

August 2011

PROSPECTUS

KOTAK FUNDS

KOTAK FUNDS (the "Fund") is an investment company which offers investors a choice between several classes of shares (each a "Class") in a number of sub-funds (each a "Sub-Fund"). The Fund is organised as an investment company registered under Part I of the Luxembourg law of 17 December 2010 relating to undertakings for collective investment.



IMPORTANT INFORMATION

The Directors of the Fund, whose names appear hereafter, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

The shares of the Fund (the "Shares") are offered solely on the basis of the information and representations contained in this Prospectus and any further information given or representations made by any person may not be relied upon as having been authorised by the Fund or the Directors. Neither the delivery of this Prospectus nor the issue of Shares shall under any circumstances create any implication that there has been no change in the affairs of the Fund since the date hereof.

The Shares may be listed on the Luxembourg Stock Exchange. The Directors of the Fund may decide to make an application to list the Shares on any other recognised stock exchange. However no assurance can be given that the Shares may be listed on any stock exchange.

The information contained in this Prospectus will be supplemented by the financial statements and further information contained in the latest annual and semi-annual reports of the Fund, copies of which may be obtained free of charge from the registered office of the Fund.

The Fund is an open-ended investment company organised as a *Société d'Investissement à Capital Variable* (SICAV). The Fund is registered under Part I of the Luxembourg law of 17 December 2010 relating to undertakings for collective investment. The above registrations do not require any Luxembourg authority to approve or disapprove either the adequacy or accuracy of this Prospectus or the investments held by the Fund. Any representation to the contrary is unauthorised and unlawful.

The distribution of this Prospectus and the offering of Shares in certain jurisdictions may be restricted and accordingly persons into whose possession this Prospectus may come are required by the Fund to inform themselves of and to observe any such restrictions.

This Prospectus does not constitute an offer or solicitation to any person in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it would be unlawful to make such offer or solicitation.

United States: The Shares have not been registered under the United States Securities Act of 1933 (the "1933 Act"), and the Fund has not been registered under the United States Investment Company Act of 1940 (the "1940 Act"). The Shares may not be offered, sold, transferred or delivered, directly or indirectly, in the United States, its territories or possessions or to US Persons (as defined in Regulation S under the 1933 Act) except to certain qualified US investors in reliance on certain exemptions from the registration requirements of the 1933 Act and the 1940 Act and with the consent of the Fund. Neither the Shares nor any interest therein may be beneficially owned by any other US Person. The Fund's Articles of Incorporation restrict the sale and transfer of Shares to US Persons and the Fund may repurchase Shares held by a US Person or refuse to register any transfer to a US Person as it deems appropriate to assure compliance with the 1933 Act and the 1940 Act (see under "SUBSCRIPTIONS" below).

India: Investors should note that persons resident in India, as that term is defined in Section 2(v) of Foreign Exchange Management Act (FEMA), 1999 of India are not eligible to invest in the Fund.

Singapore: The offer or invitation of the shares (the "**Shares**") of Kotak Funds - India Growth Fund, Kotak Funds - India Infrastructure and Realty Fund, Kotak Funds - India Midcap Fund and Kotak Funds - Indian

Multi-Cap Fund (together, the "**Sub-Funds**"), which is the subject of this Prospectus, does not relate to a collective investment scheme which is authorised under section 286 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**") or recognised under section 287 of the SFA. The Sub-Funds are not authorised or recognised by the Monetary Authority of Singapore (the "**MAS**") and Shares are not allowed to be offered to the retail public. Each of this Prospectus and any other document or material issued in connection with the offer or sale is not a prospectus as defined in the SFA. Accordingly, statutory liability under the SFA in relation to the content of prospectuses would not apply. You should consider carefully whether the investment is suitable for you.

This Prospectus has not been registered as a prospectus with the MAS. Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Shares may not be circulated or distributed, nor may Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 304 of the SFA, (ii) to a relevant person pursuant to Section 305(1), or any person pursuant to Section 305(2), and in accordance with the conditions specified in Section 305 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Shares are subscribed or purchased under Section 305 by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Shares pursuant to an offer made under Section 305 except:

- (1) to an institutional investor or to a relevant person defined in Section 305(5) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 305A(3)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law; or
- (4) as specified in Section 305A(5) of the SFA.

Investors should note that references to sub-funds other than the Sub-Fund in this Prospectus are not available to Singapore investors and is not and should not be construed as an offer of Shares in such other sub-funds in Singapore.

United Arab Emirates (excluding the Dubai International Financial Centre) (UAE): The Fund is an open ended investment company organized as a *Société d'Investissement à Capital Variable* (SICAV) under the laws of the Grand Duchy of Luxembourg and is registered under Luxembourg law relating to undertakings for collective investment. The Fund is operated under the requirements of the UCITS Directive and is regulated by Luxembourg's Commission de Surveillance du Secteur Financier (CSSF).

The Fund has not been registered with any regulator in the UAE by virtue of an application by the Fund or the Investment Manager. This Prospectus can be distributed in the UAE only in compliance with all applicable laws

in the UAE. The Shares are only being offered to a limited number of sophisticated investors in the UAE who are willing and able to conduct an independent investigation of the risks involved in an investment in such securities.

The Shares to which this Prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Shares offered should conduct their own due diligence on the Shares.

This Prospectus is for the use by the intended recipient only and should not be given or shown to any other person (other than employees, agents or consultants in connection with the addressee's consideration thereof). No transaction will be concluded in the UAE unless permitted by all applicable laws in the UAE and any enquiries regarding the securities should be made to the Fund Administrator on transferagency@lu.hsbc.com. Neither the Shares nor any interests in the Shares may be offered, sold, promoted or advertised directly or indirectly to the public in the UAE.

If you do not understand the contents of this document you should consult an authorized financial adviser.

Dubai International Financial Centre

This Prospectus relates to a Fund which is not subject to any form of regulation or approval by the Dubai Financial Services Authority ("DFSA").

The DFSA has no responsibility for reviewing or verifying any Prospectus or other documents in connection with this Fund. Accordingly, the DFSA has not approved this Prospectus or any other associated documents nor taken any steps to verify the information set out in this Prospectus, and has no responsibility for it.

The Shares to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers should conduct their own due diligence on the Shares. If you do not understand the contents of this document you should consult an authorized financial adviser.

This Prospectus is intended for distribution by DFSA authorised firms in compliance with the Conduct of Business Rules of the DFSA. The Shares are not offered to Retail Clients.

Hong Kong: The contents of this Prospectus have not been reviewed nor endorsed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document you should obtain independent professional advice. The information contained in this document does not and is not intended to constitute an advertisement or an offer to sell or an invitation to the public or a solicitation of an offer to buy, the Shares referred to in this document as defined in the companies ordinance of Hong Kong. This Prospectus has not been registered by the registrar of companies in Hong Kong or authorised by the Securities and Futures Commission. Accordingly, the Shares may only be offered or sold in Hong Kong to persons who are "Professional Investors" within the meaning of the Securities and Futures Ordinance of Hong Kong or in circumstances which 1) exempt this transaction from being, or 2) do not constitute, an offer or invitation to the public under the companies ordinance of Hong Kong and the Securities and Futures Ordinance of Hong Kong. In addition, this Prospectus is provided for the intended recipients only, and is not intended for public distribution in Hong Kong and may not be distributed, reproduced, circulated, copied, issued or possessed for the purposes of issue in Hong Kong.

Japan: The Shares of the Company have not been and will not be registered under Article 4, Paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law no. 25 of 1948, as amended) (the "FIEL"), and the Shares may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under the Foreign Exchange and Foreign Trade Law of Japan (Law no. 228 of 1949, as amended), a "Resident of Japan"), including Japanese corporations, or to others for re-offering or resale, directly or indirectly, in Japan or to any resident of Japan, except in compliance with the private placement exemption

under the FIEL or otherwise except in compliance with the FIEL and other applicable laws and regulations of Japan.

Generally: the above information is for general guidance only, and it is the responsibility of any person or persons in possession of this Prospectus and wishing to make application for Shares to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for Shares should inform themselves as to legal requirements also applying and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

If you are in any doubt about the contents of this document you should consult your stockbroker, bank manager, accountant or other professional adviser.

This Prospectus has been drafted in English. It may be translated into any other language the Directors may deem useful and such translations must only contain the information contained in this English version. In case of divergences between the English and the translated version, the English version shall prevail.

DIRECTORY

KOTAK FUNDS

R.C.S. Luxembourg B 131 576

Registered Office

16, boulevard d'Avranches, L-1160 Luxembourg, Grand Duchy of Luxembourg

Mailing Address

B.P. 413, L-2014 Luxembourg

Board of Directors

- Varadarajan Viswanathan (Chairman), Director – Compliance and MLRO, Kotak Mahindra (UK) Limited, London
- Ruchit Puri, Chief Executive Officer, Kotak Mahindra (UK) Limited, Singapore Branch
- Sow Man Ah Yuk Shing, Lead Consultant, Genius Business Consulting Ltd, Mauritius
- Jérôme Wigny, Partner, Elvinger, Hoss & Prussen, Luxembourg

Management Company

RBS (Luxembourg) S.A., 33, rue de Gasperich, L-5826 Hesperange, Grand Duchy of Luxembourg

Custodian

HSBC Securities Services (Luxembourg) S.A., 16 boulevard d'Avranches, L-1160 Luxembourg, Grand Duchy of Luxembourg

Administrator, Registrar and Transfer Agent and Domiciliary Agent

HSBC Securities Services (Luxembourg) S.A., 16, boulevard d'Avranches, L-1160 Luxembourg, Grand Duchy of Luxembourg

Investment Manager

Kotak Mahindra (UK) Limited, Farringdon Place, 20 Farringdon Road, London EC1M 3AP, United Kingdom

Global Distributor

Kotak Mahindra (UK) Limited, Farringdon Place, 20 Farringdon Road, London EC1M 3AP, United Kingdom

Facilities Agent (for UK)

Kotak Mahindra (UK) Limited, 8th Floor, Portsoken House, 155-157 Minories, London EC3N 1LS, United Kingdom

Auditor

KPMG Audit, 9, Allée Scheffer, L-2520 Luxembourg, Grand Duchy of Luxembourg

Legal Advisers in Luxembourg

Elvinger, Hoss & Prussen, 2, place Winston Churchill, L-1340 Luxembourg, Grand Duchy of Luxembourg

Legal Advisers in India

Nishith Desai Associates, 93 B Mittal Court, Nariman Point, Mumbai 400021

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DEFINITIONS

"Administrator"	HSBC Securities Services (Luxembourg) S.A., acting as administrative agent of the Fund;
"Annex"	An annex to this Prospectus containing information with respect to a particular Sub-Fund;
"Articles"	The Articles of Incorporation of the Fund as amended from time to time;
"Business Day"	Any day as defined in the Annex of the respective Sub-Fund, forming an integral part of this Prospectus;
"Classes"	Pursuant to the Articles, the Directors may decide to issue, within each Sub-Fund, separate classes of Shares (hereinafter referred to as a "Class" or "Classes", as appropriate) whose assets will be commonly invested but where different currency hedging techniques and/or subscription, conversion or redemption fees and management charges and/or distribution policies, minimum subscription or holding amount or any other specific feature may be applied. If different Classes are issued within a Sub-Fund, the details of each Class are described in the relevant Sub-Fund's Annex;
"Correspondents in India and Mauritius"	HSBC, Mumbai and HSBC Bank (Mauritius) Limited
"Crystallisation"	The point at which any Performance Fee becomes payable to the Investment Manager
"Current Day Net Asset Value per Share" or "Current Day NAV"	means the Net Asset Value per Share before accrual of the Performance Fee, if any, on that day
"Custodian"	HSBC Securities Services (Luxembourg) S.A., acting as custodian of the Fund;
"Directors"	The members of the board of directors of the Fund for the time being and any successors to such members as they may be appointed from time to time;
"Domiciliary Agent"	HSBC Securities Services (Luxembourg) S.A., acting as domiciliary agent of the Fund;
"EU"	European Union;
"Eligible Market"	A Regulated Market in an Eligible State;
"Eligible State"	Any Member State of the EU or any other state in Eastern and Western Europe, Asia, Africa, Australia, North and South America and Oceania;
"Fund"	Kotak Funds;
"Global Distributor"	Kotak Mahindra (UK) Limited;
"High Water Mark" or "HWM"	means the Net Asset Value at launch for the first Performance Period and in subsequent Performance Periods it is the Net Asset Value at the end of the previous Performance Period if a Performance Fee was payable;
"Ineligible Applicant"	An ineligible applicant as described under "Subscriptions";
"Initial Offering Period"	The period determined by the Directors during which Shares are offered for subscription at a fixed price as specified in the relevant Annex;
"Investment Manager"	Kotak Mahindra (UK) Limited, which is registered with the Securities Exchange Board of India ("SEBI") as a Foreign Institutional Investor ("FII") under the SEBI (FII) Regulations, 1995;

"Kotak Group"	Kotak Mahindra Bank and its affiliates and subsidiaries;
"Law"	The law of 17 December 2010 relating to undertakings for collective investment;
"Management Company"	RBS (Luxembourg) S.A.;
"Member State"	As defined in the Law;
"Minimum Holding Amount"	The minimum value of a holding of a Shareholder in a Sub-Fund as defined per Sub-Fund in the relevant Annex;
"Minimum Subscription Amount"	The minimum value of the first subscription of a Shareholder in a Sub-Fund as defined per Sub-Fund in the relevant Annex;
" Money Market Instruments"	Shall mean instruments normally dealt in on the money market which are liquid, and have a value which can be accurately determined at any time;
"Net Asset Value"	The net asset value of the Fund, a Sub-Fund or a Class, as the case may be, determined in accordance with the Articles;
"Net Asset Value per Share"	The Net Asset Value divided by the number of Shares in issue or deemed to be in issue in a Sub-Fund or Class;
"OECD"	Organisation for Economic Co-operation and Development;
"Performance Period"	A period of one calendar quarter commencing from the end of the previous Performance Period and ending on the last Business Day in each calendar quarter. The first Performance Period will commence immediately after the Initial Offering Period of the relevant Sub-Fund and end on the last Business Day in each calendar quarter. The Directors may specify a different definition for the Performance Period which would be detailed in the Annex of the relevant Sub-Fund
"Redemption Charge"	A charge not exceeding the percentage of the Redemption Price disclosed in the relevant Annex that may be applied to redemptions of Shares;
"Redemption Price"	The Net Asset Value per Share, as calculated as of the relevant Valuation Day;
"Registrar and Transfer Agent"	HSBC Securities Services (Luxembourg) S.A., acting as registrar and transfer agent of the Fund;
"Regulated Market"	A market within the meaning of Article 1.14 of directive 2004/39/EC and any other market which is regulated, operates regularly and is recognised and open to the public;
"Share"	A share of no par value of any Class in the Fund;
"Shareholder"	A person recorded as a holder of Shares in the Fund's register of shareholders;
"Sub-Fund"	A separate portfolio of assets for which a specific investment policy applies and to which specific liabilities, income and expenditure will be applied. The assets of a Sub-Fund are exclusively available to satisfy the rights of Shareholders in relation to that Sub-Fund and the rights of creditors whose claims have arisen in connection with the creation, operation or liquidation of that Sub-Fund;
"Subscription Charge"	A sales commission not exceeding 5 per cent of the Subscription Price levied for the benefit of the Investment Manager and/or financial intermediaries. The Subscription Charge is to be considered as a maximum rate and the Investment Manager may decide at its discretion to waive this charge in whole or in part;
"Subscription Price"	The Net Asset Value per Share, as calculated as of the relevant Valuation Day;

"Transferable Securities"	Shall mean: <ul style="list-style-type: none">- shares and other securities equivalent to shares,- bonds and other debt instruments,- any other negotiable securities which carry the right to acquire any such transferable securities by subscription or exchange, excluding techniques and instruments relating to transferable securities and money market instruments;
"UCITS"	An Undertaking for Collective Investment in Transferable Securities;
"UCITS Directive"	The Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS), or any successor directive;
"Other UCI"	An Undertaking for Collective Investment;
"United States"	The United States of America (including the States and the District of Columbia) and any of its territories, possessions and other areas subject to its jurisdiction;
"US Person"	A citizen or resident of the United States, a corporation, partnership or other entity created in or under the laws of the United States or any person falling within the definition of the term "United States Person" under Regulation S promulgated under the 1933 Act;
"Valuation Day"	Any day as defined per Sub-Fund in the relevant Annex;
"1933 Act"	As defined on page 2 above;
"1940 Act"	As defined on page 2 above.

All references to a Class shall, where no Classes have been created within a Sub-Fund, be deemed to be references to the Sub-Fund.

In this Prospectus all references to "US Dollars", "USD" and "US\$" are to the currency of the United States, all references to "GBP" and "£" are to the British Pound and all references to "Euro" and "€" are to the Single European Currency.

INVESTMENT OBJECTIVES, POLICIES AND RESTRICTIONS

Investment Objectives and Policies

The main objective of each Sub-Fund will be to invest in sufficiently liquid transferable securities and other eligible assets in order to provide returns for investors. Under normal circumstances, the Sub-Funds will be fully invested in accordance with the investment policy set out in the relevant Annex. Part of a Sub-Fund's net assets can be held temporarily in liquid assets, including money-market instruments having a residual maturity not exceeding twelve months and demand or time deposits.

The Fund may take any measures and carry out any operation, which it deems useful to the accomplishment and to the development of its object in the broadest sense within the context of the Law. It cannot however guarantee that it will achieve its objectives given financial market fluctuations and the other risks to which investments are exposed.

Additional Information relating to the subsidiaries of the Fund

The Fund has incorporated, as wholly owned subsidiaries of the Fund (collectively the "Mauritius Subsidiaries"), those companies mentioned in the relevant Annexes. The Mauritius Subsidiaries have as sole object to carry out investment, marketing and advisory services on behalf of the Fund. The use of the Mauritius Subsidiaries and the tax treatment they are afforded is based on the law and practice currently in force in the relevant countries as understood by the Directors after making all reasonable enquiries. It is subject to any future changes and such changes may adversely affect the returns of the Sub-Funds. This includes any circumstances where the India/Mauritius Double Tax Treaty may not or ceases to be applied, resulting from, inter alia, any future ruling by the Indian tax authorities. The Indian government has released an official statement whereby it has confirmed that the Indian tax authorities should accept a registration certificate issued by the Mauritian government as proof of an investor's residence, thus making investments routed through Mauritius not liable to local Indian capital gains tax. **Should, however, the Indian government change its position and the treaty benefits be denied, interest on securities listed on an Indian stock exchange (earned by the Mauritius Subsidiaries being treated as a sub-account of an FII) would be subject to tax at a rate of 20% (exclusive of any applicable Indian surcharge or education cess). Capital gains on disposal of such listed investments would be subject to tax at rates of a maximum of 15% (exclusive of any applicable Indian surcharge or education cess) in respect of listed securities depending on the length of time the relevant investment has been held. For further information please refer to section on "TAXATION".**

The Indian market has the characteristics of an emerging market.

Investment in Emerging and Less Developed Markets

In emerging and less developed markets, the legal, judicial, regulatory and market infrastructure is still developing but there is much legal uncertainty both for local market participants and their overseas counterparts. Some markets may carry higher risks (including but not limited to higher currency and liquidity risk) for investors who should therefore ensure that, before investing, they understand the risks involved and are satisfied that an investment is suitable as part of their portfolio. The potential for profit or loss from transactions on foreign markets or in foreign currency denominated contracts will be affected by fluctuations in foreign exchange rates. Investments in emerging and less developed markets should be made only by sophisticated investors or professionals who have independent knowledge of the relevant markets, are able to consider and weigh the various risks presented by such investments, and have the financial resources necessary to bear the substantial risk of loss of entire investment in such investments.

Investment Restrictions

The Directors shall, based upon the principle of spreading of risks, have power to determine the investment policy for the investments of the Fund in respect of each Sub-Fund subject to the following restrictions:

- I. (1) The Fund, for each Sub-Fund, may invest in:
- a) transferable securities and money market instruments admitted to or dealt in on an Eligible Market;
 - b) recently issued transferable securities and money market instruments, provided that the terms of issue include an undertaking that application will be made for admission to official listing on an Eligible Market and such admission is secured within one year of the issue;
 - c) units of UCITS and/or other UCI, whether situated in a Member State or not, provided that:
 - such other UCIs have been authorised under the laws of any Member State or under the laws of Canada, Hong Kong, Japan, Norway, Switzerland or the United States of America,
 - the level of protection for unitholders in such other UCIs is equivalent to that provided for unitholders in a UCITS, and in particular that the rules on assets segregation, borrowing, lending, and uncovered sales of transferable securities and money market instruments are equivalent to the requirements of the UCITS Directive
 - the business of such other UCIs is reported in half-yearly and annual reports to enable an assessment of the assets and liabilities, income and operations over the reporting period,
 - no more than 10% of the assets of the UCITS or of the other UCIs, whose acquisition is contemplated, can, according to their constitutional documents, in aggregate be invested in units of other UCITS or other UCIs;
 - d) deposits with credit institutions which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months, provided that the credit institution has its registered office in a Member State or, if the registered office of the credit institution is situated in a non-Member State, provided that it is subject to prudential rules considered by the CSSF as equivalent to those laid down in Community law;
 - e) financial derivative instruments, including equivalent cash-settled instruments, dealt in on an Eligible Market or financial derivative instruments dealt in over-the-counter ("OTC derivatives"), provided that:
 - the underlying consists of instruments covered by this section (I) (1), financial indices, interest rates, foreign exchange rates or currencies, in which the Sub-Funds may invest according to their investment objective;
 - the counterparties to OTC derivative transactions are institutions subject to prudential supervision, and belonging to the categories approved by the Luxembourg supervisory authority;
 - the OTC derivatives are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Fund's initiative;
- and/or
- f) money market instruments other than those dealt in on an Eligible Market and referred to under "Definitions", if the issuer or the issuer of such instruments is itself regulated for the purpose of protecting investors and savings, and provided that such instruments are:
 - issued or guaranteed by a central, regional or local authority or by a central bank of a Member State, the European Central Bank, the EU or the European Investment Bank, a non-Member State or, in case of a Federal State, by one of the members making up the federation, or by a public international body to which one or more Member States belong, or

- issued or guaranteed by an establishment subject to prudential supervision, in accordance with criteria defined by Community law, or by an establishment which is subject to and complies with prudential rules considered by the CSSF to be at least as stringent as those laid down by Community law, or
- issued by an undertaking any securities of which are dealt in on an Eligible Market, or
- issued by other bodies belonging to the categories approved by the Luxembourg supervisory authority provided that investments in such instruments are subject to investor protection equivalent to that laid down in the first, the second or the third indent and provided that the issuer is a company whose capital and reserves amount to at least EUR 10 million and which presents and publishes its annual accounts in accordance with Directive 78/660/EEC, is an entity which, within a group of companies which includes one or several listed companies, is dedicated to the financing of the group or is an entity which is dedicated to the financing of securitisation vehicles which benefit from a banking liquidity line.

(2) In addition, the Fund may invest a maximum of 10% of the net assets of any Sub-Fund in transferable securities and money market instruments other than those referred to under (1) above.

II. The Fund may hold ancillary liquid assets.

- III. a) (i) The Fund will invest no more than 10% of the net assets of any Sub-Fund in transferable securities or money market instruments issued by the same issuing body.
- (ii) The Fund may not invest more than 20% of the net assets of any Sub-Fund in deposits made with the same body. The risk exposure of a Sub-Fund to a counterparty in an OTC derivative transaction may not exceed 10% of its net assets when the counterparty is a credit institution referred to in I. d) above or 5% of its net assets in other cases.
- b) Moreover, where the Fund holds on behalf of a Sub-Fund investments in transferable securities and money market instruments of issuing bodies which individually exceed 5% of the net assets of such Sub-Fund, the total of all such investments must not account for more than 40% of the total net assets of such Sub-Fund.
This limitation does not apply to deposits and OTC derivative transactions made with financial institutions subject to prudential supervision.
Notwithstanding the individual limits laid down in paragraph a), the Fund may not combine for each Sub-Fund:
- investments in transferable securities or money market instruments issued by a single body,
 - deposits made with a single body, and/or
 - exposures arising from OTC derivative transactions undertaken with a single body in excess of 20% of its net assets.
- c) The limit of 10% laid down in sub-paragraph a) (i) above is increased to a maximum of 35% in respect of transferable securities or money market instruments which are issued or guaranteed by a Member State, its local authorities, or by another Eligible State or by public international bodies of which one or more Member States are members.
- d) The limit of 10% laid down in sub-paragraph a) (i) is increased to 25% for certain bonds when they are issued by a credit institution which has its registered office in a Member State and is subject by law to special public supervision designed to protect bondholders. In particular, sums deriving from the issue of these bonds must be invested in conformity with the law in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and which, in case of bankruptcy of the issuer, would be used on a priority basis for the repayment of principal and payment of the accrued interest.

If a Sub-Fund invests more than 5% of its net assets in the bonds referred to in this sub-paragraph and issued by one issuer, the total value of such investments may not exceed 80% of the net assets of the Sub-Fund.

- e) The transferable securities and money market instruments referred to in paragraphs c) and d) shall not be included in the calculation of the limit of 40% in paragraph b).

The limits set out in sub-paragraphs a), b), c) and d) may not be aggregated and, accordingly, investments in transferable securities or money market instruments issued by the same issuing body, in deposits or in derivative instruments effected with the same issuing body may not, in any event, exceed a total of 35% of any Sub-Fund's net assets.

Companies which are part of the same group for the purposes of the establishment of consolidated accounts, as defined in accordance with Directive 83/349/EEC as amended or in accordance with recognised international accounting rules, are regarded as a single body for the purpose of calculating the limits contained in this paragraph III.

The Fund may cumulatively invest up to 20% of the net assets of a Sub-Fund in transferable securities and money market instruments within the same group.

- f) **Notwithstanding the above provisions, the Fund is authorised to invest up to 100% of the net assets of any Sub-Fund, in accordance with the principle of risk spreading, in transferable securities and money market instruments issued or guaranteed by a Member State, by its local authorities or agencies, or by another member State of the OECD or by public international bodies of which one or more Member States of the EU are members, provided that such Sub-Fund must hold securities from at least six different issues and securities from one issue do not account for more than 30% of the net assets of such Sub-Fund.**

- IV. a) Without prejudice to the limits laid down in paragraph V., the limits provided in paragraph III. are raised to a maximum of 20% for investments in shares and/or bonds issued by the same issuing body if the aim of the investment policy of a Sub-Fund is to replicate the composition of a certain stock or bond index which is sufficiently diversified, represents an adequate benchmark for the market to which it refers, is published in an appropriate manner and disclosed in the relevant Sub-Fund's investment policy.

- b) The limit laid down in paragraph a) is raised to 35% where this proves to be justified by exceptional market conditions, in particular on Regulated Markets where certain transferable securities or money market instruments are highly dominant. The investment up to this limit is only permitted for a single issuer.

- V. a) The Fund may not acquire shares carrying voting rights which should enable it to exercise significant influence over the management of an issuing body.

- b) The Fund may acquire no more than:
- 10% of the non-voting shares of the same issuer;
 - 10% of the debt securities of the same issuer;
 - 10% of the money market instruments of the same issuer.

The limits under the second and third indents may be disregarded at the time of acquisition, if at that time the gross amount of debt securities or of the money market instruments or the net amount of the instruments in issue cannot be calculated.

- c) The provisions of paragraph V. shall not be applicable to transferable securities and money market instruments issued or guaranteed by a Member State or its local authorities or by any other Eligible State, or issued by public international bodies of which one or more Member States of the EU are members.

The provisions of this paragraph V. are also waived as regards shares held by the Fund in the capital of a company incorporated in a non-Member State of the EU which invests its assets mainly in the securities of issuing bodies having their registered office in that State, where under the legislation of that State, such a holding represents the only way in which the Fund can invest in the securities of issuing bodies of that State provided that the investment policy of the

company from the non-Member State of the EU complies with the limits laid down in paragraph III., V. and VI. a), b), c) and d).

- VI.
- a) The Fund may acquire units of the UCITS and/or other UCIs referred to in paragraph I. (1) c), provided that no more than 10% of a Sub-Fund's net assets be invested in the units of UCITS or other UCI.
 - b) The underlying investments held by the UCITS or other UCIs in which the Fund invests do not have to be considered for the purpose of the investment restrictions set forth under III. above.
 - c) When the Fund invests in the units of other UCITS and/or other UCIs that are managed, directly or by delegation, by the Management Company or by another company with which the Management Company is linked by common management or control, or by a substantial direct or indirect holding, the Management Company or such other company may not charge subscription or redemption fees on account of the Fund's investments in the units of such UCITS or other UCIs.

In respect of a Fund's investments in UCITS and other UCIs linked to the Management Company as described in the preceding paragraph, either no management fee (excluding any performance fee) is charged by the Fund to that portion of the asset invested in UCITS and other UCIs linked to the Fund or a reduced management fee of maximum 0.25% may be charged to the Fund. Alternatively, where a Fund invests in UCITS and other UCIs linked to the Management Company that have a lower management fee than the Fund, the difference between the percentage of the Fund's management fee and the UCITS and UCIs management fee may be charged to that portion of assets invested in such UCITS and UCIs.

The Fund will indicate in its annual report the total management fee charged both to the relevant Fund and to the UCITS and other UCIs in which such Fund has invested during the relevant period. The maximum total accumulated management fee will be 3%.

- d) The Fund may acquire no more than 25% of the units of the same UCITS or other UCI. This limit may be disregarded at the time of acquisition if at that time the gross amount of the units in issue cannot be calculated. In case of a UCITS or other UCI with multiple compartments, this restriction is applicable by reference to all units issued by the UCITS or other UCI concerned, all compartments combined.
- VII.
- The Fund shall ensure for each Sub-Fund that the global exposure relating to derivative instruments does not exceed the net assets of the relevant Sub-Fund.
- The exposure is calculated taking into account the current value of the underlying assets, the counterparty risk, foreseeable market movements and the time available to liquidate the positions. This shall also apply to the following subparagraphs.
- If the Fund invests in financial derivative instruments, the exposure to the underlying assets may not exceed in aggregate the investment limits laid down in paragraph III above. When the Fund invests in index-based financial derivative instruments, these investments do not have to be combined to the limits laid down in paragraph III.
- When a transferable security or money market instrument embeds a derivative, the latter must be taken into account when complying with the requirements of this paragraph VII.
- VIII.
- a) The Fund may not borrow for the account of any Sub-Fund amounts in excess of 10% of the net assets of that Sub-Fund, any such borrowings to be from banks and to be effected only on a temporary basis, provided that the Fund may acquire foreign currencies by means of back to back loans;
 - b) The Fund may not grant loans to or act as guarantor on behalf of third parties. This restriction shall not prevent the Fund from acquiring transferable securities, money market instruments or other financial instruments referred to in I. (1) c), e) and f) which are not fully paid.
 - c) The Fund may not carry out uncovered sales ("short sales") of transferable securities, money market instruments or other financial instruments.
 - d) The Fund may only acquire movable or immovable property which is essential for the direct pursuit of its business.

- e) The Fund may not acquire either precious metals or certificates representing them.
- IX. a) The Fund needs not comply with the limits laid down in this chapter when exercising subscription rights attaching to transferable securities or money market instruments which form part of its assets. While ensuring observance of the principle of risk spreading, recently created Sub-Funds may derogate from paragraphs III., IV. and VI. a), b) and c) for a period of six months following the date of their creation.
- b) If the limits referred to in paragraph a) are exceeded for reasons beyond the control of the Fund or as a result of the exercise of subscription rights, it must adopt as a priority objective for its sales transactions the remedying of that situation, taking due account of the interest of its shareholders.
- c) To the extent that an issuer is a legal entity with multiple compartments where the assets of the compartment are exclusively reserved to the investors in such compartment and to those creditors whose claim has arisen in connection with the creation, operation or liquidation of that compartment, each compartment is to be considered as a separate issuer for the purpose of the application of the risk spreading rules set out in paragraphs III., IV. and VI.
- X. Additional restrictions may be imposed under the SEBI FII Regulations. For more information please refer to section on "GENERAL AND STATUTORY CONSIDERATIONS"

RISK MANAGEMENT PROCEDURES

The Management Company, on behalf of the Fund, will employ a risk-management process which enables it to monitor and measure at any time the risk of the positions and their contribution to the overall risk profile of each Sub-Fund. The Management Company, on behalf of the Fund will employ, if applicable, a process for accurate and independent assessment of the value of any OTC derivative instruments.

The Sub-Funds of the Fund will employ the commitment approach to calculate their global exposure.

TECHNIQUES AND INSTRUMENTS

Securities lending and repurchase transactions

To the maximum extent allowed by, and within the limits set forth in, the Law as well as any present or future related Luxembourg laws or implementing regulations, circulars and CSSF's positions in particular the provisions of (i) article 11 of the Grand-Ducal regulation of 8 February 2008 relating to certain definitions of the Law and of (ii) CSSF Circular 08/356 relating to the rules applicable to undertakings for collective investments when they use certain techniques and instruments relating to transferable securities and money market instruments (as these pieces of regulations may be amended or replaced from time to time), each Sub-Fund may for the purpose of generating additional capital or income or for reducing costs or risks (A) enter, either as purchaser or seller, into optional as well as non optional repurchase transactions and (B) engage in securities lending transactions.

As the case may be, cash collateral received by each Sub-Fund in relation to any of these transactions may be reinvested in a manner consistent with the investment objectives of such Sub-Fund in (a) shares or units issued by money market undertakings for collective investment calculating a daily net asset value and being assigned a rating of AAA or its equivalent, (b) short-term bank deposits, (c) money market instruments as defined in the above referred Grand-Ducal regulation, (d) short-term bonds issued or guaranteed by an EU member state, Switzerland, Canada, Japan or the United States or by their local authorities or by supranational institutions and undertakings with EU, regional or world-wide scope, (e) bonds issued or guaranteed by first class issuers offering an adequate liquidity, and (f) reverse repurchase agreement transactions according to the provisions described under section I.C.a) of the above referred CSSF Circular. Such reinvestment will be taken into account for the calculation of each concerned Fund's global exposure, in particular if it creates a leverage effect.

CONFLICTS OF INTEREST

The Investment Manager and other companies of the Kotak Group and the Management Company and other companies of the RBS Group may from time to time act as investment manager or adviser or as management company to other investment funds/clients and may act in other capacities in respect of such other investment funds or clients. It is therefore possible that the Investment Manager and other companies of the Kotak Group or the Management Company and other companies of the RBS Group may, in the course of their business, have potential conflicts of interest with the Fund.

The Directors of the Fund, the Management Company and/or the Investment Manager will (in the event that any conflict of interest actually arises) endeavour to ensure that such conflict is resolved fairly and in the best interests of the Fund.

The Fund may also invest in other investment funds which are managed by the Management Company or the Investment Manager or any of their affiliated entities. The directors of the Management Company may also be directors of investment funds and the interest of such investment funds and of the Fund could result in conflicts. Generally, there may be conflicts between the best interests of the Fund and the interests of affiliates of the Management Company in connection with the fees, commissions and other revenues derived from the Fund or investment funds. In the event that such a conflict arises, the directors of the Management Company and the directors of the Fund will endeavour to ensure that it is resolved in a fair manner and in the best interests of the Fund.

The Fund will execute a significant percentage of its trades through Kotak Securities Ltd, an affiliate of the Investment Manager. For trading services provided to the Company, Kotak Securities Ltd. will charge a fee. This brokerage can result in a potential conflict of interest.

Kotak Mahindra (International) Ltd., an affiliated entity, undertakes investments on its own account. Kotak Mahindra (UK) Limited may invest in the same securities on behalf of the Fund, in its capacity as Investment Manager to the Company, as may be undertaken by its affiliate. It is pertinent to note that transactions are undertaken on an arms-length basis and the Investment Manager follows a policy of independence that requires it to disregard proprietary interest.

Kotak Mahindra (UK) Limited and its affiliates are a full-service, integrated investment banking, investment management, brokerage and financing group. Kotak Mahindra (UK) Limited's affiliates are leading underwriter of securities and participants in virtually all securities trading markets in India and have investment banking and other business relationships with a significant percentage of the companies therein. Therefore, the Company may invest in securities in companies in which Kotak Mahindra (UK) Limited or its affiliates have a financial interest or some other business relationship.

Kotak Mahindra Capital Company Ltd., an affiliate of Kotak Mahindra (UK) Limited, may represent an issuer or prospective issuer of securities in which the Company invests / has invested. This may create a conflict where a group member represents an issuer in an investment banking capacity in whose securities an advisory client of another group member already holds a stake or may invest in the future.

Moreover, Kotak Mahindra (UK) Limited may enter into introducing arrangements of any nature whatsoever permitted by law with affiliated entities and remunerate them for such services. Further, the Company may pay placement fees to any other eligible affiliated entity which procures or introduces investors to the Company. Such placement fees may be charged to the accounts of Members that were introduced to the Company by such entities. These entities may to that extent be deemed to be interested therein and this fact may pose a potential conflict.

Kotak Mahindra Bank Limited acts as the Professional Clearing Member for clearing trades in the Futures & Options segment of the Indian exchanges in respect of trades in Indian exchange-traded derivatives undertaken by the Company. The Fund will remunerate Kotak Mahindra Bank Limited for such clearing service. The fees charged for such services are comparable with those currently prevailing for similar services in the market.

BOARD OF DIRECTORS AND MANAGEMENT

Directors:

- Varadarajan Viswanathan
- Ruchit Puri
- Sow Man Ah Yuk Shing
- Jérôme Wigny

The Directors are responsible for the overall management and control of the Fund. They will review the operations of the Fund and the Management Company.

MANAGEMENT COMPANY

The Directors of the Fund have appointed RBS (Luxembourg) S.A. as the Management Company of the Fund to be responsible on a day-to-day basis, under supervision of the Directors, for providing administration, marketing, investment management and advisory services in respect of all Sub-Funds. In respect of all Sub-Funds, the Management Company has delegated its investment management, marketing and advisory functions to Kotak Mahindra (UK) Limited.

The Management Company has delegated the administration functions to the Administrator and registrar and transfer functions to the Registrar and Transfer Agent.

The Management Company was incorporated as a *société anonyme* under the laws of the Grand Duchy of Luxembourg on 10 November 2004 and is approved as a UCITS management company under the Law. The Management Company is a member of The Royal Bank of Scotland Group ("RBS Group"), which provides services to the UK collective investment schemes market, principally in the role of trustee to unit trusts. As of the date of this Prospectus, the Management Company's capital amounted to EUR 10 million.

The board of directors of the Management Company is composed as follows:

- Kevin Brown, Head of Global Product Management, RBS Global Transaction Services, The Royal Bank of Scotland, London
- Antonio Thomas, Managing Director, RBS (Luxembourg) S.A., Luxembourg
- Enrico Mela, Chief Operating Officer, RBS (Luxembourg) S.A., Luxembourg
- Lorna Cassidy, Director, Head of Finance, RBS (Luxembourg) S.A., Luxembourg
- Oezguel Guelbey, Director, Head of Legal & Compliance, RBS (Luxembourg) S.A., Luxembourg
- Mario Zardoni, Director, Head of Risk RBS (Luxembourg) S.A., Luxembourg
- Henry Kelly, Non-Executive Director, Kelly Consult S.à r.l. Luxembourg.
- Jonathan Carey, Director (Non-Executive), United Kingdom

The Management Company shall also ensure compliance of the Fund with the investment restrictions and oversee the implementation of the Fund's strategies and investment policy.

The Management Company shall also send reports to the Directors on a periodic basis and inform each board member without delay of any non-compliance of the Fund with the investment restrictions.

The Management Company will receive periodic reports from the Investment Manager detailing the Fund's performance and analysing its investment portfolio. The Management Company will receive similar reports from the Fund's other services providers in relation to the services which they provide.

The Management Company also acts as management company for other investment funds. The names of these other funds are available upon request.

The Management Company has adopted various procedures and policies in accordance with Luxembourg laws and regulations (including but not limited to CSSF regulation 10-05 and CSSF circular 11/508). Shareholders may, in accordance with Luxembourg laws and regulations, obtain a summary and/or more detailed information on such procedures and policies upon request and free of charge.

INVESTMENT MANAGER

The Management Company has appointed Kotak Mahindra (UK) Limited as investment manager (the "**Investment Manager**") of the Fund.

Kotak Mahindra (U.K.) Limited is a company incorporated under the Companies Act 1985, in the United Kingdom and regulated by the FSA in the United Kingdom, with a branch in Dubai that is regulated by the Dubai Financial Services Authority and a branch in Singapore which is regulated by Monetary Authority of Singapore. Kotak Mahindra (UK) Limited is registered with the Securities Exchange Board of India ("SEBI") as a Foreign Institutional Investor ("FII") under the SEBI (FII) Regulations, 1995.

Kotak Mahindra (UK) Limited is part of the Kotak Mahindra Group based in Mumbai, India. The Kotak Mahindra Group is one of India's leading financial institutions, offering a wide range of financial services including commercial banking, stock broking, asset management, life insurance and investment banking.

The Investment Manager was appointed pursuant to an Investment Management Agreement with the Management Company and the Fund entered into as of 12 September 2007 as amended from time to time (the "Investment Management Agreement") to provide day-to-day management of the Fund's investments, subject to the overall supervision and responsibility of the Management Company. The Investment Manager is required to adhere strictly to the guidelines laid down by the Management Company. In particular, the Investment Manager is required to ensure that the assets of the Fund and each Sub-Fund are invested in a manner consistent with the Fund's and the Sub-Funds' investment restrictions and that cash belonging to the Fund and each Sub-Fund is invested in accordance with the guidelines laid down by the Directors and the Management Company.

According to the Investment Management Agreement, the Investment Manager may, with the prior approval of the Management Company, delegate to a third party all or a part of its management duties. Any new delegation shall be reflected in an updated Prospectus.

CUSTODIAN

HSBC Securities Services (Luxembourg) S.A. (previously Bank of Bermuda (Luxembourg) S.A.), a company organized and incorporated under the laws of Luxembourg on 19 July 1988 as a *société anonyme*, serves as the custodian of the Fund (the "Custodian"). The Custodian is engaged in a wide range of domestic and international banking and custodian services. HSBC Securities Services (Luxembourg) S.A. is an ultimately

wholly-owned subsidiary of HSBC Holdings plc, a company incorporated in England. As at 31 December 2010 HSBC Holdings plc had consolidated gross assets of approximately US\$2,455 billion.

The Custodian is responsible for ensuring that in transactions involving the assets of the Fund, the consideration is remitted to it within the usual time limits, that the income of the Fund is applied in accordance with the Articles and that the sale, issue, redemption and cancellation of Shares is effected in accordance with the Luxembourg law and the Articles.

The Custodian will be responsible for the safekeeping of all assets of the Fund other than (if applicable) assets deposited as margin with brokers or clearing members. Assets deposited as margin need not be segregated and may become available to the creditors of brokers or clearing members. Assets held by the Custodian will be held in a separate client account and will be separately designated in the books of the Custodian as belonging to the Fund. Assets other than cash, which are so segregated, will be unavailable to the creditors of the Custodian in the event of its bankruptcy or insolvency.

The Custodian may appoint correspondents, agents or delegates ("Correspondents") to hold the assets of the Fund. The liability of the Custodian shall not be affected by the fact that it has entrusted all or some of the assets in its custody to a third party. The Custodian will retain responsibility for the acts and omissions of the majority of its Correspondents. The Custodian will be responsible to the Fund for the duration of any sub-custody agreement and for satisfying itself as to the ongoing suitability of the Correspondent to provide custodial services to the Fund. The Custodian will also maintain an appropriate level of supervision over the Correspondents and will make appropriate enquiries periodically to confirm that the obligations of the Correspondents continue to be competently discharged. Any Correspondent appointed will be paid normal commercial rates.

The Custodian shall not, in the absence of fraud, negligence or wilful default, be liable to the Fund or to any Shareholder for any act or omission in the course of or in connection with the discharge by the Custodian of its duties.

The Custodian has no decision-making discretion relating to the Fund's investments. The Custodian is a service provider to the Fund and is not responsible for the preparation of this document or the activities of the Fund and therefore accepts no responsibility for the accuracy of any information contained in this document or the validity of the structure and investments of the Fund.

ADMINISTRATOR AND REGISTRAR AND TRANSFER AGENT

The Management Company has appointed HSBC Securities Services (Luxembourg) S.A. as the Fund's administrative agent, registrar and transfer agent and domiciliary agent. As such, HSBC Securities Services (Luxembourg) S.A. is responsible for performing the general administrative functions required by Luxembourg law, processing the issue and redemption of Shares, calculating the Net Asset Value of the Classes and the Net Asset Value per Share and for maintaining the accounting records of the Fund.

The Administrator shall not, in the absence of fraud, negligence or wilful default, be liable to the Fund or to any Shareholder for any act or omission in the course of or in connection with the discharge by the Administrator of its duties.

The Administrator has no decision-making discretion relating to the Fund's investments. The Administrator is a service provider to the Fund and is not responsible for the preparation of this document or the activities of the Fund and therefore accepts no responsibility for the accuracy of any information contained in this document or the validity of the structure and investments of the Fund.

AUDITOR

KPMG Audit has been appointed as Auditor of the Fund.

POOLING

The Directors may authorise the Investment Manager to invest and manage all or any part of the portfolios of assets established for two or more Sub-Funds (hereafter the "Participating Sub-Funds") on a pooled basis. Any such asset pool (an "Asset Pool") will be formed by transferring to it cash or other assets (subject to such other assets being appropriate with respect to the investment policy of the Asset Pool concerned) from each Participating Sub-Fund. The Investment Manager may, from time to time, make further transfers to the Asset Pool. Assets may also be transferred back to a Participating Sub-Fund up to the amount of the participation of the relevant Participating Sub-Fund.

The share of a Participating Sub-Fund in an Asset Pool is measured by reference to units of equal value in the Asset Pool. At the time of the formation of an Asset Pool, the Investment Manager shall determine the initial value of a unit (expressed in the currency considered to be appropriate by the Investment Manager), and will allocate to each Participating Sub-Fund units having an aggregate value equal to the amount of cash (or the value of the other assets) contributed. Thereafter, the value of a unit will be determined by dividing the net asset value of the Asset Pool by the number of existing units.

The entitlements of each Participating Sub-Fund to the Asset Pool apply to each and every line of investments of such Asset Pool.

When cash or supplemental assets are contributed to or withdrawn from an Asset Pool, the number of units of the relevant Participating Sub-Fund will be increased or reduced, as the case may be, by the number of units determined by dividing the amount of cash or the value of assets contributed or withdrawn by the current value of a unit. Where a cash contribution is made, this contribution will, for the purpose of calculation, be reduced by an amount which the Directors consider appropriate to reflect fiscal charges, dealing and purchase costs which may be incurred by investing the cash concerned; in case of cash withdrawal, a corresponding addition will be made to reflect costs which may be incurred in realising securities or other assets of the Asset Pool.

Dividends, interest and other income received and having their origin in securities or other assets belonging to an Asset Pool will be immediately allocated to the Participating Sub-Fund in proportion to their respective participation in the Asset Pool at the time of receipt. Upon dissolution of the Fund, the assets in an Asset Pool will (subject to the creditors' rights) be allocated to the Participating Sub-Funds in proportion to their respective participation in the Asset Pool.

SUBSCRIPTIONS

Investors may subscribe for Shares in each Sub-Fund during an Initial Offering Period at the fixed price specified in the relevant Annex which may be increased by a Subscription Charge and thereafter as of each Valuation Day at the relevant Subscription Price which may be increased by a Subscription Charge.

Under certain circumstances and unless otherwise provided in the Annex relating to a Sub-Fund, the Directors have the power to adjust the Net Asset Value per Share applicable to the issue price as described hereafter under the section "Swing Pricing". In any case, the adjustments to the Net Asset Value per Share applicable on any Valuation Day shall be identical for all issues dealt with as of such day.

Applicants should complete an Application Form (an "Application Form") and send it to the Registrar and Transfer Agent by mail or by facsimile (provided the original Application Form is received by the Registrar and

Transfer Agent). Application Forms sent by fax are deemed provisional and are subject to cancellation until such time as the original Application Form is received by the Registrar and Transfer Agent. In addition, following initial subscription, subsequent subscriptions may also be accepted electronically (in such format or method and under such conditions as shall be acceptable by the Registrar and Transfer Agent and subject to and in accordance with applicable legal and regulatory provisions).

Subscription monies must be received on an account of the Fund in the reference currency of the relevant Class no later than the period of time specified in the relevant Annex. If the Application Form and the subscription monies are not received by these times, the application will be treated as received on the next Valuation Day.

Completed Application Forms must be received by the Registrar and Transfer Agent by no later than the time specified in the relevant Annex failing which the application will be treated as received on the following Valuation Day. Subscription monies must be received on an account of the Fund in the reference currency of the relevant Class no later than the period of time specified in the relevant Annex.

The price per Share will be rounded upwards or downwards as the Directors may resolve. Fractions of Shares may be issued up to four decimal places. Rights attached to fractions of Shares are exercisable in proportion to the fraction of a Share held except that fractions of Shares do not confer any voting rights.

The Fund reserves the right to cancel an application if subscription monies are not received on an account of the Fund in the reference currency of the relevant Class within the deadline specified in the relevant annex.

The Fund reserves the right to reject any subscription in whole or part at its absolute discretion, in which event the amount paid on the subscription or the balance thereof (as the case may be) will be returned (without interest) as soon as practicable in the currency of subscription, at the risk and cost of the applicant.

Once completed subscriptions have been received by the Registrar and Transfer Agent they are irrevocable.

The Directors reserve the right from time to time, without notice, to resolve to close the Fund or a particular Sub-Fund to new subscriptions, either for a specified period or until they otherwise determine.

Institutional Investors

As detailed in the relevant Annexes, the sale of Shares of certain Classes may be restricted to institutional investors, as this term may be defined by guidelines or recommendations issued by Luxembourg supervisory authorities ("Institutional Investors") and the Fund will not issue or give effect to any transfer of Shares of such Classes to any investor who may not be considered an Institutional Investor.

The Fund may, at its discretion, delay the acceptance of any subscription for Shares of a Class restricted to Institutional Investors until such date as it has received sufficient evidence on the qualification of the investor as an Institutional Investor.

Ineligible Applicants

The Application Form requires each prospective applicant for Shares to represent and warrant to the Fund that, among other things, he is able to acquire and hold Shares without violating applicable laws.

The Shares may not be offered, issued or transferred to any person in circumstances which, in the opinion of the Directors, might result in the Fund incurring any liability to taxation or suffering any other disadvantage which the Fund might not otherwise incur or suffer, or would result in the Fund being required to register under any applicable US securities laws.

Shares may generally not be issued or transferred to any US Person, except that the Directors may authorise the issue or transfer of Shares to or for the account of a US Person provided that:

- (a) such issue or transfer does not result in a violation of the 1933 Act or the securities laws of any of the States of the United States;
- (b) such issue or transfer will not require the Fund to register under the 1940 Act;
- (c) such issue or transfer will not cause any assets of the Fund to be "plan assets" for the purposes of ERISA (US Employee Retirement Income Securities Act of 1974 (as amended)); and
- (d) such issue or transfer will not result in any adverse regulatory or tax consequences to the Fund or its Shareholders.

Each applicant for and transferee of Shares who is a US Person will be required to provide such representations, warranties or documentation as may be required to ensure that these requirements are met prior to the issue, or the registration of any transfer, of Shares.

The Shares may not be offered, issued or transferred to any person resident in India, as that term is defined in Section 2(v) of Foreign Exchange Management Act (FEMA), 1999 of India.

Subject as mentioned above, Shares are freely transferable. The Directors may, however, refuse to register a transfer which would result in either the transferor or the transferee remaining or being registered (as the case may be) as the holder of Shares in a Sub-Fund valued at less than the minimum holding requirement.

The Fund will require from each registered Shareholder acting on behalf of other investors that any assignment of rights to Shares be made in compliance with applicable securities laws in the jurisdictions where such assignment is made and that in unregulated jurisdictions such assignment be made in compliance with the minimum holding requirement.

Form of Shares

All the Shares will be issued in registered form. Shareholders will receive a confirmation of their shareholding, but no formal share certificate will be issued.

Suspension

The Directors may declare a suspension of the calculation of the Net Asset Value of Shares in certain circumstances as described under "General and Statutory Information". No Shares will be issued in the relevant Sub-Fund during any such period of suspension.

Anti-Money Laundering

The Fund has delegated to the Management Company the administration and marketing in respect of all the Sub-Funds. Pursuant to such delegation, the Management Company or its delegates will monitor the anti-money laundering procedures that have been put in place. Measures aimed at the prevention of money laundering may require an applicant for Shares to certify its identity to the Management Company or its delegates.

Pursuant to international rules and Luxembourg laws and regulations (comprising but not limited to the law of 12 November 2004 on the fight against money laundering and financing of terrorism, as amended) as well as circulars of the supervising authority, obligations have been imposed on all professionals of the financial sector to prevent the use of undertakings for collective investment for money laundering and financing of terrorism purposes. As a result of such provisions, the registrar agent of a Luxembourg undertaking for collective investment must in principle ascertain the identity of the subscriber in accordance with Luxembourg laws and regulations. The registrar agent may require subscribers to provide any document it deems necessary to effect such identification.

In case of delay or failure by an applicant to provide the documents required, the application for subscription will not be accepted. Neither the undertakings for collective investment nor the registrar agent have any liability for delays or failure to process deals as a result of the applicant providing no or only incomplete documentation.

Shareholders may be requested to provide additional or updated identification documents from time to time pursuant to ongoing client due diligence requirements under relevant laws and regulations.

Each applicant for Shares acknowledges that the Registrar and Transfer Agent shall be held harmless against any loss arising as a result of a failure to process his application for Shares if such information and documentation as has been requested by the Registrar and Transfer Agent has not been provided by the applicant.

The Registrar and Transfer Agent may however be exempted from documenting the applicant investor if: (a) the Registrar and Transfer Agent receives the subscription monies from an account held in the applicant's name with a credit institution established in an eligible country or (b) the investment is registered in the name of a nominee established and regulated in an eligible country. A country shall be eligible where both Luxembourg law and the Registrar and Transfer Agent consider that it applies rules in relation to the prevention of money laundering and terrorism financing equivalent to those applicable to Luxembourg.

REDEMPTIONS

Shares are redeemable at the option of the Shareholders. Shareholders should send a completed redemption request to the Registrar and Transfer Agent by mail or by facsimile. Redemption requests may also be accepted electronically (in such format or method and under such conditions as shall be acceptable by the Registrar and Transfer Agent and subject to and in accordance with applicable legal and regulatory provisions). All redemption requests are to be received by the Registrar and Transfer Agent at the time specified in the relevant Annex, failing which the redemption request will be treated as received on the next following Valuation Day.

A Redemption Charge may be applied as disclosed in the relevant Annex. Under certain circumstances and unless otherwise provided in the Annex relating to a Sub-Fund, the Directors have the power to adjust the Net Asset Value per Share applicable to the redemption price as described hereafter under the section "Swing Pricing". In any case, the adjustments to the Net Asset Value per Share applicable on any Valuation Day shall be identical for all redemptions dealt with as of such day.

If redemption requests for more than 10% of the Net Asset Value of a Sub-Fund are received, then the Fund shall have the right to limit redemptions so they do not exceed this threshold amount of 10%. Redemptions shall be limited with respect to all Shareholders seeking to redeem Shares as of a same Valuation Day so that each such Shareholder shall have the same percentage of its redemption request honoured; the balance of such redemption requests shall be processed by the Fund on the next day on which redemption requests are accepted, subject to the same limitation. On such day, such requests for redemption will be complied with in priority to subsequent requests.

In exceptional circumstances the Directors may request that a Shareholder accepts 'redemption in kind' i.e. receives a portfolio of stock of equivalent value to the appropriate cash redemption payment. In such circumstances the investor must specifically accept the redemption in kind. He may always request a cash redemption payment in the reference currency of the Class. Where the investor agrees to accept redemption in kind he will, as far as possible, receive a representative selection of the Class' holdings pro-rata to the number of Shares redeemed and the Directors will make sure that the remaining Shareholders do not suffer any loss therefrom. The value of the redemption in kind will be certified by a report drawn up by the auditors of the Fund in accordance with the requirements of Luxembourg law. However, where the redemption in kind exactly reflects the Shareholder's pro-rata share of all investments, no auditor's report will be required. The redeeming Shareholder shall normally bear the costs resulting from the redemption in kind (mainly costs relating to the drawing up of an auditor's report, if any) unless the Directors consider that the redemption in kind is in the interest of the Fund or made to protect the interest of the Fund.

A redemption request, once given, is irrevocable. Shares redeemed by the Fund are cancelled.

Payment of redemption proceeds will be made no later than the period of time provided in the relevant Annex for a Sub-Fund. Payment will be made in the reference currency of the relevant Class by transfer to the bank account specified by the redeeming Shareholder to the Registrar and Transfer Agent. The transfer charges will be borne by the shareholder.

Suspension

The Directors may declare a suspension of the calculation of the Net Asset Value of Shares in certain circumstances as described under "General and Statutory Information". No Shares will be redeemed in the relevant Sub-Fund during any such period of suspension.

Compulsory Redemptions

The Directors have the right to require the compulsory redemption of all Shares held by or for the benefit of a Shareholder if the Directors determine that the Shares are held by or for the benefit of any Shareholder who is or becomes an Ineligible Applicant as described under "Subscriptions". The Fund also reserves the right to require compulsory redemption of all Shares held by a Shareholder in a Sub-Fund if the Net Asset Value of the Shares held in such Sub-Fund by the Shareholder is less than the applicable minimum holding requirement.

Shareholders are required to notify the Registrar and Transfer Agent immediately if at any time they become US Persons or hold Shares for the account or benefit of US Persons.

When the Directors become aware that a Shareholder (A) is a US Person or is holding Shares for the account or benefit of a US Person, who does not fulfill the conditions for exemption set out under "Ineligible Applicants" above; (B) is holding Shares in breach of any law or regulation or otherwise in circumstances having or which may have adverse regulatory, tax, pecuniary or material administrative disadvantages for the Fund or its Shareholders including, but not limited to, a situation in which more than 25 per cent of the Shares are owned by benefit plan investors; or (C) has failed to provide any information or declaration required by the Directors within ten days of being requested to do so, the Directors will either (i) direct such Shareholders to redeem or to transfer the relevant Shares to a person who is qualified or entitled to own or hold such Shares or (ii) redeem the relevant Shares.

If it appears at any time that a holder of Shares of a Class restricted to Institutional Investors is not an Institutional Investor, the Fund will either redeem the relevant Shares in accordance with the above provisions or convert such Shares into Shares of a Class which is not restricted to Institutional Investors (provided there exists such a Class with similar characteristics) and notify the relevant shareholder of such conversion.

If it appears at any time that a holder of Shares is a person resident in India, as that term is defined in Section 2(v) of Foreign Exchange Management Act (FEMA), 1999 of India, the Fund will redeem the relevant Shares in accordance with the above provisions.

Any person who becomes aware that he is holding Shares in contravention of any of the above provisions and who fails to transfer or redeem his Shares pursuant to the above provisions shall indemnify and hold harmless the Management Company, each of the Directors, the Fund, the Custodian, the Administrator, Registrar and Transfer Agent, the Investment Manager and the Shareholders of the Fund (each an "Indemnified Party") from any claims, demands, proceedings, liabilities, damages, losses, costs and expenses directly or indirectly suffered or incurred by such Indemnified Party arising out of or in connection with the failure of such person to comply with his obligations pursuant to any of the above provisions.

CONVERSIONS

Subject to any prohibition of conversions contained in an Annex and to any suspension of the determination of any one of the Net Asset Values concerned, Shareholders have the right to convert all or part of their Shares of any Class of a Sub-Fund into Shares of another existing Class of that or another Sub-Fund by applying for conversion in the same manner as for the redemption of Shares. However, the right to convert Shares is subject to compliance with any conditions (including any minimum subscription or holding amounts) applicable to the Class into which conversion is to be effected. Therefore, if, as a result of a conversion, the value of a Shareholder's holding in the new Class would be less than the minimum holding amount, the Directors may decide not to accept the request for conversion of the Shares and the Shareholder would be informed of such decision. In addition, if, as a result of a conversion, the value of a Shareholder's holding in the original Class would become less than the relevant minimum holding amount, the Shareholder may be deemed (if the Directors so decide) to have requested the conversion of all of his Shares.

The number of Shares issued upon conversion will be based upon the respective Net Asset Values of the two Classes concerned on the common Valuation Day for which the conversion request is accepted.

If there is no common Valuation Day for any two Classes, the conversion will be made on the basis of the Net Asset Value calculated on the next following Valuation Day of each of the two Classes concerned.

A conversion fee of up to 1% of the Net Asset Value of the Shares to be converted may be charged for the benefit of the intermediaries (i.e. distributors) having placed the Shares. Under certain circumstances and unless otherwise provided in the Annex relating to a Sub-Fund, the Directors have the power to adjust the Net Asset Value per Share applicable to the conversion amount as described hereafter under the section "Swing Pricing". In any case, the adjustments to the Net Asset Value per Share applicable on any Valuation Day shall be identical for all conversions dealt with as of such day

Suspension

The Directors may declare a suspension of the calculation of the Net Asset Value of Shares in certain circumstances as described under "General and Statutory Information". No Shares will be converted in the relevant Sub-Funds during any such period of suspension.

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.

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.

MARKET TIMING AND FREQUENT TRADING POLICY

The Fund does not knowingly allow dealing activity which is associated with market timing or frequent trading practices, as such practices may adversely affect the interests of all Shareholders.

For the purposes of this section, market timing is held to mean subscriptions into, conversions between or redemptions from the various Classes of Shares (whether such acts are performed singly or severally at any time by one or several persons) that seek or could reasonably be considered to appear to seek profits through arbitrage or market timing opportunities. Frequent trading is held to mean subscriptions into, conversions between or redemptions from the various classes of Shares (whether such acts are performed singly or severally at any time by one or several persons) that by virtue of their frequency or size cause any Sub-Fund's operational expenses to increase to an extent that could reasonably be considered detrimental to the interests of the Sub-Fund's other Shareholders.

Accordingly, the Directors may, whenever they deem it appropriate, cause the Management Company to implement either one, or both, of the following measures:

- The Management Company may combine Shares which are under common ownership or control for the purposes of ascertaining whether an individual or a group of individuals can be deemed to be involved in market timing practices. Accordingly, the Directors reserve the right to cause the Management Company to reject any application for conversion and/or subscription of Shares from investors whom the former considers market timers or frequent traders.
- If a Sub-Fund is primarily invested in markets which are closed for business at the time the Sub-Fund is valued, the Directors may, during periods of market volatility, and by derogation from the provisions below, under "Net Asset Value", cause the Management Company to allow for the Net Asset Value per Share to be adjusted to reflect more accurately the fair value of the Sub-Fund's investments at the point of valuation.

Applications for subscription, redemption and conversion shall be dealt with at an unknown net asset value ("forward pricing").

NET ASSET VALUE

The Net Asset Value per Share of each Class will be determined and made available in its reference currency by the Administrator as at such time as the Directors shall determine as of each Valuation Day.

The Net Asset Value per Share as of any Valuation Day will be calculated to four decimal places in the reference currency of the relevant Class by dividing the Net Asset Value of the Class by the number of Shares in issue in such Class as of that Valuation Day.

The Net Asset Value of each Class will be determined by deducting from the total value of the assets attributable to the relevant Class, all accrued debts and liabilities attributable to that Class.

To the extent feasible, expenses, fees and income will be accrued as of each Valuation Day.

Assets and liabilities of the Fund will be valued in accordance with the following principles:

- (a) Securities listed on Regulated Markets, which operate regularly and are recognised and open to the public, will be valued at the last available price; in the event that there should be several such markets, on the basis of the last available price of the main market for the relevant security. Should the last available price for a given security not truly reflect its fair market value, then that security shall be valued on the basis of the probable sales price which the Directors deem it is prudent to assume;
- (b) In case of Securities traded on the Indian stock exchanges, 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.
- (c) Securities not listed on Regulated Markets, which operate regularly and are recognised and open to the public, will be valued on the basis of their last available price. Should the last available price for a given security not truly reflect its fair market value, then that security will be valued by the Directors on the basis of the probable sales price which the Directors deem it is prudent to assume;
- (d) swaps are valued at their fair value based on the underlying securities (at close of business or intraday) as well as on the characteristics of the underlying commitments;
- (e) Shares or units in underlying open-ended investment funds shall be valued at their last available price;
- (f) Liquid assets and money market instruments may be valued at nominal value plus any accrued interest or on an amortised cost basis. All other assets, where practice allows, may be valued in the same manner. Short-term investments that have a remaining maturity of one year or less may be valued (i) at market value, or (ii) where market value is not available or not representative, at amortised cost;
- (g) The value of any cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash dividends and interest declared or accrued as aforesaid, and not yet received shall be deemed to be the full amount thereof, unless, however, the same is unlikely to be paid or received in full, in which case the value thereof shall be determined after making such discount as the Directors may consider appropriate in such case to reflect the true value thereof.

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 that such method of valuation better reflects value and is in accordance with good accounting practice in order to achieve a fair valuation of the assets of the Fund.

The value of assets denominated in a currency other than the reference currency of a Sub-Fund shall be determined by taking into account the rate of exchange prevailing at the time of determination of the Net Asset Value.

The Management Company has delegated to the Administrator the determination of the Net Asset Value and the Net Asset Value per Share.

The assets and liabilities of the Fund shall be allocated in such manner as to ensure that the proceeds received upon the issue of Shares of a specific Sub-Fund shall be attributed to that Sub-Fund. All of the assets and liabilities of a specific Sub-Fund as well as the income and expenses which are related thereto shall be attributed to that Sub-Fund. Assets or liabilities which cannot be attributed to any particular Sub-Fund shall be allocated to all the Sub-Funds pro-rata to the respective Net Asset Value of the Sub-Funds. The proportion of the total net assets attributable to each Sub-Fund shall be reduced as applicable by the amount of any distribution to Shareholders and by any expenses paid.

The rights of investors and of creditors concerning a Sub-Fund or which have arisen in connection with the creation, operation or liquidation of a Sub-Fund are limited to the assets of that Sub-Fund. The assets of a Sub-Fund are exclusively available to satisfy the rights of the Shareholders in relation to that Sub-Fund and the rights of the creditors whose claims have arisen in connection with the creation, the operation or the liquidation of that Sub-Fund. For the purpose of the relations between Shareholders, each Sub-Fund is deemed to be a separate entity.

FEES AND EXPENSES

Management Company Fee

The Management Company will receive a management company fee ("Management Company Fee") for the provision of its services to the Fund. The Management Company Fee, which is expressed as a percentage of the Net Asset Value, is specified in the relevant Annex.

Investment Management Fee

The different Sub-Funds and Classes will incur an annual investment management fee ("Investment Management Fee") payable to the Investment Manager, for investment management and investment facilitation services for the Sub-Funds and Classes. The Investment Management Fee, which is expressed as a percentage of the Net Asset Value, is specified in the relevant Annex.

Performance Fee

If provided for in the relevant Annex, the Sub-Funds may pay a performance fee (the "Performance Fee") equal to such percentage as mentioned in the relevant Annex of the outperformance of the Current Day NAV relative to the last Net Asset Value of a Sub-Fund subject to the High Water Mark. A Performance Fee is paid (if due) once provision has been made for all other fees and expenses of the relevant Sub-Fund.

The Performance Fee accrues on each Valuation Day and is included in the calculation of the Net Asset Value of a Sub-Fund on such Valuation Day. The Performance Fee crystallises at the end of each Performance Period and is paid to the Investment Manager quarterly in arrears. There is no maximum monetary cap on the amount that may be charged to a Sub-Fund in respect of the Performance Fee as this is determined by the rate of growth of the Sub-Fund when compared to the High Water Mark.

Performance Fee Calculation Methodology

A Performance Fee is accrued where the Current Day NAV is above the High Water Mark. Where the Current Day NAV falls below the High Water Mark, no Performance Fee is accrued within the Net Asset Value. At the applicable Valuation Day, the Performance Fee accrual adjustment is calculated by comparing the last Net Asset Value with the Current Day NAV with reference to the High Water Mark multiplied by the number of Shares in issue in the relevant Sub-Fund on the applicable Valuation Day. If over the Performance Period the Current Day NAV is above the High Water Mark a Performance Fee may be accrued. If it falls below the High Water Mark, any Performance Fee accumulated during that Performance Period will be forfeited and no further Performance Fee will be accrued until (and if) the Current Day NAV rises above the High Water Mark.

The cumulative Performance Fee accruals from the beginning of the Performance Period will be included in the calculation of the Net Asset Value of each Class of Shares on that day.

Payment/Crystallisation of the Performance Fee

The payment (otherwise known as crystallisation) of the Performance Fee occurs on redemption (i.e. when shares are redeemed) and on the last day of each Performance Period. Any Performance Fee accrued within the relevant Sub-Fund at that point is due to the Investment Manager and is payable in arrears at the end of the Performance Period. Once the Performance Fee has crystallised/been paid no refund will be made in respect of any Performance Fee paid out at that point in subsequent Performance Periods.

Other fees and expenses

Certain Classes of Shares in different Sub-Funds may incur other fees such as but not limited to contingent deferred sales charges as further set out in the relevant Annex.

The fees and expenses to be paid to the Custodian are calculated on the basis set out in the relevant Annex. The Custodian will be reimbursed for reasonable out-of-pocket expenses relating to the services thereto.

The fees and expenses to be paid to the Administrator and Registrar and Transfer Agent, Domiciliary Agent and Listing Agent are calculated on the basis set out in the relevant Annex. The Administrator, the Registrar and Transfer Agent, Domiciliary Agent and Listing Agent will be reimbursed for reasonable out-of-pocket expenses relating to the services thereto.

The other costs charged to the Fund or to the different Sub-Funds or Classes include:

- the costs of establishing the Fund and the Sub-Funds. The costs of establishing the Fund amounted to approximately US Dollars 70,000. Where further Sub-Funds are created in the future, these Sub-Funds will bear, in principle, their own formation expenses. The establishment costs (including those relating to the creation of Sub-Funds) may, at the discretion of the Directors, be amortised on a straight line basis over 5 years from the date on which the Fund/Sub-Funds commenced business. The Directors may, in their absolute discretion, shorten the period over which such costs are amortised;
- the *taxe d'abonnement* as described in chapter "Taxation" hereafter;
- the fees of directors, auditors and legal advisors, the costs of preparing, printing and distributing all prospectuses, memoranda, reports, marketing literature and other necessary documents concerning the Fund, any fees and expenses involved in registering and maintaining the registration of the Fund with any governmental agency and stock exchange, the costs of publishing prices and the operational expenses, and the cost of holding shareholders' meetings;

- the fees and expenses associated with establishment and operation of the Mauritius subsidiaries; and
- any additional out-of-pocket expenses.

REPORTS AND FINANCIAL STATEMENTS

The financial year of the Fund ends on 31 December in each year.

The audited annual reports and the unaudited semi-annual reports will comprise consolidated financial statements of the Fund expressed in US Dollars, being the reference currency of the Fund, and financial information on each Sub-Fund expressed in the reference currency of each Sub-Fund.

All investments held by the Mauritius Subsidiaries are disclosed in the accounts of the Fund.

Copies of the annual and semi-annual reports and financial statements may be obtained free of charge from the registered office of the Fund and the Global Distributor.

DIVIDEND POLICY

The dividend policy applicable for each Sub-Fund or Class is specified in the relevant Annex.

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, normally by bank transfer to the address shown on the register of Shareholders, and in case of joint shareholding, to the first registered holder of the relevant Distribution Shares.

Dividend payments are restricted by law in that they may not reduce the net assets of the Fund below the required minimum determined by Luxembourg Law.

In the event that a dividend is declared and remains unclaimed after a period of five years from the date of declaration, such dividend will be forfeited and will revert to the Sub-Fund or Class in relation to which it was declared.

TAXATION

The following is based on the Fund's understanding of, and advice received on, certain aspects of the law and practice currently in force in Luxembourg, United Kingdom and India. There can be no guarantee that the tax position at the date of this Prospectus or at the time of an investment will endure indefinitely.

Investors should consult their professional advisers on the possible tax and other consequences of their subscribing for, purchasing, holding, selling or redeeming Shares under the laws of their country of incorporation, establishment, citizenship, residence or domicile.

Luxembourg

The Fund

Under current law and practice the Fund is not liable to any Luxembourg income tax, nor are dividends (if any) paid by the Fund liable to any Luxembourg withholding tax. However, the Fund is liable in Luxembourg to a *taxe d'abonnement* of 0.05 per cent per annum of its net assets, such tax being payable quarterly and calculated on

the Net Asset Value of the Fund at the end of the relevant quarter. The reduced *taxe d'abonnement* rate of 0.01 per cent per annum will be applicable to Classes the Shares of which are exclusively held by Institutional Investors. To the extent that the assets of the Fund are invested in investment funds which are established in Luxembourg, no such tax is payable.

No stamp duty or other tax is payable in Luxembourg on the issue of Shares in the Fund except a once and for all tax of 1,250 Euro which was paid upon incorporation.

Under current law and practice, it is anticipated that no Luxembourg capital gains tax will be payable on the realised or unrealised capital appreciation of the assets of the Fund.

Shareholders

Under current legislation Shareholders are not subject to any capital gains, income, withholding, estate, inheritance or other taxes in Luxembourg (except for those domiciled, resident or having a permanent establishment in Luxembourg).

United Kingdom

The Fund

The Investment Manager is established in the United Kingdom. The Directors and the Investment Manager intend that the affairs of the Fund and the management of its investments should, insofar as this is within their respective control, be conducted so that the Fund does not become resident in the United Kingdom for United Kingdom taxation purposes nor subject to United Kingdom corporation tax or income tax on its profits realised through the Investment Manager as its agent. However, it cannot be guaranteed that the necessary conditions will at all times be satisfied.

Certain interest and other income received by the Fund which has a United Kingdom source may be subject to withholding taxes in the United Kingdom.

UK resident shareholders

Subject to applicable transitional provisions, the Offshore Funds (Tax) Regulations 2009 (the "Offshore Funds Regulations"), which took effect from 1 December 2009, replace the distributing funds regime for the taxation of investments in offshore funds with a reporting funds regime which operates by reference to whether a fund opts into a reporting regime ("reporting funds") or not ("non-reporting funds"). To allow time for existing distributing funds to transition into the new regime, it is intended that applications for "distributing fund" status on or after 1 December 2009 will be accepted for the first accounting period of such an offshore fund beginning on or after 1 December 2009.

Subject to their personal circumstances, shareholders resident in the United Kingdom for taxation purposes will be liable to United Kingdom income tax or corporation tax in respect of dividends or other distributions of an income nature made by the Fund, whether or not such dividends or distributions are reinvested or, where applicable, on their share of a reporting fund's income attributable to their holding in the fund, whether or not distributed, and on dividends and other distributions of income made by a non-reporting fund, but not on any income retained by the non-reporting fund, in respect of their holding. The nature of the charge to tax and any entitlement to a tax credit in respect of distributions made, or treated as made, by the Fund will depend on the composition of the relevant assets of the Fund.

Chapter V of Part XVII of the United Kingdom Income and Corporation Taxes Act 1988 (the "Taxes Act") applies to an investor who is resident or ordinarily resident in the United Kingdom for taxation purposes and who holds a "material interest" in a collective investment scheme (as defined for the purposes of s.756A of the Taxes Act) that constitutes an "offshore fund". If that collective investment scheme does not qualify as a "distributing fund" throughout the period during which the investor holds that interest, any gain accruing to the investor upon the sale, redemption or other disposal of that interest will be taxed at the time of such sale, redemption or other disposal as income ("offshore income gains") and not as a capital gain. The Shares will constitute "material interests" in an "offshore fund" for the purpose of those provisions of the Taxes Act. With effect from 1 December 2009, a new definition of "offshore fund" will apply for United Kingdom taxation purposes and the concept of a "material interest" will no longer apply, subject to transitional arrangements.

This treatment would not apply where a Sub-Fund or a Class is certified by HM Revenue & Customs as a "distributing fund" throughout the period during which the Shares of that Sub-Fund or Class have been held. Where indicated in the relevant Annex, and subject to the provisions contained in such Annex, the investment and distribution policies of each Sub-Fund are designed so as to enable the Distribution Shares in that Sub-Fund, created prior to 1 December 2009, to qualify as a "distributing fund" and it is intended to apply to the HM Revenue & Customs for certification of such Distribution Shares in respect of each relevant account period of the Fund (including the transitional period referred to above). Such certification is granted retrospectively and there can be no guarantee that certification will be obtained for account periods of the Fund. For subsequent accounting periods, "reporting fund" status will be sought in respect of the Distribution Shares in each such Sub-Fund. The effect of certification as a "distributing fund" and/or qualification as a "reporting fund" (as appropriate) would be that any gains arising to Shareholders resident or ordinarily resident in the United Kingdom on a sale, redemption or other disposal of such Distribution Shares would be taxed as capital gains and not as offshore income gains.

It is intended to apply to the United Kingdom HM Revenue & Customs for the Distribution Shares in each Sub-Fund that is created on or after 1 December 2009 to have "reporting fund" status. However, there can be no guarantee that such status will be obtained and maintained for each account period of the Fund. The effect of obtaining "reporting fund" status would be that any gains arising to Shareholders resident or ordinarily resident in the United Kingdom on a sale, redemption or other disposal of Shares would be taxed as capital gains and not as offshore income gains.

Save as indicated in the relevant Annex, it is not intended to obtain certification of Shares as a "distributing fund" and/or qualification of such Shares as a "reporting fund". Accordingly, any gains arising to Shareholders resident or ordinarily resident in the United Kingdom on a sale, redemption or other disposal of such Shares (including a deemed disposal on death) will be taxed as offshore income gains rather than capital gains.

Persons within the charge to United Kingdom corporation tax should note that the regime for the taxation of most corporate debt contained in the Corporation Tax Act 2009 (the "loan relationships regime") provides that, if at any time in an accounting period such a person holds a material interest (or an interest as applicable) in an offshore fund within the meaning of the relevant provisions of the Taxes Act (or, where relevant, the Offshore Fund Regulations and United Kingdom Finance Act 2008), and there is a time in that period when that fund fails to satisfy the "non-qualifying investments" test, the material interest (or interest as applicable) held by such a person will be treated for that accounting period as if it were rights under a creditor relationship for the purposes of the loan relationships regime. An offshore fund fails to satisfy the "non-qualifying investments" test at any time when more than 60 per cent of its assets by market value comprise government and corporate debt securities or cash on deposit or certain derivative contracts or holdings in other collective investment schemes which at any time in the relevant accounting period do not themselves satisfy the "non-qualifying investments" test. The Shares will constitute material interests (or interests as applicable) in an offshore fund and on the basis of the investment policies of each Sub-Fund, that Sub-Fund could invest more than 60 per cent. of its assets in government and corporate debt securities or as cash on deposit or in certain derivative contracts or in other

non-qualifying collective investment schemes and hence could fail to satisfy the "non-qualifying investments" test. In that eventuality, the Shares will be treated for corporation tax purposes as within the loan relationships regime with the result that all returns on the Shares in respect of such a person's accounting period (including gains, profits and losses) will be taxed or relieved as an income receipt or expense on a "fair value accounting" basis. Accordingly, such a person who acquires Shares in a relevant Sub-Fund may, depending on its own circumstances, incur a charge to corporation tax on an unrealised increase in the value of its holding of Shares (and, likewise, obtain relief against corporation tax for an unrealised reduction in the value of its holding of Shares).

The attention of individuals ordinarily resident in the United Kingdom for taxation purposes is drawn to Sections 714 to 751 Income Tax Act 2007, which may render them liable to income tax in respect of the undistributed income profits of the Fund.

The attention of companies resident in the United Kingdom for taxation purposes is drawn to the fact that the "controlled foreign companies" legislation contained in Chapter IV of Part XVII of the Taxes Act could apply to any United Kingdom resident company which is, either alone or together with persons associated with it for taxation purposes, deemed to be interested in 25 per cent. or more of any chargeable profits of the Fund arising in an accounting period, if at the same time the Fund is controlled (as control is defined in section 755D of the Taxes Act) by persons (whether companies, individuals or others) who are resident in the United Kingdom for taxation purposes or is controlled by two persons taken together, one of whom is resident in the United Kingdom for tax purposes and has at least 40 per cent of the interests, rights and powers by which those persons control the Fund, and the other of whom has at least 40 per cent and not more than 55 per cent of such interests, rights and powers. The "chargeable profits" of the Fund do not include any of its capital gains. The effect of these provisions could be to render such companies liable to United Kingdom corporation tax in respect of the undistributed income of the Fund.

The attention of persons resident or ordinarily resident in the United Kingdom for taxation purposes is drawn to the provisions of section 13 Taxation of Chargeable Gains Act 1992 ("section 13"). Section 13 could be material to any such person who has an interest in the Fund as a "participator" for United Kingdom taxation purposes (which term includes a shareholder) at a time when any gain accrues to the Fund (such as on a disposal of any of its investments) which constitutes a chargeable gain or an offshore income gain if, at the same time, the Fund is itself controlled in such a manner and by a sufficiently small number of persons as to render the Fund a body corporate that would, were it to have been resident in the United Kingdom for taxation purposes, be a "close" company for those purposes. The provisions of section 13 would result in any such person who is a shareholder being treated for the purposes of United Kingdom taxation as if a part of any chargeable gain or an offshore income gain accruing to the Fund had accrued to that person directly, that part being equal to the proportion of the gain that corresponds to that person's proportionate interest in the Fund. No liability under section 13 could be incurred by such a person, however, in respect of a chargeable gain or an offshore income gain accruing to the Fund if the aggregate proportion of that gain that could be attributed under section 13 both to that person and to any persons connected with him for United Kingdom taxation purposes does not exceed one-tenth of the gain. Section 13 applies with effect from 6 April 2008 to Shareholders who are individuals domiciled outside the United Kingdom, subject to the remittance basis in particular circumstances.

Transfers of Shares will not be liable to United Kingdom stamp duty unless the instrument of transfer is executed within the United Kingdom when the transfer will be liable to United Kingdom ad valorem stamp duty at the rate of 0.5 per cent of the consideration paid rounded up to the nearest £5. No United Kingdom stamp duty reserve tax is payable on transfers of Shares, or agreements to transfer Shares.

The Shares are assets situated outside the United Kingdom for the purposes of United Kingdom inheritance tax. A liability to United Kingdom inheritance tax may arise in respect of gifts by, or on the death of, individuals domiciled, or deemed to be domiciled, in the United Kingdom.

European Union Tax Considerations

The Council of the EU has, on 3 June 2003, adopted the European Savings Directive (Council Directive 2003/48/EC) on taxation of savings income in the form of interest payments, (the "Directive"). Under the Directive, Member States of the EU will be required to provide the tax authorities of another EU Member State with information on payments of interest or other similar income paid by a paying agent (as defined by the Directive) within its jurisdiction to an individual resident in that other EU Member State. Austria and Luxembourg have opted instead for a tax withholding system for a transitional period in relation to such payments. Switzerland, Monaco, Liechtenstein, Andorra, San Marino, Jersey, Guernsey, the Isle of Man and the dependent or associated territories in the Caribbean, have also introduced measures equivalent to information reporting or, during the above transitional period, withholding tax.

The Directive has been implemented in Luxembourg by a law dated 21 June 2005 (the "EUSD Law").

Dividends distributed by a Sub-Fund of the Fund will be subject to the Directive and the EUSD Law if more than 15% of such Sub-Fund's assets are invested in debt claims (as defined in the EUSD Law) and proceeds realised by Shareholders on the redemption or sale of Shares in a Sub-Fund will be subject to the Directive and the EUSD Law if more than 25% of such Sub-Fund's assets are invested in debt claims (such Sub-Funds, hereafter "Affected Sub-Funds").

The applicable withholding tax rate is 35% from 1 July 2011 onwards.

Consequently, if in relation to an Affected Sub-Fund a Luxembourg paying agent makes a payment of dividends or redemption proceeds directly to a Shareholder who is an individual resident or deemed resident for tax purposes in another EU Member State or certain of the above mentioned dependent or associated territories, such payment will, subject to the next paragraph below, be subject to withholding tax at the rate indicated above.

No withholding tax will be withheld by the Luxembourg paying agent if the relevant individual either (i) has expressly authorised the paying agent to report information to the tax authorities in accordance with the provisions of the EUSD Law or (ii) has provided the paying agent with a certificate drawn up in the format required by the EUSD Law by the competent authorities of his State of residence for tax purposes.

The Fund reserves the right to reject any application for Shares if the information provided by any prospective investor does not meet the standards required by the EUSD Law as a result of the Directive.

The foregoing is only a summary of the implications of the Directive and the EUSD Law, is based on the current interpretation thereof and does not purport to be complete in all respects. It does not constitute investment or tax advice and Investors should therefore seek advice from their financial or tax adviser on the full implications for themselves of the Directive and the EUSD Law.

General

The receipt of dividends (if any) by Shareholders, the redemption or transfer of Shares and any distribution on a winding-up of the Fund may result in a tax liability for the Shareholders according to the tax regime applicable in their various countries of residence, citizenship or domicile. Shareholders resident in or citizens of certain countries which have anti-offshore fund legislation may have a current liability to tax on the undistributed income and gains of the Fund. The Directors, the Fund and each of the Fund's agents shall have no liability in respect of the individual tax affairs of Shareholders.

India

The following discussion summarizes certain Indian tax considerations generally applicable to persons considering the acquisition of an interest in the Fund. The discussion does not deal with all tax considerations that may be relevant to specific investors or classes of investors in light of their unique circumstances. In particular, the discussion does not address any considerations applicable to persons that acquire interests in connection with the performance of services.

IT IS THE RESPONSIBILITY OF ALL PERSONS INTERESTED IN SUBSCRIBING TO INTERESTS IN THE FUND TO INFORM THEMSELVES AS TO ANY INCOME OR OTHER TAX CONSEQUENCES ARISING IN THE JURISDICTIONS IN WHICH THEY ARE RESIDENT OR DOMICILED FOR TAX PURPOSES, AS WELL AS ANY FOREIGN EXCHANGE OR OTHER FISCAL OR LEGAL RESTRICTIONS, WHICH ARE RELEVANT TO THEIR PARTICULAR CIRCUMSTANCES IN CONNECTION WITH THE ACQUISITION, HOLDING OR DISPOSITION OF THE INTERESTS. THE FUND HAS NO PRESENT PLANS TO APPLY FOR ANY CERTIFICATIONS OR REGISTRATIONS, OR TO TAKE ANY OTHER ACTIONS, UNDER THE LAWS OF ANY JURISDICTIONS WHICH WOULD AFFORD RELIEF TO LOCAL INVESTORS THEREIN FROM THE NORMAL TAX REGIME OTHERWISE APPLICABLE TO AN INVESTMENT IN THE FUND.

General

No investor will be subject to taxation in India unless such investor is a resident of India or being a non-resident, has an Indian source income or income received (whether accrued or otherwise) in India.

The taxation of the return on investments of the Fund through the Mauritius Subsidiaries is governed by the provisions of the Indian Income Tax Act, 1961 (the "ITA"), read with the provisions of the 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. In light of Circular No. 789 dated 13 April 2000, issued by the Central Board of Direct Taxes, the Mauritius Subsidiaries would be eligible for the benefits under the India/Mauritius Tax Treaty if they are incorporated in Mauritius and have been issued a tax residency certificate by the Mauritian Authorities. Thus, the Mauritius Subsidiaries will seek Mauritius tax residency certificate and should be treated as a Mauritius tax resident provided that the undertakings given to the Mauritian Authorities are strictly adhered to continuously. The Supreme Court of India has upheld the validity of Circular 789 and accordingly, the Mauritius Subsidiaries should be eligible for the benefits under the India/Mauritius Tax Treaty. 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.

The Mauritius Subsidiaries are expected to 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 would be as follows:

- Capital gains resulting from the sale of Indian securities (including Foreign Currency Convertible Bonds ("FCCBs") or Global Depository Receipts ("GDRs") or American Depository Receipts ("ADRs")) issued by Indian companies will not be subject to tax in India, provided the Mauritius Subsidiaries do not have a Permanent Establishment ("PE") in India. In case the Mauritius Subsidiaries are regarded as having a PE in India, the capital gains earned by the Mauritius Subsidiaries shall be taxable only to the extent

such gains are earned from the alienation of movable property forming part of the business property of such PE;

- 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. However, the Indian company distributing dividends is subject to a distribution tax at the rate of 15 per cent¹; and;
- Interest income from loans made or debt securities held in India will be taxed at the rate of 20 per cent. However if such interest arises out of FCCBs held by the Mauritius Subsidiaries then such interest shall be taxed at the rate of 10 per cent. Indian tax on interest income will be collected by the payor of such interest income as withholding tax.

In the event that the benefits of the India/Mauritius Tax Treaty are not available to the Mauritius Subsidiaries, or if the Mauritius Subsidiaries are held to have a PE in India with the securities sold forming part of the business property of the PE, taxation of interest and dividend income of the Mauritius Subsidiaries would be the same as described above. The taxation of capital gains would be as follows:

- Long -term capital gains (being gains on sale of equity shares in a company executed on a recognized stock exchange in India or units of an equity oriented mutual fund held for a period of more than twelve months) would not be taxable in India provided Securities Transaction Tax ("STT") has been paid on the same (as discussed below);
- Short-term capital gains (being gains on sale of equity shares in a company executed on a recognized stock exchange in India or units of an equity oriented mutual fund held for a period of twelve months or less) will be taxed at the rate of 15 per cent provided STT has been paid on the same;
- Capital gains arising to Mauritius Subsidiaries, realized on sale of listed equity shares not executed on a recognized stock exchange in India and other Indian listed securities would be taxed at the rate of 10 per cent for long-term gains and at 30 per cent in case of short-term gains. Short-term capital gains arising to the Mauritius Subsidiaries from the sale of unlisted securities will be taxed at the rate of 30 per cent and long-term gains will be taxed at the rate of 10 per cent;
- Capital gains arising from the transfer of FCCBs, GDRs or ADRs outside India between non-resident investors should not be subject to tax in India.

Minimum Alternative Tax

In the event that the benefits of the India/Mauritius Tax Treaty are not available to the Mauritius Subsidiaries, or if the Mauritius Subsidiaries are held to have PE in India, the Mauritius Subsidiaries may be subject to a Minimum Alternate Tax ("MAT"). As per the ITA, if the tax payable by any company (including a foreign company) is less than 18.5 per cent of its book profits, it will be required to pay MAT which will be deemed to be 18.5 per cent of such book profits. Long-term capital gains on the sale of listed securities are included in the definition of "book profits" for the purposes of calculating MAT.

¹ All tax rates given in this section are exclusive of applicable surcharge and cess. Currently, as per the provisions of the Finance Act, 2011 domestic Indian companies are subject to a surcharge of 5% on the tax payable and foreign companies are subject to a surcharge of 2% on the tax payable.

Securities Transaction Tax

All transactions entered on a recognized stock exchange in India will be subject to Securities Transaction Tax ("STT") levied on the transaction value. In case of purchase / sale of listed equity shares which is settled by way of actual delivery or transfer of the equity share, STT will be levied at the rate of 0.125 per cent on both the buyer and seller of the equity share. For sale of equity shares settled otherwise than by way actual delivery or transfer of the equity share, STT will be levied at the rate of 0.025 per cent on the seller of the equity share. A seller of derivatives would be subjected to an STT of 0.017 per cent. The STT can be setoff against business income tax calculated as per the provisions of the ITA.

There have been differing judicial pronouncements in India in the past as to whether gains from transactions in securities by FIIs should be taxed as "business profits" or as "capital gains". However, these pronouncements, while laying down certain guiding principles have largely been driven by the facts and circumstances of the case. Although, historically, most FIIs have offered sale proceeds from their investments in Indian securities to tax as capital gains, in the past, there have been instances where FIIs have obtained a ruling from the Authority for Advance Rulings ("**AAR**") in India, that the income earned by them from the sale of Indian securities, including exchange traded derivatives², is in the nature of business income and hence subject to tax in India only in the presence of a permanent establishment in India. Rulings of the AAR are private rulings and hence, binding only on the applicant and the taxpayer in relation to that particular assesment. Then again, recently the AAR has given a ruling in some cases of FIIs that their income from sale of shares should be characterized as capital gains and not business income.³ In the event that the Indian tax authorities treat the gains earned by the Mauritius Subsidiaries as business income, such gains will not be taxable in India so long as the Mauritius Subsidiaries do not have a PE in India. In case the Mauritius Subsidiaries are held to have a PE in India, gains attributable to the PE would be taxable in India at the rate of 40 per cent.

In the event the benefits of the India/Mauritius Tax Treaty are not allowed to the Mauritius Subsidiaries and the gains of the Maurities Subsidiaries from the sale of securities of the portfolio companies are held to be business income, then, in the absence of a "business connection" in India, such business income of the Mauritius Subsidiaries would not be subject to tax in India. However, in the event the Mauritius Subsidiaries is held to have a "business connection" in India, then such business income could be taxed in India at the rate of 40 per cent on a net basis only to the extent that such income is attributable to the activities of the business connection in India.

Future changes to Mauritian or Indian Law, or the India/Mauritius Tax Treaty, or the interpretations given to them by the regulatory authorities could impose additional costs or obligations on the Mauritius Subsidiaries's activities and status in Mauritius. The Mauritius Subsidiaries intends to qualify for benefits under the India/Mauritius Tax Treaty. The India/Mauritius Tax Treaty requires the Mauritius Subsidiaries to renew its qualification for such benefits on an annual basis, which the Mauritius Subsidiaries will seek to do but there can be no guarantee that the Mauritius Subsidiaries will in fact so qualify in future years.

The key advantage of the application of the India/Mauritius Tax Treaty to the Mauritius Subsidiaries is that no Indian or Mauritian tax will be imposed on any gain recognized by the Mauritius Subsidiaries upon the sale of its equity interests in the Indian companies. As noted above, significant adverse tax consequences would result if the Mauritius Subsidiaries does not qualify for the benefits under the India/Mauritius Tax Treaty. There can be no assurance that the Mauritius Subsidiaries will continue to qualify for or receive the benefits of the India/Mauritius Tax Treaty or that the terms of the India/Mauritius Tax Treaty will not be changed.

² Royal Bank of Canada; AAR No. 816/2009

³ Fidelity NorthStar Fund, [2007] 288 ITR 0641

As part of its tax reform initiatives, the government of India is in the process of revising, consolidating and simplifying the language and structure of India's direct tax laws into a single piece of legislation – the Direct Tax Code (DTC). Pursuant to this objective, a draft bill for the DTC has been referred to a Parliamentary Standing Committee who will give their suggestions thereon following one further round of public comments. After the DTC is approved by both houses of the Indian parliament, and receives the President's assent, it will be enacted as law. The DTC is intended to replace the current Income Tax Act with effect from 1 April 2012.

A General Anti-Avoidance provision (GAAR) has been embedded into the DTC. The GAAR would be applicable in the event that the main purpose of an arrangement is tax avoidance. The GAAR provisions empower the tax authorities to declare any arrangement as an "impermissible avoidance arrangement" if such arrangement has been entered into with the main objective of obtaining a tax benefit under specified circumstances. It is not yet clear how the GAAR will be invoked by the Revenue. If the Indian tax authorities were to apply the GAAR to the Mauritian Subsidiaries (on or after 1 April 2012) this could result in the benefits under the Treaty being denied to the Mauritian Subsidiaries. In such event, capital gains realised by the Mauritian Subsidiaries would be taxable in India as follows:

- long term capital gains on sale of equity shares in the stock exchange on which STT is levied – nil;
- short term capital gains on sale of equity shares in the stock exchange on which STT is levied – effective rate of 15 per cent.; and
- long term/short term capital gains on sale of unlisted shares or listed shares where STT is not levied – effective rate of 30 per cent., with long-term capital gains being eligible for indexation benefits.

CERTAIN INDIAN REGULATORY CONSIDERATIONS

THIS SECTION IS ONLY A SUMMARY OF THE REGULATIONS AND LAWS AND IS NOT A COMPREHENSIVE DISCLOSURE REGARDING ALL INDIAN LAWS AND REGULATIONS APPLICABLE TO THE MAURITIUS SUBSIDIARY AND ITS PORTFOLIO COMPANIES. FURTHERMORE, THE REGULATIONS AND LAWS REFERRED TO UNDER THIS SECTION ARE SUBJECT TO CHANGE FROM TIME TO TIME.

Foreign Investments in India

Foreign investment in Indian securities is regulated by the Foreign Exchange Management Act 1999 ("**FEMA**"). As per Section 6(3)(b) of FEMA, the RBI has been given the authority to prohibit, restrict or regulate the transfer or issue of any Indian security by a person outside India. Accordingly, the Reserve Bank of India ("**RBI**") has prescribed the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 pursuant to which no person resident outside India and no company that is not incorporated in India (other than a banking company) can purchase the shares of any company carrying on any trading, commercial or industrial activity in India without the permission of the RBI.

FEMA provides the statutory framework governing India's system of controls on foreign exchange dealings, through which the Government of India exercises its policy with respect to foreign private investment in India and all dealings by residents of India with non-residents and with foreign currency. Without permission (general or special) from the RBI, residents of India cannot undertake any transaction with persons outside India, sell, buy, lend or borrow foreign currency, issue or transfer securities to non-residents or acquire or dispose of any foreign security.

A. Investment under the Foreign Institutional Investors Regime

The Mauritius Subsidiaries propose to invest in India under the FII regime currently prevailing in India. The Mauritius Subsidiaries will seek to register themselves with SEBI as a Sub-account of Kotak Mahindra (UK) Limited, a registered FII under the SEBI (FII) Regulations, 1995.

An FII desiring to invest into India must register itself with the SEBI, under the single window clearance mechanism, and must comply with the provisions of the SEBI (FII) Regulations, 1995 ("FII Regulations"). When it receives the initial registration, the FII also obtains general permission from the RBI to engage in transactions regulated under the FEMA.

FIIs are also permitted to invest on behalf of their Sub-accounts. In such cases, the Sub-account would be required to register as a Sub-account of the FII. The Mauritius Subsidiaries listed in the relevant Annex have registered themselves as a broad based Sub-account. For the Mauritius Subsidiaries to register as broad based sub-accounts under the FII Regulations, the Mauritius Subsidiaries are required to have at least twenty (20) investors with none of them holding more than forty nine percent (49%) of the shares of each of the Mauritius Subsidiaries. However, if the Mauritius Subsidiaries have institutional investors, it may have less than twenty (20) investors. Further, such institutional investor in the Mauritius Subsidiaries may also hold more than 49 per cent of the Mauritius Subsidiaries provided that such institutional investor is itself broad based.

Under the extent FII Regulations, FIIs and the Sub-accounts are permitted to invest only in the following securities in India:

- securities in the primary and secondary markets including shares, debentures and warrants of companies, unlisted, listed or to be listed on a recognized stock exchange in India
- units of schemes floated by domestic mutual funds including Unit Trust of India, whether listed on a recognized stock exchange in India or not;
- dated government securities;
- derivatives traded on a recognized stock exchange in India; and
- commercial paper.

Further, FIIs and Sub-accounts are allowed to engage only in delivery based trading and are restricted from short selling in many instances with the exception of trades involving derivatives. FIIs are allowed to tender their shares in case of an open offer following the takeover bid by an acquirer. FIIs are also permitted to take forward cover on their equity and debt exposure to hedge against currency fluctuations.

B. Ownership Restrictions

The ownership restrictions applicable to FIIs and each Sub-account are as follows:

- The aggregate FII and Sub-account holding in any Indian company cannot exceed twenty-four percent (24%) of the entire paid-up share capital of that company which limit can be further extended to the applicable foreign investment limit in a specific sector if the shareholders of a company pass a special resolution to that effect. Currently, barring a few sectors such as telecom services and banking, foreign investment up to one hundred percent (100%) is permitted in most sectors.
- As per the FII Regulations and the recent Consolidated Foreign Direct Investments ("FDI") Policy which is effective from 1 April 2011, no single FII or its sub-accounts can hold more than ten percent (10%) of the paid-up share capital of an Indian company.
- Currently, the overall limit provided to FIIs and Sub-accounts registered with SEBI for investing in corporate debt market is US\$ 15 billion, with an additional US\$ 25 billion available for investing in corporate bonds issued by companies in the infrastructure sector with residual maturity more than five years. At present, FIIs and their sub-accounts can only invest in listed or to-be-listed debt instruments; however an exception has been made for infrastructure companies. Therefore, FIIs and their

sub-accounts are now permitted to invest in unlisted bonds of infrastructure companies since most of the infrastructure companies are organized in the form of special purpose vehicles. Further, the investments in unlisted bonds would be subject to a lock-in for a minimum of three years, however, FIIs will be allowed to trade amongst themselves during such lock-in period. The allocation of debt limits in various categories is as per the process notified by SEBI from time to time. The allocation is a combination of 'first come first served' basis and an open bidding process.

C. Exchange Controls

In order to invest under the FII Regulations, the Mauritius Subsidiaries shall open a foreign currency denominated account and a special non-resident rupee account in India.

Income, net of withholding tax, if any, may be credited to the special non-resident rupee account. Transfers from the special non-resident rupee account to the foreign currency denominated account are permitted, subject to payment of taxes wherever applicable and obtaining of appropriate tax clearance certification. Transfers of sums between the foreign currency denominated account and the special non-resident rupee account must be made at the market rates of exchange. Currency held in the foreign currency denominated account may be freely remitted outside India.

D. Prevention of Money-Laundering Act, 2005

The Prevention of Money Laundering Act, 2005 (the "**PMLA**"), which came into force on 1 July 2005, embodies India's legislative commitment to the elimination and prevention of money laundering. The main objects of PMLA are (i) the prevention and control of activities concerning money laundering and (ii) the confiscation of property derived or involved in money laundering.

Under the PMLA, a person is guilty of an offence of "money laundering" if that person "directly or indirectly attempts or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property." The term "proceeds of crime" has been defined under the PMLA to mean property derived or obtained, directly or indirectly, by any person as a result of criminal activity relating to an offence listed in the schedule to the PMLA.

The PMLA mandates certain entities such as banks, financial institutions and intermediaries (dealing in securities) to maintain record of all transactions above a certain value or of a suspicious nature, as prescribed in the rules framed under the PMLA. The transactions so prescribed may be a single transaction or a series of inter-connected transactions which take place within one month ("Transactions"). The institution must provide information relating to such Transactions to the director appointed under the PMLA within the prescribed time limit. These institutions also must verify and maintain the records of identity of their clients in the manner prescribed in the rules under the PMLA. The PMLA also confers discretionary power on the principal officer of a bank, financial institution or intermediary to report Transactions that have been valued below the prescribed limits to escape scrutiny.

FII will fall within the definition of "Clients" under the Rules under the PMLA. The Mauritius Subsidiaries as a sub-account would fall under the definition of "intermediary" under the PMLA and accordingly the Mauritius Subsidiaries would be obligated to furnish such information to the FII as may be required by it to meet its obligation under the PMLA and the Rules made thereunder or as may be prescribed by SEBI from time to time.

RISK FACTORS

General

Investors should remember that the price of Shares of the Fund and any income from them may fall as well as rise and that investors may not get back the full amount invested. Past performance is not a guide to future performance and the Fund should be regarded as medium to long-term investment. Where a purchase involves a foreign exchange transaction, it may be subject to the fluctuations of currency values. Exchange rates may also cause the value of underlying overseas investments to go down or up. Shareholders should be aware that the following statements are intended to summarise some of the risks, but are not exhaustive, nor do they offer advice on the suitability of investments.

Investment in the Fund should be deemed as speculative and should be made only by investors who are able to bear the risk of complete loss of an investment in the Fund. Investors should be aware of the risks associated with the Fund's investment policy and are advised to consult their professional advisors, such as lawyers, financial advisors, accountants or tax advisors when determining whether an investment in the Fund is suitable for them.

The price of securities may rise or fall because of changes in the broad market or changes in an investee company's financial condition, sometimes rapidly or unpredictably. These price movements may result from factors affecting individual companies, sectors or industries selected for the Fund's portfolio or the securities market as a whole, such as changes in economic or political conditions. Equity securities are subject to "stock market risk" meaning that stock prices in general (or in particular, the types of securities in which the Fund invests) may decline over short or extended periods of time. When the value of the securities in which the Company may have invested goes down, an investment in the Fund decreases in value.

Changes in economic conditions, including, for example, interest rates, inflation rates, industry conditions, government regulation, competition, technological developments, political and diplomatic events and trends, tax laws and innumerable other factors, can affect substantially and adversely the business and prospects of the Fund. None of these conditions are within the control of the Fund or the Investment Manager, and no assurances can be given that the Fund or the Investment Manager will be able to anticipate these developments.

Regulatory

The Fund is domiciled in Luxembourg and investors should note that all the regulatory protections provided by local regulatory authorities may not apply. Investors should consult their professional advisors for further information in this area.

Investment Risks

There is no guarantee that the investment objective of the Fund will be achieved. Investors should also be aware of the investment policy of each Sub-Fund as these may state that the Sub-Fund may invest into markets not naturally associated with the name of the Sub-Fund. These other markets may act with more or less volatility than the core investment market and performance will be in part dependent on these investments. An investor should ensure (prior to any investment being made) that they are satisfied with the risk profile of the overall objectives disclosed.

Securities in which the Fund invests may be thinly traded and relatively illiquid or may cease to be traded after the Fund invests. In such cases and in the event of extreme market activity, the Fund may not be able to liquidate its investments promptly if the need should arise.

A Sub-Fund may also use financial derivative instruments in order to achieve its investment objective, unless otherwise provided in the relevant Annex of a Sub-Fund. Certain of the risks related to the use of financial derivative instruments are set out below.

Passive Investment

Investors will have no opportunity to participate in the Fund's daily management or to select or evaluate the Fund's investments or strategies as investments of the Fund are made by the Investment Manager according to its pre-defined investment objective and policies.

Termination risk

In the event of termination of a Sub-Fund (or the Fund as the case may be), the liquidation proceeds received by the investors may be worth less than the initial subscription amount, resulting in substantial loss to the investors.

Risk relating to war or terrorist attacks

There can be no assurance that there will not be any terrorist attacks which could have direct or indirect effect on the markets in which the investments may be located and the corresponding political and/or economic effects arising therefrom, if any, may in turn adversely affect the operation and profitability of the Fund.

Financial Derivative Instruments

When a Sub-Fund invests in warrants, the price per Share of the Fund may fluctuate more than if the Sub-Fund was invested in the underlying security(ies) because of the greater volatility of the warrant price.

A Sub-Fund may invest in financial derivative instruments as part of its strategy, unless otherwise provided in the relevant Annex of a Sub-Fund. Different financial derivative instruments involve levels of exposure to risk. In particular, investors should be aware of the following:

a) Futures

Transactions in futures involve the obligation to make, or to take, delivery of the underlying asset of the contract at a future date, or in some cases to settle the Sub-Fund's position with cash. They carry a high degree of risk. The "gearing" or "leverage" often obtainable in futures trading means that a small deposit or down payment can lead to large losses as well as gains. It also means that a relatively small market movement can lead to a proportionately much larger movement in the value of the Sub-Fund's investment, and this can work against as well as for the Sub-Fund. Futures transactions have a contingent liability, and investors should be aware of the implications of this, in particular the margining requirements.

b) Swaps

The Fund may enter into swap agreements. Swap agreements can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swap agreements may increase or decrease the Fund's exposure to strategies, equity securities, long term or short term interest rates, foreign currency values, corporate borrowing rates or other factors. Swap agreements can take many different forms and are known by a variety of names. Depending on how they are used, swap agreements may increase or decrease the overall volatility of the Fund. The most significant factor in the

performance of swap agreements is the change in the individual equity values, the Fund's net asset value, specific interest rate, currency or other factors that determine the amounts of payments due to and from the counterparties. If a swap agreement calls for payments by the Fund, the Fund must be prepared to make such payments when due. In addition, if a counterparty's creditworthiness declines, the value of swap agreements with such counterparty can be expected to decline, potentially resulting in losses to the Fund.

c) Options

There are many different types of options with different characteristics subject to different conditions:

(i) Buying Options

Buying options involves less risk than selling options because, if the price of the underlying asset moves against the Fund, the Fund can simply allow the option to lapse. The maximum loss is limited to the premium, plus any commission or other transaction charges. However, if the Fund buys a call option on a futures contract and the Fund later exercises the option, the Fund will acquire the future. This will expose the Fund to the risks described under "Futures" and "Contingent Liability Transactions".

(ii) Writing Options

If the Fund writes an option, the risk involved is considerably greater than buying options. The Fund may be liable for margin to maintain its position and a loss may be sustained well in excess of any premium received. By writing an option, the Fund accepts a legal obligation to purchase or sell the underlying asset if the option is exercised against the Fund, however far the market price has moved away from the exercise price. If the Fund already owns the underlying asset which the Fund has contracted to sell (known as "covered call options") the risk is reduced. If the Fund does not own the underlying asset (known as "uncovered call options") the risk can be unlimited. Subject to the overall limit on leverage which may be utilised by the Fund, there is no restriction on the Fund's ability to write options. Certain options markets operate on a margined basis under which buyers do not pay the full premium on their option at the time they purchase it. In this situation the Fund may subsequently be called upon to pay margin on the option up to the level of its premium. If the Fund fails to do so as required, the Fund's position may be closed or liquidated in the same way as a futures position.

(iii) Contracts for Differences

Futures and options contracts can also be referred to, as well as include, contracts for differences. These can be options and futures on any index, as well as currency and interest rate swaps. However, unlike other futures and options, these contracts can only be settled in cash. Investing in a contract for differences carries the same risks as investing in a future or option. Transactions in contracts for differences may also have a contingent liability and an investor should be aware of the implications of this as set out below.

(iv) Off-Exchange Transactions

While some off-exchange markets are highly liquid, transactions in off-exchange, or non transferable, derivatives may involve greater risk than investing in on-exchange derivatives instruments because there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of the position arising from an off-exchange transaction or to assess the exposure to risk. Bid and offer prices need not be quoted, and even where they are, they will be established by dealers in these instruments and, consequently, it may be difficult to establish what is a fair price.

(v) Contingent Liability Transactions

Contingent liability transactions which are margined require the Fund to make a series of payments against the purchase price, instead of paying the whole purchase price immediately. If the Fund trades in futures, contracts for differences or sells options, the Fund may sustain a total loss of the margin it deposits with the broker to establish or maintain a position. If the market moves against the Fund, the Fund may be called upon to pay substantial additional margin at short notice to maintain the position. If the Fund fails to do so within the time required, its position may be liquidated at a loss and the Fund will be liable for any resulting deficit. Even if a transaction is not margined, it may still carry an obligation to make further payments in certain circumstances over and above any amount paid when the contract was entered into. Contingent liability transactions which are not traded on or under the rules of a recognised or designated investment exchange may expose an investment in the Fund to substantially greater risks.

(vi) Suspensions of Trading

Under certain trading conditions it may be difficult or impossible to liquidate a position. This may occur, for example, at times of rapid price movement if the price rises or falls in one trading session to such an extent that under the rules of the relevant exchange trading is suspended or restricted. Placing a stop-loss order will not necessarily limit losses to the intended amounts, because market conditions may make it impossible to execute such an order at the stipulated price.

(vii) Clearing House Protections

On many exchanges, the performance of a transaction by a broker (or the third party with whom he is dealing on the Fund's behalf) is "guaranteed" by the exchange or its clearing house. However, this guarantee is unlikely in most circumstances to cover the Fund as the customer and may not protect the Fund if the broker or another party defaults on its obligations to the Fund. There is no clearing house for traditional options, nor normally for off-exchange instruments which are not traded under the rules of a recognised or designated investment exchange.

(viii) Insolvency

A derivative broker's insolvency or default, or that of any other brokers involved with the Fund's transactions, may lead to positions being liquidated or closed out without the Fund's consent. In certain circumstances, the Fund may not get back the actual assets which it lodged as collateral and the Fund may have to accept any available payment in cash.

Securities Lending and repurchase transactions

In relation to repurchase transactions, investors must notably be aware that (A) in the event of the failure of the counterparty with which cash of a Sub-Fund has been placed there is the risk that collateral received may yield less than the cash placed out, whether because of inaccurate pricing of the collateral, adverse market movements, a deterioration in the credit rating of issuers of the collateral, or the illiquidity of the market in which the collateral is traded; that (B) (i) locking cash in transactions of excessive size or duration, (ii) delays in recovering cash placed out, or (iii) difficulty in realising collateral may restrict the ability of the Sub-Fund to meet redemption requests, security purchases or, more generally, reinvestment; and that (C) repurchase transactions will, as the case may be, further expose a Fund to risks similar to those associated with optional or forward derivative financial instruments, which risks are further described in other sections of this Prospectus.

In relation to securities lending transactions, investors must notably be aware that (A) if the borrower of securities lent by a Sub-Fund fail to return these there is a risk that the collateral received may realise less than

the value of the securities lent out, whether due to inaccurate pricing, adverse market movements, a deterioration in the credit rating of issuers of the collateral, or the illiquidity of the market in which the collateral is traded; that (B) in case of reinvestment of cash collateral such reinvestment may (i) create leverage with corresponding risks and risk of losses and volatility, (ii) introduce market exposures inconsistent with the objectives of the Sub-Fund, or (iii) yield a sum less than the amount of collateral to be returned; and that (C) delays in the return of securities on loans may restrict the ability of a Sub-Fund to meet delivery obligations under security sales.

Holding Securities Overseas

Securities held with a local correspondent or clearing / settlement system or securities correspondent ("Securities System") may not be as well protected as those held within Luxembourg. In particular, losses may be incurred as a consequence of the insolvency of the local correspondent or Securities System. In some markets, the segregation or separate identification of a beneficial owner's securities may not be possible or the practices of segregation or separate identification may differ from practices in more developed markets.

Emerging Markets

In emerging markets, in which some of the Sub-Funds will invest, the legal, judicial and regulatory infrastructure is still developing and there is much legal uncertainty both for local market participants and their overseas counterparts. Some markets carry significant risks for investors who should therefore ensure that, before investing, they understand the relevant risks and are satisfied that an investment is suitable.

Political and Economic Risks

- Economic and/or political instability could lead to legal, fiscal and regulatory changes or the reversal of legal/fiscal/regulatory/market reforms. Assets could be compulsorily acquired without adequate compensation.
- A country's external debt position could lead to the sudden imposition of taxes or exchange controls.
- High inflation can mean that businesses have difficulty obtaining working capital.
- Local management are often inexperienced in operating companies in free market conditions.
- A country may be heavily dependent on its commodity and actual resource exports and therefore be vulnerable to weaknesses in world prices for these products.

Legal Environment

- The interpretation and application of decrees and legislative acts can be often contradictory and uncertain particularly in respect of matters relating to taxation.
- Legislation could be imposed retrospectively or may be issued in the form of internal regulations which the public may not be made aware of.
- Judicial independence and political neutrality cannot be guaranteed.
- State bodies and judges may not adhere to the requirements of the law and the relevant contract.
- There is no certainty that investors will be compensated in full or in part for any damage incurred or loss suffered as a result of legislation imposed or decisions of state bodies or judges.

Accounting Practices

- The accounting and audit systems may not accord with international standards.

- Even when reports have been brought into line with international standards, they may not always contain correct information.
- Obligations of companies to publish financial information may also be limited.

Shareholder Risk

- Existing legislation may not yet be adequately developed to protect the rights of minority shareholders.
- There is generally no concept of fiduciary duty to shareholders on the part of management.
- There may be limited recourse for violation of such shareholder's rights as pertain.

Market and Settlement Risks

- The securities markets of some countries lack the liquidity, efficiency, regulatory and supervisory controls of more developed markets.
- Lack of liquidity may adversely affect the value or ease of disposal of assets.
- The share register may not be properly maintained and the ownership interests may not be, or remain, fully protected.
- Registration of securities may be subject to delay and during the period of delay it may be difficult to prove beneficial ownership of the securities.
- The provision for custody of assets may be less developed than in other more mature markets and thus provides an additional level of risk for the Funds.

Price Movement and Performance

- Factors affecting the value of securities in some markets cannot easily be determined.
- Investment in securities in some markets carries a high degree of risk and the value of such investments may decline or be reduced to zero.

Currency Risk

- Conversion into foreign currency or transfer from some markets of proceeds received from the sale of securities cannot be guaranteed.
- The value of the currency in some markets, in relation to other currencies, may decline such that the value of the investment is adversely affected.
- Exchange rate fluctuations may also occur between the trade date for a transaction and the date on which the currency is acquired to meet settlement obligations.

Taxation

Investors should note in particular that the proceeds from the sale of securities in some markets or the receipt of any dividends or other income may be or may become subject to tax, levies, duties or other fees or charges imposed by the authorities in that market, including taxation levied by withholding at source. Tax law and practice in certain countries into which a Sub-Fund invests or may invest in the future is not clearly established. It is possible therefore that the current interpretation of the law or understanding of practice might change, or that the law might be changed with retrospective effect. It is therefore possible that the Sub-Fund could become subject to additional taxation in such countries that is not anticipated either at the date of the Prospectus or when investments are made, valued or disposed of.

Draft Direct Taxes Code Bill.

As part of its tax reform initiatives, the Government of India is in the process of revising, consolidating and simplifying the language and structure of India's direct tax laws into a single piece of legislation – the Direct Tax Code ("DTC"). In furtherance of this objective, a draft bill for the DTC was placed before the Indian Parliament on 30 August 2010. The DTC is in its draft stages and has been referred to a Parliamentary Standing Committee, which will give its suggestions thereon after one more round of public comments. After the DTC is approved by both Houses of the Indian Parliament and receives the President's assent, it would be enacted as law. The DTC is intended to replace the current Income Tax Act, 1961 effective 1 April 2012.

A general anti-avoidance provision ("GAAR") has been embodied into the DTC. GAAR would be applicable where the main purpose of an arrangement is tax avoidance. GAAR provisions empower the tax authorities to declare any arrangement as an "impermissible avoidance arrangement," provided the same has been entered into with the main objective of obtaining tax benefit under specified circumstances. The specific rules relating to invocation of GAAR by the Revenue authorities are yet to be notified. While the Portfolio will seek to establish residency in the Republic of Mauritius in order to receive benefits under the Treaty, the Indian tax authorities could challenge the Treaty benefits if the main purpose of the Portfolio's residency in Mauritius is considered to be obtaining a tax benefit in India. If such a challenge were upheld, this could result in the benefits under the Treaty being denied and the Portfolio would be disregarded and the income from India would be reallocated to the Fund. This reallocation could have an adverse impact on the taxability of the Fund and the returns to the investors by imposing capital gains tax as follows: (a) long-term capital gains on sale of shares in the stock exchange on which securities transaction tax is discharged (zero); (b) short-term capital gains on sale of shares in the stock exchange on which securities transaction tax is discharged (effective rate of 15%); and (c) long- or short-term capital gains on sales of unlisted shares or listed shares where securities transaction tax is not discharged (effective rate of 30%), with long-term capital gains being eligible for indexation benefits.

Special risk considerations in relation with India

Indian Market Characteristics

Trading markets in Indian assets, both onshore and offshore, are substantially smaller (on the basis of market capitalization, value of securities traded and number of participants) than certain other developed markets. As a consequence, the Fund may invest in a relatively limited number of issuers, some or many of which may operate in the same industry or economic sector. Trading markets in India may be subject to greater price volatility and less liquidity than is usually the case in the developed markets globally.

The size of the companies traded on Indian securities markets may pose special risks as they are often smaller than those whose securities are stated in the developed countries globally. Limited product lines, limited markets, and fewer managerial and financial resources, may make smaller companies more vulnerable to losses and increase the possibility of insolvency. Their securities may be more volatile and less liquid because of the less-extensive market making and arbitrage activity. Trades of significant blocks of securities by large investors, and adverse events affecting the markets generally, may have a greater impact than in the market of developed countries.

Indian stock exchanges have also experienced problems that have affected the market price and liquidity of the securities of Indian companies. These problems have included temporary exchange closures, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of the Indian stock exchanges have from time to time restricted securities from trading, limited price movements and restricted margin requirements. Further, from time to time, disputes have occurred between listed companies and the Indian stock exchanges and other regulatory bodies that, in some cases, have had a negative effect on market sentiment. Similar problems could occur in the future and, if they do, they could harm the market price and liquidity of the equity shares held by the Fund.

There may be less reliable information available in the Indian markets than in other developed countries. The level of government supervision of securities exchanges tends to be lower and broker and listed companies are generally subject to less regulation as well. Accounting, auditing, and financial reporting standards are often less rigorous and may not be consistently applied. Local market participants may have information not available to outsiders. Thus, the Fund may have available less information, and less reliable information, than would be normal in developed countries.

Indian Governmental, Economic and Political Considerations

The Fund and the price and liquidity of its investments may be affected generally by exchange rates and controls, interest rates, changes in Indian governmental policy, taxation, social and religious instability and political, economic or other developments in or affecting India. In particular future political and economic conditions in India may result in its government adopting different policies with respect to foreign investment. Any such changes in policy may affect ownership of assets, taxation, rates of exchange, environmental protection, labour relations, repatriation of income and return of capital, with potentially adverse effects on the Fund's investments. Future actions of the Indian central government or the respective Indian state governments could have a significant effect on the Indian economy, which could adversely affect market conditions and prices and yields of the Fund's investments.

Limited Diversification/ Concentration Risk

It is expected that the investment portfolio of certain Sub-Funds will be concentrated in India. This increases the risk of an investment in the Fund by increasing the relative impact of changes in the market, economic or political environment affecting India.

Investors should avoid excessive investment in any single type of investments (in terms of its proportion of their overall investment portfolio), so as to avoid the investment portfolio being over-exposed to any particular investment risk.

Indian Regulatory Infrastructure

The regulatory infrastructure in India is unique and relatively underdeveloped. In most cases, securities laws are evolving and far from adequate for the protection of the public from serious fraud. Investments made by the Fund will be subject to risks such as changes in applicable laws, instability of government, possibility of expropriation, limitations on the use or removal of funds or other assets, change in governmental administrations or economic and monetary policy, changes in dealing with nations or changes in provisions related to Double Taxation Avoidance agreements and/or such other treaty and agreements between countries. Also, onshore and/or local currency denominated investments/trades in some of these markets are and may continue to be subject to various regulatory approvals which, where required and deemed appropriate, the Fund will seek to obtain from time to time, however no assurance can be provided that the Fund will be successful in doing so.

Indian Controls on Repatriation of Capital and Profits

The right to repatriate capital, dividends and interest income may be subject to prior government approval. The Fund's investments, and income it receives on those investments, might be denominated in local currency which will need to be ultimately converted to US Dollars. To the extent that a prior government approval is required to repatriate funds, the Fund may be adversely affected by delay in approval, and where exchange rates are fluctuating, delay may directly and adversely affect the value of the repatriated sum on conversion to US Dollars.

Indian Clearing, Settlement and Registration Systems

Although the Indian primary and secondary equity markets have grown rapidly over the last few years and the clearing, settlement and registration systems available to effect trades on the Indian stock markets have significantly improved with mandatory dematerialization of shares, these processes may still not be on a par with those in more mature markets. Problems of settlement in India may impact on the Net Asset Value and the liquidity of the Fund's investments.

Regulatory Risk of Foreign Investment in India

Foreign investment in the securities of issuers in India is usually restricted or controlled to some degree. In India, only certain "Foreign Institutional Investors" (FIIs) and their sub-accounts that comply with certain statutory conditions and are registered with the Securities and Exchange Board of India (SEBI), may make direct investments in exchange traded Indian securities (and securities to be listed, or those approved on the over-the-counter exchange of India). The Investment Manager is registered with the SEBI as an FII and any cancellation of such FII registration poses a risk to the Fund.

Each of the Mauritian Subsidiaries is registered as a sub-account of the Investment Manager with SEBI as a 'broad based fund'. If the Mauritian Subsidiaries are not able to meet the requirements of being a 'broad based fund' or if the sub-account registration of the Mauritius Subsidiaries is cancelled, it would affect the Fund's ability to invest and may also incur an opportunity cost of finding other suitable investments.

Tax

Tax regulations differ from country to country and taxation laws applicable to derivative incomes/losses may be different in various jurisdictions. The Fund does not offer tax advice. Investors are requested to seek independent tax advice.

Additionally, Shareholders may be liable for any tax liabilities of the Company pertaining to prior years that may arise.

The Fund currently intends to invest indirectly in the securities of Indian companies through a wholly owned subsidiary of the Fund formed in the Republic of Mauritius. The taxability of the income of the Fund would be dependent upon the Double Taxation Avoidance Agreements between Mauritius and the countries where investments are undertaken. Changes in tax regulations may impact the Fund's operations and profitability.

There can be no assurance that these treaties will continue to be in full force and effect during the existence of the Fund or that the Fund will continue to enjoy the benefit of the tax treaties. Moreover, if the Mauritius Subsidiaries are held to have a PE in India and the Indian securities sold by the Mauritius Subsidiaries are regarded as forming part of the business property of such PE, the Mauritius Subsidiaries may not be entitled to avail of the capital gains benefit under the India/Mauritius Tax Treaty.

Risk of non-renewal of Tax Residency Certificate

While the Mauritius Subsidiaries currently hold a Tax Residency Certificate (TRC) in Mauritius and is expected to renew it on an annual basis, there is no guarantee that such renewal would be granted by the Mauritius Revenue Authority. In case the TRC is not renewed, the Fund may no longer be eligible for the benefits under certain tax treaties and consequently have an adverse impact on the taxability of the Fund and the returns to the investors.

Portfolio Management Techniques

The Fund may lend securities to securities brokers and other institutions as a means of earning additional income, or borrow securities from securities brokers or other institutions. Insolvency or bankruptcy of the other party could result in a loss to the Fund.

The Fund may enter into repurchase agreements, by which it buys a security and simultaneously agrees to sell it back later at a higher price, or in reverse repurchase agreements, by which the Fund sells a security and simultaneously agrees to buy it back later at a higher price. Repurchase and reverse repurchase agreements can have effects similar to margin trading and other leveraging strategies.

GENERAL AND STATUTORY INFORMATION

The information in this section includes a summary of some of the provisions of the Articles of Incorporation and Material Contracts described below and is provided subject to the general provisions of each of such documents.

1. The Fund

The Fund was incorporated as an open-ended investment company (*société d'investissement à capital variable* – SICAV) with multiple compartments on 12 September 2007. The duration of the Fund is indefinite. The duration of the Sub-Funds may be limited. The initial capital on incorporation was EUR 31,000. On incorporation all the shares representing the initial capital were subscribed for and were fully paid. A capital of the equivalent of Euro 1,250,000 must be reached within a period of six months following the authorisation of the Fund. The Fund has designated a management company subject to chapter 15 of the Law. The Articles of Incorporation have been published in the *Mémorial, Recueil des Sociétés et Associations* on 29 September 2007. The Articles of Incorporation have been filed with the *Registre de Commerce et des Sociétés* of Luxembourg.

The Fund is designed to offer investors, within the same investment vehicle, a choice between several Sub-Funds, which are managed separately and are distinguished principally by their specific investment policy and/or by the currency in which they are denominated.

2. Share Capital

The capital of the Fund will always be equal to the value of its net assets. The Shares are of no par value and must be issued fully paid. The Shares carry no preferential or pre-emption rights and each share is entitled to one vote at all meetings of Shareholders.

3. Temporary suspension of Net Asset Value calculations and of issues, redemption and conversion of Shares

The Directors may suspend the determination of the Net Asset Value and hence the issue, redemption and conversion of Shares if, at any time, the Directors believe that exceptional circumstances constitute forcible reasons for doing so. Such circumstances can arise during:

- (a) any period when any of the principal markets or exchanges on which a substantial portion of the investments of the relevant Sub-Fund from time to time are quoted or dealt in is closed otherwise than for ordinary holidays, or during which dealings therein are restricted or suspended;

- (b) the existence of any state of affairs which constitutes an emergency as a result of which the disposal or valuation of assets owned by the relevant Sub-Fund would be impracticable, not accurate or would seriously prejudice the interests of the shareholders of the Fund;
- (c) any breakdown in the means of communication normally employed in determining the price of any of the investments of the relevant Sub-Fund or the current prices on any market or stock exchange;
- (d) any period when the Fund is unable to repatriate funds for the purpose of making payments on the redemption of Shares or during which any transfer of funds involved in the realisation or acquisition of investments or payments due on the redemption of Shares cannot in the opinion of the Directors be effected at normal rates of exchange; or
- (e) any period when the net asset value of any subsidiary of the Fund may not be determined accurately.

No Shares will be issued, redeemed or converted when the determination of the Net Asset Value is suspended. In such a case, a subscription for Shares, a redemption or a conversion request may be withdrawn, provided that a withdrawal notice is received by the Registrar and Transfer Agent before the suspension is terminated. Unless withdrawn, subscriptions for Shares, redemptions and conversion requests will be acted upon on the first Valuation Day after the suspension is lifted on the basis of the Subscription Price, Redemption Price or Conversion Price (as the case may be) then prevailing.

Notice of any such suspension will be published in the d'Wort if, in the opinion of the Directors, it is likely to exceed 5 Business Days and will be notified to all persons who have applied for, or requested the redemption or conversion of, Shares. The Directors may also, at their discretion, decide to make a publication in newspapers of the countries in which the Fund's Shares are offered for sale to the public.

4. Publication of Prices

The Net Asset Value per Share of each Class, as well as the Subscription Price and Redemption Price, may be obtained from the registered office of the Fund and any newspaper or other means of communication the Directors may determine from time to time.

5. Meetings

The annual general meeting of Shareholders will be held at the registered office of the Fund in Luxembourg (or any other place indicated in the convening notice) on the last Wednesday of April of each year at 11 a.m. or, if any such day is not a bank business day in Luxembourg, on the immediately preceding bank business day. Notices of all general meetings will be published in the *Mémorial* to the extent required by Luxembourg law and in such other newspapers as the Directors shall determine. Such notices will include the agenda and specify the time and place of the meeting and the conditions of admission, and will refer to the requirements of Luxembourg law with regard to the necessary quorum and majorities required for the meeting. The requirements as to attendance, quorum and majorities at all general meetings will be those laid down in Articles 67, 67-1 and 68 of the Law of 10 August 1915 (as amended) of the Grand-Duchy of Luxembourg and in the Articles.

Matters relating to a particular Sub-Fund, such as a vote on the payment of a dividend in relation to that Sub-Fund, may be decided by a vote at a meeting of the Shareholders of that Sub-Fund. Any change in the Articles of Incorporation affecting the rights of Shareholders of a particular Sub-Fund must be

approved by a resolution both of all the Shareholders of the Fund and of the Shareholders of the Sub-Fund in question.

6. Winding-Up

The Fund may be wound up by decision of an extraordinary general meeting of the Shareholders. Such a meeting must be convened if the value of the net assets of the Fund falls below the respective levels of two-thirds or one quarter of the minimum capital prescribed by Luxembourg law. At any such meeting convened in such circumstances decisions to wind up the Fund will be taken in accordance with the requirements of Article 30 of the Law.

If the Fund is to be wound up, the winding-up will be carried out in accordance with the provisions of Luxembourg law which specify the steps to be taken to enable Shareholders to participate in distribution(s) on the winding-up and in this connection provides for the deposit in escrow at the Caisse de Consignation of any amounts which have not been claimed by Shareholders at the close of the winding-up. Amounts not claimed from escrow within the prescription period are liable to be forfeited in accordance with the provisions of Luxembourg law.

7. Dissolution and Amalgamation of Sub-Funds

Sub-Funds will be automatically dissolved at the end of their fixed term as may be provided for in the relevant Annex.

A Sub-Fund may also be dissolved by compulsory redemption of Shares of the Sub-Fund concerned, upon a decision of the Directors:

- (a) if the Net Asset Value of the Sub-Fund concerned has decreased below US Dollar 20 million or the equivalent in another currency, or
- (b) if a change in the economical or political situation relating to the Sub-Fund concerned would have material adverse consequences on investments of the Sub-Fund, or
- (c) in order to proceed to an economic rationalisation.

The Redemption Price will be the Net Asset Value per Share (taking into account actual realisation prices of investments and realisation expenses), calculated as of the Valuation Day at which such decision shall take effect.

The Fund shall serve a written notice to the holders of the relevant Shares prior to the effective date of the compulsory redemption, which will indicate the reasons for, and the procedure of the redemption operations. Shareholders shall be notified in writing. Unless it is otherwise decided in the interests of, or to keep equal treatment between, the Shareholders, the Shareholders of the Sub-Fund concerned may continue to request redemption or conversion of their Shares free of charge prior to the effective date of the compulsory redemption, taking into account actual realisation prices of investments and realisation expenses.

Notwithstanding the powers conferred to the Directors by the preceding paragraph, a general meeting of Shareholders of any Sub-Fund may, upon proposal from the Directors, redeem all the Shares of such Sub-Fund and refund to the Shareholders the Net Asset Value of their Shares (taking into account actual realisation prices of investments and realisation expenses) calculated as of the Valuation Day at which such decision shall take effect. There shall be no quorum requirements for such general meeting

of Shareholders at which resolutions shall be adopted by simple majority of those present or represented if such decision does not result in the liquidation of the Fund.

Assets which may not be distributed to their beneficiaries upon the implementation of the redemption will be deposited with the Custodian for a period of six months thereafter; after such period, the assets will be deposited in escrow with the Luxembourg *Caisse de Consignation* on behalf of the persons entitled thereto.

All redeemed Shares shall be cancelled.

Under the circumstances provided under the first paragraph of this Section and in accordance with the provision on mergers of the Law and applicable regulations, the Directors may decide to merge any Sub-Fund with another existing Sub-Fund within the Fund or to another Luxembourg undertaking for collective investment subject to Part I of the Law (whether of the investment company or mutual fund type) and to re-designate the Shares of the Sub-Fund concerned as Shares of another Sub-Fund or Luxembourg undertaking for collective investment (following a split or consolidation, if necessary, and the payment of the amount corresponding to any fractional entitlement to Shareholders). Such decision will be notified to the Shareholders concerned (and, in addition, the notification will contain information in relation to the Sub-Fund or Luxembourg undertaking for collective investment), 30 days prior to the date on which the Shareholders may request redemption or conversion of their Shares, free of charge.

In all other cases than those of the preceding paragraph, a merger of a Sub-Fund can only be decided by a general meeting of shareholders deciding with a simple majority of votes cast of those present or represented. A merger of the Fund can only be decided by a general meeting of shareholders deciding in the same manner as for amending the Articles of Incorporation.

8. Material Contracts

The following contracts as may be amended from time to time, not being contracts entered into in the ordinary course of business, have been entered into by the Fund and are, or may be, material:

- (A) An Agreement dated as of 12 September 2007 between the Fund and the Management Company, pursuant to which the latter was appointed, subject to the overall control of the Directors, with responsibility on a day-to-day basis, for providing administration, marketing, investment management and advisory services in respect of all the sub-funds of the Fund.
- (B) An Agreement dated as of 12 September 2007 between the Fund, the Management Company and the Investment Manager pursuant to which the latter was appointed, subject to the overall control of the Management Company, to manage the Fund's investments.
- (C) An Agreement dated as of 12 September 2007 between the Fund, the Management Company and the Global Distributor pursuant to which the latter was appointed, subject to the overall control of the Management Company as global distributor of the Fund's Shares.
- (D) An Agreement dated as of 12 September 2007 between the Fund and HSBC Securities Services (Luxembourg) S.A. pursuant to which the latter was appointed paying agent and custodian of the assets of the Fund.
- (E) Agreements dated as of 12 September 2007 between the Fund, the Management Company and HSBC Securities Services (Luxembourg) S.A. pursuant to which the latter was appointed as Administrator, Registrar and Transfer Agent and Domiciliary Agent of the Fund.

Any of the above Agreements may be amended by mutual consent of the parties, consent on behalf of the Fund being given by the Directors.

9. Documents available for inspection

Copies of the following documents are available for inspection during business hours on each bank business day at the registered office of the Fund in Luxembourg:

- (1) the Articles of Incorporation of the Fund;
- (2) the Material Contracts referred to above.

Copies of the Articles of Incorporation, of the current Prospectus and of the latest reports of the Fund may be obtained free of charge at the registered office of the Fund and the offices of the Global Distributor.

ANNEX 1: KOTAK FUNDS – INDIAN MULTI CAP FUND

Investment Objective and Policy

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 can invest up to one third of its total assets temporarily in liquid assets, including money-market instruments having a residual maturity not exceeding twelve months and demand or time deposits. The Sub-Fund may also invest, for the exclusive purposes of hedging and efficient portfolio management, in financial derivative instruments such as futures, equity swaps, options and forward currency contracts and in other currency and equity derivatives including index based derivative instruments.

A Mauritius subsidiary, wholly-owned by the Fund, will be used as an efficient means of investing. The Sub-Fund will have an active fund management strategy with allocation to sectors and capitalisation bands varied according to the Investment Manager's view of the market. The Investment style will be a mix of top down and bottom up research. The large cap stocks are predominantly researched on a top-down approach, while the research of mid cap stocks is predominantly bottom-up.

The Investment Manager may periodically vary the capitalisation bias of the Sub-Fund based on its market view.

Profile of the typical Investor

The Sub-Fund may be suitable for investors seeking long term capital appreciation from investment in Indian equities. Investors should consider the Sub-Fund as a long-term investment with a commitment of 3 to 5 years.

Reference Currency

The reference currency of the Sub-Fund is the US Dollar.

Classes of Shares

Class I Shares are available for subscription and are reserved to institutional investors as defined from time to time by the Luxembourg Supervisory Authority. The minimum subscription and minimum holding amounts are of USD 1,000,000, or its equivalent in another currency or such other amount to be decided by the Directors.

Class A Shares will be available to all investors. The minimum subscription and minimum holding amounts are of USD 1,000, or its equivalent in another currency or such other amount to be decided by the Directors.

Class X Shares are only available in certain jurisdictions and shall be offered at the discretion of the Global Distributor. The minimum subscription and minimum holding amounts are of JPY 100,000, or its equivalent in another currency or such other amount to be decided by the Directors.

Class I Shares, Class A Shares and Class X Shares are available as Distribution Shares or Accumulation Shares. Shares of the following Classes are currently issued:

Name of the Class of Shares	Available currencies		
	USD	GBP	EUR
Class I (acc)	USD	GBP	EUR
Class I (dist)		GBP	
Class A (acc)	USD	GBP	EUR
Class A (dist)		GBP	
Class X (acc)	JPY		
Class X (dist)	JPY		

Valuation Day

The Net Asset Value of each Class of Shares shall normally be calculated on each Business Day (a "Valuation Day").

Business Day

Any day (except Saturday or Sunday and 24 December) on which banks in Luxembourg and the Mumbai and Bombay Stock Exchange and National Stock Exchange India are open for normal business.

Subscriptions

Investors should be aware that subscriptions for Shares may be made directly through the Registrar and Transfer Agent as described in the Chapter on Subscriptions.

Shares are available for subscription on each Valuation Day. Applications for Shares must be received by the Registrar and Transfer Agent and subscription proceeds must be received by the Custodian by no later than 1 p.m. (Luxembourg time) on the relevant Valuation Day to be dealt with on the basis of the Net Asset Value per Share calculated on that Valuation Day. Notwithstanding the foregoing, the Sub-Fund may accept applications for Shares for which the subscription proceeds are to be received no later than 4 Business Days following the relevant Valuation Day, provided this has been specifically agreed between the Global Distributor and the investor.

Applications for Shares received by the Registrar and Transfer Agent after 1 p.m. (Luxembourg time) will be treated as if received on the next Valuation Day.

A Subscription Charge, not exceeding 5% of the Subscription Price, may be added for the purpose of compensating the Investment Manager and financial intermediaries who assist in placing the Shares. This charge is to be considered a maximum rate and the Investment Manager may decide at its discretion to waive this charge in whole or in part.

Redemptions

Shares are redeemable at the option of the Shareholders.

Completed redemption requests should be sent to the Registrar and Transfer Agent to be received no later than 1 p.m. (Luxembourg time) on the relevant Valuation Day in order to be dealt with on the basis of the Net Asset Value per Share calculated on that Valuation Day.

Redemption requests received by the Registrar and Transfer Agent after 1 p.m. (Luxembourg time) will be treated as if received on the next Valuation Day.

No redemption fee shall be charged.

Payment of redemption proceeds will normally be made within five Business Days after the relevant Valuation Day.

A request for a partial redemption of Shares may be treated as a request for the redemption of the entire holding if, as a result of such partial redemption, the total Net Asset Value of the Shares retained by the Shareholder in the Sub-Fund would be less than the minimum holding.

Dividend Policy

The Directors do not intend to distribute dividends in relation to Accumulation Shares.

In relation to the Distribution Shares, it is intended that the Sub-Fund will distribute by way of dividend not less than 85% of the net investment income attributable to such Distribution Shares, computed broadly in accordance with the definition of net taxable income under United Kingdom corporation tax principles (subject to the application of any de minimis threshold) so that these Distribution Shares obtain "distributing fund" status for the purposes of United Kingdom tax legislation relating to interests in offshore funds for so long as such status applies to those Shares. Thereafter, the Directors may distribute dividends in relation to the Distribution Shares in such amounts as they may determine.

Annual dividends are declared separately in respect of such Distribution Shares at the Annual General Meeting of Shareholders. In addition, the Directors may declare interim dividends. Dividends will be declared on a quarterly basis on the 10th day of February, May, August and November of each year (if such day is not a Business Day, the immediately following Business Day) with respect to Class X (dist) JPY Shares and will be paid out within four business days from the date on which they have been declared (if such day is not a Business Day, the immediately following Business Day).

Fees

Management Company Fee

The Management Company will receive from the Sub-Fund a fee which will be calculated and paid monthly. The fee will be on a reducing scale of charges, based on the Net Asset Value of the Sub-Fund at each month end and will not exceed 0.05 % of the Net Asset Value of the Sub-Fund per annum. The fee payable is subject to a minimum annual fee of € 24,000.

Investment Management Fee

The Investment Manager will receive from Class I an Investment Management Fee, accrued daily and payable monthly, not exceeding 1.00% per annum of the net assets of the Sub-Fund attributable to Class I.

The Investment Manager will receive from Class A an Investment Management Fee, accrued daily and payable monthly, not exceeding 1.50% per annum of the net assets of the Sub-Fund attributable to Class A.

The Investment Manager will receive from Class X an Investment Management Fee, accrued daily and payable monthly, not exceeding 1.00% per annum of the net assets of the Sub-Fund attributable to Class X.

The Investment Manager will receive a facilitation fee in respect of each of the Classes, payable for each transaction executed, which is not expected to exceed 0.50% of the transaction value.

Custody Fee

The Custodian will receive from the Sub-Fund, in addition to transaction based fees, custody fees which will be calculated and paid monthly. The custody fees in respect of the safekeeping of the Sub-Fund's assets will not exceed 0.04% of Net Asset Value of the Sub-Fund per annum, based on the value of the assets at each month end.

Administration Fee

The Administrator and Registrar and Transfer Agent will receive from the Sub-Fund a fee which will be calculated daily and paid monthly. The fee will be on a reducing scale of charges, based on the Net Asset Value of the Sub-Fund on each Valuation Day and will not exceed 0.05% of the Net Asset Value of the Sub-Fund per annum.

The Custody and Administration Fees payable are subject to a minimum total annual fee of € 15,000.

Additional Information relating to the Sub-Fund

The Fund has incorporated Indian Multi Cap Fund (Mauritius) Limited ("the Multi Cap Subsidiary") on 3 August 2007, as a wholly-owned subsidiary. It holds a substantial proportion of the assets of the Sub-Fund. The Multi Cap Subsidiary has received a tax residence certificate from the Director General of the Mauritius Revenue Authority, on which basis the Multi Cap Subsidiary should be entitled to appropriate relief under the India/Mauritius Double Tax Treaty. The Multi Cap Subsidiary is registered as a sub-account of Kotak Mahindra (UK) Limited under the SEBI (FII) Regulations, 1995. Thus, the Multi Cap Subsidiary will make direct investments in India under the FII regime (for additional information on the FII regime, please refer to the section on "CERTAIN INDIAN REGULATORY CONSIDERATIONS" of the main part of the prospectus). There can be no assurance that the treaty will continue to be in full force and effect during the existence of the Company or that the Company will continue to enjoy the benefit of the tax treaty.

The Multi Cap Subsidiary is a private company limited by Shares incorporated under the Mauritius Companies Act 2001. The Multi Cap Subsidiary shall issue redeemable preference Shares in registered form and the Fund is the sole shareholder in the Multi Cap Subsidiary. The Multi Cap Subsidiary holds a Category 1 Global Business Licence under the Financial Services Act 2007.

The directors of the Multi Cap Subsidiary are:

- Varadarajan Viswanathan, Director - Compliance and MLRO, Kotak Mahindra (UK) Limited, London
- Ruchit Puri, Chief Executive Officer, Kotak Mahindra (UK) Limited, Singapore
- Sow Man Ah Yuk Shing, Lead Consultant, Genius Business Consulting Ltd, Mauritius
- Abdool Azize Owasil, Director, Multiconsult Limited, Mauritius

The directors of the Multi Cap Subsidiary are responsible for establishing the investment policy and restrictions of the Multi Cap Subsidiary and for monitoring its operations. The Multi Cap Subsidiary adheres to the investment policy and restrictions contained in this Prospectus which apply to the Sub-Fund and the Fund on a collective basis. The Multi Cap Subsidiary carries out exclusively activities relating to the Sub-Fund.

The Multi Cap Subsidiary has appointed Multiconsult Limited, Mauritius to provide company secretarial and administrative services, including maintenance of accounts, books and records. Multiconsult Limited is incorporated in Mauritius and is licensed by the Financial Services Commission, Mauritius to provide inter alia company management services to offshore companies. The Multi Cap Subsidiary has appointed the Custodian

as custodian and the Custodian has appointed HSBC, Mumbai and HSBC Bank (Mauritius) Limited as its correspondents. KPMG, Mauritius has been appointed auditors of the Multi Cap Subsidiary.

As a wholly-owned subsidiary of the Fund all assets and liabilities, income and expenses of the Multi Cap Subsidiary are consolidated in the statement of net assets and operations of the Fund. All investments held by the Multi Cap Subsidiary are disclosed in the accounts of the Fund.

All cash, securities and other assets of the Multi Cap Subsidiary are held by the Custodian on behalf of the Fund.

ANNEX 2: KOTAK FUNDS – INDIA INFRASTRUCTURE AND REALTY FUND

Investment Objective and Policy

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 are directly or indirectly involved in the infrastructure or real estate sectors in India such as, but not exclusively limited to:

- i. Airports and Air Transportation
- ii. Cement, Construction and Materials
- iii. Industrial Engineering and Machinery
- iv. Industrial Goods & Services
- v. Infrastructure Development and Financing
- vi. Logistics
- vii. Oil, Gas and Pipelines
- viii. Ports, Shipping and Ship Building
- ix. Power– Generation, Transmission and Distribution
- x. Real Estate and Special Economic Zone (SEZ) Development
- xi. Road & Railway
- xii. Telecommunication
- xiii. Urban Infrastructure development
- xiv. Utilities
- xv. Metals
- xvi. Banking, Financial Services and Insurance
- xvii. Hotels/Hospitals

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

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

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

Profile of the typical Investor

The Sub-Fund may be suitable for investors seeking long term capital appreciation from investment in Indian equities. Investors should consider the Sub-Fund as a long-term investment with a commitment of 3 to 5 years.

Reference Currency

The reference currency of the Sub-Fund is the US Dollar.

Classes of Shares

Class I Shares are available for subscription and are reserved to institutional investors as defined from time to time by the Luxembourg Supervisory Authority. The minimum subscription and minimum holding amounts are of USD 1,000,000, or its equivalent in another currency or such other amount to be decided by the Directors.

Class A Shares will be available to all investors. The minimum initial subscription and minimum holding amounts are of USD 500, or its equivalent in another currency or such other amount to be decided by the Directors.

Class B Shares will only be 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 minimum initial subscription and minimum holding amounts are of USD 500, or its equivalent in another currency or such other amount to be decided by the Directors. Class B Shares are subject to a contingent deferred sales charge as described hereafter.

Class X Shares are only available in certain jurisdictions and shall be offered at the discretion of the Global Distributor. The minimum subscription and minimum holding amounts are of JPY 100,000, or its equivalent in another currency or such other amount to be decided by the Directors.

Class I Shares, Class A, Class B and Class X Shares are available as Distribution Shares or Accumulation Shares. Shares of the following Classes are currently issued:

Name of the Class of Shares	Available currencies		
Class I (acc)	USD	GBP	EUR
Class I (dist)		GBP	
Class B (acc)	USD	GBP	EUR
Class B (dist)		GBP	
Class A (acc)	USD	GBP	EUR
Class A (dist)		GBP	
Class X (acc)	JPY		
Class X (dist)	JPY		

Valuation Day

The Net Asset Value of each Class of Shares shall normally be calculated on each Business Day (a "Valuation Day").

Business Day

Any day (except Saturday or Sunday and 24 December) on which banks in Luxembourg and the Mumbai and Bombay Stock Exchange and National Stock Exchange in India are open for normal business.

Subscriptions

Investors should be aware that subscriptions for Shares may be made directly through the Registrar and Transfer Agent as described in the Chapter on Subscriptions.

Shares are available for subscription on each Valuation Day. Applications for Shares must be received by the Registrar and Transfer Agent and subscription proceeds must be received by the Custodian by no later than 1 p.m. (Luxembourg time) on the relevant Valuation Day to be dealt with on the basis of the Net Asset Value per Share calculated on that Valuation Day. Notwithstanding the foregoing, the Sub-Fund may accept applications

for Shares for which the subscription proceeds are to be received no later than 4 Business Days following the relevant Valuation Date, provided this has been specifically agreed between the Global Distributor and the investor.

Applications for Shares received by the Registrar and Transfer Agent after 1 p.m. (Luxembourg time) will be treated as if received on the next Valuation Day.

A Subscription Charge, not exceeding 5% of the Subscription Price, may be added for the purpose of compensating the Investment Manager and financial intermediaries who assist in placing the Shares. This charge is to be considered a maximum rate and the Investment Manager may decide at its discretion to waive this charge in whole or in part.

Redemptions

Shares are redeemable at the option of the Shareholders.

Completed redemption requests should be sent to the Registrar and Transfer Agent to be received no later than 1 p.m. (Luxembourg time) on the relevant Valuation Day in order to be dealt with on the basis of the Net Asset Value per Share calculated on that Valuation Day.

Redemption requests received by the Registrar and Transfer Agent after 1 p.m. (Luxembourg time) will be treated as if received on the next Valuation Day.

No redemption fee shall be charged except in case of Class B Shares where a Contingent Deferred Sales Charge is applicable, if Shares are redeemed within a specified period of time. Please refer to the 'Contingent Deferred Sales Charge' below for details.

Payment of redemption proceeds will normally be made within five Business Days after the relevant Valuation Day.

A request for a partial redemption of Shares may be treated as a request for the redemption of the entire holding if, as a result of such partial redemption, the total Net Asset Value of the Shares retained by the Shareholder in the Sub-Fund would be less than the minimum holding.

Contingent Deferred Sales Charge

No Subscription Charge will be payable on the acquisition of Class B Shares. Instead, a contingent deferred sales charge ("CDSC") may be payable to the Global Distributor in relation to Class B Shares. The CDSC constitutes a fee for services rendered by the Global Distributor in connection with the distribution, placing and sale of Class B Shares at the time of such distribution, placing and sale and is not conditioned upon or related to any provision of ongoing services by the Global Distributor with respect to such Class B Shares. Where Class B Shares are repurchased within the first five years of the date of their subscription, the repurchase proceeds thereof will be subject to a CDSC at the rates set forth in the table below.

Applicable rate of the CDSC	Period from Subscription Date
5%	1 year
4%	After 1 year but within 2 years
3%	After 2 year but within 3 years
2%	After 3 year but within 4 years
1%	After 4 year but within 5 years
0%	thereafter

The applicable rate of CDSC is determined by reference to the total length of time during which the Class B Shares being repurchased were in issue. In determining whether a CDSC is applicable, the calculation will be effected in a manner that results in the lowest possible rate being applied. An instruction to sell Class B Shares will be deemed to have been given for the Shares which have been held for the longest period. No CDSC will be levied on the redemption of Class B Shares derived from the reinvestment of dividends.

No CDSC is payable at the time of a conversion of Class B Shares of a Sub-Fund into Class B Shares of another Sub-Fund. In this case, the total length of time of the Class B Shares of a Sub-Fund to be converted were held, will be carried over into Class B Shares of another Sub-Fund.

The CDSC is payable at the time of a conversion of Class B Shares of the Sub-Fund into shares of another class (other than Class B Shares) of the relevant Sub-Fund or another Sub-Fund.

The amount of CDSC is calculated by multiplying the relevant percentage rate as determined above by the lower of a) the Net Asset Value per Share of the Class B Shares being repurchased on the relevant date of redemption or b) the price paid for the original issue of Shares being repurchased.

A CDSC in respect of Class B Shares paid to the Fund reverts to the Global Distributor. The CDSC may be waived or reduced by the Global Distributor.

Proceeds from the CDSC are used all or in part by the Global Distributor to pay its expenses in providing distribution related services to the Sub-Fund in relation to the sales and promotion of Class B Shares. On any subscription of Class B Shares, the Global Distributor may, pay commission on applications received through other distributors, brokers and other professional agents or grant discounts.

Dividend Policy

The Directors do not intend to distribute dividends in relation to Accumulation Shares.

In relation to the Distribution Shares, it is intended that the Sub-Fund will distribute by way of dividend not less than 85% of the net investment income attributable to such Distribution Shares, computed broadly in accordance with the definition of net taxable income under United Kingdom corporation tax principles (subject to the application of any de minimis threshold) so that these Distribution Shares obtain "distributing fund" status for the purposes of United Kingdom tax legislation relating to interests in offshore funds for so long as such status applies to those Shares. Thereafter, the Directors may distribute dividends in relation to the Distribution Shares in such amounts as they may determine.

Annual dividends are declared separately in respect of such Distribution Shares at the Annual General Meeting of Shareholders. In addition, the Directors may declare interim dividends. Dividends will be declared on a quarterly basis on the 10th day of February, May, August and November of each year (if such day is not a Business Day, the immediately following Business Day) with respect to Class X (dist) JPY Shares and will be paid out within four business days from the date on which they have been declared (if such day is not a Business Day, the immediately following Business Day).

Fees

Management Company Fee

The Management Company will receive from the Sub-Fund a fee which will be calculated and paid monthly. The fee will be on a reducing scale of charges, based on the Net Asset Value of the Sub-Fund at each month end and will not exceed 0.05 % of the Net Asset Value of the Sub-Fund per annum. The fee payable is subject to a

minimum annual fee of € 24,000. Such fee may be periodically revised based on the negotiations between the Board and the Management Company.

Investment Management Fee

The Investment Manager will receive from Class I an Investment Management Fee, accrued daily and payable monthly, not exceeding 1.00% per annum of the net assets of the Sub-Fund attributable to Class I.

The Investment Manager will receive from Class A an Investment Management Fee, accrued daily and payable monthly, not exceeding 2.00% per annum of the net assets of the Sub-Fund attributable to Class A.

The Investment Manager will receive from Class B an Investment Management Fee, accrued daily and payable monthly, not exceeding 2.00% per annum of the net assets of the Sub-Fund attributable to Class B.

The Investment Manager will receive from Class X an Investment Management Fee, accrued daily and payable monthly, not exceeding 1.00% per annum of the net assets of the Sub-Fund attributable to Class X.

The Investment Manager will receive a facilitation fee in respect of each of the Classes, payable for each transaction executed, which is not expected to exceed 0.50% of the transaction value.

Custody Fee

The Custodian will receive from the Sub-Fund, in addition to transaction based fees, custody fees which will be calculated and paid monthly. The custody fees in respect of the safekeeping of the Sub-Fund's assets will not exceed 0.04% of Net Asset Value of the Sub-Fund per annum, based on the value of the assets at each month end.

Administration Fee

The Administrator and Registrar and Transfer Agent will receive from the Sub-Fund a fee which will be calculated daily and paid monthly. The fee will be on a reducing scale of charges, based on the Net Asset Value of the Sub-Fund on each Valuation Day and will not exceed 0.05% of the Net Asset Value of the Sub-Fund per annum.

The Custody and Administration Fees payable are subject to a minimum total annual fee of € 15,000.

Distribution Fee

Class B shares will be subject to a distribution fee of up to 1% per annum of the Net Asset Value of such Class B Shares. The Distribution Fee is accrued daily and payable monthly in arrears. The Distribution Fee reverts to the Global Distributor.

Additional Information relating to the Sub-Fund

The Fund has incorporated India Infrastructure & Realty Fund (Mauritius) Ltd. ("the Infrastructure & Realty Subsidiary") on 14 September 2009, as a wholly-owned subsidiary. It holds a substantial proportion of the assets of the Sub-Fund. The Infrastructure & Realty Subsidiary has received a tax residence certificate from the Director General of the Mauritius Revenue Authority, on which basis the Infrastructure & Realty Subsidiary should be entitled to appropriate relief under the India/Mauritius Double Tax Treaty. The Infrastructure & Realty Subsidiary is registered as a sub-account of Kotak Mahindra (UK) Limited under the SEBI (FII) Regulations, 1995. Thus, the Infrastructure & Realty Subsidiary will make direct investments in India under the FII regime (for

additional information on the FII regime, please refer to the section on "CERTAIN INDIAN REGULATORY CONSIDERATIONS" in the main part of the Prospectus). There can be no assurance that the treaty will continue to be in full force and effect during the existence of the Company or that the Company will continue to enjoy the benefit of the tax treaty.

The Infrastructure & Realty Subsidiary is a private company limited by Shares incorporated under the Mauritius Companies Act 2001. The Infrastructure & Realty Subsidiary shall issue redeemable preference Shares in registered form and the Fund is the sole shareholder in the Infrastructure & Realty Subsidiary. The Infrastructure & Realty Subsidiary holds a Category 1 Global Business Licence under the Financial Services Act 2007.

The directors of the Infrastructure & Realty Subsidiary are:

- Varadarajan Viswanathan, Director - Compliance and MLRO, Kotak Mahindra (UK) Limited, London
- Ruchit Puri, Chief Executive Officer, Kotak Mahindra (UK) Limited, Singapore
- Sow Man Ah Yuk Shing, Lead Consultant, Cays Associates, Mauritius
- Abdool Azize Owasil, Director, Multiconsult Limited, Mauritius

The directors of the Infrastructure & Realty Subsidiary are responsible for establishing the investment policy and restrictions of the Infrastructure & Realty Subsidiary and for monitoring its operations. The Infrastructure & Realty Subsidiary adheres to the investment policy and restrictions contained in this Prospectus which apply to the Sub-Fund and the Fund on a collective basis. The Infrastructure & Realty Subsidiary carries out exclusively activities relating to the Sub-Fund.

The Infrastructure & Realty Subsidiary has appointed Multiconsult Limited, Mauritius to provide company secretarial and administrative services, including maintenance of accounts, books and records. Multiconsult Limited is incorporated in Mauritius and is licensed by the Financial Services Commission, Mauritius to provide inter alia company management services to offshore companies. The Infrastructure & Realty Subsidiary has appointed the Custodian as custodian and the Custodian has appointed HSBC, Mumbai and HSBC Bank (Mauritius) Limited as its correspondents. KPMG, Mauritius has been appointed auditors of the Infrastructure & Realty Subsidiary.

As a wholly-owned subsidiary of the Fund all assets and liabilities, income and expenses of the Infrastructure & Realty Subsidiary are consolidated in the statement of net assets and operations of the Fund. All investments held by the Infrastructure & Realty Subsidiary are disclosed in the accounts of the Fund.

All cash, securities and other assets of the Infrastructure & Realty Subsidiary are held by the Custodian on behalf of the Fund.

ANNEX 3: KOTAK FUNDS – INDIA GROWTH FUND

Investment Objective and Policy

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:

- i) Companies which are expected to sustain high growth due to their ability to create new markets, develop nascent business segments, operate successfully in niche segments with scale-up potential.
- ii) Companies expected to create and deliver long term value due to innovation and IPR development.
- iii) Companies with the potential for value unlocking in the medium to long term due to strategic sale, change in management, deregulation, economic legislation and reform.
- iv) Companies which are sectoral leaders and enjoy leadership in their respective segments.
- v) Companies which are strong asset plays.
- vi) 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.

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

Profile of the typical Investor

The Sub-Fund may be suitable for investors seeking long term capital appreciation from investment in Indian equities. Investors should consider the Sub-Fund as a long-term investment with a commitment of 3 to 5 years.

Reference Currency

The reference currency of the Sub-Fund is the US Dollar.

Classes of Shares

Class I Shares are available for subscription and are reserved to institutional investors as defined from time to time by the Luxembourg Supervisory Authority. The minimum subscription and minimum holding amounts are of USD 1,000,000, or its equivalent in another currency or such other amount to be decided by the Directors.

Class A Shares will be available to all investors. The minimum initial subscription and minimum holding amounts are of USD 500, or its equivalent in another currency or such other amount to be decided by the Directors.

Class B Shares will only be 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 minimum initial subscription and minimum holding amounts are of USD 500, or its

equivalent in another currency or such other amount to be decided by the Directors. Class B Shares are subject to a contingent deferred sales charge as described hereafter.

Class X Shares are only available in certain jurisdictions and shall be offered at the discretion of the Global Distributor. The minimum subscription and minimum holding amounts are of JPY 100,000, or its equivalent in another currency or such other amount to be decided by the Directors.

Class I Shares, Class A, Class B and Class X Shares are available as Distribution Shares or Accumulation Shares. Shares of the following Classes are currently issued:

Name of the Class of Shares	Available currencies		
	USD	GBP	EUR
Class I (acc)	USD	GBP	EUR
Class I (dist)		GBP	
Class B (acc)	USD	GBP	EUR
Class B (dist)		GBP	
Class A (acc)	USD	GBP	EUR
Class A (dist)		GBP	
Class X (acc)	JPY		
Class X (dist)	JPY		

Valuation Day

The Net Asset Value of each Class of Shares shall normally be calculated on each Business Day (a "Valuation Day").

Business Day

Any day (except Saturday or Sunday and 24 December) on which banks in Luxembourg and Mumbai and Bombay Stock Exchange and National Stock Exchange in India are open for normal business.

Subscriptions

Investors should be aware that subscriptions for Shares may be made directly through the Registrar and Transfer Agent as described in the Chapter on Subscriptions.

Shares are available for subscription on each Valuation Day. Applications for Shares must be received by the Registrar and Transfer Agent and subscription proceeds must be received by the Custodian by no later than 1 p.m. (Luxembourg time) on the relevant Valuation Day to be dealt with on the basis of the Net Asset Value per Share calculated on that Valuation Day. Notwithstanding the foregoing, the Sub-Fund may accept applications for Shares for which the subscription proceeds are to be received no later than 4 Business Days following the relevant Valuation Date, provided this has been specifically agreed between the Global Distributor and the investor.

Applications for Shares received by the Registrar and Transfer Agent after 1 p.m. (Luxembourg time) will be treated as if received on the next Valuation Day.

A Subscription Charge, not exceeding 5% of the Subscription Price, may be added for the purpose of compensating the Investment Manager and financial intermediaries who assist in placing the Shares. This charge is to be considered a maximum rate and the Investment Manager may decide at its discretion to waive this charge in whole or in part.

Redemptions

Shares are redeemable at the option of the Shareholders.

Completed redemption requests should be sent to the Registrar and Transfer Agent to be received no later than 1 p.m. (Luxembourg time) on the relevant Valuation Day in order to be dealt with on the basis of the Net Asset Value per Share calculated on that Valuation Day.

Redemption requests received by the Registrar and Transfer Agent after 1 p.m. (Luxembourg time) will be treated as if received on the next Valuation Day.

No redemption fee shall be charged except in case of Class B Shares where a Contingent Deferred Sales Charge is applicable, if Shares are redeemed within a specified period of time. Please refer to the 'Contingent Deferred Sales Charge' below for details.

Payment of redemption proceeds will normally be made within five Business Days after the relevant Valuation Day.

A request for a partial redemption of Shares may be treated as a request for the redemption of the entire holding if, as a result of such partial redemption, the total Net Asset Value of the Shares retained by the Shareholder in the Sub-Fund would be less than the minimum holding.

Contingent Deferred Sales Charge

No Subscription Charge will be payable on the acquisition of Class B Shares. Instead, a contingent deferred sales charge ("CDSC") may be payable to the Global Distributor in relation to Class B Shares. The CDSC constitutes a fee for services rendered by the Global Distributor in connection with the distribution, placing and sale of Class B Shares at the time of such distribution, placing and sale and is not conditioned upon or related to any provision of ongoing services by the Global Distributor with respect to such Class B Shares. Where Class B Shares are repurchased within the first five years of the date of their subscription, the repurchase proceeds thereof will be subject to a CDSC at the rates set forth in the table below.

Applicable rate of the CDSC	Period from Subscription Date
5%	1 year
4%	After 1 year but within 2 years
3%	After 2 year but within 3 years
2%	After 3 year but within 4 years
1%	After 4 year but within 5 years
0%	thereafter

The applicable rate of CDSC is determined by reference to the total length of time during which the Class B Shares being repurchased were in issue. In determining whether a CDSC is applicable, the calculation will be effected in a manner that results in the lowest possible rate being applied. An instruction to sell Class B Shares will be deemed to have been given for the Shares which have been held for the longest period. No CDSC will be levied on the redemption of Class B Shares derived from the reinvestment of dividends.

No CDSC is payable at the time of a conversion of Class B Shares of a Sub-Fund into Class B Shares of another Sub-Fund. In this case, the total length of time of the Class B Shares of a Sub-Fund to be converted were held, will be carried over into Class B Shares of another Sub-Fund.

The CDSC is payable at the time of a conversion of Class B Shares of the Sub-Fund into shares of another class (other than Class B Shares) of the relevant Sub-Fund or another Sub-Fund.

The amount of CDSC is calculated by multiplying the relevant percentage rate as determined above by the lower of a) the Net Asset Value per Share of the Class B Shares being repurchased on the relevant date of redemption or b) the price paid for the original issue of Shares being repurchased.

A CDSC in respect of Class B Shares paid to the Fund reverts to the Global Distributor. The CDSC may be waived or reduced by the Global Distributor.

Proceeds from the CDSC are used all or in part by the Global Distributor to pay its expenses in providing distribution related services to the Sub-Fund in relation to the sales and promotion of Class B Shares. On any subscription of Class B Shares, the Global Distributor may, pay commission on applications received through other distributors, brokers and other professional agents or grant discounts.

Dividend Policy

The Directors do not intend to distribute dividends in relation to Accumulation Shares.

The Directors may distribute dividends in relation to the Distribution Shares in such amounts as they may determine.

Annual dividends are declared separately in respect of such Distribution Shares at the Annual General Meeting of Shareholders. In addition, the Directors may declare interim dividends. Dividends will be declared on a quarterly basis on the 10th day of February, May, August and November of each year (if such day is not a Business Day, the immediately following Business Day) with respect to Class X (dist) JPY Shares and will be paid out within four business days from the date on which they have been declared (if such day is not a Business Day, the immediately following Business Day).

Fees

Management Company Fee

The Management Company will receive from the Sub-Fund a fee which will be calculated and paid monthly. The fee will be on a reducing scale of charges, based on the Net Asset Value of the Sub-Fund at each month end and will not exceed 0.05 % of the Net Asset Value of the Sub-Fund per annum. The fee payable is subject to a minimum annual fee of € 24,000. Such fee may be periodically revised based on the negotiations between the Board and the Management Company.

Investment Management Fee

The Investment Manager will receive from Class I an Investment Management Fee, accrued daily and payable monthly, not exceeding 1.00% per annum of the net assets of the Sub-Fund attributable to Class I.

The Investment Manager will receive from Class A an Investment Management Fee, accrued daily and payable monthly, not exceeding 2.00% per annum of the net assets of the Sub-Fund attributable to Class A.

The Investment Manager will receive from Class B an Investment Management Fee, accrued daily and payable monthly, not exceeding 2.00% per annum of the net assets of the Sub-Fund attributable to Class B.

The Investment Manager will receive from Class X an Investment Management Fee, accrued daily and payable monthly, not exceeding 1.00% per annum of the net assets of the Sub-Fund attributable to Class X.

The Investment Manager will receive a facilitation fee in respect of each of the Classes, payable for each transaction executed, which is not expected to exceed 0.50% of the transaction value.

Custody Fee

The Custodian will receive from the Sub-Fund, in addition to transaction based fees, custody fees which will be calculated and paid monthly. The custody fees in respect of the safekeeping of the Sub-Fund's assets will not exceed 0.04% of Net Asset Value of the Sub-Fund per annum, based on the value of the assets at each month end.

Administration Fee

The Administrator and Registrar and Transfer Agent will receive from the Sub-Fund a fee which will be calculated daily and paid monthly. The fee will be on a reducing scale of charges, based on the Net Asset Value of the Sub-Fund on each Valuation Day and will not exceed 0.05% of the Net Asset Value of the Sub-Fund per annum.

The Custody and Administration Fees payable are subject to a minimum total annual fee of € 15,000.

Distribution Fee

Class B shares will be subject to a distribution fee of up to 1% per annum of the Net Asset Value of such Class B Shares. The Distribution Fee is accrued daily and payable monthly in arrears. The Distribution Fee reverts to the Global Distributor.

Additional Information relating to the Sub-Fund

The Fund has incorporated India Bluechip Fund Ltd. (the "Bluechip Subsidiary") on 14 December 2009, as a wholly-owned subsidiary. It holds a substantial proportion of the assets of the Sub-Fund. The Bluechip Subsidiary has received a tax residence certificate from the Director General of the Mauritius Revenue Authority, on which basis the Bluechip Subsidiary should be entitled to appropriate relief under the India/Mauritius Double Tax Treaty. The Bluechip Subsidiary is registered as a sub-account of Kotak Mahindra (UK) Limited under the SEBI (FII) Regulations, 1995. Thus, the Bluechip Subsidiary will make direct investments in India under the FII regime (for additional information on the FII regime, please refer to the section on "CERTAIN INDIAN REGULATORY CONSIDERATIONS" in the main part of the Prospectus). There can be no assurance that the treaty will continue to be in full force and effect during the existence of the Company or that the Company will continue to enjoy the benefit of the tax treaty.

The Bluechip Subsidiary is a private company limited by Shares incorporated under the Mauritius Companies Act 2001. The Bluechip Subsidiary shall issue redeemable preference Shares in registered form and the Fund is the sole shareholder in the Bluechip Subsidiary. The Bluechip Subsidiary holds a Category 1 Global Business Licence under the Financial Services Act 2007.

The directors of the Bluechip Subsidiary are:

- Varadarajan Viswanathan, Director - Compliance and MLRO, Kotak Mahindra (UK) Limited, London
- Ruchit Puri, Chief Executive Officer, Kotak Mahindra (UK) Limited, Singapore
- Sow Man Ah Yuk Shing, Lead Consultant, Cays Associates, Mauritius
- Abdool Azize Owasil, Director, Multiconsult Limited, Mauritius

The directors of the Bluechip Subsidiary are responsible for establishing the investment policy and restrictions of the Bluechip Subsidiary and for monitoring its operations. The Bluechip Subsidiary adheres to the investment policy and restrictions contained in this Prospectus which apply to the Sub-Fund and the Fund on a collective basis. The Bluechip Subsidiary carries out exclusively activities relating to the Sub-Fund.

The Bluechip Subsidiary has appointed Multiconsult Limited, Mauritius to provide company secretarial and administrative services, including maintenance of accounts, books and records. Multiconsult Limited is incorporated in Mauritius and is licensed by the Financial Services Commission, Mauritius to provide inter alia company management services to offshore companies. The Bluechip Subsidiary has appointed the Custodian as custodian and the Custodian has appointed HSBC, Mumbai and HSBC Bank (Mauritius) Limited as its correspondents. KPMG, Mauritius has been appointed auditors of the Bluechip Subsidiary.

As a wholly-owned subsidiary of the Fund all assets and liabilities, income and expenses of the Bluechip Subsidiary are consolidated in the statement of net assets and operations of the Fund. All investments held by the Bluechip Subsidiary are disclosed in the accounts of the Fund.

All cash, securities and other assets of the Bluechip Subsidiary are held by the Custodian on behalf of the Fund.

ANNEX 4: KOTAK FUNDS – INDIA MIDCAP FUND

Investment Objective and Policy

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 third⁴ 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 CNX Midcap 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.

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

Profile of the typical Investor

The Sub-Fund may be suitable for investors seeking long term capital appreciation from investment in Indian equities. Investors should consider the Sub-Fund as a long-term investment with a commitment of 3 to 5 years.

Reference Currency

The reference currency of the Sub-Fund is the US Dollar.

Classes of Shares

Class I Shares are available for subscription and are reserved to institutional investors as defined from time to time by the Luxembourg Supervisory Authority. The minimum subscription and minimum holding amounts are of USD 500,000, or its equivalent in another currency or such other amount to be decided by the Directors.

Class J Shares are available for subscription and are reserved to institutional investors as defined from time to time by the Luxembourg Supervisory Authority. The minimum subscription and minimum holding amounts are of USD 1,000,000, or its equivalent in another currency or such other amount to be decided by the Directors.

Class A Shares will be available to all investors. The minimum initial subscription and minimum holding amounts are of USD 500, or its equivalent in another currency or such other amount to be decided by the Directors.

Class B Shares will only be 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 minimum initial subscription and minimum holding amounts are of USD 500, or its

⁴ The one third limit shall apply only at the time of making the last investment in a large-capitalisation stock. The Sub-Fund is not compelled to reduce the holding of large-capitalisation stocks if the holding in such stocks exceeds one third of the Sub-Fund's net assets either because of appreciation in value of these stocks or because of depreciation in the value of the rest of the Sub-Fund's net assets or as a combination of such factors.

equivalent in another currency or such other amount to be decided by the Directors. Class B Shares are subject to a contingent deferred sales charge as described hereafter.

Class X Shares are only available in certain jurisdictions and shall be offered at the discretion of the Global Distributor. The minimum subscription and minimum holding amounts are of JPY 100,000, or its equivalent in another currency or such other amount to be decided by the Directors.

Class I Shares, Class J Shares, Class A, Class B and Class X Shares are available as Distribution Shares or Accumulation Shares. Shares of the following Classes are currently issued:

Name of the Class of Shares	Available currencies		
	USD	GBP	EUR
Class I (acc)	USD	GBP	EUR
Class I (dist)		GBP	
Class J (acc)	USD	GBP	EUR
Class J (dist)		GBP	
Class B (acc)	USD	GBP	EUR
Class B (dist)		GBP	
Class A (acc)	USD	GBP	EUR
Class A (dist)		GBP	
Class X (acc)	USD	JPY	
Class X (dist)	USD	JPY	

Valuation Day

The Net Asset Value of each Class of Shares shall normally be calculated on each Business Day (a "Valuation Day").

Business Day

Any day (except Saturday or Sunday and 24 December) on which banks in Luxembourg and Mumbai and Bombay Stock Exchange and National Stock Exchange in India are open for normal business.

Subscriptions

Investors should be aware that subscriptions for Shares may be made directly through the Registrar and Transfer Agent as described in the Chapter on Subscriptions.

Shares are available for subscription on each Valuation Day. Applications for Shares must be received by the Registrar and Transfer Agent and subscription proceeds must be received by the Custodian by no later than 1 p.m. (Luxembourg time) on the relevant Valuation Day to be dealt with on the basis of the Net Asset Value per Share calculated on that Valuation Day. Notwithstanding the foregoing, the Sub-Fund may accept applications for Shares for which the subscription proceeds are to be received no later than 4 Business Days following the relevant Valuation Date, provided this has been specifically agreed between the Global Distributor and the investor.

Applications for Shares received by the Registrar and Transfer Agent after 1 p.m. (Luxembourg time) will be treated as if received on the next Valuation Day.

A Subscription Charge, not exceeding 5% of the Subscription Price, may be added for the purpose of compensating the Investment Manager and financial intermediaries who assist in placing the Shares. This

charge is to be considered a maximum rate and the Investment Manager may decide at its discretion to waive this charge in whole or in part.

Redemptions

Shares are redeemable at the option of the Shareholders.

Completed redemption requests should be sent to the Registrar and Transfer Agent to be received no later than 1 p.m. (Luxembourg time) on the relevant Valuation Day in order to be dealt with on the basis of the Net Asset Value per Share calculated on that Valuation Day.

Redemption requests received by the Registrar and Transfer Agent after 1 p.m. (Luxembourg time) will be treated as if received on the next Valuation Day.

No redemption fee shall be charged except in case of Class B Shares where a Contingent Deferred Sales Charge is applicable, if Shares are redeemed within a specified period of time. Please refer to the 'Contingent Deferred Sales Charge' below for details.

Payment of redemption proceeds will normally be made within five Business Days after the relevant Valuation Day.

A request for a partial redemption of Shares may be treated as a request for the redemption of the entire holding if, as a result of such partial redemption, the total Net Asset Value of the Shares retained by the Shareholder in the Sub-Fund would be less than the minimum holding.

Contingent Deferred Sales Charge

No Subscription Charge will be payable on the acquisition of Class B Shares. Instead, a contingent deferred sales charge ("CDSC") may be payable to the Global Distributor in relation to Class B Shares. The CDSC constitutes a fee for services rendered by the Global Distributor in connection with the distribution, placing and sale of Class B Shares at the time of such distribution, placing and sale and is not conditioned upon or related to any provision of ongoing services by the Global Distributor with respect to such Class B Shares. Where Class B Shares are repurchased within the first five years of the date of their subscription, the repurchase proceeds thereof will be subject to a CDSC at the rates set forth in the table below.

Applicable rate of the CDSC	Period from Subscription Date
5%	1 year
4%	After 1 year but within 2 years
3%	After 2 year but within 3 years
2%	After 3 year but within 4 years
1%	After 4 year but within 5 years
0%	thereafter

The applicable rate of CDSC is determined by reference to the total length of time during which the Class B Shares being repurchased were in issue. In determining whether a CDSC is applicable, the calculation will be effected in a manner that results in the lowest possible rate being applied. An instruction to sell Class B Shares will be deemed to have been given for the Shares which have been held for the longest period. No CDSC will be levied on the redemption of Class B Shares derived from the reinvestment of dividends.

No CDSC is payable at the time of a conversion of Class B Shares of a Sub-Fund into Class B Shares of another Sub-Fund. In this case, the total length of time of the Class B Shares of a Sub-Fund to be converted were held, will be carried over into Class B Shares of another Sub-Fund.

The CDSC is payable at the time of a conversion of Class B Shares of the Sub-Fund into shares of another class (other than Class B Shares) of the relevant Sub-Fund or another Sub-Fund.

The amount of CDSC is calculated by multiplying the relevant percentage rate as determined above by the lower of a) the Net Asset Value per Share of the Class B Shares being repurchased on the relevant date of redemption or b) the price paid for the original issue of Shares being repurchased.

A CDSC in respect of Class B Shares paid to the Fund reverts to the Global Distributor. The CDSC may be waived or reduced by the Global Distributor.

Proceeds from the CDSC are used all or in part by the Global Distributor to pay its expenses in providing distribution related services to the Sub-Fund in relation to the sales and promotion of Class B Shares. On any subscription of Class B Shares, the Global Distributor may, pay commission on applications received through other distributors, brokers and other professional agents or grant discounts.

Dividend Policy

The Directors do not intend to distribute dividends in relation to Accumulation Shares.

The Directors may distribute dividends in relation to the Distribution Shares in such amounts as they may determine.

Annual dividends are declared separately in respect of such Distribution Shares at the Annual General Meeting of Shareholders. In addition, the Directors may declare interim dividends. Dividends will be declared on a quarterly basis on the 10th day of February, May, August and November of each year (if such day is not a Business Day, the immediately following Business Day) with respect to Class X (dist) JPY Shares and will be paid out within four business days from the date on which they have been declared (if such day is not a Business Day, the immediately following Business Day).

Fees

Management Company Fee

The Management Company will receive from the Sub-Fund a fee which will be calculated and paid monthly. The fee will be on a reducing scale of charges, based on the Net Asset Value of the Sub-Fund at each month end and will not exceed 0.05 % of the Net Asset Value of the Sub-Fund per annum. The fee payable is subject to a minimum annual fee of € 24,000. Such fee may be periodically revised based on the negotiations between the Board and the Management Company.

Investment Management Fee

The Investment Manager will receive from Class I an Investment Management Fee, accrued daily and payable monthly, not exceeding 2.00% per annum of the net assets of the Sub-Fund attributable to Class I.

The Investment Manager will receive from Class J an Investment Management Fee, accrued daily and payable monthly, not exceeding 1.00% per annum of the net assets of the Sub-Fund attributable to Class J.

The Investment Manager will receive from Class A an Investment Management Fee, accrued daily and payable monthly, not exceeding 2.00% per annum of the net assets of the Sub-Fund attributable to Class A.

The Investment Manager will receive from Class B an Investment Management Fee, accrued daily and payable monthly, not exceeding 2.00% per annum of the net assets of the Sub-Fund attributable to Class B.

The Investment Manager will receive from Class X an Investment Management Fee, accrued daily and payable monthly, not exceeding 1.00% per annum of the net assets of the Sub-Fund attributable to Class X.

The Investment Manager may receive a facilitation fee in respect of each of the Classes, payable for each transaction executed, which is not expected to exceed 0.50% of the transaction value.

Custody Fee

The Custodian will receive from the Sub-Fund, in addition to transaction based fees, custody fees which will be calculated and paid monthly. The custody fees in respect of the safekeeping of the Sub-Fund's assets will not exceed 0.04% of Net Asset Value of the Sub-Fund per annum, based on the value of the assets at each month end.

Administration Fee

The Administrator and Registrar and Transfer Agent will receive from the Sub-Fund a fee which will be calculated daily and paid monthly. The fee will be on a reducing scale of charges, based on the Net Asset Value of the Sub-Fund on each Valuation Day and will not exceed 0.05% of the Net Asset Value of the Sub-Fund per annum.

The Custody and Administration Fees payable are subject to a minimum total annual fee of € 15,000.

Distribution Fee

Class B shares will be subject to a distribution fee of up to 1% per annum of the Net Asset Value of such Class B Shares. The Distribution Fee is accrued daily and payable monthly in arrears. The Distribution Fee reverts to the Global Distributor.

Additional Information relating to the Sub-Fund

The Fund has incorporated India Midcap Fund (Mauritius) Ltd. (the "Midcap Subsidiary") on 19 April 2010, as a wholly-owned subsidiary. It holds a substantial proportion of the assets of the Sub-Fund. The Midcap Subsidiary has received a tax residence certificate from the Director General of the Mauritius Revenue Authority, on which basis the Midcap Subsidiary should be entitled to appropriate relief under the India/Mauritius Double Tax Treaty. The Midcap Subsidiary is registered as a sub-account of Kotak Mahindra (UK) Limited under the SEBI (FII) Regulations, 1995. Thus, the Midcap Subsidiary will make direct investments in India under the FII regime (for additional information on the FII regime, please refer to the section on "CERTAIN INDIAN REGULATORY CONSIDERATIONS" in the main part of the Prospectus). There can be no assurance that the treaty will continue to be in full force and effect during the existence of the Company or that the Company will continue to enjoy the benefit of the tax treaty.

The Midcap Subsidiary is a private company limited by Shares incorporated under the Mauritius Companies Act 2001. The Midcap Subsidiary shall issue redeemable preference Shares in registered form and the Fund is the sole shareholder in the Midcap Subsidiary. The Midcap Subsidiary holds a Category 1 Global Business Licence under the Financial Services Act 2007.

The directors of the Midcap Subsidiary are:

- Varadarajan Viswanathan, Director - Compliance and MLRO, Kotak Mahindra (UK) Limited, London
- Ruchit Puri, Chief Executive Officer, Kotak Mahindra (UK) Limited, Singapore
- Sow Man Ah Yuk Shing, Lead Consultant, Cays Associates, Mauritius
- Abdool Azize Owasil, Director, Multiconsult Limited, Mauritius

The directors of the Midcap Subsidiary are responsible for establishing the investment policy and restrictions of the Midcap Subsidiary and for monitoring its operations. The Midcap Subsidiary adheres to the investment policy and restrictions contained in this Prospectus which apply to the Sub-Fund and the Fund on a collective basis. The Midcap Subsidiary carries out exclusively activities relating to the Sub-Fund.

The Midcap Subsidiary has appointed Multiconsult Limited, Mauritius to provide company secretarial and administrative services, including maintenance of accounts, books and records. Multiconsult Limited is incorporated in Mauritius and is licensed by the Financial Services Commission, Mauritius to provide inter alia company management services to offshore companies. The Midcap Subsidiary has appointed the Custodian as custodian and the Custodian has appointed HSBC, Mumbai and HSBC Bank (Mauritius) Limited as its correspondents. KPMG, Mauritius has been appointed auditors of the Midcap Subsidiary.

As a wholly-owned subsidiary of the Fund all assets and liabilities, income and expenses of the Midcap Subsidiary are consolidated in the statement of net assets and operations of the Fund. All investments held by the Midcap Subsidiary are disclosed in the accounts of the Fund.

All cash, securities and other assets of the Midcap Subsidiary are held by the Custodian on behalf of the Fund.