



August 2011

KOTAK FUNDS

**Simplified Prospectus
India Infrastructure and Realty Fund**



Important Information

This simplified prospectus contains key information about Kotak Funds – India Infrastructure and Realty Fund (the "Sub-Fund"), a sub-fund of Kotak Funds (the "Fund"). If you would like more information before you invest, please consult the most recent full prospectus (hereinafter the "Full Prospectus"). Unless defined in this document, defined terms shall bear the same meaning as in the Full Prospectus. The Full Prospectus and the periodical reports may be obtained free of charge from the Fund.

The Fund is organised under the laws of the Grand Duchy of Luxembourg as a *société d'investissement à capital variable* (a "SICAV"). The Fund was incorporated in Luxembourg on 12 September 2007 for an unlimited duration. The Fund is an open-ended 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.

Investment Objectives and Policies

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.

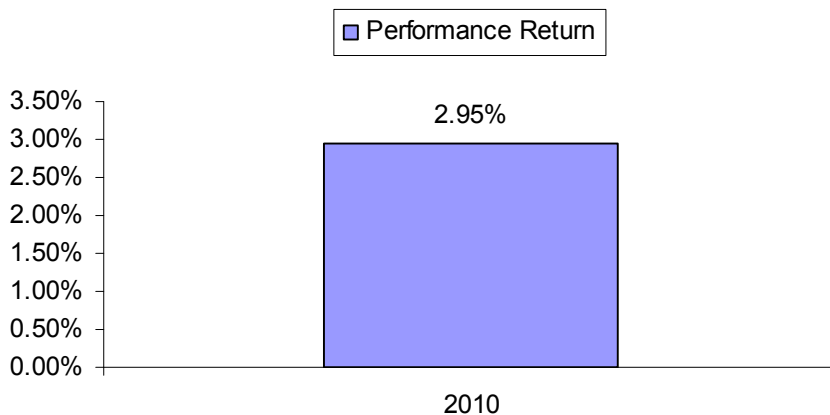
A Mauritius subsidiary, wholly-owned by the Fund, will be used as an efficient means of investing.

Risk Factors

The Indian market has the characteristics of an emerging market. The legal, judicial, regulatory and market infrastructure in emerging and less developed markets, 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.

Detailed risk factors can be found in the Full Prospectus.

Performance of the Sub-Fund



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.

Treatment of income

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 interest 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).

Sub-Fund Expenses

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.

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.

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.

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.

Shareholder expenses

Subscription charge^{*}: up to 5% of the Subscription Price (except for Class B Shares).

Redemption charges: no redemption fee shall be charged except in case of Class B Shares where a CDSC as described below is applicable.

Conversion charges: 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.

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.

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 years but within 3 years |
| 2% | After 3 years but within 4 years |
| 1% | After 4 years 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. Further details are available in the Full Prospectus.

* 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.

Taxation of Sub-Fund

Taxation in Luxembourg

The Sub-Fund is not subject to any taxes in Luxembourg on income or capital gains. The only tax to which the Sub-Fund is subject is the *taxe d'abonnement* at a rate of 0.05% per annum based on the Net Asset Value of the Sub-Fund or at a reduced rate of 0.01% per annum based on the Net Asset Value of Classes of Shares which are reserved for institutional investors. This tax is not applicable for the portion of the assets of the Sub-Fund invested in other Luxembourg undertakings for collective investment.

Interest and dividend income received by the Sub-Fund may be subject to non-recoverable withholding tax in the countries of origin. The Sub-Fund may further be subject to tax on the realised or unrealised capital appreciation of its assets in the countries of origin. The effects of investment in the Sub-Fund on the tax bill of an individual investor are dependent on the fiscal regulations applicable to that individual. Please consult your distributor or other professional adviser for further information.

UK Taxation

For so long as distributing fund status is available, it is intended that the Sub-Fund will distribute at least 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 interest in offshore funds.

EU Taxation

The Council of the EU has, on 3 June 2003, adopted Council Directive 2003/48/EC on taxation of savings income in the form of interest payments (the "Directive"). The Directive was implemented in Luxembourg by a law of 21 June 2005 (the "EUSD Law"). Under the EUSD Law, dividend and/or redemption proceeds from shares of a Fund paid to individuals may be subject to withholding tax or give rise to exchange of information with tax authorities. Whether the EUSD Law will be applicable in any particular case and the implications arising therefrom depend on various factors, such as the asset class of the relevant sub-fund, the location of the paying agent used and the tax residence of the shareholders concerned. Although more details on the implications of the Directive and the EUSD Law are contained in the Full Prospectus, investors should also seek advice from their financial or tax legal adviser.

Price publication

The Net Asset Value of each Class of Shares shall normally be calculated on 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. The Net Asset Value per Share of each Class, as well as the Subscription Price, may be obtained from the registered office of the Fund.

How to buy/sell/convert Shares

You can buy, sell and convert Shares via the Registrar and Transfer Agent on any Business Day (each a "Valuation Day").

In order to be dealt with on a specific Valuation Day, applications for subscription/redemption/conversion of Shares must be received by the Registrar and Transfer Agent 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. Applications received after 1 p.m. (Luxembourg time) will be treated as if received on the next

Valuation Day.

Subscription proceeds must be received by the Custodian by no later than 1 p.m. (Luxembourg time) on the relevant 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.

Redemption proceeds will normally be paid to redeeming shareholders within 5 Business Days after the relevant Valuation Day.

Subscription/Holding information

| | Class A Shares | Class B Shares | Class I Shares | Class X Shares |
|--------------------------------------|----------------|----------------|------------------|----------------|
| Minimum Initial Subscription/Holding | USD 500 | USD 500 | USD 1,000,000 | JPY 100,000 |
| Subsequent Minimum Investment | none | none | none | none |

Class A Shares, Class B Shares, Class I Shares and Class X Shares are available as Accumulation and Distribution Shares. Further information is available in the Full Prospectus.

Additional information

Launch date: 30 November 2009

Registered Office:

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

Auditors:

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

Global Distributor:

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

Supervisory Authority:

Commission de Surveillance du Secteur Financier
110, route d'Arlon
L-1150 Luxembourg
Grand Duchy of Luxembourg

Further information:

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