

Why to Invest

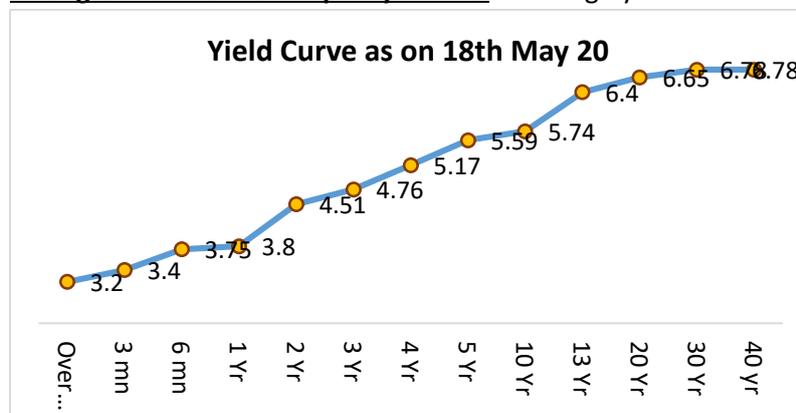
Flight to safety	Gilt generally has Zero default risk. In crisis, Gilt demand increases as it is the asset of the 'last resort'. Gilt protects value and hence attracts high flows in tough conditions
High Liquidity	Secondary Gilt Market has daily trading liquidity of Rs 65 thousand cr and can handle high supply.
Performer in crisis	Depending on the market, Gilt funds are able to switch between carry, duration and blend strategy to generate performance. Thus, Gilt investments helps aggregate gains even in crisis time.
Dovish RBI Stance	Provides capital appreciation opportunity when RBI is easing rates & keeping liquidity high
High Yields Spread	The yield curve is steep. The 10 yr duration provides a yield spread of 254 bps over overnight rates which is positive.
Structural changes	Index inclusion will bring in FII interest across the globe and may bring rates down. Similarly, higher domestic savings too may find way into Gilt.
Introduction of Gilt ETFs	Gilt ETFs likely to create additional demand avenue for Gilt

Data Source: Bloomberg, Reuters

Flight to safety- Default-Risk Free: Globally the flight to safety is occurring. Similar behavior is happening in India. **Even banks are preferring to be overweight on Gilts and liquidity is very high which may increase demand further. Demand for safe assets may increase more as chase intensifies and more money flows in sovereign assets of strong economies in days ahead.**

High Liquidity: Due to the high liquidity in the Gilt market, the asset prices may not be as easily swayed due to small demand supply mismatch such as redemption/ withdrawal. Something from which the illiquid market suffers. The Gilt market has an average daily turnover of around Rs 65,000 cr. With this liquidity size, the market easily absorbs the buy / sell impact of the Gilt fund industry (size of approx. 15k cr). This provides comfort to investor under any market circumstance.

Strong Correlation to RBI policy stance: Sovereign yields have very high correlation to RBI policy rate



Data Source: Bloomberg, Reuters

and liquidity. As we can see, the economic slowdown is evident not only in India but world over. This has caused all major central bankers of the world including the RBI to flush market with liquidity (in excess of Rs 7 lakh cr). The repo and reverse repo rates have been slashed aggressively and brought down by 115 and 155 bps respectively

in 2020. And RBI still maintains a solid dovish stance so as to support growth. **This provides a**

strong growth undercurrent to the Gilt funds and creates an opportunistic window for investor.

Structural Change: (a) Flow of Savings into Gilt: The living expenditures are going down. Especially the discretionary spends by people/institutions are declining. The resultant higher savings will prefer allocation in 'safe' assets vis-à-vis risky assets.

Structural Change: (b) Index Inclusion of India: India's inclusion into global debt indices will lead to fundamental change. This may allow global funds to allocate to Indian Gilt. Compared to other peers, the macro picture of India is in much better shape and still provides higher real yield. Thus, we may see demand surge in Gilt by domestic and overseas investors over period of time.

Kotak Gilt: Performer in Times of Crisis

Another of Kotak Gilt fund is that it provides a performance opportunity even when the yields have bottomed out. As can be seen by adjacent chart, a Kotak Gilt investor obtained positive investment experience even when they invested at relative yield bottom(s).

Ideally, Gilts must be looked at with 3 yr plus horizon. But **in case of a negative/low performance in the short term, the investors only needs to increase the time horizon a little further to recover capital.**

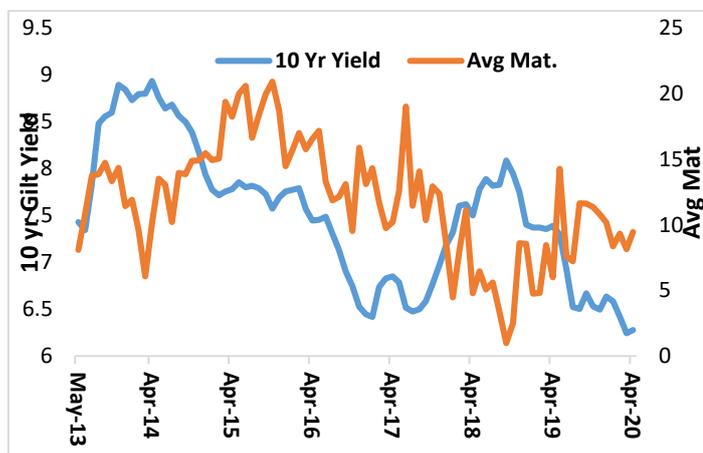
Rolling Return Performance of Kotak Gilt Fund⁽¹⁾

Investment Horizon	Avg Kotak Gilt Performance	Avg 10 yr Gilt performance	% of times Negative Return
2 yr	5.77%	4.55%	0.88%
3 yr	6.53%	5.57%	0.00%
4 yr	8.26%	5.27%	0.00%
5 yr	6.25%	5.31%	0.00%

Source: ICRA. (1). The table chart assumes that the investor had invested at low market levels in Dec08-June09 & Jan-May 2013. This period selection is to showcase the effectiveness of gilt mutual funds even when the gilt yields have bottomed out. The 10 yr gilt performance is computed estimating the Modified Duration at 6.5. The 10 yr gilt comparison is calculated based on the follow principle: (yield decline in 10 yr gilt in an investment period X Mod D) + gilt yield at time of investment). We have taken ample precaution in estimating the performance but it's possible that actual 10 yr gilt performance may vary.

Kotak Gilt: Fund Strategy

- **The fund has actively managed duration in past to generate performance.** We keep taking spread calls by adding State Development Loans (SDL) when we believe the spread between Gilt and SDL has peaked and vice versa.
- We are positive about the investment opportunities presented by the 10-14 and 30 yr Gilt year maturity assets.
- As and when we believe capital gain theme is over and it's more of a carry play we may move to short end Gilt or SDL whichever part of curve is attractive. We run quite balanced portfolio approach that's our USP and has played well over a period of time.



Data Source: Bloomberg, Reuters

Actionable Points

- Gilt Funds are all season products. Especially for long term investors. More importantly, Gilt is a strong cover of value when credit risk perception rises. Thus portfolio value can be optimized by having right asset allocation. Take example of Employee Provident Fund Organization (EPFO). Even for their Hold-To-Maturity (HTM) allocation, they tend to invest about 60% their allocation in Gilt assets. This they do so as to obtain around 6.7% plus yield for 30 yr with no credit risk to go. A rare opportunity in the world where yields in developed countries are tending to zero. **Thus Gilt fund is a smart asset allocation call since it helps capture this high yield.**
- **Thus, Gilt Fund is as critical to a debt allocation as Large/midcap/Smallcap fund is to equity investment component.**
- **For that reason, Gilt fund can be seen as a core part of stable portfolio solution rather than merely an opportunistic play.**

Gilt Fund : A Necessary Asset Allocation Component

Date: May 27th, 2020



Disclaimer:

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

Kotak Gilt Fund Performance as on 30th April 2020

Kotak Gilt Fund - Growth

	Kotak Gilt Fund - Growth	NIFTY All Duration G-Sec Index#	ALPHA	CRISIL 10 Year Gilt##	Kotak Gilt Fund - Growth	NIFTY All Duration G-Sec Index#	CRISIL 10 Year Gilt##
Since Inception	9.71%	NA	NA	NA	72,297	NA	NA
Last 1 Year	15.12%	15.36%	-0.24%	15.17%	11,512	11,536	11,517
Last 3 Years	8.65%	8.94%	-0.29%	7.52%	12,835	12,938	12,438
Last 5 Years	8.67%	8.78%	-0.11%	8.22%	15,163	15,240	14,851

Scheme Inception date is 29/12/1998. Mr. Abhishek Bisen has been managing the fund since 15/04/2008. Different plans have different expense structure. The performance details provided herein are of regular plan
 ^Past performance may or may not be sustained in future. * All payouts during the period have been reinvested in the units of the scheme at the then prevailing NAV. Returns >= 1 year: CAGR (Compounded Annualised Growth Rate). N.A stands for data not available. Note: Point to Point (PTP) Returns in INR shows the value of 10,000/- investment made at inception. Source: ICRA MFI Explorer. # Name of Scheme Benchmark. ## Name of Additional Benchmark.
 The performance of the scheme is benchmarked to the Total Return variant (TRI) of the Benchmark. Alpha is difference of scheme return with benchmark return.

Other Funds Managed by Mr. Abhishek Bisen



Name: Mr. Abhishek Bisen

Mr. Abhishek Bisen manages 9 funds and all Kotak Capital Protection Oriented Scheme series of Kotak Mahindra Mutual Fund. Different plans shall have a different expense structure. The performance details provided herein are of regular plan.

Kotak Equity Hybrid Fund (Nov. 05, 2014), Kotak Debt Hybrid Fund (Dec. 02, '03), Kotak Bond Fund (Regular Plan) (Apr. 15, '08), Kotak Gilt Fund (Regular & PF-Trust) (Dec. 29, '98), Kotak Equity Savings Fund (Oct. 13, '14), Kotak Gold ETF (Jul. 27, '07), Kotak Gold Fund (Mar. 25, '11), Kotak Balanced Advantage Fund (Aug. 03' 18)

Business Experience

Mr. Abhishek has been associated with the company since October 2006 and his key responsibilities include fund management of debt schemes. Prior to joining Kotak AMC, Abhishek was working with Securities Trading Corporation Of India Ltd where he was looking at Sales & Trading of Fixed Income Products apart from doing Portfolio Advisory. He has been awarded twice as one of the Highly Commended Investors in Indian Rupees Bonds from the Asset magazine Hong Kong. His educational background is B.A (Management) and MBA (Finance).

Scheme Names	1 YEAR		3 YEARS		5 YEARS		Since Inception		
	Scheme Returns(%) [^]	Benchmark Returns (%) ^{^*}	Scheme Returns(%) [^]	Benchmark Returns (%) ^{^*}	Scheme Returns(%) [^]	Benchmark Returns (%) ^{^*}	Scheme Returns(%) [^]	Benchmark Returns (%) ^{^*}	
Top 3	Kotak Gold Fund - Growth	48.13	47.43	15.86	17.09	10.73	11.39	7.84	9.20
	Kotak Gold ETF	45.93	47.43	15.92	17.09	10.22	11.39	12.80	13.99
	Kotak Bond Fund - Growth	11.75	13.91	7.11	7.99	7.36	8.35	8.86	NA
Bottom 3	Kotak Equity Savings Fund - Growth	0.30	0.93	5.17	5.18	6.24	5.82	6.70	6.13
	Kotak Balanced Advantage Fund - Growth	-2.49	-0.20	NA	NA	NA	NA	1.19	2.94
	Kotak Equity Hybrid - Growth	-9.21	-4.48	-0.72	5.67	4.13	6.79	4.44	6.36

Kotak Gold Fund - Growth, *Name of the Benchmark - Price of Gold, Scheme Inception date is 25/03/2011. Mr. Abhishek Bisen has been managing the fund since 04/03/2011.

Kotak Gold ETF, *Name of the Benchmark - Price of Gold, Scheme Inception date is 27/07/2007. Mr. Abhishek Bisen has been managing the fund since 15/04/2008. & Mr. Satish Dondapati has been managing the fund since 09/05/2019.

Kotak Bond Fund - Growth, *Name of the Benchmark - NIFTY Medium to Long Duration Debt Index, Scheme Inception date is 25/11/1999. Mr. Abhishek Bisen has been managing the fund since 01/04/2008.

Kotak Equity Savings Fund - Growth, *Name of the Benchmark - 75% NIFTY 50 Arbitrage + 25% Nifty 50 TRI, Scheme Inception date is 13/10/2014. Mr. Harish Krishnan has been managing the fund since 09/05/2019. Mr. Abhishek Bisen has been managing the fund since 17/09/2014. Mr. Hiten Shah has been managing the fund since 03/10/2019.

Kotak Balanced Advantage Fund - Growth, *Name of the Benchmark - NIFTY 50 Hybrid Composite Debt 50:50 Index . Scheme Inception date is 03/08/2018. Mr. Abhishek Bisen & Mr. Harish Krishnan has been managing the fund since 03/08/2018. Mr. Hiten Shah has been managing the fund since 03/10/2019.

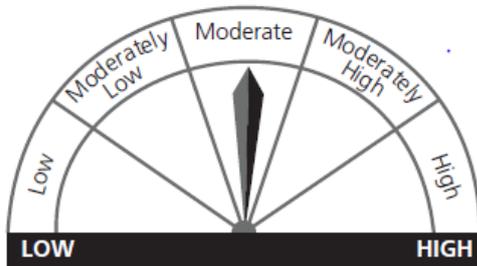
Kotak Equity Hybrid Fund - Growth (Erstwhile Kotak Balance), *Name of the Benchmark - NIFTY 50 Hybrid Composite Debt 65:35 Index, Scheme Inception date is 25/11/1999 and Kotak Equity Hybrid Fund - Regular plan scheme inception date is 3rd November 2014. Mr. Pankaj Tibrewal has been managing the fund since 25/08/2015. Mr. Abhishek Bisen has been managing the fund since 15/04/2008.

Gilt Fund : A Necessary Asset Allocation Component

Date: May 27th, 2020

Riskometer:

An open ended debt scheme investing in government securities across maturity



Investors understand that their principal will be at moderate risk

This product is suitable for investors who are seeking*:

- Income over a long investment horizon
- Investments in sovereign securities issued by the Central and/or State Government(s) and / or reverse repos in such securities.

* Investors should consult their financial advisors if in doubt about whether the product is suitable for them.