolio	2.d	(276,889,776)	(16,068,544)	(259,062,319)	(1,758,913)
- futures contracts	2.g	(1,050,631)	-	(1,050,631)	-
Net Change in Unrealised Depreciation		(277,940,407)	(16,068,544)	(260,112,950)	(1,758,913)
Results from Operations		(314,770,553)	(13,196,991)	(298,292,724)	(3,280,838)

The accompanying notes form an integral part of these financial statements.

KOTAK FUNDS

STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD ENDED 30 JUNE 2018

	NOTES	COMBINED USD	INDIA GROWTH FUND USD	INDIA MIDCAP FUND USD	INDIA FIXED INCOME FUND USD
Net Assets at beginning of the period		1,903,602,046	148,056,900	1,701,032,726	54,512,420
Decrease in Net Assets as a Result of Operations		(314,770,553)	(13,196,991)	(298,292,724)	(3,280,838)
Capital Transactions					
Subscriptions received		938,929,020	32,586,565	900,977,714	5,364,741
Redemptions paid		(153,772,697)	(32,835,675)	(106,209,646)	(14,727,376)
Dividends and distributions					
Dividends paid	2.i	(6,633,084)	(18,553)	(6,529,009)	(85,522)
Net Increase/(Decrease) in Net Assets as a Result of Capital Transactions		778,523,239	(267,663)	788,239,059	(9,448,157)
Total Increase/(Decrease) in Net Assets in the period		463,752,686	(13,464,654)	489,946,335	(12,728,995)
Net Assets at end of the period		2,367,354,732	134,592,246	2,190,979,061	41,783,425

The accompanying notes form an integral part of these financial statements.

KOTAK FUNDS

STATISTICAL INFORMATION

		INDIA GROWTH FUND USD	INDIA MIDCAP FUND USD	INDIA FIXED INCOME FUND USD
Net asset value				
30 June 2018		USD 134,592,246	USD 2,190,979,061	USD 41,783,425
31 December 2017		USD 148,056,900	USD 1,701,032,726	USD 54,512,420
31 December 2016		USD 147,833,936	USD 455,893,566	USD 49,825,760
Number of shares				
30 June 2018	Class A Distribution Shares GBP	11,466	130,160	-
	Class A Shares EUR	53,278	69,084	-
	Class A Shares GBP	79,527	443,920	-
	Class A Shares USD	6,820,107	5,837,282	436,124
	Class B Shares EUR	-	2,060	-
	Class B Shares GBP	-	12,182	-
	Class B Shares USD	315,929	99,681	-
	Class C Distribution Shares GBP	-	84,801	48,693
	Class C Shares GBP	36,365	1,197,594	51,159
	Class C Shares USD	-	924,447	87,580
	Class I Distribution Shares EUR	-	-	159,187
	Class I Shares EUR	10,937	-	239,725
	Class I Shares GBP	-	-	20,000
	Class I Shares USD	860,594	1,979,761	2,222,926
	Class J Shares EUR	-	144,208	-
	Class J Shares USD	-	20,912,212	-
	Class X Distribution Shares JPY	-	6,008,967	-
31 December 2017	Class A Distribution Shares GBP	11,864	137,397	-
	Class A Shares EUR	41,326	85,036	-
	Class A Shares GBP	84,037	534,809	-
	Class A Shares USD	6,161,928	5,558,604	507,506
	Class B Shares EUR	-	751	-
	Class B Shares GBP	-	15,666	-
	Class B Shares USD	56,144	53,092	-
	Class C Distribution Shares GBP	-	43,780	115,641
	Class C Shares GBP	37,006	843,722	56,769
	Class C Shares USD	30,000	407,879	23,216
	Class I Distribution Shares EUR	-	-	160,844
	Class I Shares EUR	10,937	-	366,247
	Class I Shares GBP	-	-	20,000
	Class I Shares USD	1,545,610	1,983,284	2,651,335
	Class J Shares EUR	-	372,154	-
	Class J Shares USD	-	15,851,716	-
	Class X Distribution Shares JPY	-	3,735,110	-
31 December 2016	Class A Distribution Shares GBP	6,699	125,952	-
	Class A Shares EUR	20,000	-	-
	Class A Shares GBP	58,379	387,272	-
	Class A Shares USD	5,804,077	4,348,723	459,304
	Class B Shares EUR	-	875	-
	Class B Shares GBP	-	8,790	-
	Class B Shares USD	-	17,591	-
	Class C Distribution Shares GBP	-	12,540	50,819
	Class C Shares GBP	9,254	344,448	45,916
	Class C Shares USD	-	3,500	10,600
	Class I Distribution Shares EUR	-	-	131,381
	Class I Shares EUR	4,542	-	335,860
	Class I Shares USD	4,395,247	2,686,664	2,862,577
	Class J Shares USD	-	6,113,191	-
	Class X Distribution Shares JPY	-	1,142,710	-

The accompanying notes form an integral part of these financial statements.

KOTAK FUNDS

STATISTICAL INFORMATION (CONTINUED)

		INDIA GROWTH FUND USD	INDIA MIDCAP FUND USD	INDIA FIXED INCOME FUND USD
Net asset value per share				
30 June 2018	Class A Distribution Shares GBP	GBP 23.46	GBP 25.98	-
	Class A Shares EUR	EUR 11.10	EUR 9.07	-
	Class A Shares GBP	GBP 18.95	GBP 21.51	-
	Class A Shares USD	USD 16.21	USD 21.02	USD 10.57
	Class B Shares EUR	-	EUR 24.78	-
	Class B Shares GBP	-	GBP 23.99	-
	Class B Shares USD	USD 9.96	USD 23.89	-
	Class C Distribution Shares GBP	-	GBP 15.50	GBP 12.35
	Class C Shares GBP	GBP 15.19	GBP 14.81	GBP 13.44
	Class C Shares USD	-	USD 12.93	USD 10.77
	Class I Distribution Shares EUR	-	-	EUR 10.08
	Class I Shares EUR	EUR 10.77	-	EUR 15.00
	Class I Shares GBP	-	-	GBP 9.49
	Class I Shares USD	USD 19.79	USD 19.70	USD 12.70
	Class J Shares EUR	-	EUR 10.23	-
	Class J Shares USD	-	USD 16.60	-
	Class X Distribution Shares JPY	-	JPY 29,872.80	-
31 December 2017	Class A Distribution Shares GBP	GBP 26.31	GBP 30.75	-
	Class A Shares EUR	EUR 11.83	EUR 10.17	-
	Class A Shares GBP	GBP 20.19	GBP 24.12	-
	Class A Shares USD	USD 17.77	USD 24.25	USD 11.36
	Class B Shares EUR	-	EUR 27.92	-
	Class B Shares GBP	-	GBP 27.03	-
	Class B Shares USD	USD 10.97	USD 27.70	-
	Class C Distribution Shares GBP	-	GBP 18.37	GBP 13.28
	Class C Shares GBP	GBP 16.10	GBP 16.53	GBP 14.01
	Class C Shares USD	USD 10.44	USD 14.85	USD 11.55
	Class I Distribution Shares EUR	-	-	EUR 10.81
	Class I Shares EUR	EUR 11.42	-	EUR 15.63
	Class I Shares GBP	-	-	GBP 9.90
	Class I Shares USD	USD 21.59	USD 22.73	USD 13.62
	Class J Shares EUR	-	EUR 11.41	-
	Class J Shares USD	-	USD 19.06	-
	Class X Distribution Shares JPY	-	JPY 35,005.36	-
31 December 2016	Class A Distribution Shares GBP	GBP 21.37	GBP 23.01	-
	Class A Shares EUR	EUR 9.97	-	-
	Class A Shares GBP	GBP 16.40	GBP 18.05	-
	Class A Shares USD	USD 13.17	USD 16.56	USD 10.51
	Class B Shares EUR	-	EUR 21.90	-
	Class B Shares GBP	-	GBP 20.43	-
	Class B Shares USD	-	USD 19.10	-
	Class C Distribution Shares GBP	-	GBP 13.61	GBP 13.40
	Class C Shares GBP	GBP 12.95	GBP 12.25	GBP 14.13
	Class C Shares USD	-	USD 10.03	USD 10.63
	Class I Distribution Shares EUR	-	-	EUR 11.31
	Class I Shares EUR	EUR 9.54	-	EUR 16.36
	Class I Shares USD	USD 15.84	USD 15.51	USD 12.54
	Class J Shares USD	-	USD 12.88	-
	Class X Distribution Shares JPY	-	JPY 25,090.37	-

The accompanying notes form an integral part of these financial statements.

KOTAK FUNDS

SCHEDULE OF INVESTMENTS

INDIA GROWTH FUND

30 June 2018

Number of shares/ Nominal Value	Security	Market Value USD	Market Value as a percentage of Net Assets
Transferable securities and money market instruments admitted to an official exchange listing or dealt in on another regulated market			
Equities			
India			
254,780	Aegis Logistics	794,129	0.59
32,022	Alkem Laboratories	884,516	0.66
426,329	Ambuja Cements	1,291,783	0.96
92,543	Astral Poly Technik	1,362,159	1.01
387,703	Axis Bank	2,892,554	2.15
39,166	Bajaj Finance	1,313,647	0.98
543,790	Bank of Baroda	894,734	0.66
334,618	Berger Paints India	1,373,368	1.02
285,915	Bharat Petroleum	1,558,929	1.16
97,680	Bharti Airtel	544,934	0.40
513,101	Bodal Chemicals	980,636	0.73
363,135	Brigade Enterprises	1,125,233	0.84
31,894	Britannia Industries	2,894,637	2.15
188,295	Cadila Healthcare	1,037,940	0.77
168,390	Cipla	1,516,654	1.13
459,066	Crompton Greaves	1,516,698	1.13
30,615	Dalmia Bharat Enterprises	1,019,554	0.76
121,758	Emami	941,039	0.70
382,000	Exide Industries	1,441,183	1.07
111,627	Godrej Consumer	1,998,411	1.48
389,000	Gujarat State Petronet	1,022,428	0.76
160,420	HCL Technologies	2,170,292	1.61
409,867	HDFC Bank	12,622,275	9.38
236,783	HealthCare Global Enterprises	997,591	0.74
260,000	Hindalco Industries	875,338	0.65
62,824	Hindustan Unilever	1,505,932	1.12
192,534	Housing Development Finance	5,365,868	3.99

The accompanying notes form an integral part of these financial statements.

KOTAK FUNDS

SCHEDULE OF INVESTMENTS (CONTINUED)

INDIA GROWTH FUND (CONTINUED)

30 June 2018

Number of shares/ Nominal Value	Security	Market Value USD	Market Value as a percentage of Net Assets
Transferable securities and money market instruments admitted to an official exchange listing or dealt in on another regulated market			
Equities (continued)			
India (continued)			
1,214,410	ICICI Bank	4,884,956	3.63
136,964	ICICI Lombard General Insurance	1,393,846	1.04
170,000	ICICI Prudential Life Insurance	936,844	0.70
520,527	Indian Oil	1,186,040	0.88
181,917	IndusInd Bank	5,134,010	3.81
398,371	Infosys	7,606,084	5.65
67,381	Interglobe Aviation	1,071,266	0.79
1,351,000	ITC	5,252,847	3.90
137,680	Kajaria Ceramics	972,397	0.72
223,435	Larsen & Toubro	4,161,279	3.09
257,000	Mahindra & Mahindra Finance	1,762,945	1.31
31,854	Maruti Suzuki India	4,106,195	3.05
170,212	Motherson Sumi Systems	707,798	0.52
2,235	MRF	2,447,497	1.82
210,000	RBL Bank	1,693,281	1.26
334,495	Reliance Industries	4,751,036	3.53
5,840	Shree Cement	1,326,759	0.98
58,955	Simplex Infrastructures	384,953	0.29
540,241	State Bank of India	2,046,469	1.52
235,000	Sun Pharmaceuticals	1,935,880	1.44
64,513	Supreme Industries	1,066,422	0.79
185,400	Tata Consultancy Services	5,003,620	3.72
485,000	Tata Motors 'A'	1,123,863	0.84
244,194	Tech Mahindra	2,337,792	1.74
199,243	The Ramco Cements	2,044,085	1.52
123,691	Timken India	1,302,039	0.97
114,703	Titan Industries	1,471,797	1.09

The accompanying notes form an integral part of these financial statements.

KOTAK FUNDS

SCHEDULE OF INVESTMENTS (CONTINUED)

INDIA GROWTH FUND (CONTINUED)

30 June 2018

Number of shares/ Nominal Value	Security	Market Value USD	Market Value as a percentage of Net Assets
Transferable securities and money market instruments admitted to an official exchange listing or dealt in on another regulated market			
Equities (continued)			
India (continued)			
13,293	Ultratech Cement	741,410	0.55
185,000	United Spirits	1,796,768	1.33
590,853	V-Guard Industries	1,692,343	1.26
387,415	Vedanta	1,336,558	0.99
506,148	Yes Bank	2,510,964	1.87
141,355	Zee Entertainment	1,123,056	0.83
Total Equities		129,255,562	96.03
Total Transferable securities and money market instruments admitted to an official exchange listing or dealt in on another regulated market			
		129,255,562	96.03
Total Investments		129,255,562	96.03
Other Net Assets and Liabilities		5,336,684	3.97
Net Asset Value		134,592,246	100.00

No schedule of investment changes has been included into the report. Such information is available upon request from HSBC Bank plc, Luxembourg Branch, the Company's Administrator.

The accompanying notes form an integral part of these financial statements.

KOTAK FUNDS

SCHEDULE OF INVESTMENTS (CONTINUED)

INDIA MIDCAP FUND

30 June 2018

Number of shares/ Nominal Value	Security	Market Value USD	Market Value as a percentage of Net Assets
Transferable securities and money market instruments admitted to an official exchange listing or dealt in on another regulated market			
Equities			
India			
2,749,702	Aegis Logistics	8,570,604	0.39
314,980	Akzo Nobel India	8,472,233	0.39
1,027,476	Amara Raja Batteries	10,897,564	0.50
508,598	Amber Enterprises India	6,767,811	0.31
1,329,302	Apollo Hospitals Enterprise	20,337,068	0.93
9,685,527	Apollo Tyres	35,932,577	1.64
5,366,161	Arvind	31,249,374	1.43
2,653,491	Ashoka Buildcon	8,857,889	0.40
743,174	Atul	28,781,507	1.31
707,508	Bajaj Finance	23,730,169	1.08
328,064	United Spirits	2,523,072	0.12
2,912,172	Bata India	36,554,745	1.67
10,661,741	Bharat Electronics	16,919,567	0.77
1,666,859	Bharat financial inclusion	28,156,320	1.29
3,833,158	Brigade Enterprises	11,877,667	0.54
583,993	Britannia Industries	53,002,067	2.42
7,140,639	Cadila Healthcare	39,361,384	1.80
2,351,839	Century Textiles	30,527,705	1.39
835,134	Container Corporation	7,956,126	0.36
6,427,832	Crompton Greaves	21,236,772	0.97
1,123,146	Cummins India	10,624,487	0.48
8,006,314	Dabur India	45,776,260	2.09
470,532	Dalmia Bharat Enterprises	15,669,853	0.72
2,045,371	Divis Laboratories	31,027,858	1.42
5,659,109	Edelweiss Financial Services	24,342,476	1.11
3,474,307	Emami	26,852,108	1.23
9,056,327	Exide Industries	34,167,082	1.56
29,241,200	Federal Bank	34,957,894	1.60
1,340,538	Future Supply Chain Solutions	13,253,636	0.60
53,900	Galaxy Surfactants Ltd	1,014,547	0.05

The accompanying notes form an integral part of these financial statements.

KOTAK FUNDS

SCHEDULE OF INVESTMENTS (CONTINUED)

INDIA MIDCAP FUND (CONTINUED)

30 June 2018

Number of shares/ Nominal Value		Market Value USD	Market Value as a percentage of Net Assets
Security			
Transferable securities and money market instruments admitted to an official exchange listing or dealt in on another regulated market			
Equities (continued)			
India (continued)			
323,632	GlaxoSmithkline Consumer Healthcare	30,747,994	1.40
6,487,237	Gujarat State Petronet	17,050,731	0.78
3,391,897	Havells India	26,918,677	1.23
2,166,929	HDFC Standard Life Insurance	14,437,226	0.66
2,541,890	Hindustan Petroleum	9,623,280	0.44
12,730,166	ICICI Bank	51,207,007	2.34
1,643,790	ICICI Lombard General Insurance	16,728,411	0.76
3,067,777	ICICI Prudential Life Insurance	16,906,043	0.77
177,595	ICICI Securities Ltd	856,005	0.04
7,446,995	Indian Oil	16,968,250	0.77
7,172,905	Indraprastha Gas	26,642,368	1.22
1,313,994	IndusInd Bank	37,083,170	1.69
1,025,035	Interglobe Aviation	16,296,657	0.74
11,628,243	Jindal Steel & Power	37,883,292	1.73
1,761,820	Jubilant Foodworks	35,677,723	1.63
2,274,458	Kajaria Ceramics	16,063,889	0.73
8,499,042	L&T Finance Holdings	18,825,381	0.86
7,778,669	Mahindra & Mahindra Finance	53,359,408	2.44
1,400,187	Mayur Uniquoters	8,588,454	0.39
7,996,668	Motherson Sumi Systems	33,252,777	1.52
35,073	MRF	38,407,637	1.75
1,236,597	Music Broadcast	5,511,540	0.25
1,253,154	Natco Pharma	14,747,187	0.67
296,882	Oracle Financial Services	17,668,956	0.81
1,210,071	Persistent Systems	14,341,811	0.65

The accompanying notes form an integral part of these financial statements

KOTAK FUNDS

SCHEDULE OF INVESTMENTS (CONTINUED)

INDIA MIDCAP FUND (CONTINUED)

30 June 2018

		Market Value	Market Value as
Number of shares/ Nominal Value	Security	USD	a percentage of Net Assets
Transferable securities and money market instruments admitted to an official exchange listing or dealt in on another regulated market			
Equities (continued)			
India (continued)			
1,269,761	PI Industries	13,966,165	0.64
6,209,501	PNC Infratech	13,082,897	0.60
415,916	PVR	8,348,694	0.38
1,240,207	Ramkrishna Forgings	12,134,882	0.55
4,920,280	RBL Bank	39,673,418	1.81
6,205,972	Sadbhav Engineering	25,996,827	1.19
150,108	Sanofi India	11,373,150	0.52
285,956	Schaeffer India (FAG Bearings India)	23,195,578	1.06
1,274,040	Shalby Ltd	3,130,902	0.14
1,706,930	SH Kelkar	5,558,461	0.25
476,201	SKF India	11,910,068	0.54
94,564	Solara ACTV Phrm Science	313,878	0.01
729,097	Solar Industries India	12,013,355	0.55
792,374	SRF	19,635,459	0.90
31,197,285	Steel Authority of india	37,820,414	1.73
3,060,863	Sun TV Network	34,974,266	1.60
518,373	Sundaram Finance	12,112,658	0.55
1,829,231	Supreme Industries	30,237,818	1.38
1,854,373	Tata Communications	16,054,621	0.73
582,716	Teamlease Services Ltd	25,233,863	1.15
4,488,960	Tech Mahindra	42,975,080	1.96
1,696,441	The Ramco Cements	17,404,223	0.79
973,947	Thermax	14,827,922	0.68
2,288,970	TI Financial	20,546,068	0.94
749,223	Torrent Pharmaceuticals	15,332,999	0.70
1,161,806	Simplex Infrastructures	7,586,144	0.35
1,721,854	Syngene International	15,339,879	0.70

The accompanying notes form an integral part of these financial statements.

KOTAK FUNDS

SCHEDULE OF INVESTMENTS (CONTINUED)

INDIA MIDCAP FUND (CONTINUED)

30 June 2018

		Market Value	Market Value as
Number of shares/ Nominal Value	Security	USD	a percentage of Net Assets
Transferable securities and money market instruments admitted to an official exchange listing or dealt in on another regulated market			
Equities (continued)			
India (continued)			
2,416,000	United Spirits	23,464,824	1.07
8,595,679	V-Guard Industries	24,620,064	1.12
1,055,803	Whirlpool of India	23,633,548	1.08
306,280	WIM Plast	3,751,947	0.17
9,252,742	Yes Bank	45,902,196	2.09
Total Equities		1,857,344,564	84.77
Total Transferable securities and money market instruments admitted to an official exchange listing or dealt in on another regulated market			
		1,857,344,564	84.77
Total Investments		1,857,344,564	84.77
Other Net Assets and Liabilities		333,634,497	15.23
Net Asset Value		2,190,979,061	100.00

The accompanying notes form an integral part of these financial statements

KOTAK FUNDS

SCHEDULE OF INVESTMENTS (CONTINUED)

INDIA FIXED INCOME FUND

30 June 2018

Number of shares/ Nominal Value		Security	Market Value USD	Market Value as a percentage of Net Assets
Transferable securities and money market instruments admitted to an official exchange listing or dealt in on another regulated market				
Debt Instruments				
India				
50,000,000		Food Corp 9.95% 03/2022	758,549	1.81
150,000,000		ICICI Bank Ltd 9.15% Perpetual	2,141,474	5.13
250,000,000		India Govt 6.68% 17/09/2031	3,249,638	7.78
300,000,000		India Govt 6.84% 12/22	4,203,900	10.06
250,000,000		India Rep 8.15% 11/06/22	3,673,410	8.79
150,000,000		IndusInd Bank 9.5% Perpetual	2,163,087	5.18
100,000,000		Muthoot Fin 9% 04/23	1,444,022	3.45
100,000,000		Nabard 8.6% 31/01/22	1,465,793	3.51
100,000,000		Natl Highways 7.11% 11/22	1,385,839	3.32
10,000,000		Power Grid Corporation 7.3% 19/06/2027	133,866	0.32
100,000,000		Reliance Ports 8.45% 6/23	1,429,986	3.42
100,000,000		Reliance Utilities and Power Pvt 7.7% 29/06/2023	1,380,450	3.30
100,000,000		Shriram Trans 9% 03/28	1,411,945	3.38
2,000,000		SP Jammu Udampur Highway Limited 9.15% 31/12/2023	29,646	0.07
10,000,000		State Bank of India 9% Perpetual	145,999	0.35
200,000,000		State Of Bihar 8.53% 3/22	2,931,804	7.02
200,000,000		State of Rajasthan India 8.39% 15/03/2022	2,919,755	6.99
170,000,000		Syndicate Bank 11.25% Perpetual	2,533,305	6.06
129,500,000		Uttar Pradesh 8.71% 12/21	1,910,298	4.57
40,000,000		Uttar Pradesh Power Corporation 8.97% 14/02/2025	597,859	1.43

The accompanying notes form an integral part of these financial statements.

KOTAK FUNDS

SCHEDULE OF INVESTMENTS (CONTINUED)

INDIA FIXED INCOME FUND (CONTINUED)

30 June 2018

Number of shares/ Nominal Value	Security	Market Value USD	Market Value as a percentage of Net Assets
Transferable securities and money market instruments admitted to an official exchange listing or dealt in on another regulated market			
Debt Instruments (continued)			
India (continued)			
100,000,000	Uttar Pradesh Power Corporation 8.97% 15/02/2024	1,490,630	3.57
Total Debt Instruments		37,401,255	89.51
Total Transferable securities and money market instruments admitted to an official exchange listing or dealt in on another regulated market			
		37,401,255	89.51
Total Investments		37,401,255	89.51
Other Net Assets and Liabilities		4,382,170	10.49
Net Asset Value		41,783,425	100.00

No schedule of investment changes has been included into the report. Such information is available upon request from HSBC Bank plc, Luxembourg Branch, the Company's Administrator.

The accompanying notes form an integral part of these financial statements.

KOTAK FUNDS

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

1. General information

Kotak Funds (the “Fund”) is an investment company organised under the laws of the Grand Duchy of Luxembourg and is qualified as a Société d’Investissement à Capital Variable (“SICAV”). The Fund, incorporated on 12 September 2007, is registered under Part I of the Luxembourg Law of 17 December 2010 regarding undertakings for collective investment as amended.

The Fund offers investors the choice between several classes of shares (each a “class”) in a number of Sub-Funds. As at 30 June 2018, the Fund was composed of the following Sub-Funds:

- Kotak Funds - India Growth Fund;
- Kotak Funds - India Midcap Fund; and
- Kotak Funds - India Fixed Income Fund.

The following share classes were in issue as at 30 June 2018:

- (i) Class A shares which are available to all investors.
- (ii) Class I and Class J shares which are reserved to institutional investors in the meaning of article 174 of the Luxembourg Law of 17 December 2010 as amended. The Class J shares is only available in India Midcap Fund.
- (iii) Class B shares which are available to investors who at the time the relevant subscription order is received are customers of certain distributors appointed by the Global Distributor specifically for the purpose of distributing the Class B shares. The class is only available in India Growth Fund and India Midcap Fund.
- (iv) Class X shares which are only available in certain jurisdictions and shall be offered at the discretion of the Global Distributor.
- (v) Class C Shares may be offered in certain limited circumstances for distribution in certain countries and through certain distributors or sub-distributors who in the opinion of the Global Distributor, is wholly or partially impacted by the UK Retail Distribution Review.

The main objective of the Sub-Funds is to invest in sufficiently liquid transferable securities and other eligible assets in order to provide returns for investors.

The Fund has incorporated India Bluechip (Mauritius) Ltd (the “Bluechip Subsidiary”) on 14 December 2009, India Midcap (Mauritius) Ltd (the “Midcap Subsidiary”) on 19 April 2010 and K Debt (Mauritius) Limited (the “Debt Subsidiary”) on 27 September 2013 as wholly-owned subsidiaries.

KOTAK FUNDS

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018 (CONTINUED)

2. Summary of significant accounting policies

a) Basis of preparation

The financial statements have been prepared in accordance with Luxembourg generally accepted accounting principles applicable to investment funds.

b) Financial statements

Financial statements are presented for each Sub-Fund on a consolidated basis and the statements of net assets, operations and changes in net assets are presented in USD, based on the exchange rate ruling at the date of these financial statements.

The combined statement of net assets and the combined statement of operations and changes in net assets are the sum of the statements of each Sub-Fund. As wholly-owned subsidiaries of the Company all assets and liabilities, income and expenses of the subsidiaries are consolidated in the statements of net assets and operations of the respective Sub-Funds. Investments held by the subsidiaries are disclosed in the schedule of investments of the respective Sub-Funds.

c) Foreign currency translation

Assets and liabilities in currencies other than the Sub-Funds' base currency have been translated into that currency at exchange rates ruling at the date of these financial statements. Transactions occurring during the period in currencies other than the base currency are translated at rates of exchange ruling at the transaction dates. The exchange rates applicable as at 30 June 2018 are:

USD/GBP	0.7609
USD/EUR	0.8587
USD/INR	68.4650
USD/JPY	110.6072

d) Investments

Securities listed on Regulated Markets, which are recognized, operate regularly and are open to the public, are valued at the last available price of the main market for the relevant security.

Securities listed on the Indian stock exchanges are valued at the closing price on the National Stock Exchange failing which the closing price on the Stock Exchange, Mumbai (BSE) failing which the closing price on any other exchange whereat the security is traded shall be considered.

Securities not listed on Regulated Markets, which are recognized, operate regularly and are open to the public, are valued on the basis of their last available price.

In the event that extraordinary circumstances render such a valuation impracticable or inadequate, the Directors may, at their discretion, prudently and in good faith follow other methods of valuation to be used if they consider such method of valuation better reflects the value and is in accordance with good accounting practice in order to achieve a fair valuation of the assets of the Company.

Gains or losses arising on the disposal of investments are calculated by reference to the net sales proceeds and the average cost attributable to those investments.

KOTAK FUNDS

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018 (CONTINUED)

2. Summary of significant accounting policies (continued)

e) Income and expenses

Dividends arising on the Company's equity investments are credited to the statement of operations when the security is quoted ex-dividend, net of withholding taxes where applicable. Interest income is recognised as the interest accrues (taking into account the effective yield on the asset) unless recoverability is in doubt. Where the Company incurs an expense which relates to any particular Sub-Fund or to any action taken in connection with a particular Sub-Fund, such liability shall be allocated to the relevant Sub-Fund. In the case where any expense of the Company cannot be considered as being attributable to a particular Sub-Fund, such expense shall be allocated to all the Sub-Funds pro rata to their NAV's or in such other ways that the Directors deem equitable.

Notwithstanding the provisions of the preceding paragraph, all liabilities of the Company, whatever Sub-Fund they are attributable to, shall, unless otherwise agreed upon with the creditors, be binding upon the Company as a whole.

Swing pricing

Under certain circumstances (for example, large volumes of deals) investment and/or disinvestment costs may have an adverse effect on the Shareholders' interests in a Sub-Fund. In order to prevent this effect called "dilution", the Directors have the authority to allow for the Net Asset Value per Share to be adjusted by effective dealing and other costs and fiscal charges which would be payable on the effective acquisition or disposal of assets in the relevant Sub-Fund if the net capital activity exceeds, as a consequence of the sum of all subscriptions, redemptions or conversions in such a Sub-Fund, such threshold percentage (the "Threshold") as may be determined from time to time by the Directors, of the Sub-Fund's total net assets on a given Valuation Day.

If the net capital activity on a given Valuation Day leads to a net inflow of assets in excess of the Threshold in the relevant Sub-Fund, the Net Asset Value used to process all subscriptions, redemptions or conversions in such a Sub-Fund is adjusted upwards by the swing factor that shall be determined from time to time by the Directors. If the net capital activity on a given Valuation Day leads to a net outflow of assets in excess of the Threshold in the relevant Sub-Fund, the Net Asset Value used to process all subscriptions, redemptions or conversions in such a Sub-Fund is adjusted downwards by the swing factor that shall be determined from time to time by the Directors.

No dilution adjustment was triggered at period end.

f) Forward foreign exchange contracts

The Company may enter into forward foreign exchange contracts, into call or put options on currencies to hedge against exposures to foreign currency fluctuations. The carrying value of these contracts is the gain or loss that would be realised if the position were closed out on the valuation date, and is recorded as an unrealised gain or loss. Upon the closing of the contract, the gain or loss is recorded in the net realised gain or loss on foreign exchange. There were no open contracts as at 30 June 2018.

g) Futures contracts

Financial futures contracts are valued at the exchange quoted settlement price. Initial margin deposits are made upon entering into the contracts and can be either in cash or securities. During the period the contracts are open, changes in the value of the contracts are recognised as unrealised gains and losses by "marking-to-market" on a daily basis to reflect the market value of the contracts at the end of each business day's trading. Variation margin payments are made or received, depending upon whether losses or gains are incurred. When a contract is closed, the Sub-Fund records a realised gain or loss equal to the difference between the proceeds from, or cost of, the closing transaction and the initial cost of the contract.

KOTAK FUNDS

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018 (CONTINUED)

2. Summary of significant accounting policies (continued)

h) Option contracts

Premiums received on issued options are recorded as liabilities and premiums paid on the purchase of options are recorded as assets in the statement of net assets. Option contracts outstanding as at period end are valued at the last known price on the stock exchanges or regulated markets. Realised and change in unrealised gains and losses are recorded in the statement of operations. There were no open contracts as at 30 June 2018

i) Dividends payable

Within each Sub-Fund, there may be created different Classes which are entitled to regular dividend payments ("Distribution Shares") or with earnings reinvested ("Accumulation Shares"). If a dividend is declared by the Company, it will be paid to each Shareholder concerned in the currency of the relevant Sub-Fund or Class. During the period ended 30 June 2018, the Company distributed the following dividends:

India Growth Fund	Ex Date	Pay date	Dividend per share
Class A Distribution Shares GBP	29 May 2018	06 June 2018	USD 1.66313
India Midcap Fund	Ex Date	Pay date	Dividend per share
Class X Distribution Shares JPY	14 February 2018	20 February 2018	USD 0.91800
Class X Distribution Shares JPY	14 May 2018	18 May 2018	USD 0.32018
Class A Distribution Shares GBP	29 May 2018	06 June 2018	USD 1.99575
Class C Distribution Shares GBP	29 May 2018	06 June 2018	USD 1.33050
India Fixed Income Fund	Ex Date	Pay date	Dividend per share
Class C Distribution Shares GBP	29 May 2018	06 June 2018	USD 0.53220
Class I Distribution Shares EUR	29 May 2018	06 June 2018	USD 0.34824

j) Dilution adjustment

The Board may implement a dilution adjustment for subscriptions and redemptions of shares of a Sub-Fund on a subscription and/or redemption day in order to mitigate the dilutive effect such transactions may have on such Sub-Fund. The dilution adjustment will be recorded in the relevant Sub-Fund's NAV and becomes part of the relevant Sub-Fund's NAV. The dilution adjustment is a percentage adjustment applied to each share class in a Sub-Fund on a dealing day determined on the basis of estimates of any effective dealing, other costs and fiscal charges that the Board of Directors believes are appropriate to take into account in respect of that Sub-Fund. The Board of Directors will apply the dilution adjustment if the existing shareholders (in case of subscriptions) or remaining shareholders (in case of redemptions) might otherwise be adversely affected. As the dilution adjustment for each Sub-Fund will be calculated by reference to the costs of the dealing spread, which can vary with market conditions, the amount of dilution adjustment can vary over time.

KOTAK FUNDS

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018 (CONTINUED)

3. Investment management fees

Kotak Mahindra Asset Management (Singapore) Pte. Ltd as Investment Manager is entitled to receive fees from the Company in respect of their respective investment management services. The investment management fees are calculated based on a certain percentage per annum of the net asset values of the various Sub-Funds.

The percentages of investment management fees at 30 June 2018 are as follows:

Kotak Funds - India Growth Fund

Class A: 2.00% Class I: 1.00% Class B: 2.00% Class X: 1.00% Class C: 1.00%

Kotak Funds - India Midcap Fund

Class A: 2.00% Class I: 2.00% Class B: 2.00% Class X: 1.00% * Class J: 1.00% Class C: 1.00%

Kotak Funds - India Fixed Income Fund

Class A: 1.20% Class I: 0.75% Class C: 0.75%

*The Investment Manager has agreed with the Company to contractually waive 0.25% of the investment management fees on behalf of Class X of the India Midcap Sub-Fund since the launch of the Class.

Investment management fees, for the period ended 30 June 2018 amounted to USD 1,282,353 for the India Growth Fund, USD 9,602,902 for the India Midcap Fund and USD 194,434 for the India Fixed Income Fund are disclosed in the statement of operations.

4. Administration and depositary fees

HSBC Bank plc, Luxembourg Branch, as administrator and depositary is entitled to receive from the Company fees payable monthly based on the average Net Asset Value of each Sub-Fund. These fees are as follows:

	Administration fee rate	Depositary fee rate	Depositary fee rate
USD 0 - USD 250,000,000	0.050%	0.010%	0.030%
USD 250,000,000 - USD 500,000,000	0.040%	0.010%	0.025%
Above USD 500,000,000	0.030%	0.010%	0.020%

Administration and depositary fees are subject to a minimum annual fee of EUR 15,000 (USD 17,468).

The fee based on the average Net Asset Value of each Sub-Fund is disclosed separately in the statement of operations.

The Administrator of the subsidiaries, SGG Mauritius (formerly Cim Fund Services Limited), is entitled to the following fees per annum:

- For administration, registrar and company secretary services: From the Bluechip Subsidiary and the Midcap Subsidiary USD 10,000 p.a. for NAV up to USD 20 million, USD 20,000 p.a. for NAV up to USD 50 million and USD 30,000 p.a. for NAV above USD 50 million. From the Debt Subsidiary 0.03% of the NAV of the subsidiary with a maximum fee of USD 30,000 p.a.
- For services relating to the preparation and filing of annual tax returns in Mauritius: USD 1,000.
- For services relating to the tax residency certificate: USD 500.
- For directorship: USD 2,000 per director.

KOTAK FUNDS

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018 (CONTINUED)

5. Subscription tax

Under current law and practice, the Company is not liable to Luxembourg taxes on income or capital gains. The Company is subject to the “taxe d’abonnement” (subscription tax) at the rate of 0.05% per annum, except for the share classes dedicated to institutional investors which benefit from a reduced tax rate of 0.01%.

Interest and dividend income, and gains on securities, may be subject to non-recoverable withholding taxes deducted at source in the countries of origin.

6. Taxation

The Company may invest directly in India or through the Subsidiaries. In case of direct investments in India, the Company may be subject to taxes on revenue and/or capital gains as well as potentially other taxes or levies due in accordance with applicable Indian legislation. Some or all of such amounts due may not be recoverable and/or not covered by double tax treaty between the Grand Duchy of Luxembourg and India.

The taxation of the return on investments of the Mauritius Subsidiaries is governed by the provisions of the Income Tax Act, 1961 as amended by Finance Act, 2015 (“ITA”), read with the provisions of the India/Mauritius Tax Treaty as amended by the Protocol dated 10 May 2016 (“India/Mauritius Tax Treaty”). As per Section 90(2) of the ITA, the provisions of the ITA would apply only to the extent they are more beneficial than the provisions of the India/Mauritius Tax Treaty. However, there can be no assurance that the India/Mauritius Tax Treaty will continue to be in full force and effect during the existence of the Mauritius Subsidiaries or that the Mauritius Subsidiaries are entitled to or will continue to enjoy the benefit of the India/Mauritius Tax Treaty.

In order to claim the beneficial provisions of the India/Mauritius Tax Treaty, the Mauritius Subsidiaries must be tax residents of Mauritius. All the Mauritius Subsidiaries currently hold a Mauritius tax residency certificate from the Mauritius tax authorities and is required to renew such tax residency certificate on annual basis.

General Anti-Avoidance Rules (“GAAR”) related provisions of the ITA came into effect on 1 April 2017. GAAR does not apply to any income accruing or arising to or deemed to accrue or arise to or received or deemed to be received by any person, from transfer of investments made before 1 April 2017. However, GAAR applies to any arrangement, irrespective of the date on which it has been entered into, in respect of tax benefits obtained from the arrangement on or after 1 April 2017. GAAR may be applied by tax authorities to a transaction in order to override the benefits available under any tax treaty including the India/Mauritius Tax Treaty.

The Mauritius Subsidiaries may have income in the form of capital gains, income from dividends and income from interest. The tax consequences for the Mauritius Subsidiaries on account of the application of the India/Mauritius Tax Treaty, read with the provisions of the ITA are as follows:

- (i) For investments made up to 31 March 2017

Capital gains of the Mauritius Subsidiaries resulting from the transfer/sale of Indian securities (including Foreign Currency Convertible Bonds (“FCCBs”) or Global Depositary Receipts (“GDRs”) or American Depositary Receipts (“ADRs”)) issued by Indian companies will not be subject to tax in India.

KOTAK FUNDS

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018 (CONTINUED)

6. Taxation (continued)

(ii) For investment made on or after 1 April 2017 and transferred/sold up to 31 March 2019.

Capital gains of the Mauritius Subsidiaries resulting from the transfer/sale of shares of an Indian company will be subject to tax in India at the tax rate which may be limited to 50% of the domestic capital gains tax rate in India, subject to the Limitations of Benefits clause being met.

(iii) For investment made on or after 1 April 2017 and transferred/sold on or after 1 April 2019

Capital gains of the Mauritius Subsidiaries resulting from the transfer/sale of shares of an Indian company will be subject to tax in India at the applicable rate of domestic capital gains tax in India.

Capital gains of the Mauritius Subsidiaries resulting from the transfer/sale of any other Indian securities (including FCCBs or GDRs or ADRs) issued by Indian companies (except shares of Indian companies), albeit the date of investment, will not be subject to tax in India.

Exemption of long-term capital gains ("LTCG") on transfer of listed equity shares in an Indian company or a unit of equity-oriented mutual fund or a unit of a business trust ("specified securities") was withdrawn from financial year beginning 1 April 2018. Such LTCG exceeding Rs 100,000, from notified purchases, is taxable at 10% (plus surcharge and cess). The cost of acquisition of specified security which is acquired before 1 February 2018, is the higher of (1) actual cost of acquisition and (2) lower of (a) the fair market value as at 31 January 2018 and (b) full value of the consideration received on the transfer of the security.

Dividends on shares received from an Indian company on which dividend distribution tax has been paid are exempt from tax in the hands of the shareholders.

Interest income earned by the Luxembourg Sub-Funds and Mauritius Subsidiaries from rupee denominated bonds of an Indian company or a Government security would be taxed at the rate of 5% (plus applicable surcharge and cess) subject to conditions. The concessional rate of tax on interest payable is available until 30 June 2020.

7. Directors' fees and expenses

In addition to directors' fees, directors are entitled to be reimbursed for reasonable traveling, hotel and other incidental expenses in respect of attending meetings of the Directors or General Meetings of the Company. Total directors' fees and expenses incurred during the period amount to USD 15,857.

8. Management company fee

On 12 September 2007, the Management Company, FundRock Management Company S.A. (formerly RBS (Luxembourg) S.A.) was appointed in order to meet the requirements of the UCITS III (Undertakings for Collective Investment in Transferable Securities) Directive 85/611/EEC of 20 December 1985.

The Management Company is responsible on a day-to-day basis, under the supervision of the Directors of the Company, for providing administration, marketing and investment management services in respect of all Sub-Funds of the Company.

KOTAK FUNDS

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018 (CONTINUED)

8. Management company fee (continued)

The Management Company delegated its investment management duties to Kotak Mahindra Asset Management (Singapore) Pte. Ltd, the investment manager of the assets of the Fund.

HSBC Bank plc, Luxembourg Branch has been appointed to perform central administration duties for the Company pursuant to a delegation of such duties to it by the Management Company.

FundRock Management Company S.A. is entitled to receive a fee for the provision of the Management Company services rendered to the Company as follows:

Fund assets up to EUR 100 million: 0.05% per annum

Fund assets over EUR 100 million up to EUR 500 million: 0.04% per annum

Fund assets over EUR 500 million: 0.03% per annum

A minimum monthly fee of EUR 5,000 (USD 5,823) will apply at Fund level if the total basis point fee for the fund does not reach the minimum fee applicable. An additional minimum monthly fee of EUR 1,250 (USD 1,456) at Fund level will be applied for every new sub-fund, if the total basis point fee for the Fund does not reach the minimum fee applicable.

9. Futures

The following futures contracts were open as at 30 June 2018:

India Midcap Fund

Description	Maturity date	Number of contracts	Commitment	Cost	Market Value	Unrealised depreciation
			USD	USD	USD	USD
SGX CNX Nifty 50 Index	26 July 2018	7,038	150,500,592	151,421,090	150,500,592	(920,498)
Unrealised depreciation futures contracts						(920,498)

10. Risk transparency disclosures

The Board of Directors has decided to implement the following methodology to calculate the global exposure for each of the below mentioned Sub-Funds.

Sub-Fund	Methodology applied for measuring the Global Exposure
India Growth Fund	Commitment approach
India Midcap Fund	Commitment approach
India Fixed Income Fund	Commitment approach

KOTAK FUNDS

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018 (CONTINUED)

11. Remuneration policy

The European Union Directive 2014/91/EU (known as the “UCITS V Directive”) came into effect on 18 March 2016. The Management Company is required to operate a remuneration policy in accordance with applicable requirements of the UCITS V Directive. Details of the management company’s remuneration and associated financial disclosures will be made within the annual report for the period to 31 December 2018.

12. Information concerning the distribution of shares in or from Switzerland

Legal Representative of the Fund in Switzerland: BNP Paribas Securities Services, Paris, succursale de Zurich, Selnaustrasse 16, CH-8002 Zurich, Switzerland. The Prospectus, Articles, semi-annual report and annual report of the Company may be obtained free of charge upon request from the Legal Representative in Switzerland. A breakdown of all transactions carried out on behalf of each Sub-Fund for the period under review can be obtained, free of charge, from the Legal Representative in Switzerland.

13. Securities financing transactions

The Sub-Funds 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.