

**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 SMALL CAP SERIES-III** as at 31/03/2017, which comprise the Balance Sheet, the Revenue Account for the Year then ended 31/03/2017 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 and financial performance of the Sundaram Mutual Fund **SUNDARAM SELECT SMALL CAP SERIES-III** 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.

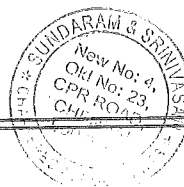
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

**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 :

a. In case of Balance Sheet, of the state of affairs of Sundaram Mutual fund, **SUNDARAM SELECT SMALL CAP SERIES-III** as at 31/03/2017.

b. In the case of Revenue Account of the Surplus of Sundaram Mutual fund **SUNDARAM SELECT SMALL CAP SERIES-III** for the Year ended on 31/03/2017.



**SUNDARAM & SRINIVASAN**  
CHARTERED ACCOUNTANTS  
23, C.P. RAMASWAMY ROAD,  
ALWARPET, CHENNAI - 600 018.


**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 : 23<sup>rd</sup> June 2017

  
K.SRINIVASAN  
Partner  
Membership No. 5809



**BALANCE SHEET AS AT 31st MARCH, 2017**

DESCRIPTION	SCHEDULE NO.	31-Mar-17	31-Mar-16
		Rs.	Rs.
<b>LIABILITIES</b>			
Unit Capital	1	387,582,720	387,582,720
Reserves & Surplus	2	111,014,816	(25,467,606)
Current Liabilities & Provisions	3	467,176	861,492
		<b>499,064,712</b>	<b>362,976,606</b>
<b>ASSETS</b>			
Investments	4	497,712,185	362,267,907
Other Current Assets	5	1,352,527	708,699
		<b>499,064,712</b>	<b>362,976,606</b>

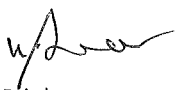
Notes on Accounts

8

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 : 23rd June 2017

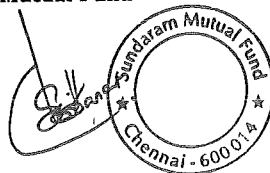
## REVENUE ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2017

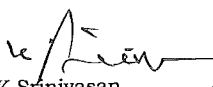
Description	Sch No.	2016-17		2015-16	
		Rs.	Rs.	Rs.	Rs.
<b>REVENUE</b>					
Dividend		3,234,144		4,014,170	
Interest	6	1,176,346		4,546,626	
Net profit on transfer / sale of investments (Other than inter-scheme transfer/sale)		51,196,516		767,710	
Profit on Derivative transactions		165,166		-	
Net diminution on sale of investments written back		23,409,450		-	
Other Income		7,682		9,290	
<b>TOTAL (A)</b>		<b>79,189,304</b>	<b>79,189,304</b>	<b>9,337,796</b>	<b>9,337,796</b>
<b>EXPENSES</b>					
Net diminution in value of investment	7	-		23,409,450	
Realised loss on Derivative Transactions		-		364,315	
Management Fees		9,114,656		7,798,166	
Service Tax on Management Fees		1,360,028		1,098,069	
Custodian Fees		141,594		127,614	
Trusteeship Fees		21,872		19,162	
Commission to Agent		1,502,452		2,043,247	
Audit Fees		20,146		14,122	
Other Operating expenses		13,589		60,397	
Investor Education Fees		87,481		76,653	
<b>TOTAL (B)</b>		<b>12,261,818</b>	<b>12,261,818</b>	<b>35,011,195</b>	<b>35,011,195</b>
<b>SURPLUS / (DEFICIT) (A-B)</b>			<b>66,927,486</b>		<b>(25,673,399)</b>
<b>Surplus / (Deficit) transferred to Balance Sheet</b>			<b>66,927,486</b>		<b>(25,673,399)</b>

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 : 23rd June 2017

**SCHEDULE : 1****Unit Capital**

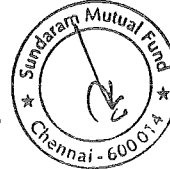
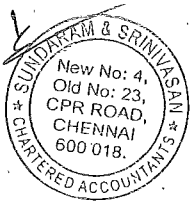
Description	31/03/2017		31/03/2016	
	Units	Rs.	Units	Rs.
<b>Initial capital</b>	<b>38,758,272</b>	<b>387,582,720</b>	<b>38,758,272</b>	<b>387,582,720</b>
<b>Unit Capital</b> Opening Capital	38,758,272	387,582,720	38,758,272.00	387,582,720
Add: Units sold during the Year	-	-	-	-
	38,758,272	387,582,720	38,758,272	387,582,720
Less : Units repurchased during the Year	-	-	-	-
Units at the end of the Year	38,758,272	387,582,720	38,758,272	387,582,720
	<b>387,582,720</b>		<b>387,582,720</b>	

**SCHEDULE : 2****Reserves & Surplus**

Description	31/03/2017		31/03/2016	
	Rs.	Rs.	Rs.	Rs.
<b>General Reserve</b> Opening Balance	(25,483,767)		189,632	
Add /(Less): Transfer from Revenue Account	66,927,486		(25,673,399)	
		41,443,719		(25,483,767)
<b>Unrealised Appreciation Reserve</b> Opening Balance	16,161		1,355,739	
Add/(Less): Net unrealized appreciation for the Year	69,554,936		(1,339,578)	
Unrealised Appreciation Reserve (Schedule 7)		69,571,097		16,161
		<b>111,014,816</b>		<b>(25,467,606)</b>

**SCHEDULE : 3****Current Liabilities & Provisions**

Description	31/03/2017	31/03/2016
	Rs.	Rs.
Sundry Creditors	449,542	854,981
Others	17,634	6,511
	<b>467,176</b>	<b>861,492</b>

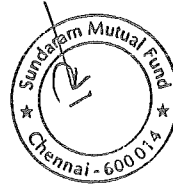


**SCHEDULE : 4****Investments**

Description	31/03/2017	31/03/2016
	Rs.	Rs.
Equity Shares	443,402,269	336,951,747
Units of Domestic Mutual Fund	40,009,916	20,016,160
Others - Reverse Repo / CBLO	14,300,000	5,300,000
	<b>497,712,185</b>	<b>362,267,907</b>

**SCHEDULE : 5****Other Current Assets**

Description	31/03/2017	31/03/2016
	Rs.	Rs.
Balance with banks in Current Accounts	371,704	316,383
CBLO Margin Account	170,084	143,506
Repo Margin Account	764,902	247,648
Outstanding and accrued Income	45,837	1,162
	<b>1,352,527</b>	<b>708,699</b>



**SCHEDULE : 6****Interest**

Description	2016-17	2015-16
	Rs.	Rs.
Interest from banks and others	1,176,346	4,546,626
	<b>1,176,346</b>	<b>4,546,626</b>

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

Description	31/03/2017	31/03/2016
	Rs.	Rs.
<b>Appreciation in Value of Investments</b>		
Equity Shares	69,561,181	-
Units of Domestic Mutual Fund	9,916	16,161
<b>Appreciation in Value of Investments (schedule 2)</b>	<b>69,571,097</b>	<b>16,161</b>
<b>Diminution in value of investments</b>		
Equity Shares	-	23,409,450
<b>Diminution in value of investments transferred to reveune Account</b>	-	<b>23,409,450</b>



**SUNDARAM MUTUAL FUND**  
**SUNDARAM SELECT SMALL CAP SERIES-III**  
**Schedules forming part of the Balance Sheet as at 31-Mar-2017**  
**and the Revenue Account for the Year ended 31-Mar-2017**

**SCHEDULE 8**  
**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. Front end discount, if any, received from the issuer is reduced from the cost of the investment.

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

**a) Government Securities**

• Government Securities are valued at the prices obtained from CRISIL & ICRA 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.

• In case of Options, premium received / paid is marked to market and the difference amount is treated as an asset / liability till the expiry of the position.

• 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.

(v) Futures contract of equity derivative instruments are marked to market and resultant gain/loss is transferred to revenue account. 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.

When the option contracts are squared off before expiry, the difference between the premium paid and received on the squared off transactions is recognized in the revenue account. When the option contracts are exercised on or before expiry, the difference between the option settlement price as determined by the exchange and the premium is recognized in the revenue account. Premium asset / liability in respect of option not exercised / squared off as on expiry date is transferred to revenue account.

**1.3. EXPENSES**

a) All expenses are accounted on an accrual basis and are within the limits of SEBI (Mutual Funds) Regulations 1996

b) Common recurring expenses, if any are allocated to the schemes on the basis of Assets under Management of the respective schemes

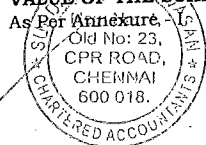
**2 INVESTMENT MANAGER FEES**

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

Description	2016-17	2015-16
Average daily net asset value	4,373.86	3,832.55
Management fee @ 2.08% of average daily net asset value. (Previous year 2.03%)	91.15	77.98

**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,  
 Old No: 23,  
 CPR ROAD,  
 CHENNAI  
 600 018.





**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	2016-17	2015-16
<b>PURCHASE VALUE (AMOUNT)</b>	2,365.95	4,718.72
%	54.09%	123.12%
<b>SALES VALUE (AMOUNT)</b>	2,543.11	4,060.05
%	58.14%	105.94%

**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 : NIL

**6 INCOME / EXPENDITURE**

The total income and expenditure as a percentage of the daily average net assets, on an annualised basis are given below:

DESCRIPTION	2016-17	2015-16
<b>INCOME</b>	18.11%	2.44%
<b>EXPENDITURE#</b>	2.80%	2.93%

#Total expenses includes service tax on management fees charged over and above the total expense ratio limits prescribed in the SEBI (Mutual Funds) Regulations, 1996.

**7 CONTINGENT LIABILITY**

Contingent liability as at 31st March 2017 is Rs. Nil. Previous year Rs. Nil

**8 AMOUNT PAID TO SPONSORS / ASSOCIATES**

	2016-17	2015-16
Sundaram Finance Ltd (Sponsor)	NIL	0.02

**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 DETAILS OF DERIVATIVE CONTRACTS OUTSTANDING AT THE YEAR END AND EXECUTED DURING THE YEAR**

Refer Annexure V for details of derivative contracts executed during the Year.

**11 PORTFOLIO DISCLOSURE**

Full portfolio of the scheme is given in Annexure - III

**12 MOVEMENT IN UNIT CAPITAL**

As Per Schedule-I

**13 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.

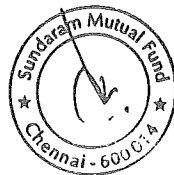
**14 ACCOUNTING STANDARD 18 ON RELATED PARTY DISCLOSURES**

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

**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. From 01.04.2016, 50% of 2bps accrued on daily net assets is transferred to AMFI and the balances are utilized by the AMC in accordance with SEBI Guidelines.

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





ANNEXURE-II		
SUNDARAM SELECT SMALL CAP SERIES - III		
% of total Investments within the classification		
	31-Mar-17	31-Mar-16
<b>Equity Instruments</b>		
<b>a) Listed / awaiting listing on Stock Exchange</b>		
AUTO ANCILLARIES	6.10%	0.00%
BANKS	15.55%	11.81%
CEMENT	9.10%	9.62%
CONSUMER DURABLES	4.27%	5.47%
FINANCE	16.02%	10.79%
GAS	3.62%	5.79%
INDUSTRIAL CAPITAL GOODS	4.15%	7.61%
INDUSTRIAL PRODUCTS	2.64%	5.39%
PESTICIDES	5.14%	0.00%
POWER	3.05%	5.34%
TEXTILE PRODUCTS	6.81%	7.55%
<b>b) Privately Placed / Unlisted</b>		
HEALTHCARE SERVICES		96.10%
<b>Mutual Fund Units</b>		
SUNDARAM MONEY FUND - DIRECT GROWTH		100.00%



SUNDARAM MUTUAL FUND						
Sundaram Select Small Cap Series-III						
Portfolio Statement as at 31 March 2017						
SL No	ISIN Code	Name of the instrument	Rating / Industry	Quantity	Mkt Value Rs. in Lacs	% of Net Asset
<b>(A)Equity &amp; Equity Related</b>						
<b>(a)Listed / awaiting listing on Stock Exchange</b>						
1	INE331A01037	The Ramco Cements Ltd	Cement	34408	231.45	4.64%
2	INE918I01018	Bajaj Finserv Ltd	Finance	4806	196.97	3.95%
3	INE774D01024	Mahindra & Mahindra Financial Services Ltd	Finance	53540	168.60	3.38%
4	INE203G01019	Indraprastha Gas Ltd	Gas	15820	160.57	3.22%
5	INE171A01029	The Federal Bank Ltd	Banks	174656	159.72	3.20%
6	INE034A01011	Arvind Ltd	Textile Products	38903	153.65	3.08%
7	INE302A01020	Exide Industries Ltd	Auto Ancillaries	68181	152.96	3.07%
8	INE647A01010	SRF Ltd	Textile Products	9102	148.10	2.97%
9	INE169A01031	Coromandel International Ltd	Fertilisers	47021	146.63	2.94%
10	INE028A01039	Bank of Baroda	Banks	83642	144.66	2.90%
11	INE180A01020	Max Financial Services Ltd	Finance	24038	138.69	2.78%
12	INE891D01026	Redington (India) Ltd	Trading	125723	138.36	2.77%
13	INE486A01013	CESC Ltd	Power	16069	135.17	2.71%
14	INE462A01022	Bayer Cropscience Ltd	Pesticides	3345	126.98	2.55%
15	INE716A01013	Whirlpool of India Ltd	Consumer Durables	10303	125.87	2.52%
16	INE152A01029	Thermax Ltd	Industrial Capital Goods	12782	125.26	2.51%
17	INE775A01035	Motherson Sumi Systems Ltd	Auto Ancillaries	31600	117.52	2.36%
18	INE513A01014	Fag Bearings India Ltd	Industrial Products	2552	116.86	2.34%
19	INE172A01027	Castrol India Ltd	Petroleum Products	26472	114.46	2.30%
20	INE121A01016	Cholamandalam Investment and Finance Company Ltd	Finance	11350	109.53	2.20%
21	INE160A01022	Punjab National Bank	Banks	70778	106.10	2.13%
22	INE562A01011	Indian Bank	Banks	37982	105.68	2.12%
23	INE628A01036	UPL Ltd	Pesticides	13878	100.88	2.02%
24	INE825A01012	Vardhman Textiles Ltd	Textiles - Cotton	7602	99.79	2.00%
25	INE055A01016	Century Textiles & Industries Ltd	Cement	9199	96.88	1.94%
26	INE007A01025	CRISIL Ltd	Finance	5072	96.60	1.94%
27	INE010V01017	L&T Technology Services Ltd	Software	11600	90.32	1.81%
28	INE036D01028	Karur Vysya Bank Ltd	Banks	79408	88.94	1.78%
29	INE211B01039	The Phoenix Mills Ltd	Construction	22397	84.76	1.70%
30	INE428A01015	Allahabad Bank	Banks	114825	84.34	1.69%
31	INE356A01018	Mphasis Ltd	Software	14181	82.24	1.65%
32	INE752P01024	Future Retail Ltd	Retailing	28841	77.24	1.55%
33	INE823G01014	JK Cement Ltd	Cement	8058	75.34	1.51%
34	INE348B01021	Century Plyboards (India) Ltd	Consumer Durables	24498	63.57	1.28%
35	INE264A01014	GlaxoSmithKline Consumer Healthcare Ltd	Consumer Non Durables	1200	61.87	1.24%
36	INE451A01017	Force Motors Ltd	Auto	1340	60.13	1.21%
37	INE839M01018	Schneider Electric Infrastructure Ltd	Industrial Capital Goods	41438	58.80	1.18%
38	INE749A01030	Jindal Steel & Power Ltd	Ferrous Metals	38649	46.77	0.94%
39	INE437A01024	Apollo Hospitals Enterprise Ltd	Healthcare Services	3586	41.78	0.84%
<b>Total for Equity &amp; Equity Related</b>					<b>4434.02</b>	<b>88.93%</b>
<b>(B)Money Market Instruments</b>						
1		Reverse Repo			143.00	2.87%
<b>Total for Money Market Instruments</b>					<b>143.00</b>	<b>2.87%</b>
<b>(C)Mutual Fund Units</b>						
1	INF903J01QF2	Sundaram Money Fund - Direct Growth		1166633	400.10	8.02%
<b>Total for Mutual Fund Units</b>					<b>400.10</b>	<b>8.02%</b>
Cash and Other Net Current Assets					8.85	0.18%
<b>Grand Total</b>					<b>4985.98</b>	<b>100.00%</b>

