

SUNDARAM & SRINIVASAN

CHARTERED ACCOUNTANTS

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

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 SELECT MICROCAP SERIES 2as at 31/03/2016, which comprise the Balance Sheet, the Revenue Account for the Year then ended 31/03/2016 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 SELECT MICROCAP SERIES 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

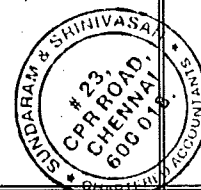
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountant of India. Those standards require that we comply with ethical requirements and plan and perform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

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 :



SUNDARAM & SRINIVASAN

CHARTERED ACCOUNTANTS

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

- a. In case of Balance sheet, of the state of affairs of Sundaram Mutual fund, SUNDARAM SELECT MICROCAP SERIES 2 as at 31/03/2016
- b. In the case of Revenue Account of the Surplus of Sundaram Mutual fund SUNDARAM SELECT MICROCAP SERIES 2 for the Year ended on 31/03/2016.

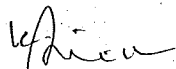
5. Report on Other Legal and Regulatory Requirements

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:004207S)

Place: Chennai
Date : 30th June 2016


K.SRINIVASAN
Partner
Membership No. 5809



BALANCE SHEET AS AT 31st MARCH, 2016


	SCHEDULE NO.	31-Mar-16	31-Mar-15
		Rs.	Rs.
LIABILITIES			
Unit Capital	1	367,178,120	367,178,120
Reserves & Surplus	2	285,263,585	371,278,358
Current Liabilities & Provisions	3	766,861	1,089,192
		653,208,566	739,545,670
ASSETS			
Investments	4	651,344,546	727,165,056
Other Current Assets	5	1,864,020	12,380,614
		653,208,566	739,545,670

Notes on Accounts

8

As per our Report of even date


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

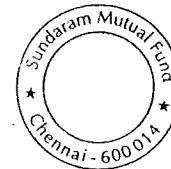

K Srinivasan
Partner
(M.NO : 5809)



Place : Chennai
Date : 30th June 2016

For
Sundaram Mutual Fund


Authorized Signatory



REVENUE ACCOUNT FOR THE YEAR ENDED 31.03.2016

	Schedule No.	01.04.2015 - 31.03.2016		01.04.2014 - 31.03.2015	
		Rs.	Rs.	Rs.	Rs.
REVENUE					
Dividend		4,908,105		7,731,642	
Interest	6	1,409,751		1,393,845	
Net profit on transfer / sale of investments (Other than inter-scheme transfer/sale)		85,596,851		231,941,188	
Other Income		2,662		-	
TOTAL (A)		91,917,369	91,917,369	241,066,675	241,066,675
EXPENSES					
Management fee		14,568,934		5,754,745	
Service Tax on AMC Fee		2,050,158		711,286	
Custodian charges		247,426		205,049	
Trusteeship fee		35,441		30,619	
Commission to Agents		3,953,404		9,942,488	
Audit fee		13,862		10,469	
Other Operating expenses		18,380		22,968	
Investors Education Fees		141,774		122,473	
SEBI Fees		9,557		1,800	
		21,038,936		16,801,897	
Less : Expenses absorbed by AMC		39,180		-	
TOTAL (B)			20,999,756		16,801,897
SURPLUS / (DEFICIT) (A-B)			70,917,613		224,264,778
Less: Income Distributed		42,508,282		116,897,776	
Distribution Tax		-	42,508,282	-	116,897,776
Surplus /(Deficit) transferred to Balance Sheet			28,409,331		107,367,002

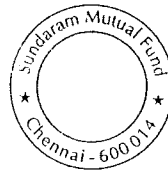
Notes on Accounts

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As per our Report of even date

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

For
Sundaram Mutual Fund



Authorized Signatory

K Srinivasan
Partner
(M.NO : 5809)



SCHEDULE : 1

Unit Capital

	31/03/2016		31/03/2015	
	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	36,717,812	367,178,120
Add: Units sold during the Year	-	-	-	-
	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

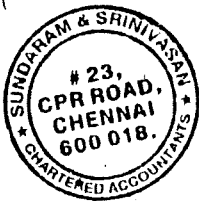
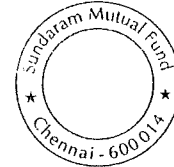
Reserves & Surplus

	31/03/2016		31/03/2015	
	Rs.	Rs.	Rs.	Rs.
General Reserve				
Opening Balance	111,699,846		4,332,844	
Add /(Less): Transfer from Revenue Account	28,409,331		107,367,002	
		140,109,177		111,699,846
Unrealised appreciation reserve				
Opening Balance	259,578,512		38,358,801	
Add/(Less) Net unrealized appreciation for the Year	(114,424,104)		221,219,711	
Unrealised Appreciation Reserve (Schedule 7)		145,154,408		259,578,512
		<u>285,263,585</u>		<u>371,278,358</u>

SCHEDULE : 3

Current Liabilities & Provisions

	31/03/2016	31/03/2015
	Rs.	Rs.
Sundry Creditors	754,378	874,996
Others	12,483	214,196
	<u>766,861</u>	<u>1,089,192</u>

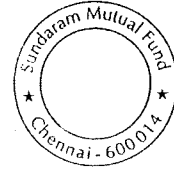


SCHEDULE : 4**Investments**

	31/03/2016	31/03/2015
	Rs.	Rs.
Equity Shares - Listed	646,144,546	707,656,658
Units of Domestic Mutual Fund	-	19,009,210
Others - Reverse Repo / CBLO	5,200,000	499,188
	651,344,546	727,165,056

SCHEDULE : 5**Other Current Assets**

	31/03/2016	31/03/2015
	Rs.	Rs.
Balance with banks in Current Accounts	433,973	338,899
Contract for Sale of Investments	979,599	11,670,228
CBLO Margin Account	164,020	25,172
Repo Margin Account	283,049	9,145
Outstanding and accrued Income	1,140	337,170
Amount Recoverable from AMC	2,239	
	1,864,020	12,380,614

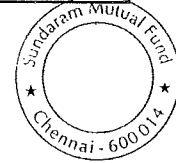


SCHEDULE : 6**Interest**

	01.04.2015 - 31.03.2016	01.04.2014 - 31.03.2015
	Rs.	Rs.
Interest from banks and others	1,409,751	1,393,845
	1,409,751	1,393,845

SCHEDULE : 7**Net unrealised appreciation/ (diminution) in value of Investments**

	31/03/2016	31/03/2015
	Rs.	Rs.
Appreciation in Value of Investments		
Equity Shares	145,154,408	259,569,303
Units of Domestic Mutual Fund	-	9,209
Appreciation in value of Investments (Schedule 2)	145,154,408	259,578,512



SUNDARAM MUTUAL FUND
SUNDARAM SELECT MICRO CAP SERIES II
Schedules forming part of the Balance Sheet as at 31-Mar-2016
and the Revenue Account for the Year ended 31st March 2016

SCHEDULE 98*All amounts mentioned rupees in lakhs***NOTES ON ACCOUNTS****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.

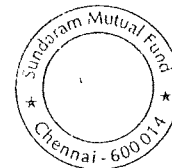
1.2. INCOME RECOGNITION

- (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.
- (iv) 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	2015-16	2014-15
Average daily net asset value	7,088.11	6,123.16
Management fee @ 2.06% of average daily net asset value.(Previous year 0.94%)	145.69	57.55

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 YEAR.

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

Description	2015-16	2014-15
PURCHASE VALUE (AMOUNT)	2,041.38	5,947.75
%	28.80%	97.14%
SALES VALUE (AMOUNT)	2,558.32	6,343.17
%	36.09%	103.59%

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 Year:

Description	31.03.2016	31.03.2015
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 year, are given below.

DESCRIPTION	2015-16	2014-15
INCOME	12.97%	39.37%
EXPENDITURE#	2.96%	2.74%

Total expenses charged includes service tax on management fees charged to the investor over and above

the normal expense charged as per SEBI CIR/IMD/DF/21/2012 dated September 13,2012.

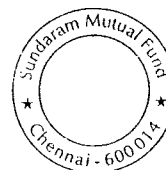
7. CONTINGENT LIABILITY

Contingent liability as at 31st March 2016 is Rs. Nil. Previous Year Rs. Nil

8. AMOUNT PAID TO SPONSORS / ASSOCIATES

	2015-16	2014-15
Sundaram Finance Ltd (Sponsor)	NIL	1.76
Sundaram Finance Distribution Ltd (subsidiary of Sponsor)	NIL	NIL
Indusind Bank (Associate)@	NIL	2.07

@ Indusind Bank ceased to be an associate with effect from 27 June 2015



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 Audit fees

The current year audit fees of Rs 13,862/- as per Revenue account includes SEBI audit fees of Rs.2,273/-

15 Investor Education & Awareness Initiatives (IEAI)

An annual charge of minimum 2bps (0.02% p.a.) of daily net assets, being part of total recurring expenses is set aside for IEAI as mandated by SEBI vide circular no. CIR/IMD/21/DF/21/2012 dated September 13, 2012. Accordingly accrued balance is transferred on periodic basis to a separate bank account maintained for the purpose. These funds are utilized by the AMC in accordance with SEBI Regulations.

The balances pending utilization are deployed in money market instruments. Movement of IEAI balances are provided in Annexure VII.



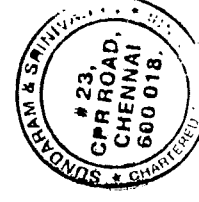
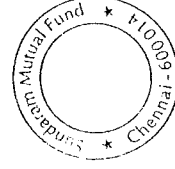
16 HISTORICAL PER UNIT STATISTICS

	01.04.2015 - 31.03.2016				01.04.2014 - 31.03.2015				27.01.2014 - 31.03.2014			
	Growth Option	Dividend Option	Direct Growth Option	Direct Dividend Option	Growth Option	Dividend Option	Direct Growth Option	Direct Dividend Option	Growth Option	Dividend Option	Direct Growth Option	Direct Dividend Option
(A) Gross income												
(i) Income other than profit on sale of investment		0.1721				0.2485				0.1243		
(ii) Income from profit on inter scheme sales/transfer of investments		0.0000				0.0000				0.0000		
(iii) Income from profit on sale of investment to third parties		2.3312				6.3169				0.0434		
(iv) Transfer to revenue account from past year's reserves												
(B) Aggregate of expenses, write off, amortisation and charges		0.5719				0.4576				0.0497		
(C) Net income		1.9314				6.1078				0.1180		
(D) Net unrealised appreciation/(diminution) in value of investments		3.9532				7.0696				1.0447		
(E) Net Assets Value	22.8999	13.9905	23.5015	14.4703	24.4561	16.9103	24.9586	17.3285	11.1616	11.1604	11.1943	11.1943
(F) Highest repurchase price	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Lowest repurchase price	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Highest ongoing sale price	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Lowest ongoing sale price	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
(G) Ratio of expenses (excluding deferred revenue expenditure amortised) to average daily net assets by percentage		2.96%				2.74%				2.74%		
(H) Ratio of gross income to average daily net assets by percentage		12.97%				39.37%				9.25%		

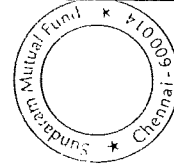
17 Computation of Distributable Income

	31.03.16	31.03.15
Net Income as per revenue account	70,917,613	224,264,776
Add: Balance of Undistributed income as at 1st April brought forward	111,699,846	4,322,844
	182,617,459	228,587,622
Less: Income Distributed during the year	42,508,282	116,897,776
Distributable Income	140,109,177	111,689,846

18. Previous year figures have been regrouped wherever necessary to conform with the current year's classification



ANNEXURE-II		
SUNDARAM SELECT MICROCAP SERIES 2		
% of total Investments within the classification		
	31-Mar-16	31-Mar-15
Equity Instruments		
a) Listed / awaiting listing on Stock Exchange		
AUTO	0.00%	5.09%
CEMENT	7.62%	0.00%
CHEMICALS	7.43%	7.75%
CONSUMER DURABLES	7.43%	11.88%
INDUSTRIAL CAPITAL GOODS	15.48%	0.00%
INDUSTRIAL MANUFACTURING	0.00%	54.29%
INDUSTRIAL PRODUCTS	33.79%	0.00%
PHARMA	0.00%	5.35%
SOFTWARE	5.88%	0.00%
b) Privately Placed / Unlisted		
FINANCE	100.00%	0.00%



SUNDARAM MUTUAL FUND

SUNDARAM SELECT MICROCAP SERIES 2

Portfolio Statement as at 31 March 2016

S.NO	ISIN CODE	Name of the Instrument	Rating / Industry	Quantity	Mkt Value Rs. In Lacs	% of Net Asset
		A) Equity & Equity Related				
		a) Listed / awaiting listing on Stock Exchange				
1	INE999A01015	KSB Pumps Ltd	Industrial Products	56697	359.15	5.50%
2	INE536A01023	Grindwell Norton Ltd	Industrial Products	46801	315.13	4.83%
3	INE782A01015	Hitachi Home and Life Solutions (India) Ltd	Consumer Durables	24453	296.90	4.55%
4	INE325A01013	Timken India Ltd	Industrial Products	63541	277.64	4.26%
5	INE578A01017	Heidelberg Cement India Ltd	Cement	336011	272.84	4.18%
6	INE839M01018	Schneider Electric Infrastructure Ltd	Industrial Capital Goods	182425	266.43	4.08%
7	INE045A01017	Ador Welding Ltd	Industrial Products	89735	257.58	3.95%
8	INE671A01010	Honeywell Automation India Ltd	Industrial Capital Goods	2921	251.09	3.85%
9	INE177A01018	Ingersoll Rand India Ltd	Industrial Products	34812	225.41	3.45%
10	INE536H01010	Mahindra CIE Automotive Ltd	Industrial Products	114258	224.12	3.44%
11	INE280B01018	Elantas Beck India Ltd	Chemicals	16928	219.89	3.37%
12	INE823G01014	J K Cement Ltd	Cement	31944	215.78	3.31%
13	INE349A01021	NRB Bearing Ltd	Industrial Products	155021	192.92	2.96%
14	INE373A01013	BASF India Ltd	Chemicals	20560	180.41	2.77%
15	INE258A01016	BEML Ltd	Industrial Capital Goods	16659	173.94	2.67%
16	INE234A01025	Novartis India Ltd	Pharmaceuticals	25619	166.14	2.55%
17	INE142I01023	Take Solutions Ltd	Software	98330	139.68	2.14%
18	INE278M01019	Navkar Corporation Ltd	Transportation	75844	138.04	2.12%
19	INE386A01015	Vesuvius India Ltd	Industrial Products	18392	136.27	2.09%
20	INE878A01011	Alstom India Ltd	Industrial Capital Goods	21931	133.22	2.04%
21	INE457F01013	Salzer Electronics Ltd	Industrial Capital Goods	65785	123.15	1.89%
22	INES03A01015	Development Credit Bank Ltd	Banks	146587	116.17	1.78%
23	INES33A01012	Good Year (I) Ltd	Auto Ancillaries	22631	108.79	1.67%
24	INE260B01028	Godfrey Phillips India Ltd	Consumer Non Durables	8939	106.24	1.63%
25	INE415A01038	Hindustan Sanitaryware Indus Ltd	Consumer Durables	34942	97.24	1.49%
26	INE312H01016	INOX Leisure Ltd	Media & Entertainment	46941	90.22	1.38%
27	INE612J01015	Repco Home Finance Ltd	Finance	15239	88.26	1.35%
28	INE201K01015	SQS India BFSI Ltd	Software	9099	82.87	1.27%
29	INE686A01026	ITD Cementation India Ltd	Construction	75643	82.60	1.27%
30	INE472A01039	Blue Star Ltd	Consumer Durables	21082	82.28	1.26%
31	INE712K01011	Shree Pushkar Chemicals & Fertilisers Ltd	Chemicals	58293	76.16	1.17%
32	INE116C01012	Z F Steering Gear (India) Ltd	Auto Ancillaries	5180	75.93	1.16%
33	INE387A01021	Sundram Fasteners Ltd	Auto Ancillaries	44326	75.71	1.16%
34	INE294B01019	SML Isuzu Ltd	Auto	9081	71.13	1.09%
35	INE648A01026	State Bank of Bikaner and Jaipur	Banks	14000	69.97	1.07%
36	INE647A01010	SRF Ltd	Textile Products	5251	68.71	1.05%
37	INE793A01012	Accelya Kale Solutions Ltd	Software	7922	68.68	1.05%
38	INE717A01029	Kennametal India Ltd	Industrial Products	9837	65.61	1.01%
39	INE189B01011	INEOS Styrolution India Ltd	Industrial Products	10270	57.61	0.88%
40	INE089C01029	Sterilite Technologies Ltd	Industrial Products	60706	54.91	0.84%
41	INE070I01018	Insecticides India Ltd	Pesticides	17499	54.76	0.84%
42	INE287B01021	Subros Ltd	Auto Ancillaries	53003	46.72	0.72%
43	INE020G01017	Accel Frontline Ltd	Software	89875	45.52	0.70%
44	INE268C01029	Easun Reyrolle Ltd	Industrial Capital Goods	151399	44.66	0.68%
45	INE504B01011	Blue Star Infotech Ltd	Software	17296	40.32	0.62%
46	INE199A01012	Merck Ltd	Pharmaceuticals	6083	39.02	0.60%
47	INE274B01011	Monsanto India Ltd	Pesticides	2168	35.97	0.55%
		Sub Total			6411.78	98.27%
		b) Privately Placed / Unlisted				
1		Ujjivan Financial Services Ltd	Finance	32300	49.66	0.76%
		Sub Total			49.66	0.76%
		Total for Equity & Equity Related			6461.45	99.04%
		B) Money Market Instruments				
		a) Reverse Repo / CBLO				
1		364 Days T Bill Maturing on 14/04/2016			52.00	0.80%
		Sub Total			52.00	0.80%
		Total for Money Market Instruments			52.00	0.80%
		Cash & Other Net Current Assets			10.97	0.17%
		GRAND TOTAL			6524.41	100.00%

** Thinly traded / Non Traded securities

