



8 July, 2021

NFO Review: Kotak Global Innovation Fund of Fund

NFO Start Date: 8 July, 2021

NFO End Date: 22 July, 2021

Kotak Mutual Fund has launched a fund of fund – Kotak Global Innovation Fund of Fund. A fund of fund is a type of mutual fund which invests in another mutual fund. The underlying fund in this case is Wellington Global Innovation Fund. The domicile of the feeder fund will be Luxembourg.

Profile of Wellington Management Company

Wellington Management Company is a private investment management company which is headquartered in the United States. It was founded in 1933. Today the firm has a presence in more than 60 countries and has over \$1.3 trillion worth of assets under management.

About Wellington Global Innovation Fund

The underlying fund is focused on the 'innovation' theme. The fund will be diversified across geographies and sectors. The portfolio contains 40-70 stocks and is managed with a Growth-bias. The maximum exposure to a single stock is 10%.

The fund management team believes that innovation is not new – but the pace of change is accelerating. It is a myth that innovation is restricted to sectors such as healthcare and information technology (IT). In today's Covid-19 scenario some of the trends are likely to benefit the portfolio greatly –

- i. Work from home: Cloud/data centres, Fibre optic
- ii. E-commerce: Online marketplace, real estate logistics, Tax management software
- iii. Media/entertainment: Gaming, Streaming services
- iv. Food delivery
- v. Payments: Digital wallets
- vi. Online education
- vii. Health care: Digital health, BioPharma

What we like about the fund:

1. The fund has beaten the benchmark MSCI All Country World Index TRI over the last 1-, 2- and 3-year periods (in Rupee terms)
2. It allows investors to diversify across geographies and sectors outside India where the correlation with Indian markets could be low
3. 'Innovation' as a theme could do well over longer periods irrespective of global cycles
4. There is significant exposure to mid- and small-cap segments

5. Apart from innovation, environmental, social and corporate governance (ESG) framework is also given consideration while designing the portfolio
6. Portfolio turnover likely to be low to moderate
7. At any given point in time cash levels will be less than 5%
8. The portfolio managers - Michael Masdea and Brian Barbetta have a long experience in capital markets

Disadvantages of international funds:

1. The total returns get affected by currency fluctuations
2. International funds are treated like non-equity funds for the purpose of calculating capital gains tax. If held for a period of less than 3 years the profit is taxed as per the investor's income tax slab. If held for longer than 3 years the capital gains tax is 20% with indexation benefit.
3. The fund returns will be affected by country-specific factors of the respective stocks.

Current Top 10 Holdings of the Fund add up to ~35% of the portfolio (as on 31st May'21):

Issuer	Industry Group	% of Equity
Amazon.com Inc	Retailing	5.10
Alphabet Inc	Media & Entertainment	5.03
Facebook In	Media & Entertainment	4.14
Visa	Software & Services	4.05
AstraZeneca	Pharma, Biotech & Life Sciences	4.00
Prologis Inc	Real Estate	3.44
UnitedHealth Group	Health Care Equipment & Services	3.30
China Gas Holdings	Utilities	2.85
Walt Disney Company	Media & Entertainment	2.81

We recommend the fund for aggressive investors who wish to diversify globally. The total international fund exposure should be limited to 10-15% of the portfolio.

Mutual fund investments are subject to market risks. Read the offer document before investing