

Part 2 Brochure  
Kotak Mahindra Asset management (Singapore) Pte. Ltd.  
16 raffles Quay  
#35-02 Hong Leong Building  
Singapore 048581  
Phone at +6563956970

**This brochure provides information about the qualifications and business practices of Kotak Mahindra Asset management (Singapore) Pte. Ltd. (“KMAMS”). If you have any questions about the contents of this brochure, please contact us at +6563956970 or by fax +6562213458. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about KMAMS is also available on the SEC’s website at <https://adviserinfo.sec.gov/IAPD/>. KMAMS is registered with the SEC as an investment adviser. Registration by the SEC does not imply that KMAMS has a certain level of skill or training.**

## Material changes

There is no material change during the year.

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## **Material Changes**

There is no material change during the year.

## **Advisory Business**

KMAMS is an investment adviser having its principal office and place of business outside the United States of America. It is incorporated in Singapore and is authorized and regulated by the Monetary Authority of Singapore (MAS).

KMAMS is a wholly owned subsidiary of Kotak Mahindra Bank Limited ("KMBL") which is one of the large private sector banks in India. KMBL is regulated by the Reserve Bank of India and its shares are listed on the main Indian stock exchanges. The major shareholder of KMBL is Mr Uday Kotak who holds about 30% of its equity shares.

The Kotak group has been in the asset management business since 1998. KMAMS aims to leverage the asset management expertise of the group by offering primarily various India related products, generally to offshore (outside the USA) investors, although some of the products, subject to applicable law, shall be made available to U.S. investors.

KMAMS has registered itself as a Foreign Portfolio Investor with the Securities and Exchange Board of India ("SEBI") and commenced providing investment advisory services with effect from 1 April 2017.

KMAMS has been appointed as the sub adviser to the Alps/Kotak India Growth Fund ("Alps/Kotak Fund") with effect from 1 April 2017. The Alps/Kotak Fund is registered under the US Investment Companies Act of 1940. The fund invests in Indian securities. Alps Investment Advisors Inc. is the investment adviser of the fund. The Alps/Kotak Fund is currently the only advisory client of KMAMS in the US.

Apart from the Alps/Kotak Fund, KMAMS provides investment advisory services to a number of private funds. These private funds are domiciled in Mauritius, Luxembourg, Singapore and the Cayman Islands.

In providing advisory services, KMAMS provides investment advice only on limited types of investments consisting primarily of India-related securities.

## **Fees and Compensation**

The fees charged by KMAMS are as set out below. Fees may, however, vary from client to client and are based on what is negotiated with clients. All fees charged by KMAMS shall be disclosed in the relevant Offering Memoranda and other subscription documents.

### 1. Management fees

As a general rule, management fees payable to KMAMS is based on a percentage of the current value of the assets under management. KMAMS typically charges up to 2% management fee based on the market value of each fund's assets under management. The management fees shall be calculated and payable monthly.

### 2. Performance based fees

KMAMS is contractually entitled to receive fees in addition to the management fees based on the performance of the fund in relation to one Fund however the strategy of this Fund is completely different from other funds managed by KMAMS where no performance fees is involved. We may add that the fees structure with respect to the only advisory client in the US viz the Alps/Kotak Fund does not involve any performance fees.

### 3. Regulatory and administrative expenses

In some of the accounts managed by KMAMS, KMAMS charges transaction fees for regulatory and administrative expenses up to 0.50% p.a. of the value of transactions where KMAMS takes certain regulatory and operational responsibilities on behalf of some private funds which invest in India markets.

In addition to the above, advisory clients will have to pay other fees such as custodian fees and executing broker charges to the respective custodian/executing broker.

## Types of clients

The only advisory client of KMAMS domiciled in the US is the Alps/Kotak Fund which is a fund registered under the Investment Companies Act of 1940.

The other advisory clients include pooled investment vehicles domiciled outside the US.

## Methods of Analysis, Investment Strategies and Risk of Loss

The fund management team periodically reviews the following:

a) Assessment of the performance of the Alps/Kotak Fund vis-à-vis the peers in terms of returns. (Peers shall include similar strategies managed by domestic asset management companies, offshore and onshore schemes managed by other asset management companies.)

b) Analysis of the portfolios of peers, including weight on various sectors and stocks and reviews the need for rebalancing the portfolio composition based on such analysis.

c) Stock and sector review based on the following:

- Stock reviews as to performance and possible exits from stocks which have already peaked or which have not performed.

- Looking at the movement of sectors and stocks in deciding entry/exits in general rebalancing.
- Returns from stocks which are newly added to the portfolio
- Discussion of ideas presented by the team members or any ideas by Fund Managers.

#### d) Portfolio Optimization

The team performs an attribution analysis and decides on the strategies for the period ahead. The team reviews the performance of the other pooled investment vehicles (Private Funds) in a similar manner.

## **Disciplinary Information**

KMAMS has not been subject to any disciplinary action by any regulator or other law enforcement agencies.

## **Other Financial Industry Activities and Affiliations**

The related persons of KMAMS and their activities are given below:

1. Kotak Mahindra Bank Limited (“KMBL”) is a commercial bank in India and is the parent company of all the Kotak Group entities including KMAMS. KMBL is regulated by the Reserve Bank of India. KMBL is the custodian in India for some of the private funds which have appointed KMAMS as the investment adviser and is also a professional clearing member. None of the related persons of KMAMS including KMBL provide custody services to the only US advisory client (Alps/Kotak Fund).

2. Kotak Mahindra Inc. is a FINRA registered broker dealer. Its primary activity is to market funds including funds managed by KMAMS, to eligible US investors on a private placement basis. It also enables US institutional and major institutional investors invest in Indian markets through another affiliate Kotak Securities Limited under a chaperoning arrangement.

3. Kotak Securities limited is a brokerage firm in India that is regulated by the Securities Exchange Board of India. Kotak Securities Limited is the executing broker for some of the transactions carried out by KMAMS on behalf of its advisory clients. Allocation of trades to Kotak Securities Limited is carried out in strict compliance of the broker-allocation policy.

4. Kotak Mahindra (UK) Limited (“KMUK”) is an investment firm authorised and regulated by the Financial Conduct Authority. It has a branch each in Dubai and Singapore regulated by the Dubai Financial Services Authority and the Monetary Authority of Singapore respectively. KMUK acts as the global distributor of the private funds advised by KMAMS with authority to appoint sub distributors. KMAMS pays a portion of the management fee earned by it to KMUK for distribution activities carried out by KMUK. KMUK is not engaged in the distribution of the Alps/Kotak Fund.

4. Kotak Mahindra (International) Limited is an investment manager incorporated in Mauritius and regulated by the Financial Services Commission, Mauritius and its representative office in Abu Dhabi is regulated by the Central Bank of UAE. It provides investment advisory services to a few real estate and private equity funds.

5. Kotak Investment Advisors Limited (“KIAL”) is a company incorporated in India. KMAMS has an arrangement with KIAL whereby KIAL provides non-binding investment advisory services to KMAMS.

6. Kotak Mahindra Capital Company Limited is based in India and is a corporate finance advisor/broker regulated by the Securities and Exchange Board of India.

7. Kotak Mahindra Asset Management Company Limited is an investment manager incorporated in India and regulated by the Securities and Exchange Board of India. It is the Indian investment management arm of Kotak Group.

## **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

KMAMS is regulated by the Monetary Authority of Singapore. As such, KMAMS is required to conduct its business in accordance with the applicable rules and guidance as laid down by the Monetary Authority of Singapore.

As part of its guidance on internal controls, MAS requires the firm to conduct its activities with prudence and integrity and to establish a code of conduct that is commensurate with its structure and complexity of operations. The code should state the ethical values of the firm and prescribe guidelines for employees to observe when discharging their duties and should also cover areas such as acceptance of gifts and entertainment, conflicts of interest, safeguarding of confidentiality of information, and disclosure of and restrictions on personal investments. KMAMS has designed its policies / procedures and compliance manual to specifically address these areas.

KMAMS owes a fiduciary duty to each of its clients. As a fiduciary, KMAMS is required to manage each fund and to execute securities transactions for clients in a manner that is intended to avoid serving its or its principals' or employees' own personal interests ahead of the interests of their clients in order to avoid conflicts of interest. In general, conflicts of interest are inherent in any advisory relationship and could arise in any activity, situation or relationship in which one party's interest competes with another party's interest.

KMAMS has designed its policies and procedures to attempt to avoid any action that could cause unfairness or impropriety in this area.

KMAMS has policies and procedures that have been created specifically to make decisions about and to respond to potential conflicts of interest that may arise in the course of its business. Copies of the policies and procedures are provided to all employees, and each

employee is required to certify annually that he or she has read the policies and procedures. Revisions to the policies and procedures are provided to all employees when they are implemented.

It may not be possible to define precisely or create an exhaustive list of the relevant conflicts that may arise during the course of KMAMS's business. However, KMAMS has identified the following potential conflicts in its business operations and pursuant to the guidance provided by relevant regulatory authorities. These conflicts are addressed through KMAMS's policies and procedures described below:

The following policy describes the procedures, systems and controls and any relevant disclosures which the Senior Management of KMAMS consider appropriate to manage the conflicts of interest that may arise.

*Identification and Management of Conflicts: Senior Management Responsibilities:*

- Have an up-to-date view of the totality of the types of conflict of interest involved in its business activities.
- Regularly review the types of mitigation it considers acceptable to address conflict risks.
- Use management information in the mitigation of conflicts of interest.
- Develop a culture which supports effective management of conflicts of interest.
- Is ultimately responsible for the effective management and identification of conflicts of interest.

Conflict Situations:

A. Conflicts may arise between different types of clients of the Firm, or between KMAMS and its clients, for example:

- Investing on behalf of different clients in the same stock
- KMAMS managing different funds including some with performance fees
- KMAMS or an affiliate may hold a position in the same company as our investment clients.

B. Conflicts may arise between employees of KMAMS and its clients

- Front Running
- Insider Trading
- Personal Dealing

C. Conflicts may also rise between clients and other Kotak Group companies

- KMAMS may place client trades with Kotak Securities Limited, use Kotak Mahindra Bank Limited for custody and as a Professional Clearing Member.
- Conflicts may also arise between different clients
- There may be conflicts of interest between different clients including favouring one client over the other or improper allocation of trade

- Different fee structures giving rise to conflict -- particularly with respect to clients with performance based fees and those with fees as a percentage of the assets under management.
- Kotak Mahindra Capital Company Limited, a related person, may be the merchant banker to primary issues and KMAMS may advise on such investments to its clients. Whilst providing such advice KMAMS disregards the fact that a related person is the investment banker to the issue and evaluates the merits of investing in the primary issue in taking investment decisions.

In order to ensure fair treatment of all of our clients KMAMS shall manage fairly any conflicts that may arise.

#### *Mitigation of Conflicts- Independence Policy*

All employees of KMAMS must comply with an Independence Policy obliging them to disregard any interest, relationship or arrangement with the Firm or any other client when acting on behalf of a client.

#### *Chinese Walls*

KMAMS is physically separate from all other Kotak Group Companies. KMAMS has outsourced some back office support services to Kotak Mahindra Bank Limited.

#### *Compliance function*

KMAMS's Compliance Department shall monitor all KMAMS activities on a periodic basis. This includes but is not limited to monitoring and/or reviewing trades, Personal Account dealing, gifts, employee recruitment, training, etc.

#### *Disclosure*

KMAMS shall disclose any potential conflicts of interests in the relevant client documentation prior to a relationship being established. For the avoidance of doubt KMAMS recognizes that this does not provide a justification to allow the conflict of interest to materialize.

#### *Decline to Act*

If KMAMS is unable to manage a conflict of interest it will decline to act for the relevant client(s).

#### *Remuneration of Employees*

The remuneration of fund managers is a combination of fixed and variable pay. Each portfolio manager is paid a fixed base salary. The variable pay has quantitative and non-quantitative components. The quantitative portion of the fund management compensation is determined on the basis of performance of the fund managers as compared to peers with similar strategy as well as against the respective benchmark for the individual fund. The

directors have discretion to reduce or increase the compensation payable to fund managers depending on qualitative assessment at the year-end.

### *Inducements*

All gifts and hospitality received must be notified to Compliance in accordance with the Gift & Entertainment Policy. This policy ensures that any employee does not give, solicit, accept an inducement if it is likely to conflict or could be construed as conflicting to a material extent, with any duty that the firm owes to its customers.

### *Personal Account Dealing*

Employees of KMAMS are permitted to deal for their own account in accordance with the Personal Account dealing Policy. This policy ensures that employees cannot execute personal trades which are not consistent with treating the client fairly. Currently, as the funds managed by KMAMS invest primarily in India related investments, KMAMS employees are not permitted to invest in the equity shares of Indian companies or in securities where the underlying is an Indian equity security. They may, however, invest in funds or index derivatives.

### *Code of Ethics*

KMAMS has adopted a Code of Ethics (the “Code”) to prohibit associated persons of KMAMS from dealing in their own accounts in connection with a purchase or sale of securities with clients or in any other investment activities that would have a direct adverse effect on clients or would create a conflict with the duties owed to a client of KMAMS. As required under Section 204A of the Investment Advisers Act of 1940 (“Advisers Act”), KMAMS has adopted guidelines to detect and prevent the misuse of material, non-public information. In sum, should KMAMS or an individual associated with KMAMS come into possession of such information, no securities transaction will occur for any client, proprietary or personal account in any security affected by such information until the information is made available to the general investing public.

In addition, KMAMS has adopted other guidelines outlined in the Code which are intended to ensure that client interests are kept first by KMAMS and for KMAMS to meet its compliance responsibilities under the Advisers Act and the Investment Company Act of 1940, as amended. The Code contains policies and procedures that, among other things:

- Prohibit Supervised Persons (as defined in the Code) from taking personal advantage of opportunities belonging to clients;
- Prohibit trading on the basis of material non-public information;
- Impose pre-clearance and reporting obligations with respect to personal trading in certain securities on Access Persons (as defined in the Code);
- Require initial, quarterly and annual reports of securities holdings and transaction reports by Access Persons;
- Prohibit Supervised Persons from violating Federal Securities Laws (as defined in the Code); and



- Require Supervised Persons to promptly report any violations of the Code to the Chief Compliance Officer.

The following statements also apply:

No individual associated with KMAMS shall prefer his or her own interest to that of an advisory client. Any associated person of KMAMS not in observance of the Code is subject to remedial sanctions, including termination of employment or association with KMAMS.

The aforementioned representations are the general concepts of the Code and are not intended to be all encompassing. Certain limited exceptions to the Code may be permitted upon receipt of an express prior written approval from the Chief Compliance Officer, upon a specific determination that the transaction is consistent with the general principles embodied in the Code.

KMAMS usually shall not aggregate client orders. KMAMS believes this will be in the client's best interest and does not believe there would be any material implication in not doing so.

KMAMS's Chief Compliance Officer is required to report issues that arise under the Code to senior management at least annually. The Chief Compliance Officer shall annually review the adequacy of the Code and the effectiveness of its implementation.

Clients may obtain a copy of the Code from the Chief Compliance Officer: (1) by phone at +6563956970, (2) by fax at + - 6562213458; (3) by email at [zahid.shuja@kotak.com](mailto:zahid.shuja@kotak.com); or (4) by mail to 16 Raffles Quay, #35-02, Hong Leong Building, Singapore 048581, Attention: Chief Compliance Officer.

## Brokerage Practices

KMAMS uses a set of brokers (including Kotak Securities Limited which is an affiliate) empanelled with it after a due diligence process. KMAMS uses the following evaluation criteria for broker empanelment:

- Research Capability
- Stock and sectoral coverage
- Research bandwidth in terms of number of analysts
- Execution & trading capabilities
- Sourcing of Stocks in blocks
- Quality of client servicing
- Confidentiality of the trade

The above parameters are assessed by the fund management staff.

### *New Empanelment*

As KMAMS primarily uses brokers in India for executing trades on behalf of advisory clients, brokers applying for empanelment and who broadly satisfy the aforesaid parameters are required to submit the following information:

1. Brief company profile
2. Securities and Exchange Board of India certificates to trade on the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE)
3. Membership Certificates for BSE and NSE
4. Conduct/ Status report from BSE and NSE
5. A certified copy of the latest balance sheet
6. List of other empanelment

The application for empanelment shall be scrutinized by the operations team who then shall make recommendations to the Compliance team which shall finally sign off the empanelment by considering the following:

- a) Organisation: Firms seeking empanelment should be a corporate entity. Accordingly, no proprietary or partnership entity is allowed
- b) Regulatory status: Should be regulated by the Securities and Exchange Board of India
- c) Disciplinary action: Review of disciplinary action, if any, against the broker by any regulatory authority.
- b) Existence: The Broking firm should have been in existence and operational for minimum of 2 years.
- c) Net worth: Minimum Net worth for a firm to be empanelled should be USD 5 million.

#### *Business Allocation*

A Kotak Group level comprehensive broker review system is in place for business allocation.

The following limits are to be adhered to on a Year-To-Date basis for the period starting April and to be checked by the operations team monthly:

- The maximum brokerage paid to a broker will be limited to 25% of the overall brokerage paid by the clients of KMAMS.
- For SICAV funds (regulated by CSSF in Luxembourg), the brokerage will be limited to 20% of the total annual brokerage paid.

Brokerage paid to Kotak Securities Limited (an affiliate of KMAMS) shall be checked by the operations team monthly and if brokerage exceeds the specified limits the matter is escalated to Compliance, Fund Managers and the Head of International Business.

KMAMS shall receive research reports provided by executing brokers. However, it will not have any arrangement for payment of soft dollars to executing brokers.

## **Review of Accounts**

Since most of the portfolios that are managed by KMAMS are long only, the techniques and models used for review of accounts are not as complex as it would be for a long-short fund.

*Reviews by the back office and compliance functions are set out below:*

- i) Operations team (Back Office) shall check for various regulatory restrictions on a daily basis to ensure that there has been no breach of:
- a) Restrictions imposed by the offering documents of the funds;
  - b) Investment restrictions and policies of the fund; or
  - c) Any other restrictions imposed by any regulatory authority;

Additionally, the operations team checks if trades are aligned with daily reports from the broker and the trader.

Internal restrictions laid down are in relation to (but not limited to):

- Equity, Debt, Cash exposures
- Derivatives
- Market Capitalization allocations
- Benchmarking: aggregate, sector & stock level
- No of stocks in portfolio
- Liquidity risk

Any breach is required to be highlighted on the same day to the fund managers, Chief Financial Officer (outsourced function), Chief Compliance Officer, and Head of International Business of Kotak Group. Fund Managers are responsible to rectify breaches at the earliest available opportunity. Typically the rectification must be effected by the end of next working day and the fund manager must notify the Chief Compliance Officer.

ii) The operations team and compliance team shall monitor to ensure that the rectification is effected at the earliest available opportunity.

iii) The Compliance function shall determine whether any other action needs to be taken e.g. intimation to clients, regulators, administrators of the funds, etc.

The deviations together with rationale, if any, provided by the fund managers will be shared with the Fund management team, and the Head of international business of the Group. The report shall highlight any deviations which are not supported by prior risk rationale intimation by the fund manager.

## **Client Referrals and Other Compensation**

KMAMS may compensate other parties for referral of clients to the Alps/Kotak Fund in accordance with Rule 206 (4)-3 under the Investment Advisers Act of 1940. The compensation paid to any such third party, if any, will typically consist of payments stated as a percentage of KMAMS's management fees. KMAMS may also pay fees to intermediaries in relation to the private funds managed by it.

## **Custody**

Neither KMAMS nor any of its related persons shall provide custody services to any of the US advisory clients.

Kotak Mahindra Bank Limited, the parent company of KMAMS, provides custody services to a few non-US advisory clients. Kotak Mahindra Bank Limited is regulated by the Securities and Exchange Board of India for this activity.

## **Investment Discretion**

KMAMS exercises investment discretion with respect to the Alps/Kotak Fund which is registered under the Investment Companies Act of 1940. In exercising investment discretion, KMAMS and its employees shall strictly adhere to the Code of Ethics and the Conflicts of Interest Policy.

Furthermore, KMAMS exercises discretion with respect to the private funds for which it is the investment manager.

KMAMS provides discretionary investment advice in conformity with the specific investment policies, strategies and mandates agreed with advisory clients.

With respect to a few advisory clients, KMAMS may provide non-discretionary investment advice.

## **Voting Client Securities**

KMAMS may be delegated the authority and responsibility to vote as a proxy of its clients. KMAMS shall always vote as a proxy in the best interests of its clients. KMAMS may use the custodian of the clients or any other third party to administer its Proxy Voting Policy. Proxies will be voted in accordance with the KMAMS's Proxy Voting Policies.

In exercising its voting discretion, KMAMS and its employees shall avoid any direct or indirect conflict of interest raised by such voting decision.

Clients may obtain information on how proxies for their accounts were voted during the most recent 5-year period ended December 31 or a copy of KMAMS's Proxy Voting Policies by making a request to our Chief Compliance Officer: (1) by phone at +6563956970, (2) by fax at + - 6562213458; (3) by email at [zahid.shuja@kotak.com](mailto:zahid.shuja@kotak.com); or (4) by mail to 16 Raffles Quay, #35-02, Hong Leong Building, Singapore 048581, Attention: Chief Compliance Officer.

## **Financial Information**

KMAMS has never been the subject of a bankruptcy petition and its financial condition is not likely to impair its ability to meet contractual commitments to clients.

## Brochure Supplement

KMAMS requires employees responsible for giving investment advice to have substantial investment experience and should be professionally qualified as a Chartered Accountant, Chartered Financial Analyst or hold a Master's degree in business administration and/or have extensive knowledge and understanding of investing in India. Other personnel who are part of the asset management team must have at least a university degree and extensive understanding and knowledge of investment into India. In addition KMAMS encourages personnel to supplement their formal education with other training. The profile of portfolio management personnel engaged in providing advisory services to clients from 1 April 2017 as employees of KMAMS are set out below:

Bio data in brief of fund managers:

**Name: Nitin Jain ( the CEO of KMAMS)**

**Birth Date:** 29th September 1971

**Experience:**

April 2017 – Present: Director & CEO, Kotak Mahindra Asset Management (Singapore) Pte. Ltd. Assumed responsibility as the Principal Fund Manager, Long Only Strategy of KMAMS.

2006- March 2016: Principal Fund Manager, Long Only Strategy, Kotak Mahindra (UK) Limited;

2005-06: Fund Manager, Equities, Kotak Mahindra Asset Management Company Limited;

April 2005 to December 2005: Fund Manager - Equities, State Bank of India Funds Management Private Limited;

2004-05: Chief Dealer - Equities, State Bank of India Funds Management Private Limited;

2002-04: Manager Equity Sales, IDBI Capital Markets.

**Education:** K.J. Somaiya College, Mumbai, India, Master of Management Studies, 1993 to 1995;

Government Engineering College, Jabalpur, India, Bachelor of Engineering, 1988 to 1992

**Name: Ankit Sancheti**

**Experience:** Ankit worked with Kotak Mahindra (UK) Limited, Birla Sunlife Mutual Fund, ING Investment Management, Development Credit Bank, and Anand Rathi Securities, in various capacities.

**Education:** Ankit is a CFA and a Chartered Accountant (1998 batch). He holds a bachelor's degree in commerce (Hons) from the JNV University, Jodhpur.

**Name: Tanveer Sethi**

**Experience:** Tanveer has been with the Kotak Group since 2008. Previously he has worked for Bank Muscat, Centurion Bank of Punjab and ING Vysya Bank. He is involved in the management of KMAMS's debt funds.

**Education:** Tanveer is a commerce graduate with a post graduate qualification from the Indian School of Business, Hyderabad, India.