

**Independent auditor's report on the financial statements**  
**To the Board of Trustees of Sundaram Mutual Fund**

**1. Report on the Financial Statements.**

We have audited the accompanying financial statement of Sundaram Mutual Fund SUNDARAM MICROCAP SR 2 as at 31/03/2015, which comprise the Balance Sheet, the Revenue Account for the year then ended 31/03/2015 and a summary of significant accounting policies and other explanatory information

**2. Management's Responsibility for the Financial Statements**

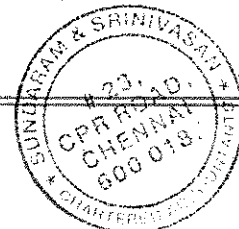
The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance of the Sundaram Mutual Fund SUNDARAM MICROCAP SR 2 in accordance with the Eleventh Schedule of Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 ("The Regulations"). This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Regulations for safeguarding the assets of the Mutual fund and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**3. Auditors Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountant of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Mutual fund's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the mutual fund has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.



# SUNDARAM & SRINIVASAN

CHARTERED ACCOUNTANTS  
23, C.P. RAMASWAMY ROAD,  
ALWARPET, CHENNAI - 600 018.

## 4. Opinion

In our opinion and to the best of our information and according to the explanations given to us, the said statements together with the notes forming part of Accounts give the information required by "The Regulations" in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :

a. In case of Balance sheet, of the state of affairs of Sundaram Mutual fund, SUNDARAM MICROCAP SR 2 as at 31/03/2015

b. In the case of Revenue Account of the Surplus of Sundaram Mutual fund SUNDARAM MICROCAP SR 2 for the year ended on 31/03/2015.

## 5. Report on Other Legal and Regulatory Requirements

As required by Regulation 55 of Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 we report that:

1. We have sought and obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.


2. The Balance sheet, and Revenue Account dealt with by this Report are in agreement with the books of accounts of the Sundaram Mutual Fund.

3.a. The accounts have been prepared in accordance with accounting policies and standards as specified in the Ninth Schedule of "The Regulations".

b. In our opinion, the valuation methods adopted by the fund for valuation of non-traded securities, "in good faith" are fair and reasonable.

For and on behalf of SUNDARAM & SRINIVASAN  
Chartered Accountants (FRN No:0042075)

Place : Chennai  
Date : 29<sup>th</sup> June 2015

  
K.SRINIVASAN  
Partner

Membership No. 5809



**BALANCE SHEET AS AT 31st MARCH, 2015**

	SCHEDULE NO.	31-Mar-15	31-Mar-14
		Rs.	Rs.
<b>LIABILITIES</b>			
Unit Capital	1	367,178,120	367,178,120
Reserves & Surplus	2	371,278,358	42,691,645
Current Liabilities & Provisions	3	1,089,192	17,865,259
		<b>739,545,670</b>	<b>427,735,024</b>
<b>ASSETS</b>			
Investments	4	727,165,056	426,629,369
Other Current Assets	5	12,380,614	1,105,655
		<b>739,545,670</b>	<b>427,735,024</b>


Notes on Accounts

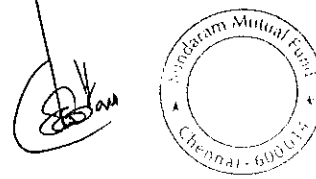
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As per our Report of even date

For  
**Sundaram & Srinivasan**  
Chartered Accountants  
(FRN.: 004207S)

For  
**Sundaram Mutual Fund**

  
K Srinivasan  
Partner  
(M.NO : 5809)



Authorised Signatory

Place : Chennai

Date : 29th June 2015

## REVENUE ACCOUNT FOR THE YEAR ENDED 31.03.2015

	Schedule No.	01.04.2014 - 31.03.2015		27.01.2014 - 31.03.2014	
		Rs.	Rs.	Rs.	Rs.
<b>REVENUE</b>					
Dividend	6	7,731,642		308,265	
Interest		1,393,845		4,254,372	
Net profit on transfer / sale of investments (Other than inter-scheme transfer/sale)		231,941,188		1,594,903	
<b>TOTAL (A)</b>		<b>241,066,675</b>	<b>241,066,675</b>	<b>6,157,540</b>	<b>6,157,540</b>
<b>EXPENSES</b>					
Management fee		5,754,745		625,699	
Service Tax on AMC Fee		711,286		77,336	
Custodian charges		205,049		56,714	
Trusteeship fee		30,619		3,332	
Commission to Agents		9,942,488		1,012,213	
Audit fee		10,469		5,618	
Other Operating expenses		22,968		30,471	
Investors Education Fees		122,473		13,313	
SEBI Fees		1,800		-	
<b>TOTAL (B)</b>		<b>16,801,897</b>	<b>16,801,897</b>	<b>1,824,696</b>	<b>1,824,696</b>
<b>SURPLUS / (DEFICIT) (A-B)</b>			<b>224,264,778</b>		<b>4,332,844</b>
Less: Income Distributed		116,897,776		-	
Distribution Tax		-	<b>116,897,776</b>	-	
<b>Surplus / (Deficit) transferred to Balance Sheet</b>			<b>107,367,002</b>		<b>4,332,844</b>

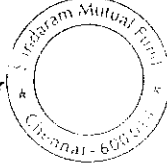
Notes on Accounts

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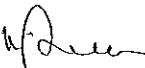
As per our Report of even date

For  
Sundaram & Srinivasan  
Chartered Accountants  
(FRN.: 004207S)

For  
Sundaram Mutual Fund

Authorised Signatory

  
K Srinivasan  
Partner  
(M.NO : 5809)



Place : Chennai  
Date : 29th June 2015

## SCHEDULE : 1

## Unit Capital

	31/03/2015		31/03/2014	
	Units	Rs.	Units	Rs.
Initial capital	36,717,812	367,178,120	36,717,812	367,178,120
Unit Capital				
Opening Capital	36,717,812	367,178,120	-	-
Add: Units sold during the Year	-	-	36,717,812	367,178,120
	36,717,812	367,178,120	36,717,812	367,178,120
Less : Units repurchased during the Year	-	-	-	-
Units at the end of the Year	36,717,812	367,178,120	36,717,812	367,178,120
		<u>367,178,120</u>		<u>367,178,120</u>

## SCHEDULE : 2

## Reserves &amp; Surplus

	31/03/2015		31/03/2014	
	Rs.	Rs.	Rs.	Rs.
General Reserve				
Opening Balance	4,332,844	-	-	-
Add /(Less): Transfer from Revenue Account	107,367,002	111,699,846	4,332,844	4,332,844
Unrealised appreciation reserve				
Opening Balance	38,358,801	-	-	-
Add/(Less) Net unrealized appreciation for the Year	221,219,711	38,358,801	38,358,801	38,358,801
Unrealised Appreciation Reserve ( Schedule 7 )		259,578,512		38,358,801
		<u>371,278,358</u>		<u>42,691,645</u>

## SCHEDULE : 3

## Current Liabilities &amp; Provisions

	31/03/2015	31/03/2014
	Rs.	Rs.
Sundry Creditors	874,996	727,679
Contract for Purchase of Investments	-	17,113,632
Others	214,196	23,948
	<u>1,089,192</u>	<u>17,865,259</u>

## SCHEDULE : 4

## Investments

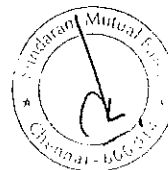
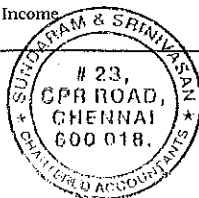
	31/03/2015	31/03/2014
	Rs.	Rs.
Equity Shares - Listed	707,656,658	313,047,198
Units of Domestic Mutual Fund	19,009,210	-
Others - Reverse Repo / CBLO	499,188	113,582,171
	<u>727,165,056</u>	<u>426,629,369</u>

## SCHEDULE : 5

## Other Current Assets

	31/03/2015	31/03/2014
	Rs.	Rs.
Balance with banks in Current Accounts	338,899	331,830
Contract for Sale of Investments	11,670,228	334,350
CBLO Margin Account	25,172	-
Repo Margin Account	9,145	-
Outstanding and accrued Income	337,170	439,475
	<u>12,380,614</u>	<u>1,105,655</u>

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## SCHEDULE : 6

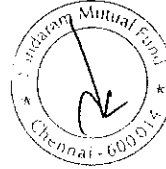
## Interest

	01.04.2014 - 31.03.2015	27.01.2014 - 31.03.2014
	Rs.	Rs.
Interest from banks and others	1,393,845	4,254,372
	1,393,845	4,254,372

## SCHEDULE : 7

## Net unrealised appreciation/ ( diminution ) in value of Investments

	31/03/2015	31/03/2014
	Rs.	Rs.
<b>Appreciation in Value of Investments</b>		
Equity Shares	259,569,303	38,358,801
Units of Domestic Mutual Fund	9,209	-
<b>Appreciation in value of investments ( Schedule 2 )</b>	<b>259,578,512</b>	<b>38,358,801</b>



**SUNDARAM MUTUAL FUND**  
**SUNDARAM SELECT MICRO CAP SERIES II**  
Schedules forming part of the Balance Sheet as at 31-Mar-2015  
and the Revenue Account for the Year ended 31st March 2015

**SCHEDULE 9**  
**NOTES ON ACCOUNTS**

*All amounts mentioned rupees in lakhs*

**1 SIGNIFICANT ACCOUNTING POLICIES**

**1.1. INVESTMENTS**

Investment transactions are accounted on trade dates at cost including brokerage, stamp duty and other levies.

Investments are marked to market. In valuing the Scheme's investments:

**a) Government Securities**

• Government Securities are valued at the prices obtained from CRISIL in accordance with the guidelines for valuation of securities for mutual funds issued by SEBI.

• Instruments bought on 'repo' basis have been valued at the resale price after deduction of applicable interest up to date of resale.

**b) Other Securities**

• Traded Securities are valued at the last quoted closing price on the stock exchange. Non-traded / thinly traded securities are valued in good faith and in true and fair manner through appropriate valuation policies and procedures.

In accordance with the guidance note on accounting for investments in the financial statement of mutual funds issued by The Institute of Chartered Accountants of India, the investments are valued separately category-wise and the net unrealised appreciation is directly transferred to unrealised appreciation reserve and the net diminution is debited to revenue account.

Bonus/Rights entitlements are recognised on ex-bonus /ex- rights dates.

**c) Equity Derivative Instruments**

• Open positions of traded equity Index / stock futures are valued at the last quoted closing price on the stock exchange.

• Equity derivative instruments are valued separately category wise and the net unrealised appreciation is directly transferred to unrealised appreciation reserve and the net diminution is debited to revenue account.

**1.2. INCOME RECOGNITION**

(i) Dividend is accounted on accrual basis and recognized on ex-dividend dates.

(ii) Profit/Loss on sale of investments is recognised on the trade dates based on weighted average cost method.

(iii) Income on investments is accounted on accrual basis.

(iii) Other income is accounted on cash basis.

When the future contracts of equity derivative instruments are squared off on or before the expiry of contract, the difference between the settlement price and contractual price is recognized in Revenue Account.

**1.3. EXPENSES**

Expenses are accounted for on accrual basis.

**2. INVESTMENT MANAGER FEES**

Management fee is computed on daily average net assets as under:

Description	01.04.2014 to 31.03.2015	27.01.2014 to 31.03.2014
Average daily net asset value	6,123.16	3,796.14
Management fee @ 0.94% ( Previous year 0.94% ) of average daily net asset value.	57.55	6.26



**3. INVESTMENTS MADE IN COMPANIES WHO HAVE INVESTED MORE THAN FIVE PERCENT OF THE NET ASSET VALUE OF THE SCHEMES OF SUNDARAM MUTUAL FUND.**

As Per Annexure - I

**4. AGGREGATE VALUE OF PURCHASES & SALES MADE DURING THE PERIOD.**

The aggregate value of investments purchased and sold (including matured) during the Period, as a percentage of average daily net asset value is as under :

Description	01.04.2014 to 31.03.2015	27.01.2014 to 31.03.2014
PURCHASE VALUE (AMOUNT)	5,947.75	2,797.58
%	97.14%	73.69%
SALES VALUE (AMOUNT)	6,343.17	66.64
%	103.59%	1.76%

**5. AGGREGATE FAIR VALUE OF NON-TRADED / THINLY TRADED INVESTMENTS-**

Aggregate Fair Value of non traded / thinly traded investments valued in "good faith" exceeding 5% of the Net Asset Value as at the end of the Period. :

Description	31.03.2015	31.03.2014
Aggregate Fair Value of non traded / thinly traded investments valued in "good faith" exceeding 5% of the Net Asset Value as at the end of the Period.	NIL	NIL
% to the asset under management	0.00%	0.00%

**6. INCOME / EXPENDITURE**

The total income and expenditure (excluding deferred revenue expenditure un-amortised) as a percentage of the daily average net assets, during the Period, are given below.

DESCRIPTION	01.04.2014 to 31.03.2015	27.01.2014 to 31.03.2014
INCOME	39.37%	9.25%
EXPENDITURE	2.74% *	2.74% *

\* With effect from 01st Oct, 2012 Service Tax on AMC fees is charged over and above the total expense ratio as per SEBI guidelines and is included in the above expense ratio.

**7. CONTINGENT LIABILITY**

Contingent liability as at 31st March 2015 is Rs. Nil. Previous Year Rs. Nil

**8. AMOUNT PAID TO SPONSORS / ASSOCIATES**

	01.04.2014 to 31.03.2015	27.01.2014 to 31.03.2014
Sundaram Finance Ltd (Sponsor)	1.76	13.00
Sundaram Finance Distribution Ltd (subsidiary of Sponsor)	NIL	NIL
Indusind Bank (Associate)	2.07	30.00

**9. TOTAL VALUE OF INVESTMENTS FALLING UNDER EACH MAJOR INDUSTRY GROUP WHICH CONSTITUTES NOT LESS THAN 5% OF THE TOTAL INVESTMENTS IS AS BELOW:**

(% of total investment within the classification)

Refer Annexure - II

**10. PORTFOLIO DISCLOSURE**

Full portfolio of the scheme is given in Annexure - III

**11. MOVEMENT IN UNIT CAPITAL**

As Per Schedule-I

**12 ACCOUNTING STANDARD 17 ON SEGMENT REPORTING**

As the Financial Statements are prepared separately on each scheme, no further disclosure under Accounting Standard 17 on segment reporting issued by the Institute of Chartered Accountants of India is considered necessary. There is no secondary reporting segment.

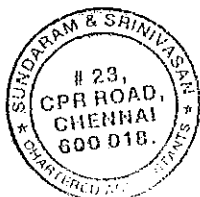
**13 ACCOUNTING STANDARD 18 ON RELATED PARTY DISCLOSURES**

Related party disclosures as required by the Accounting Standard 18 - "Related Party Disclosures" issued by the Institute of Chartered Accountants of India are given as Annexure - IV

**14 UNCLAIMED REDEMPTION / DIVIDEND**

The details of unclaimed dividends and redemption accounts are disclosed in Annexure VI.

During the year, the unclaimed redemption and dividend payable more than 90 days were transferred As on 31st March 15, these sums were deployed in money market instruments in terms of SEBI circular no. SEBI/Cir/9/120/2000 dated November 24,2000





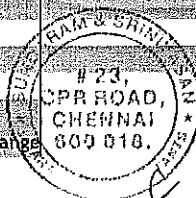


## ANNEXURE - II

EQUITY INSTRUMENTS	2014-15	2013-14
AUTOMOBILE	5.09%	10.43%
CHEMICALS	7.75%	10.28%
CONSUMER GOODS	11.88%	8.98%
INDUSTRIAL MANUFACTURING	54.29%	46.39%
PHARMA	5.35%	0.00%

## ANNEXURE - III

SUNDARAM MUTUAL FUND						
SUNDARAM SELECT MICROCAP SERIES 2						
Portfolio Statement as at March 31, 2015						
S.NO	ISIN CODE	Name of the Instrument	Rating / Industry	Quantity	Mkt Value Rs. in Lacs	% of Investment
<b>A) Equity &amp; Equity Related</b>						
<b>a) Listed / awaiting listing on Stock Exchange</b>						
1	INE782A01015	Hitachi Home and Life Solutions India Ltd	CONSUMER GOODS	44346	644.35	8.86%
2	INE536H01010	Mahindra CIE Automotive Ltd	INDUSTRIAL MANUFACTURING	228269	494.09	6.79%
3	INE839M01018	Schneider Electric Infrastructure Ltd	INDUSTRIAL MANUFACTURING	198333	430.98	5.93%
4	INE999A01015	KSB Pumps Ltd	INDUSTRIAL MANUFACTURING	56697	424.04	5.83%
5	INE325A01013	Timken India Ltd	INDUSTRIAL MANUFACTURING	68611	419.28	5.77%
6	INE671A01010	Honeywell Automation India Ltd	INDUSTRIAL MANUFACTURING	4580	389.90	5.36%
7	INE258A01016	BEMT. Ltd	INDUSTRIAL MANUFACTURING	32740	359.16	4.94%
8	INE536A01023	Grindwell Norton Ltd	INDUSTRIAL MANUFACTURING	46801	327.35	4.50%
9	INE177A01018	Ingersoll Rand India Ltd	INDUSTRIAL MANUFACTURING	31378	318.53	4.38%
10	INE373A01013	BASF India Ltd	CHEMICALS	21212	237.73	3.27%
11	INE823G01014	J K Cement Ltd	CEMENT & CEMENT PRODUCTS	31944	212.78	2.93%
12	INE234A01025	Novartis India Ltd	PHARMA	33403	187.89	2.58%
13	INE280B01018	Eiantas Beck India Ltd	CHEMICALS	15243	174.65	2.40%
14	INE503A01015	DCB Bank Ltd	FINANCIAL SERVICES	155325	172.33	2.37%
15	INE878A01011	ALSTOM India Ltd	INDUSTRIAL MANUFACTURING	21931	159.99	2.20%
16	INE182A01018	Pfizer Ltd	PHARMA	6825	152.21	2.09%
17	INE647A01010	SRF Ltd	TEXTILES	15287	151.65	2.09%
18	INE387A01021	Sundram Fasteners Ltd	AUTOMOBILE	78622	137.20	1.89%
19	INE349A01021	NRB Bearings Ltd	INDUSTRIAL MANUFACTURING	103538	136.20	1.87%
20	INE492A01029	Clariant Chemicals India Ltd	CHEMICALS	16743	136.15	1.87%
21	INE045A01017	Ador Welding Ltd	INDUSTRIAL MANUFACTURING	61534	133.28	1.83%
22	INE386A01015	Vesuvius India Ltd	INDUSTRIAL MANUFACTURING	16741	119.35	1.64%
23	INE533A01012	Goodyear India Ltd	AUTOMOBILE	22631	117.06	1.61%
24	INE020G01017	Accel Frontline Ltd	IT	168195	110.50	1.52%
25	INE294B01019	SML ISUZU Ltd	AUTOMOBILE	9081	105.98	1.46%
26	INE578A01017	HeidelbergCement India Ltd	CEMENT & CEMENT PRODUCTS	141360	105.03	1.44%
27	INE087H01022	Shree Renuka Sugars Ltd	CONSUMER GOODS	768004	98.69	1.36%
28	INE612J01015	Repco Home Finance Ltd	FINANCIAL SERVICES	15446	98.61	1.36%
29	INE312H01016	INOX Leisure Ltd	MEDIA & ENTERTAINMENT	49610	83.67	1.15%
30	INE189B01011	Styrolution ABS India Ltd	INDUSTRIAL MANUFACTURING	10270	68.55	0.94%
31	INE809I01019	OnMobile Global Ltd	TELECOM	92699	67.62	0.93%
32	INE201K01015	SQS India BFSI Ltd	IT	10739	61.21	0.84%
33	INE268C01029	Easun Reyrolle Ltd	INDUSTRIAL MANUFACTURING	151399	61.17	0.84%
34	INE415A01038	HSIL Ltd	CONSUMER GOODS	11663	52.55	0.72%
35	INE260B01028	Godfrey Phillips India Ltd	CONSUMER GOODS	10660	44.93	0.62%
36	INE793A01012	Accelya Kale Solutions Ltd	IT	4601	42.86	0.59%
37	INE199A01012	Merck Ltd	PHARMA	4200	38.23	0.53%
38	INE010A01011	Prism Cement Ltd	CEMENT & CEMENT PRODUCTS	814	0.82	0.01%
<b>Sub Total</b>					<b>7,076.57</b>	<b>97.32%</b>
<b>b) Preference / Right Shares</b>						
<b>Sub Total</b>						<b>0.00%</b>
<b>c) Warrants</b>						
<b>Sub Total</b>						
<b>d) Derivative</b>						
<b>Sub Total</b>						<b>0.00%</b>
<b>Total for Equity &amp; Equity Related</b>					<b>7,076.57</b>	<b>97.32%</b>
<b>B) Debt Instruments</b>						
<b>a) Listed / awaiting listing on Stock Exchange</b>						



Sub Total			-	0.00%
<b>b) Securitized Debt Instruments</b>				
Sub Total			-	0.00%
<b>c) Govt Security</b>				
Sub Total			-	0.00%
<b>d) Privately Placed / Unlisted</b>				
Sub Total			-	0.00%
<b>Total for Debt Instruments</b>			-	0.00%
<b>C) Money Market Instruments</b>				
<b>a) Certificate of Deposits</b>				
Sub Total			-	0.00%
<b>b) Commercial Papers</b>				
Sub Total			-	0.00%
<b>c) Treasury Bills</b>				
Sub Total			-	0.00%
<b>d) Reverse Repo / GBLO</b>				
CBLO			4.99	0.07%
Sub Total			-	0.00%
<b>Total for Money Market Instruments</b>			4.99	0.07%
<b>D) Mutual Fund Units</b>				
<b>a) Investment in Mutual Fund Units</b>				
Sundaram Money Fund Direct Growth	644013.219		190.09	2.61%
Sub Total			190.09	2.61%
<b>E) Others</b>				
<b>a) FDs with Commercial Banks</b>				
Sub Total			-	0.00%
<b>b) Primary Market Application</b>				
Sub Total			-	0.00%
<b>GRAND TOTAL</b>			<b>7,271.65</b>	<b>100.00%</b>

