

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 2023**

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KOTAK FUNDS

MANAGEMENT AND ADMINISTRATION

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(Chairman), Senior Executive Vice President
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Grand Duchy of Luxembourg

Registered Office

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Grand Duchy of Luxembourg

Investment Manager

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Ltd
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#35-02 Hong Leong Building,
Singapore 048581

Depositary Bank

Brown Brothers Harriman (Luxembourg) S.C.A.
80, Route d'Esch
L-1470 Luxembourg
Grand Duchy of Luxembourg

Management Company

FundRock Management Company S.A.
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Global Distributor

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London, W1U 7EU
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Independent Auditor

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L-1855 Luxembourg
Grand Duchy of Luxembourg

Administrator, Depositary, Registrar, Transfer Agent and Domiciliary Agent

Brown Brothers Harriman (Luxembourg) S.C.A.
80, Route d'Esch
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For the Mauritius Subsidiaries

IQEQ (Mauritius)
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Legal Advisers in Luxembourg

Elvinger Hoss Prussen, société anonyme
2, place Winston Churchill
L-1340 Luxembourg
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KOTAK FUNDS

MANAGEMENT AND ADMINISTRATION (CONTINUED)

Legal Advisers in India

Khaitan & Co
One Indiabulls Centre
13th Floor, Tower 1
841 Senapati Bapat Marg
Mumbai 400013
India

KOTAK FUNDS

INVESTMENT OBJECTIVES

Kotak Funds - India ESG 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 at least 50% of its total assets in equity securities.

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 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, 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:

- a) the production of certain types of controversial weapons such as cluster munitions;
- b) the distribution or production of firearms or small arms ammunition intended for retail civilians;
- c) 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;
- d) the production of tobacco products;
- e) production of alcohol products;
- f) the ownership or operation of gambling-related activities or facilities; and
- g) 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 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.

KOTAK FUNDS

INVESTMENT OBJECTIVES (CONTINUED)

Kotak Funds - India ESG Fund (continued)

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 investing at least two thirds of its total assets (excluding cash) in equity and equity linked securities of mid-capitalisation companies (as defined by the Investment Manager from time to time) 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 or equal to that of the company which has the 50th largest market capitalisation amongst the companies listed in India at the time of making an investment in that company. The Sub-Fund will invest at least 50% of its total assets in equity securities.

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, thereby promoting, among other characteristics, environmental and social characteristics within the meaning of Article 8 of SFDR. In addition, the Investment Manager is systematically engaging with companies in which the Sub-Fund invests to promote ESG awareness. However, given the lack of long term disclosures levels and lower level of coverage by external agencies on mid and small cap stocks, the ESG analysis may be limited to some extent/ or may not be available for the entire portfolio. Therefore, ESG factors are not binding upon the Investment Manager in the allocation of the Sub-Fund’s portfolio.

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:

- a) the production of certain types of controversial weapons such as cluster munitions;
- b) the distribution or production of firearms or small arms ammunition intended for retail civilians;
- c) 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;
- d) the production of tobacco products;
- e) the ownership or operation of gambling-related activities or facilities; and
- f) 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 line with its ESG methodology, the Sub-Fund promotes environmental characteristics 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.

KOTAK FUNDS

INVESTMENT OBJECTIVES (CONTINUED)

Kotak Funds - India Midcap Fund (continued)

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.

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 will principally invest, directly or indirectly, in debt securities issued by the Central Government of India, State Governments of India, Indian governmental agencies, or by companies of Indian origin or deriving a significant portion of their business in India. The Sub-Fund will gain exposure to INR denominated debt securities and/or denominated in currencies other than in INR.

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 as laid down in Prospectus of the Fund. If such limit of 35% is exceeded, section III f) of the Investment Restrictions as laid down in Prospectus of the Fund 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.

The Investment Manager may convert all or part of non INR exposure of the portfolio of the Sub-Fund to INR through the use of financial derivative instruments. The Sub-Fund may also use financial derivative instruments for the purposes of hedging risks (such as currency and/or interest rates) as well as for efficient portfolio management purposes.

KOTAK FUNDS

INVESTMENT OBJECTIVES (CONTINUED)

Kotak Funds - India Fixed Income Fund (continued)

Where the Sub-Fund invests in INR denominated debt securities of issuers of Indian origin, at least 85% of such investments will, under normal circumstances, be in instruments having a domestic rating of at least AA or A1+ or equivalent by any one of the domestic rating agencies such as CRISIL / Fitch / CARE / ICRA.

On an ancillary basis, the Sub-Fund may hold cash and cash equivalents. In exceptional circumstances and on a temporary basis only, the Sub-Fund may hold up to 100% of its assets in cash or cash equivalents, money market instruments or UCIs investing in such assets if the Investment Manager believes that this is in the best interest of Shareholders.

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

KOTAK FUNDS

DIRECTORS' REPORT

Despite a lacklustre performance during the first quarter of 2023 due to the rippling effect of global financial market instability with the failure of a few regional US banks and Credit Suisse merger with UBS, the Indian stock market presented a blockbuster rally during the second quarter. Since April 2023, markets have rallied more than 8% year-to-date driven by upbeat US economic data, receding inflationary pressures and subdued crude oil prices.

During the first half of year 2023, the Indian equity market (Nifty-50 Index) returned 6.83% (price change in USD terms). The period saw net FII inflows to the tune of around USD6.7 billion to the Indian equity market and inflows of around USD0.5 billion from DIIs.

The global inflation outlook has improved in recent months, as a result of monetary tightening across major Developed Markets (DMs), although core inflation has stayed high. In contrast, inflation seems to be falling faster in Emerging Markets (EMs) than in DMs. Hence, monetary policy front between EMs and DMs is expected to widen.

Looking back at India, the FY2024 Union Budget has done a fine balancing act between (1) fiscal consolidation, (2) increasing attractiveness of the new personal income tax regime and (3) continued higher capital expenditure. The government has rationalized the high subsidies on food and fertilizer and the elevated rural spending seen during the pandemic. Gross borrowing has been maintained at a comfortable level, which should keep interest rates in check.

On the macro side, Moody's raised India's growth projection for 2023 to 5.5% from 4.8% pegged earlier, due to higher capital expenditure proposed in the Budget and a resilient economic momentum. Fitch raised India's current fiscal year 2023-2024 GDP forecast to 6.3% (from 6% earlier) on the back of robust growth in the January to March 2023 quarter and strong near-term growth momentum. The World Economic Outlook also projected that India will be the fastest growing economy in the world. The Reserve Bank of India (RBI) MPC hiked the repo rate by 25bps to 6.5% in February and maintained status quo on the repo rate and stance ever since while continuing to remain focused on the withdrawal of accommodation.

Looking ahead, India's macro fundamentals look resilient, for now, with (1) a steady growth profile, (2) inflation in check and (3) a comfortable external sector balance. Risks over the next 3-6 months will be from (1) a probable erratic monsoon, (2) a broad-based consumer demand slowdown and (3) an (yet elusive) US recession.

Kotak Funds - India ESG Fund

For the year half year ended June 2023, Kotak Funds: India ESG Fund returned 6.00%^ (Net of fees and gross of Tax) and the MSCI India Index returned 6.78 % for the same period. The fund witnessed net outflow of USD 0.94 million during the period Jan 2023 to June 2023 and ended with an asset under management of USD 88.57 million.

Kotak Funds - India Midcap Fund

For the half year ended June 2023, Kotak Funds: India Midcap Fund yielded a return of 11.96 %^ (Net of fees and gross of Tax) with the Nifty Midcap 100 Index returning 14.33% for the same period. The fund witnessed net inflow of USD 561.36 million during the period Jan 2023 to June 2023 and ended with an asset under management of USD 2,406.22 million.

KOTAK FUNDS

DIRECTORS' REPORT (CONTINUED)

Kotak Funds - India Fixed Income Fund

For the half year ended June 2023, Kotak Funds: India Fixed Income Fund yielded a return of 4.54 %*. The fund witnessed net outflow of USD 2.04 million during the period Jan 2023 to June 2023 and ended with an asset under management of USD 5.96 million.

^ 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.

Corporate Governance Statement

The Board of Directors confirms its adoption of the principles of the ALFI (Association Luxembourgeoise des Fonds d'Investissement) Code of Conduct for Luxembourg Investment Funds and its compliance with such principles for the half year ended June 2023.

Date: 14th August 2023

KOTAK FUNDS

STATEMENT OF NET ASSETS AS AT 30 JUNE 2023

	NOTES	COMBINED USD	INDIA ESG FUND USD	INDIA MIDCAP FUND USD	INDIA FIXED INCOME FUND USD
Investments					
Investments in securities at cost		1,601,263,253	59,465,661	1,535,436,297	6,361,295
Unrealised appreciation/(depreciation)		696,548,230	29,707,417	667,443,285	(602,472)
Investments in securities at market value	2.d	2,297,811,483	89,173,078	2,202,879,582	5,758,823
Other Assets					
Cash at bank		175,529,426	2,000,689	173,438,590	90,147
Cash held with brokers and counterparties		13,575,243	–	13,575,243	–
Receivable resulting from sales of securities		2,417,865	294,519	2,123,346	–
Unrealised appreciation on forward foreign exchange contracts	2.f,9	5,598	–	–	5,598
Unrealised appreciation on futures contracts	2.g,10	2,621,791	–	2,621,791	–
Due from shareholders on subscriptions		114,930,076	103,416	114,823,504	3,156
Dividends receivable		1,119,753	173,510	946,243	–
Interest receivable		112,825	–	–	112,825
Receivable for expense reimbursement		7,023	–	–	7,023
Sundry debtors and prepayments		895	895	–	–
		310,320,495	2,573,029	307,528,717	218,749
Total Assets		2,608,131,978	91,746,107	2,510,408,299	5,977,572
Liabilities					
Unrealised depreciation on forward foreign exchange contracts	2.f,9	1,236	–	–	1,236
Payable resulting from purchases of securities		52,063,333	373,896	51,689,437	–
Due to shareholders on redemptions		923,634	191,466	732,163	5
Capital gain tax payable	6	84,765,868	2,539,310	82,226,558	–
Sundry creditors and accruals		2,364,708	207,849	2,138,807	18,052
Total Liabilities		140,118,779	3,312,521	136,786,965	19,293
Net Assets		2,468,013,199	88,433,586	2,373,621,334	5,958,279

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

KOTAK FUNDS

STATEMENT OF OPERATIONS FOR THE PERIOD ENDED 30 JUNE 2023

		COMBINED USD	INDIA ESG FUND USD	INDIA MIDCAP FUND USD	INDIA FIXED INCOME FUND USD
Income					
Dividend income	2.e	3,186,752	291,023	2,895,729	–
Interest income from fixed income securities	2.e	182,523	–	–	182,523
Interest income from bank deposits		1,742,059	22,949	1,716,332	2,778
Other income		88,721	–	88,711	10
Total income		5,200,055	313,972	4,700,772	185,311
Expenses					
Investment management fees	3	8,640,803	601,571	8,009,895	29,337
Administration and depositary fees	4	375,773	46,139	320,465	9,169
Audit and professional fees		353,849	35,555	310,422	7,872
Management company fees	8	325,007	20,949	302,279	1,779
Subscription tax	5	426,017	14,464	410,858	695
Transaction costs		24,286	9,672	9,850	4,764
Directors' fees and expenses	7	17,201	2,416	14,696	89
Other expenses		64,105	12,335	45,929	5,841
Total expenses		10,227,041	743,101	9,424,394	59,546
Expense reimbursement	3	14,465	–	–	14,465
Net (Loss)/Profit from Investments		(5,012,521)	(429,129)	(4,723,622)	140,230
Net (loss)/profit realised on:					
- investments portfolio	2.d	28,241,001	980,872	27,342,420	(82,291)
- forward foreign exchange contracts	2.f	76,343	–	–	76,343
- futures contracts	2.g	1,342,463	–	1,342,463	–
- foreign exchange transactions	2.c	(10,847,454)	(588,542)	(10,180,481)	(78,431)
- capital gain tax	6	(24,967,002)	(351,005)	(24,615,997)	–
Net Realised (Loss)/Profit		(6,154,649)	41,325	(6,111,595)	(84,379)
Net change in unrealised appreciation/(depreciation) on:					
- investment portfolio	2.d	221,583,527	4,704,440	216,626,857	252,230
- forward foreign exchange contracts	2.f	11,016	–	–	11,016
- futures contracts	2.g	2,621,791	–	2,621,791	–
- foreign exchange transactions	2.c	(1,179,229)	40,153	(1,220,704)	1,322
Net Change in Unrealised Appreciation		223,037,105	4,744,593	218,027,944	264,568
Results from Operations		211,869,935	4,356,789	207,192,727	320,419

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 2023

	NOTES	COMBINED USD	INDIA ESG FUND USD	INDIA MIDCAP FUND USD	INDIA FIXED INCOME FUND USD
Net Assets at beginning of the period		1,745,341,861	85,276,877	1,652,382,481	7,682,503
Increase in Net Assets as a Result of Operations		211,869,935	4,356,789	207,192,727	320,419
Capital Transactions					
Subscriptions received		780,170,620	7,665,521	772,059,695	445,404
Redemptions paid		(254,483,828)	(8,855,071)	(243,138,710)	(2,490,047)
Dividends and distributions					
Dividends paid	2.i	(14,885,389)	(10,530)	(14,874,859)	–
Net Increase/(Decrease) in Net Assets as a Result of Capital Transactions		510,801,403	(1,200,080)	514,046,126	(2,044,643)
Total Increase/(Decrease) in Net Assets in the period		722,671,338	3,156,709	721,238,853	(1,724,224)
Net Assets at end of the period		2,468,013,199	88,433,586	2,373,621,334	5,958,279

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

KOTAK FUNDS

STATISTICAL INFORMATION

	INDIA ESG FUND USD	INDIA MIDCAP FUND USD	INDIA FIXED INCOME FUND USD
Net asset value			
30 June 2023	USD 88,433,586	USD 2,373,621,334	USD 5,958,279
31 December 2022	USD 85,276,877	USD 1,652,382,481	USD 7,682,503
31 December 2021	USD 90,689,469	USD 1,769,872,684	USD 9,823,470
Number of shares			
30 June 2023			
Class A Distribution Shares GBP	13,981	34,540	-
Class A Distribution Shares USD	-	39,662	-
Class A Shares EUR	20,355	2,164	-
Class A Shares GBP	45,346	134,384	-
Class A Shares USD	2,206,403	3,375,519	104,174
Class B Shares EUR	19,081	-	-
Class B Shares GBP	-	468	-
Class B Shares USD	89,228	90,315	-
Class C Distribution Shares GBP	-	56,001	10,707
Class C Shares GBP	65,139	393,825	17,593
Class C Shares USD	93,494	1,844,260	10,613
Class I Distribution Shares EUR	-	-	155,623
Class I Shares USD	285,237	3,433	169,255
Class J Shares EUR	-	1,101,464	-
Class J Shares USD	-	14,607,131	-
Class P Shares USD	2,755,840	-	-
Class S Shares USD*	-	9,817,119	-
Class X Distribution Shares JPY	-	4,515,122	-
31 December 2022			
Class A Distribution Shares GBP	13,895	31,509	-
Class A Distribution Shares USD	-	39,662	-
Class A Shares EUR	20,355	1,237	-
Class A Shares GBP	50,457	136,196	-
Class A Shares USD	2,368,897	3,296,341	106,310
Class B Shares EUR	19,081	-	-
Class B Shares GBP	-	468	-
Class B Shares USD	120,725	91,797	-
Class C Distribution Shares GBP	-	49,517	11,466
Class C Shares GBP	61,977	375,231	25,405
Class C Shares USD	77,998	1,570,623	12,033
Class I Distribution Shares EUR	-	-	165,546
Class I Shares USD	271,983	103,055	294,917
Class J Shares EUR	-	1,065,501	-
Class J Shares USD	-	23,564,358	-
Class P Shares USD	2,553,936	-	-
Class X Distribution Shares JPY	-	2,744,423	-
31 December 2021			
Class A Distribution Shares GBP	11,639	27,037	-
Class A Distribution Shares USD	-	20,856	-
Class A Shares EUR	20,355	377	-
Class A Shares GBP	45,739	153,716	-
Class A Shares USD	2,551,385	3,463,663	117,480
Class B Shares EUR	18,011	-	-
Class B Shares GBP	-	468	-
Class B Shares USD	126,183	122,029	-
Class C Distribution Shares GBP	-	49,824	12,532
Class C Shares GBP	54,713	421,564	24,594
Class C Shares USD	27,785	1,520,607	56,439
Class I Distribution Shares EUR	-	-	165,557
Class I Shares GBP**	-	-	20,000
Class I Shares USD	686,384	625,997	317,437
Class J Shares EUR	-	948,342	-
Class J Shares USD	-	22,417,964	-
Class P Shares USD	662,196	-	-
Class X Distribution Shares JPY	-	2,428,274	-

* Share Class S USD of India Midcap Fund launched during 2023 reporting year.

** Share Class I GBP of India Fixed Income Fund liquidated during 2022 reporting year.

KOTAK FUNDS

STATISTICAL INFORMATION (CONTINUED)

	INDIA ESG FUND USD	INDIA MIDCAP FUND USD	INDIA FIXED INCOME FUND USD
Net asset value per share			
30 June 2023			
Class A Distribution Shares GBP	GBP 23.79	GBP 31.33	–
Class A Distribution Shares USD	–	USD 9.73	–
Class A Shares EUR	EUR 15.58	EUR 14.03	–
Class A Shares GBP	GBP 25.79	GBP 32.29	–
Class A Shares USD	USD 21.29	USD 30.45	USD 11.37
Class B Shares EUR	EUR 9.75	–	–
Class B Shares GBP	–	GBP 37.63	–
Class B Shares USD	USD 13.07	USD 34.66	–
Class C Distribution Shares GBP	–	GBP 19.58	GBP 12.12
Class C Shares GBP	GBP 21.73	GBP 23.38	GBP 15.28
Class C Shares USD	USD 14.12	USD 19.70	USD 11.83
Class I Distribution Shares EUR	–	–	EUR 10.51
Class I Shares USD	USD 27.38	USD 28.59	USD 13.95
Class J Shares EUR	–	EUR 16.69	–
Class J Shares USD	–	USD 25.34	–
Class P Shares USD	USD 9.77	–	–
Class S Shares USD*	–	USD 10.98	–
Class X Distribution Shares JPY	–	JPY 54,813.22	–
31 December 2022			
Class A Distribution Shares GBP	GBP 24.47	GBP 30.77	–
Class A Distribution Shares USD	–	USD 8.84	–
Class A Shares EUR	EUR 15.14	EUR 13.02	–
Class A Shares GBP	GBP 25.83	GBP 30.87	–
Class A Shares USD	USD 20.26	USD 27.67	USD 10.89
Class B Shares EUR	EUR 9.48	–	–
Class B Shares GBP	–	GBP 35.98	–
Class B Shares USD	USD 12.44	USD 31.49	–
Class C Distribution Shares GBP	–	GBP 19.14	GBP 12.20
Class C Shares GBP	GBP 21.65	GBP 22.24	GBP 15.38
Class C Shares USD	USD 13.37	USD 17.82	USD 11.32
Class I Distribution Shares EUR	–	–	EUR 10.27
Class I Shares USD	USD 25.93	USD 25.97	USD 13.34
Class J Shares EUR	–	EUR 15.40	–
Class J Shares USD	–	USD 22.90	–
Class P Shares USD	USD 9.23	–	–
Class X Distribution Shares JPY	–	JPY 45,771.96	–
31 December 2021			
Class A Distribution Shares GBP	GBP 26.51	GBP 34.02	–
Class A Distribution Shares USD	–	USD 10.54	–
Class A Shares EUR	EUR 15.95	EUR 13.97	–
Class A Shares GBP	GBP 25.82	GBP 31.47	–
Class A Shares USD	USD 22.69	USD 31.58	USD 12.11
Class B Shares EUR	EUR 9.99	–	–
Class B Shares GBP	–	GBP 36.67	–
Class B Shares USD	USD 13.93	USD 35.95	–
Class C Distribution Shares GBP	–	GBP 21.00	GBP 12.05
Class C Shares GBP	GBP 21.43	GBP 22.44	GBP 15.20
Class C Shares USD	USD 14.82	USD 20.13	USD 12.53
Class I Distribution Shares EUR	–	–	EUR 10.69
Class I Shares GBP**	–	–	GBP 10.79
Class I Shares USD	USD 28.73	USD 29.64	USD 14.76
Class J Shares EUR	–	EUR 16.37	–
Class J Shares USD	–	USD 25.87	–
Class P Shares USD	USD 10.18	–	–
Class X Distribution Shares JPY	–	JPY 46,788.56	–

* Share Class S USD of India Midcap Fund launched during 2023 reporting year.

** Share Class I GBP of India Fixed Income Fund liquidated during 2022 reporting year with the last net asset value per share of GBP 10.53.

KOTAK FUNDS

SCHEDULE OF INVESTMENTS

INDIA ESG FUND

30 June 2023

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			
40,757	Aavas Financiers	763,363	0.86
207,674	Aegis Logistics	812,374	0.92
24,691	Alkem Laboratories	1,056,981	1.20
165,000	Ambuja Cements	856,368	0.97
76,067	Apollo Pipes	651,057	0.74
126,290	AU Small Finance Bank	1,159,866	1.31
335,648	Axis Bank	4,038,947	4.57
29,937	Bajaj Finance	2,612,322	2.95
247,805	Bharti Airtel	2,582,084	2.92
192,730	Bikaji Foods International	981,266	1.11
164,294	Brigade Enterprises	1,151,621	1.30
68,864	Cartrade Tech	404,910	0.46
69,707	Cipla	862,164	0.97
325,642	Crompton Greaves Consumer Electricals	1,149,034	1.30
14,967	Dr Lal PathLabs	412,095	0.47
9,895	Dr Reddy's Laboratories	622,158	0.70
177,168	Emami	916,931	1.04
323,412	Fortis Healthcare	1,241,666	1.40
334,732	HDFC Bank	6,940,211	7.85
180,572	HDFC Life Insurance	1,432,959	1.62
17,278	Hero MotoCorp	612,732	0.69
77,030	Hindustan Unilever	2,513,992	2.84
1,741	Honeywell Automation India	884,271	1.00
391,727	ICICI Bank	4,461,473	5.04

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

KOTAK FUNDS

SCHEDULE OF INVESTMENTS (CONTINUED)

INDIA ESG FUND (CONTINUED)

30 June 2023

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)			
156,500	ICICI Bank ADR	3,615,933	4.09
98,586	IndusInd Bank	1,651,492	1.87
307,204	Infosys	4,999,652	5.65
73,958	Infosys ADR	1,176,302	1.33
18,949	InterGlobe Aviation	606,595	0.69
283,872	Jindal Steel & Power	2,010,042	2.27
62,022	Jubilant Foodworks	378,852	0.43
65,683	Kajaria Ceramics	1,006,618	1.14
115,034	Kalpataru Projects International	752,152	0.85
126,703	Kansai Nerolac Paints	695,509	0.79
38,481	Kotak Mahindra Bank	865,917	0.98
105,931	Larsen & Toubro	3,195,684	3.61
224,092	Mahindra & Mahindra Financial Services	918,789	1.04
13,470	Maruti Suzuki India	1,606,857	1.82
221,367	Max Healthcare Institute	1,617,092	1.83
889	MRF	1,097,011	1.24
86,972	Oberoi Realty	1,043,750	1.18
120,346	PB Fintech	1,021,901	1.16
30,011	Persistent Systems	1,832,644	2.07
15,927	PI Industries	761,172	0.86
183,292	Reliance Industries	5,696,332	6.44
76,318	Sansera Engineering	809,543	0.92
58,509	SBI Cards & Payment Services	604,057	0.68
4,145	Shree Cement	1,206,550	1.36
60,560	SRF	1,689,608	1.91

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

KOTAK FUNDS

SCHEDULE OF INVESTMENTS (CONTINUED)

INDIA ESG FUND (CONTINUED)

30 June 2023

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)			
110,060	State Bank of India	768,315	0.87
52,586	Tata Consultancy Services	2,116,163	2.39
117,250	Tech Mahindra	1,615,797	1.83
39,749	Titan	1,476,251	1.67
19,604	Vedant Fashions	295,995	0.33
56,342	Vijaya Diagnostic Centre Pvt	324,554	0.37
1,053,557	Zomato	963,558	1.09
Total Equities		87,541,532	98.99
Total Transferable securities and money market instruments admitted to an official exchange listing or dealt in on another regulated market		87,541,532	98.99
Other transferable securities			
Investment funds			
Ireland			
147	Goldman Sachs PLC - US\$ Liquid Reserves Fund	1,631,546	1.84
Total Investment funds		1,631,546	1.84
Total Other transferable securities		1,631,546	1.84
Total Investments		89,173,078	100.83
Other Net Assets and Liabilities		(739,492)	(0.83)
Net Asset Value		88,433,586	100.00

No schedule of investment changes has been included into the report. Such information is available upon request from Brown Brothers Harriman (Luxembourg) S.C.A., the Fund's Administrator.

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

KOTAK FUNDS

SCHEDULE OF INVESTMENTS (CONTINUED)

INDIA MIDCAP FUND

30 June 2023

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			
873,952	Aavas Financiers	16,368,781	0.69
949,515	Alkem Laboratories	40,647,183	1.71
318,461	Amber Enterprises India	8,755,942	0.37
261,732	Apollo Hospitals Enterprise	16,260,830	0.68
8,550,096	Apollo Tyres	42,375,436	1.79
411,413	Archean Chemical Industries	2,688,527	0.11
14,614,899	Ashok Leyland	29,814,003	1.26
267,441	Atul	22,798,183	0.96
4,848,345	AU Small Finance Bank	44,527,902	1.88
3,971,450	Axis Bank	47,789,582	2.01
1,174,654	Balkrishna Industries	33,931,309	1.43
8,407,150	Bandhan Bank	24,798,357	1.04
1,423,997	Bata India	29,075,187	1.22
3,747,826	Bharat Petroleum	16,656,517	0.70
2,839,556	Birlasoft	12,419,180	0.52
4,649,273	Brigade Enterprises	32,589,143	1.37
2,657,898	Carborundum Universal	38,799,657	1.63
4,889,227	Cholamandalam Investment & Finance	68,041,726	2.87
7,609,260	City Union Bank	11,804,289	0.50
2,261,536	Container Corp. Of India	18,238,927	0.77
1,545,328	Coromandel International	17,859,991	0.75
9,698,117	Crompton Greaves Consumer Electricals	34,220,000	1.44
2,645,367	Cummins India	62,639,762	2.64
290,650	Dixon Technologies India	15,544,091	0.65
508,887	Elin Electronics	1,059,201	0.04

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

KOTAK FUNDS

SCHEDULE OF INVESTMENTS (CONTINUED)

INDIA MIDCAP FUND (CONTINUED)

30 June 2023

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)			
4,184,454	Emami	21,656,590	0.91
31,396,199	Federal Bank	48,265,115	2.03
8,063,396	Fortis Healthcare	30,957,543	1.30
1,842,696	Gujarat Gas	10,442,930	0.44
2,943,272	Gujarat State Petronet	10,202,471	0.43
3,734,586	ICICI Bank	42,534,101	1.79
350,340	Indraprastha Gas	2,020,883	0.09
3,271,546	Ipca Laboratories	29,615,780	1.25
5,077,610	Jindal Steel & Power	35,953,557	1.51
965,442	JK Cement	39,788,353	1.68
2,346,119	Kajaria Ceramics	35,955,189	1.51
252,271	LTIMindtree	15,977,388	0.67
16,115,130	Mahindra & Mahindra Financial Services	66,072,899	2.78
2,170,020	Mahindra Lifespace Developers	12,312,485	0.52
2,345,486	Mahindra Logistics	10,941,423	0.46
3,284,587	Max Financial Services	32,455,650	1.37
3,000,556	Max Healthcare Institute	21,919,150	0.92
572,429	Metro Brands	6,532,786	0.28
19,106,413	Motherson Sumi Wiring India	13,434,577	0.57
283,121	Mphasis	6,538,254	0.28
11,317	MRF	13,964,983	0.59
151,054	Navin Fluorine International	8,287,179	0.35
2,924,689	Oberoi Realty	35,099,162	1.48
4,281,010	PB Fintech	36,351,589	1.53
973,037	Persistent Systems	59,419,242	2.50

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

KOTAK FUNDS

SCHEDULE OF INVESTMENTS (CONTINUED)

INDIA MIDCAP FUND (CONTINUED)

30 June 2023

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)			
813,302	PI Industries	38,868,767	1.64
4,935,143	PNC Infratech	19,708,120	0.83
6,945,179	Power Finance	18,272,800	0.77
829,385	Rolex Rings	22,489,237	0.95
17,402,757	Samvardhana Motherson International	18,174,727	0.77
2,652,944	Sansera Engineering	28,141,091	1.19
1,250,904	Sapphire Foods India	20,947,256	0.88
987,349	Schaeffler India	37,269,883	1.57
1,915,425	Shriram Finance	40,502,675	1.71
658,918	SKF India	39,962,711	1.68
1,854,882	SRF	51,750,728	2.18
425,582	Sundaram Finance	13,536,076	0.57
1,007,225	Sundram Fasteners	14,937,167	0.63
1,321,570	Supreme Industries	51,498,776	2.17
4,013,948	Syngene International	37,422,309	1.58
1,062,810	Tata Chemicals	12,969,769	0.55
255,710	TeamLease Services	7,769,000	0.33
2,033,100	Tech Mahindra	28,017,718	1.18
2,553,387	The Ramco Cements	28,759,089	1.21
1,422,970	Thermax	39,566,972	1.67
1,088,100	Torrent Pharmaceuticals	25,259,306	1.06
1,808,146	TVS Motor	29,209,989	1.23
269,300	UltraTech Cement	27,221,288	1.15
758,294	United Breweries	13,971,533	0.59

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

KOTAK FUNDS

SCHEDULE OF INVESTMENTS (CONTINUED)

INDIA MIDCAP FUND (CONTINUED)

30 June 2023

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)			
3,152,741	United Spirits	35,046,720	1.48
2,515,341	Varroc Engineering	10,329,892	0.44
1,665,300	Vedant Fashions	25,143,909	1.06
6,684,789	V-Guard Industries	23,013,103	0.97
1,685,572	Voltas	15,605,836	0.66
50,194	Whirlpool of India	901,701	0.04
8,147,037	Zee Entertainment Enterprises	17,607,589	0.74
Total Equities		2,130,278,722	89.75
Total Transferable securities and money market instruments admitted to an official exchange listing or dealt in on another regulated market		2,130,278,722	89.75
Other transferable securities			
Investment funds			
Ireland			
6,546	Goldman Sachs PLC - US\$ Liquid Reserves Fund	72,600,860	3.06
Total Investment funds		72,600,860	3.06
Total Other transferable securities		72,600,860	3.06
Total Investments		2,202,879,582	92.81
Other Net Assets and Liabilities		170,741,752	7.19
Net Asset Value		2,373,621,334	100.00

No schedule of investment changes has been included into the report. Such information is available upon request from Brown Brothers Harriman (Luxembourg) S.C.A., the Fund's Administrator.

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

KOTAK FUNDS

SCHEDULE OF INVESTMENTS (CONTINUED)

INDIA FIXED INCOME FUND

30 June 2023

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			
300,000	Adani Ports & Special Economic Zone 3.38% 24/07/2024	286,125	4.80
300,000	Canara Bank 3.88% 28/03/2024	294,979	4.95
300,000	HDFC Bank 5.69% 02/03/2026	299,906	5.03
30,000,000	India Government Bond 5.79% 11/05/2030	340,483	5.72
20,000,000	India Government Bond 6.19% 16/09/2034	225,640	3.79
50,000,000	India Government Bond 6.22% 16/03/2035	564,911	9.48
40,000,000	India Government Bond 6.79% 15/05/2027	482,833	8.10
60,000,000	India Government Bond 7.26% 14/01/2029	738,546	12.40
50,000,000	India Government Bond 8.51% 22/09/2033	612,080	10.27
300,000	NTPC 4.38% 26/11/2024	293,150	4.92
250,000	Oil India 5.13% 04/02/2029	245,022	4.11
250,000	ONGC Videsh 4.63% 15/07/2024	246,651	4.14
13,000,000	Power Finance 9.46% 01/08/2026	166,183	2.79
500,000	REC 4.63% 22/03/2028	474,600	7.97
Netherlands			
250,000	Bharti Airtel International Netherlands BV 5.35% 20/05/2024	249,375	4.18
Singapore			
250,000	BPRL International Singapore Pte 4.38% 18/01/2027	238,339	4.00
Total Debt Instruments		5,758,823	96.65

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

KOTAK FUNDS

SCHEDULE OF INVESTMENTS (CONTINUED)

INDIA FIXED INCOME FUND (CONTINUED)

30 June 2023

Number of shares/ Nominal Value	Security	Market Value USD	Market Value as a percentage of Net Assets
	Total Transferable securities and money market instruments admitted to an official exchange listing or dealt in on another regulated market	5,758,823	96.65
	Total Investments	5,758,823	96.65
	Other Net Assets and Liabilities	199,456	3.35
	Net Asset Value	5,958,279	100.00

No schedule of investment changes has been included into the report. Such information is available upon request from Brown Brothers Harriman (Luxembourg) S.C.A., the Fund'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 2023

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 2023, the Fund was composed of the following Sub-Funds:

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

The following share classes were in issue as at 30 June 2023:

- (i) Class A shares which are available to all investors.
- (ii) Class I, Class J and Class S 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 ESG 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 at the discretion of the Global Distributor, are considered wholesale investors providing services to other investors.
- (vi) Class P shares are reserved to certain institutional investors, in certain circumstance, at the recommendation of the Global Distributor.

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 and India Midcap (Mauritius) Ltd (the “Midcap Subsidiary”) on 19 April 2010.

2. Summary of significant accounting policies

a) Basis of preparation

The financial statements have been prepared in accordance with the Luxembourg legal and regulatory requirements applicable to investment funds.

b) Financial statements

Financial statements for India ESG Fund and India Midcap Fund are presented on a consolidated basis. The statements of net assets, operations and changes in net assets are presented in USD for each Sub-Fund.

The combined statement of net assets, the combined statement of operations and the combined statement of changes in net assets are the sum of the statements of each Sub-Fund. As wholly-owned subsidiaries of the Fund all assets and liabilities, income and expenses of the subsidiaries are consolidated in the statements of net assets and

KOTAK FUNDS

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2023 (CONTINUED)

2. Summary of significant accounting policies (continued)

b) Financial statements (continued)

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 2023 are:

USD/GBP	0.7883
USD/EUR	0.9177
USD/INR	82.0599
USD/JPY	144.4750
USD/CHF	0.8979

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 Fund.

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.

e) Income and expenses

Dividends arising on the Fund'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 coupon rate on the asset) unless recoverability is in doubt. Where the Fund 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 Fund cannot be

KOTAK FUNDS

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2023 (CONTINUED)

2. Summary of significant accounting policies (continued)

e) Income and expenses (continued)

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 Fund, whatever Sub-Fund they are attributable to, shall, unless otherwise agreed upon with the creditors, be binding upon the Fund as a whole.

f) Forward foreign exchange contracts

The Fund may enter into forward foreign exchange contracts 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 forward foreign exchange contracts.

g) Future contracts

Financial future 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.

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 2023.

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 Fund, it will be paid to each Shareholder concerned in the currency of the relevant Sub-Fund or Class.

During the period ended 30 June 2023, the Fund distributed the following dividends:

India ESG Fund	Ex Date	Pay date	Dividend per share	Total dividend paid (USD)
Class A Distribution Shares GBP	13 February 2023	21 February 2023	USD 0.3747	5,147
Class A Distribution Shares GBP	11 May 2023	19 May 2023	USD 0.3902	5,383
				<hr/> 10,530 <hr/>

KOTAK FUNDS

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2023 (CONTINUED)

2. Summary of significant accounting policies (continued)

i) Dividends payable (continued)

India Midcap Fund	Ex Date	Pay date	Dividend per share	Total dividend paid (USD)
Class A Distribution Shares GBP	13 February 2023	21 February 2023	USD 0.4835	15,767
Class C Distribution Shares GBP	13 February 2023	21 February 2023	USD 0.3022	14,873
Class X Distribution Shares JPY	13 February 2023	21 February 2023	USD 2.2600	6,633,797
				6,664,437
Class A Distribution Shares GBP	11 May 2023	19 May 2023	USD 0.5034	16,674
Class C Distribution Shares GBP	11 May 2023	19 May 2023	USD 0.3146	16,610
Class X Distribution Shares JPY	11 May 2023	19 May 2023	USD 2.2421	8,177,138
				8,210,422
				14,874,859

j) 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, taking into account the bid/ask spread on securities and forex as well as transaction costs and taxes 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. Such adjustment may vary from Sub-Fund to Sub-Fund and will not exceed 0.5% of the original Net Asset Value per Share.

The adjustment is applied on the capital activity at the level of the Sub-Funds and does not address the specific circumstances of each individual investor transaction.

The Fund currently applies the adjustment to all of its Sub-Funds.

Description of the swing pricing procedure:

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.

As at 30 June 2023, no Sub-Funds have applied swing price adjustments.

KOTAK FUNDS

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2023 (CONTINUED)

2. Summary of significant accounting policies (continued)

j) Swing Pricing (continued)

The following table summarises the maximum swing factor used by the Sub-Funds during the period ended 30 June 2023:

Sub-Fund	Maximum swing factor
India Fixed Income Fund	0.1150%

3. Investment management fees

Kotak Mahindra Asset Management (Singapore) Pte. Ltd as Investment Manager is entitled to receive fees from the Fund 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 maximum percentages of investment management fees at 30 June 2023 are as follows:

Kotak Funds - India ESG Fund

Class A: 2.00% Class I: 1.00% Class B: 2.00% Class X: 1.00% Class C: 1.00% Class S: 0.85% Class P: 1.50%*

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% Class S: 0.85% Class P: 1.50%*

Kotak Funds - India Fixed Income Fund

Class A: 1.20%*** Class I: 0.75%*** Class C: 0.75%*** Class P: 1.00%*

*The Investment Manager has agreed with the Fund to contractually waive 1.00% of the investment management fees on behalf of Class P of the India ESG Sub-Fund and India Midcap Sub-Fund and 0.50% on behalf of Class P of the India Fixed Income Sub-Fund, since the launch of the Class.

**The Investment Manager has agreed with the Fund 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.

***With respect to the fund's Class A, Class C and Class I shares, to the extent the total annual fund operating expenses of the Fund attributable to a particular Class (exclusive of brokerage expenses, interest expenses, taxes and extraordinary expenses), exceed 1.60% for Class A shares and 1.20% for Class C and Class I shares, the Investment Manager has agreed to waive the management fee payable to it by the Fund to the extent that such excess exceeds the amount of the management fee attributable to the particular Class and the Investment Manager has agreed to reimburse the Fund with respect to such Class in the amount that such excess exceeds the amount of the management fee attributable to the Class. This is included in the Statement of Net Assets under receivable for expenses cap reimbursement and Statement of Operations under expense reimbursement of expense cap.

Investment management fees for the period ended 30 June 2023 amounted to USD 601,571 for the India ESG Fund, USD 8,009,895 for the India Midcap Fund and USD 29,337 for the India Fixed Income Fund.

KOTAK FUNDS

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2023 (CONTINUED)

4. Administration and depositary fees

Brown Brothers Harriman (Luxembourg) S.C.A., as administrator and depositary bank, is entitled to receive from the Fund fees based on the aggregate Net Asset Value of the Fund. These fees are as follows:

	Administration fee rate	Depositary fee rate	Custody fee rate (India and US Markets)
USD 0 - USD 500,000,000	0.025%	0.0045%	0.010%
USD 500,000,000 - USD 1,000,000,000	0.020%	0.0045%	0.010%
Above USD 1,000,000,000	0.015%	0.0045%	0.010%

Administration and depositary fees are subject to a minimum annual fee of USD 10,000 per Sub-Fund.

The fees for each Sub-Fund are disclosed separately in the statement of operations.

The Administrator of the subsidiaries, IQEQ (Mauritius), is entitled to the following fees per annum:

- (i) For administration, registrar and company secretary services: For 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. For the Bluechip Subsidiary USD 25,000 p.a.
- (ii) For services relating to the preparation and filing of annual tax returns in Mauritius: USD 1,000.
- (iii) For services relating to the tax residency certificate: USD 500.
- (iv) For directorship: USD 2,000 per director.
- (v) For the service of the Money Laundering Reporting officer: USD 800.
- (vi) For the license fees, for the Midcap Subsidiary USD 6,960 and for the Bluechip Subsidiary USD 2,425.

5. Subscription tax

Under current law and practice, the Fund is not liable to Luxembourg taxes on income or capital gains. The Fund 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%.

6. Taxation

Tax implications for direct investments

The Fund may invest directly in India or through the Subsidiaries. In case of direct investments in India, the Fund 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.

KOTAK FUNDS

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2023 (CONTINUED)

6. Taxation (continued)

Tax implications for investments through Subsidiaries

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 are 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 should 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. GAAR provisions should not apply to a person, being a non-resident, in relation to investment made by him by way of offshore derivative instruments or otherwise, directly or indirectly, in a Foreign Portfolio Investor (FPI). Further GAAR provisions should not apply to an FPI, where the FPI have not claimed tax treaty benefits and invest in Indian securities with prior permission of the competent authority under SEBI (FPI) regulations.

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 issued by Indian companies will not be subject to tax in India.

(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.

KOTAK FUNDS

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2023 (CONTINUED)

6. Taxation (continued)

Tax implications for investments through Subsidiaries (continued)

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. Dividend declared or distributed on or after 1 April 2021 would not be subject to DDT in the hands of the distributing Indian company and would be taxed in the hands of non-resident Shareholders at 20% plus surcharge and cess subject to benefits under the tax treaty, if any.

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 2023.

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 Fund. Total Directors’ fees and expenses paid for the period ended 30 June 2023 amounted to EUR 15,785.

8. Management company fees

On 12 September 2007, the Management Company, FundRock Management Company 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 Fund, for providing administration, marketing and investment management services in respect of all Sub-Funds of the Fund.

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.

Brown Brothers Harriman (Luxembourg) S.C.A. has been appointed to perform central administration duties for the Fund pursuant to a delegation of such duties to them by the Management Company.

KOTAK FUNDS

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2023 (CONTINUED)

8. Management company fees (continued)

FundRock Management Company S.A. is entitled to receive a fee for the provision of the Management Company services rendered to the Fund 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 5,448) 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 1,362) 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. Forward foreign exchange contracts

As at 30 June 2023, Kotak Funds - India Fixed Income Fund was engaged into the following forward exchange contracts with HSBC Bank Plc, London:

Counterparty	Maturity Date	Currency Bought	Bought Amount	Currency Sold	Sold Amount	Unrealised appreciation (depreciation)	
						USD	USD
HSBC Bank Plc, London	27 July 2023	INR	41,139,300	USD	(500,000)	922	-
HSBC Bank Plc, London	31 July 2023	INR	32,953,800	USD	(400,000)	1,192	-
HSBC Bank Plc, London	14 August 2023	INR	28,957,775	USD	(350,000)	2,371	-
HSBC Bank Plc, London	21 August 2023	INR	61,547,775	USD	(750,000)	-	(1,236)
HSBC Bank Plc, London	8 November 2023	INR	45,438,690	USD	(550,000)	1,113	-
						5,598	(1,236)

10. Futures contracts

As at 30 June 2023, Kotak Funds - India Midcap Fund was engaged into the following futures contracts:

Currency	Number of Contracts Bought/(Sold)	Underlying	Expiration Date	Notional Commitment		
				Unrealised appreciation	Unrealised (depreciation)	USD
USD	4,255	SGX Nifty 50 Index	27 July 2023	161,442,499	2,621,791	-

KOTAK FUNDS

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2023 (CONTINUED)

11. 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 ESG Fund	Commitment approach
India Midcap Fund	Commitment approach
India Fixed Income Fund	Commitment approach

12. Events during the period

There have not been any significant events during the reporting period affecting the Fund.

13. 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 2023.

14. 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 Fund 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.

15. Securities Financing Transactions

The Sub-Funds have not entered 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.

16. Subsequent events

There were no significant events after financial period end.