

KOTAK INCOME PLUS ARBITRAGE FOF



Frequently Asked Questions

1 What is this scheme under the Fund of Funds (FoF) category – Kotak Income Plus Arbitrage FoF – and how does it benefit Investor?

Kotak Income Plus Arbitrage FoF scheme invests in a combination of equity arbitrage and debt funds of Kotak Mahindra Mutual Fund. It aims to deliver tax efficient returns with relatively low-volatility by combining the relative stability of debt with the advantages of arbitrage.

2 Key Features of Kotak Income Plus Arbitrage Fund of Fund and current strategy:

- **Flexibility of Asset Allocation:** Combines equity arbitrage and debt oriented mutual fund investments of Kotak Mahindra Mutual Fund.
- **Active Management:** Actively manages portfolio duration by strategically investing in debt oriented schemes across duration of Kotak Mahindra Mutual Fund, with the overall portfolio duration currently being run at ~2 years.
- **Dynamic Allocation:** The fund employs a dynamic allocation strategy by adjusting duration and cash based on the prevailing market environment and macroeconomic outlook, through changes in exposure to underlying funds.
- **High Quality Debt:** Invests only in funds with AAA and equivalent rated securities at the time of investment; the scheme does not take any credit risk.
- **Current Duration:** Fund is currently running a portfolio duration of ~2 years. Debt allocation (i.e 60% of the scheme) is currently being invested in Kotak Corporate Bond Fund, which aims to maintain a ~100% Sovereign/AAA-equivalent portfolio.
- **Taxation:** Benefits from a lowest tax rate of 12.5% compared to traditional debt funds when held for over two years.

3 How does it impact me if I am not able to hold for 2 years plus, then what will be my taxation?

Investors who hold the fund for at least two years benefit from a lower tax rate of 12.5%, unlike debt mutual funds which are taxed at a higher rate. However, if the investment is redeemed before two years, the gains will be taxed as per the investor's applicable income tax slab.

4 Can one invest in the fund for less than 2 years period ?

Yes, but investments held for less than 2 years will be taxed as per the applicable slab rate.

5 Will the fund always maintain 65:35 ratio in Debt & Arbitrage?

The scheme shall maintain a minimum allocation of 35% in the Kotak Equity Arbitrage Fund at all times. The balance shall be invested in units of debt-oriented mutual fund schemes of Kotak Mahindra Mutual Fund and money market instruments, including Triparty Repo on government securities or treasury bills, cash, and cash equivalents. The combined exposure to these debt allocations shall be capped below 65% at all times.

6 What will be the Minimum Debt scheme wise allocation and Max schemes wise allocation?

The allocation in the debt will never exceed above 65% at the overall scheme level, while there is no floor in the scheme wise allocation.

7 What is the asset quality maintained for the debt funds?

The debt portion will be invested in instruments rated AAA or equivalent. The fund will not take any exposure to lower-rated or credit-risk instruments.

8 Do you intend to take credit in this fund?


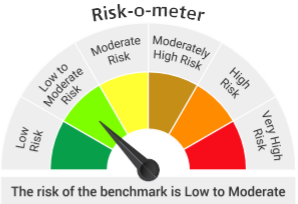




No, the scheme will not take any credit calls.

9 I am an existing client in fixed income funds and arbitrage both, why do I invest in this fund?

It depends on the tax status of the previous investments. If the tax treatment is similar, then a switch may not be necessary. Otherwise, one may consider switching if they are in similar duration category of investments.

Source: KMAMC Internal Research

Riskometer

 <p>The risk of the scheme is Moderate</p>	 <p>The risk of the benchmark is Low to Moderate</p> <p>Nifty Composite Debt Index (60%) + Nifty 50 Arbitrage Index (TRI) (40%)</p>	KOTAK INCOME PLUS ARBITRAGE FOF An open-ended fund of fund scheme predominantly investing in debt oriented mutual fund schemes and equity arbitrage mutual fund scheme of Kotak Mahindra Mutual Fund. This product is suitable for investors who are seeking*: <ul style="list-style-type: none"> Long term capital growth. An open-ended fund of fund scheme predominantly investing in debt oriented mutual schemes and equity arbitrage mutual fund scheme of Kotak Mahindra Mutual Fund.
 <p>The risk of the scheme is Low</p>	 <p>The risk of the benchmark is Low</p> <p>Nifty 50 Arbitrage TRI</p>	KOTAK EQUITY ARBITRAGE FUND An open ended scheme investing in arbitrage opportunities. This product is suitable for investors who are seeking*: <ul style="list-style-type: none"> Income from arbitrage opportunities in the equity market. Investment in arbitrage opportunities in the cash & derivatives segment of the equity market.
 <p>The risk of the scheme is Moderate</p>	 <p>The risk of the benchmark is Low to Moderate</p> <p>Nifty Corporate Bond Index A-II</p>	KOTAK CORPORATE BOND FUND An open ended debt scheme predominantly investing in AA+ and above rated corporate bonds. A relatively high interest rate risk and moderate credit risk. This product is suitable for investors who are seeking*: <ul style="list-style-type: none"> Regular Income over short term. Income by investing in fixed income securities of varying maturities and predominantly investing in AA+ and above rated corporate bonds.

*Investors should consult their financial advisers if in doubt about whether the product is suitable for them
For latest Riskometer, investors may refer to an addendum issued or updated on website at www.kotakmf.com

PRC Matrix (Potential Risk Class)

Credit Risk → Interest Rate Risk ↓	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Relatively Low			
Moderate			
Relatively High		B-III	

*Above PRC Matrix is of KOTAK CORPORATE BOND FUND

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