SUNDARAM MUTUAL

Notice cum Addendum to the unitholders of Sundaram Balanced Fund, Sundaram Equity Multiplier, Sundaram Equity Plus, Sundaram Financial Services Opportunities Fund, Sundaram Infrastructure Advantage Fund, Sundaram Select Mid Cap, Sundaram Rural India Fund, Sundaram Select Focus, Sundaram S.M.I.L.E Fund (Page 1)

Changes in Fundamental Attribute

NOTICE IS HEREBY GIVEN THAT, in accordance with SEBI Circular SEBI/HO/IMD/DF3/CIR/P/2017/114 dated October 06, 2017 and SEBI/HO/IMD/DF3/CIR/P/2017/126 dated December 04, 2017, Sundaram Trustee Company Limited (Trustee to Sundaram Mutual Fund), has approved the following changes in the Scheme Information Document and Key Information Memorandum of Sundaram Balanced Fund, Sundaram Equity Multiplier, Sundaram Equity Plus, Sundaram Financial Services Opportunities Fund, Sundaram Infrastructure Advantage Fund, Sundaram Select Mid Cap, Sundaram Rural India Fund, Sundaram Select Focus, Sundaram S.M.I.L.E Fund, **with effect from 04/05/2018, ("Effective Date")**. SEBI vide their letter no. IMD/DF3/OW/P/2018/6389/1 dated 28/02/2018 has conveyed their no objection to the proposed changes.

Sundaram Balanced Fund

Particulars	Existing			Proposed		
Fund Name	Sundaram Balanced Fund			Sundaram Equity Hybrid Fund		
Type of scheme	An open-end balanced scheme			An open ended hybrid scheme investing predominantly in equity and equity related instruments		
Fund Objective	To generate capital appreciation and current income, through a judicious mix of investments in equities and fixed income securities.			To generate capital appreciation and current income, through a mix of investments in equities and fixed income securities.		
Asset allocation	Equity and equity-related instruments (including investment in derivatives)	40-75%	High	Equity and equity-related Instruments	65-80%	High
	Fixed Income Instruments* (Debt and money market instruments)	25-60%	Low to Medium	* Fixed Income, Money Market instruments and Cash & Cash Equivalents	20-35%	Low to Medium
	—	—	—	Investment in REITs & InvITs	0-10%	Medium to High
	Overseas Securities	Up to 35% of the net assets		Overseas Securities (including ETFs)	0-15% of the net assets	
	• Exposures in overseas securities may be taken subject to the applicable guidelines/policies of SEBI and RBI.			• Exposure to derivatives will be limited to 50% of the net asset value of the Scheme at the time of transaction. * Including Securitised Debt Up to 10% • Fixed Income & Money Market instruments include investment in Repo in Corporate Bonds upto 10%. • The scheme shall engage in securities lending subject a maximum of 20% and 5% for a single counter party.		
Cap curve / Duration	Not Applicable			Not Applicable		
Investment Strategy	No change			No change		
Investment Restrictions	• Exposure to derivatives will be upto to the applicable limit • The scheme shall not invest in repo in corporate bond • The scheme shall not engage in securities lending and short selling • The scheme shall not invest in securitized debt or in credit default swap.			• Exposure to derivatives will be limited to 50% of the net asset value of the Scheme at the time of transaction. * Including Securitised Debt Up to 10% • Fixed Income & Money Market instruments include investment in Repo in Corporate Bonds upto 10%. • The scheme shall engage in securities lending subject a maximum of 20% and 5% for a single counter party. • The scheme shall not invest in credit default swaps. • The scheme shall not engage in short selling.		
Benchmark	CRISIL Balanced Fund Index			CRISIL Hybrid 35% +65% Aggressive Index		
Product Suitability	This product is suitable for investors who are seeking • Long term capital growth and current income • with a mix of investments predominantly in equity and equity related instruments and fixed income securities			This product is suitable for investors who are seeking • Long Term Capital Growth and Income • a mix of investments predominantly in equity and equity related instruments and fixed income securities		
Riskometer	Moderately High Risk			Moderately High Risk		

Sundaram Equity Multiplier

Particulars	Existing			Proposed		
Fund Name	Sundaram Equity Multiplier			Sundaram Large and Mid Cap Fund		
Type of scheme	An open-end equity scheme			Large & Mid Cap Fund - An open ended equity scheme investing in both large cap and mid cap stocks		
Fund Objective	To seek capital appreciation by investing in equity & equity related instruments.			To seek capital appreciation by investing predominantly in equity and equity related instruments in large and mid cap stocks		
Asset allocation	Equity & Equity Related Instruments (including investment in derivatives)	65-100%	High	Equity and equity-related instruments of large cap companies	35-65%	High
				Equity and equity-related instruments of mid cap companies	35-65%	High
	—	—	—	Other Equities	0-30%	High
	Debt Securities including securitized Debt * & Money Market instruments	Upto 35%	Low to Medium	Fixed Income, Money Market instruments and Cash & Cash Equivalents	Upto 30%	Low to Medium
	—	—	—	Investment in REITs & InvITs	0-10%	Medium to High
	Overseas Securities	Exposures in overseas securities may be taken subject to the applicable guidelines/policies of SEBI and RBI.		Overseas Securities (including ETFs)	0-30% of the net assets	
	• Exposure to derivatives will be limited to 50% of the net asset value of the Scheme at the time of transaction. * Securitized Debt upto a maximum of 30%.			• Exposure to derivatives will be limited to 50% of the net asset value of the Scheme at the time of transaction. • Fixed Income & Money Market instruments include investment in Repo in Corporate Bonds upto 10%. • The scheme shall engage in securities lending subject a maximum of 20% and 5% for a single counter party.		
Cap curve / Duration	Investing across market-cap category			The fund will be investing predominantly in Large and Mid Cap Stocks, as defined in SEBI's circular vide SEBI/HO/IMD/DF3/CIR/P/2017/114 dated October 06,2017 and SEBI/HO/IMD/DF3/CIR/P/2017/126 dated December 04, 2017 Subsequent to any updation in the list furnished by AMFI, the Investment Manager will rebalance the portfolios in line with updated list, within a period of one month		
Investment Strategy	No change			No change		
Investment Restrictions	• The scheme shall not invest in repo in corporate bond • The scheme shall not engage in securities lending and short selling • The scheme shall not invest in credit default swap. • The scheme shall invest in securitised debt up to a maximum of 30%			• Fixed Income & Money Market instruments include investment in Repo in Corporate Bonds upto 10%. • The scheme shall engage in securities lending subject a maximum of 20% and 5% for a single counter party. • The scheme shall not invest in securitised debt and credit default swaps. • The scheme shall not engage in short selling		
Benchmark	For Investments in Indian securities: Nifty 500 Index. For Investment in overseas securities: MSCI Emerging Markets Index.			For Investments in Indian securities: Nifty 200 Index.		
Product Suitability	This product is suitable for investors who are seeking • Long term capital growth • Investment in equity & equity related securities			This product is suitable for investors who are seeking • Long term capital growth • Investment in equity & equity related securities in large and mid cap companies		
Riskometer	Moderately High Risk			Moderately High Risk		

Sundaram Equity Plus

Particulars	Existing			Proposed		
Fund Name	Sundaram Equity Plus			Sundaram Multi Asset Fund		
Type of scheme	An open-end equity scheme			An open ended scheme investing in equity, Fixed Income and commodities / Commodity ETFs / ReITs / InVITs.		
Fund Objective	To seek capital appreciation by investing in equity and equity-related instruments listed in India to the extent of at least 65% and in gold-ETF up to 35%.			To seek capital appreciation by investing in equity and equity-related instruments to the extent of at least 65% and upto 35% in Fixed Income instruments, Commodity / Commodity ETFs, InvITs/REITs		
Asset allocation	Equity and equity-related instruments	65-85%	High	Equity and equity-related Instruments	65-80%	High
	Gold-ETF	15-35%	High	Commodity/ Commodity ETFs	10-25%	High
	Fixed Income & Money Market Instruments	Upto 20%	Low to Medium	Fixed Income & Money Market Instruments	10-25%	Low to Medium
	—	—	—	Investment in REITs & InvITs	0-10%	Medium to High
	Overseas Securities	Up to 35% of the net assets		Overseas Securities (including ETFs)	0-15% of the net assets	
	• Exposures in overseas securities may be taken subject to the applicable guidelines/policies of SEBI and RBI.			• Exposure to derivatives will be limited to 50% of the net asset value of the Scheme at the time of transaction. • Fixed Income & Money Market instruments include investment in Repo in Corporate Bonds upto 10%. • The scheme shall engage in securities lending subject a maximum of 20% and 5% for a single counter party.		
Cap curve / Duration	Not Applicable			Not Applicable		
Investment Strategy	The objective of the Scheme is to seek capital appreciation by investing in equity and gold-ETF as primary asset classes. Gold is a store of value and provides a partial hedge against inflation. It has proved as a stable asset class over the years in difficult times for the global economy. The Scheme seeks to provide a combination of equity (listed in India) & gold-ETF and is aimed at providing exposure to equity with the cushion of an exposure to gold. As far as equity part of the portfolio is concerned, the strategy will focus on large-cap stocks – defined as stocks with a market capitalisation (share price multiplied by outstanding number of shares) not below the 50th stock by value on the National Stock Exchange and aim to create a diversified portfolio. Active calls will taken on allocation to equity, allocation to cash-like assets, sectors and stocks depending on macroeconomic environment – global and local, prospects for industries and specific companies and market conditions, to name a few. The portfolio manager will adopt an active management style to optimise returns. Income generation may only be a secondary objective. Investment in gold ETF shall be made in domestic market only.			The Fund is a multi-asset fund and will invest in at least three different asset classes. The objective of the Scheme is to seek capital appreciation by investing in equity, fixed income securities, commodities and commodity ETF's (including gold)and InVIT's/ REIT's. The equity part of the portfolio will invest in stocks across the cap curve i.e. follow a multi cap strategy. The aim being to create a diversified equity portfolio. Active calls will be taken on allocation to equity, allocation to cash-like assets, sectors and stocks depending on macroeconomic environment – global and local, prospects for industries and specific companies and market conditions, to name a few. Investment in fixed income securities will only be in instruments rated investment grade and span across (i) Corporate Bonds (including bonds issued by Banks, PSU's, PFI's etc.,), (ii) Government securities – issued by both Central and State Governments and (iii) Money Market Instruments (including Commercial Papers, Certificates of Deposits, etc.,). The duration of the fixed income securities will be decided based on prevailing economic outlook and will be managed in a dynamic manner. Investment in commodities / commodity ETF's (including gold) will be based on the prevailing outlook for commodities both domestic and global. Investment in InVIT's and REIT's will also be an asset class that the Investment Manager can invest in depending on the attractiveness of this as an investment. The combination of equity, fixed income securities, commodities / commodity ETF's and REIT's / InVIT's are expected to provide the investor with a portfolio that is diversified across asset classes and this diversification aims to protect the investor against the adverse movement in prices of one particular asset class and helps to reduce the volatility that may come from being invested in a single asset class. The portfolio manager will adopt an active management style to optimise returns. Every endeavor will be made to seek to achieve the objectives of the Scheme. The Investment Manager Sponsors / Trustee / Mutual Fund do not guarantee that the investment objectives of the Scheme will be achieved. No guaranteed returns are being offered under the Scheme.		
Investment Restrictions	• The scheme shall not invest in repo in corporate bond • The scheme shall not engage in securities lending and short selling • The scheme shall not invest in securitized debt or in credit default swap. • The strategy will focus on large-cap stocks – defined as stocks with a market capitalisation			• Exposure to derivatives will be limited to 50% of the net asset value of the Scheme at the time of transaction. • Fixed Income & Money Market instruments include investment in Repo in Corporate Bonds upto 10%. • The scheme shall engage in securities lending subject a maximum of 20% and 5% for a single counter party. • The scheme shall not invest in securitised debt and credit default swaps. • The strategy will invest across market capitalization as defined in SEBI's circular vide SEBI/HO/IMD/DF3/CIR/P/2017/114 dated October 06, 2017 and SEBI/HO/IMD/DF3/CIR/P/2017/126 dated December 04, 2017. • The scheme shall not engage in short selling.		
Benchmark	The performance of the scheme shall be benchmarked to the CNX Nifty index for the equity and equity- related investments (65% of the portfolio) and to the price of Gold in INR terms for the rest of the portfolio i.e. 35%. The indices values shall be sourced from Bloomberg.			The performance of the scheme shall be benchmarked to the S&P BSE 200 for the equity and equity- related investments (65% of the portfolio) and CRISIL Composite Bond Fund Index 20%, Bloomberg Commodity Index 15%.		
Product Suitability	This product is suitable for investors who are seeking • Long term capital growth • Investment in equity & equity related instruments to the extent of 65% and in Gold-ETF up to 35%			This product is suitable for investors who are seeking • Long term capital growth • Investment in equity & equity related instruments / Commodity/ Commodity ETFs, Investment in REITs/InVITs and Fixed Income Securities.		
Riskometer	Moderately High Risk			Moderately High Risk		

Sundaram Financial Services Opportunities Fund

Particulars	Existing			Proposed		
Fund Name	Sundaram Financial Services Opportunities Fund.			Sundaram Financial Services Opportunities Fund.		
Type of scheme	An open-end financial services sector scheme			An open ended scheme investing in the banking & financial services sector.		
Fund Objective	To seek long-term capital appreciation by investing predominantly in equity and equity related securities of Indian companies engaged in the banking and financial services.			To seek long-term capital appreciation by investing predominantly in equity and equity related securities of Indian companies engaged in the banking and financial services sector.		
Asset allocation	Equity & Equity Related Instruments of Indian companies engaged in Banking and Financial Services	80-100%	High	Equity & Equity Related Instruments of companies engaged in Banking and Financial Services	80-100%	High
	Other Equities	Upto 20%	High	Other Equities	Upto 20%	High
	Fixed Income and Money Market Instruments	Upto 20%	Low to Medium	Fixed Income, Money Market instruments and Cash & Cash Equivalents	Upto 20%	Low to Medium
	—	—	—	Investment in REITs & InvITs	0-10%	Medium to High
	Overseas Securities	The Scheme may invest up to 20% of the net assets in overseas securities.		Overseas Securities (Including ETFs)	0-20% of the net assets	
	• Exposure to derivatives will be limited to 50% of the net asset value of the Scheme at the time of transaction.			• Exposure to derivatives will be limited to 50% of the net asset value of the Scheme at the time of transaction. • Fixed Income & Money Market instruments include investment in Repo in Corporate Bonds upto 10%. • The scheme shall engage in securities lending subject a maximum of 20% and 5% for a single counter party.		
Cap curve / Duration	Not Applicable			Not Applicable		
Investment Strategy	No change			No change		
Investment Restrictions	• The scheme shall not invest in repo in corporate bond • The scheme shall not engage in securities lending and short selling • The scheme shall not invest in securitized debt or in credit default swap.			• Fixed Income & Money Market instruments include investment in Repo in Corporate Bonds upto 10%. • The scheme shall engage in securities lending subject a maximum of 20% and 5% for a single counter party. • The scheme shall not invest in securitised debt and credit default swaps. • The scheme shall not engage in short selling		
Benchmark	Nifty Bank Index			Nifty Financial Services		
Product Suitability	This product is suitable for investors who are seeking • Long term capital growth • Investment in equity and equity related instruments of companies engaged in Banking & Financial Services			This product is suitable for investors who are seeking • Long term capital growth • Investment in equity and equity related instruments of companies engaged in Banking & Financial Services		
Riskometer	High Risk			High Risk		

Sundaram Infrastructure Advantage Fund

Particulars	Existing			Proposed		
Fund Name	Sundaram Infrastructure Advantage Fund			Sundaram Infrastructure Advantage Fund		
Type of scheme	An open-end equity scheme			An open ended equity scheme investing in the infrastructure theme.		
Fund Objective	To generate consistent long-term returns by investing predominantly in equity/equity-related instruments of companies engaged either directly or indirectly in infrastructure - and infrastructure related activities or expected to benefit from the growth and development of infrastructure.			To generate long-term returns by investing predominantly in equity / equity-related instruments of companies engaged either directly or indirectly in infrastructure - and infrastructure related activities or expected to benefit from the growth and development of infrastructure		
Asset allocation	Equity and Equity related instruments of companies Engaged in Infrastructure sector (including investment in derivatives)	65-100%	High	Equity and Equity related instruments of companies Engaged in Infrastructure sector	80-100%	High
	Other Equities (Including investment in Derivatives)	Upto 35%	High	Other Equities	Upto 20%	High
	Fixed Income Instruments issued by Companies engaged in Infrastructure Sector	Upto 35%	Low to Medium	Fixed Income Instruments issued by Companies engaged in Infrastructure Sector	Upto 20%	Low to Medium
	Money Market Instruments	upto 15%	Low	Money Market Instruments and Cash & Cash Equivalents	upto 20%	Low
	—	—	—	Investment in REITs & InvITs	0-10%	Medium to High
	Overseas Securities	Exposures in overseas securities may be taken subject to the applicable guidelines/policies of SEBI and RBI.		Overseas Securities (including ETFs)	0-20% of the net assets	
	• Exposure to derivatives will be limited to 50% of the net asset value of the Scheme at the time of transaction.			• Exposure to derivatives will be limited to 50% of the net asset value of the Scheme at the time of transaction. • Fixed Income & Money Market instruments include investment in Repo in Corporate Bonds upto 10%. • The scheme shall engage in securities lending subject a maximum of 20% and 5% for a single counter party.		
Cap curve / Duration	Not Applicable			Not Applicable		
Investment Strategy	No change			No change		
Investment Restrictions	• The scheme shall not invest in repo in corporate bond • The scheme shall not invest in securitised debt. • The scheme shall not engage in securities lending or short selling.			• Fixed Income & Money Market instruments include investment in Repo in Corporate Bonds upto 10%. • The scheme shall engage in securities lending subject a maximum of 20% and 5% for a single counter party. • The scheme shall not invest in securitised debt and credit default swaps. • The scheme shall not engage in short selling.		
Benchmark	For Investments in Indian securities: S&P BSE 100 For Investment in overseas securities: MSCI Emerging Markets Index			S&P BSE 100		
Product Suitability	This product is suitable for investors who are seeking* • Long term capital growth • Investment in equity and equity related instruments of companies engaged either directly or indirectly in infrastructure- and infrastructure related activities or expected to benefit from the growth and development of infrastructure			This product is suitable for investors who are seeking* • Long term capital growth • Investment in equity and equity related instruments of companies engaged either directly or indirectly in infrastructure- and infrastructure related activities or expected to benefit from the growth and development of infrastructure		
Riskometer	High Risk			High Risk		

Sundaram Select Mid Cap

Particulars	Existing			Proposed		
Fund Name	Sundaram Select Mid Cap			Sundaram Mid Cap Fund		
Type of scheme	An open ended equity scheme			An open ended equity scheme predominantly investing in mid cap stocks		
Fund Objective	The objective of the scheme is to achieve capital appreciation by investing in diversified stocks that are generally termed as mid-caps			The objective of the scheme is to achieve capital appreciation by investing predominantly in diversified stocks that are generally termed as mid-cap stocks.		
Asset allocation	Equity and equity-related securities	75-100%	High	Equity and equity-related instruments of mid cap companies	65-100%	High
	—	—	—	Other Equities	0-35%	High
	Cash, Cash Equivalents & Money Market instruments	Not exceeding 25%	Low	Fixed Income, Money Market instruments and Cash & Cash Equivalents	0-35%	Low to Medium
	—	—	—	Investment in REITs & InvITs	0-10%	Medium to High
	Overseas Securities	Up to 35% of the net assets		Overseas Securities (including ETFs)	0-35% of the net assets	
	• Exposure to derivatives will be limited to 50% of the net asset value of the Scheme at the time of transaction.			• Exposure to derivatives will be limited to 50% of the net asset value of the Scheme at the time of transaction. • Fixed Income & Money Market instruments include investment in Repo in Corporate Bonds upto 10%. • The scheme shall engage in securities lending subject a maximum of 20% and 5% for a single counter party.		
Cap curve / Duration	'mid-cap' stock is defined as a stock whose market capitalization shall not exceed the market capitalization of the 50th stock (after sorting the securities in the descending order of market capitalization) listed with The National Stock Exchange of India Limited.			Mid Cap: 101st-250th company in terms of full market capitalization The Investment Manager will adopt the list of stocks prepared by AMFI in this regard as defined in SEBI's vide circulars SEBI/HO/IMD/DF3/CIR/P/2017/114 dated October 06, 2017 and SEBI/HO/IMD/DF3/CIR/P/2017/126 dated December 04, 2017 Subsequent to any updation in the list furnished by AMFI, the Investment Manager will rebalance the portfolios in line with updated list, within a period of one month.		
Investment Strategy	The objective of the Scheme is to get capital appreciation by investing in stocks whose market capitalization is termed as 'mid cap'.			The objective of the Scheme is to get capital appreciation by investing in stocks whose market capitalization is termed as 'mid cap'.		
Investment Restrictions	• The scheme shall not invest in repo in corporate bond • The scheme shall not engage in securities lending and short selling • The scheme shall not invest in securitized debt or in credit default swap.			• Fixed Income & Money Market instruments include investment in Repo in Corporate Bonds upto 10%. • The scheme shall engage in securities lending subject a maximum of 20% and 5% for a single counter party. • The scheme shall not invest in securitised debt and credit default swaps. • The scheme shall not engage in short selling.		
Benchmark	For Investments in Indian securities: S&P BSE Mid Cap Index. For Investment in overseas securities: MSCI Emerging Markets Index			S&P BSE Mid Cap Index.		
Product Suitability	This product is suitable for investors who are seeking • Long term capital growth • Investment predominantly in diversified stocks that are generally termed as mid-caps			This product is suitable for investors who are seeking • Long term capital growth • Investment predominantly in diversified stocks that are generally termed as mid-caps		
Riskometer	Moderately High Risk			Moderately High Risk		

Sundaram Rural India Fund

Particulars	Existing			Proposed		
Fund Name	Sundaram Rural India Fund			Sundaram Rural and Consumption Fund		
Type of scheme	An open ended equity scheme			An open ended equity scheme investing in rural and/or consumption sector		
Fund Objective	The primary investment objective of the scheme is to generate consistent long-term returns by investing predominantly in equity / equity-related instruments of "Companies that are focussing on Rural India".			The primary investment objective of the Scheme is to generate returns by investing predominantly in equity / equity-related instruments of companies engaged in rural and/or consumption business.		
Asset allocation	Equity and equity-related securities of companies that are focusing on Rural India	70-100%	High	Equity and equity related securities of companies engaged in rural and/or consumption sector	80-100%	High
	Other Equities	Up to 30%	High	Other Equities	0-20%	High
	Money Market instruments	Up to 15%	Low	Fixed Income, Money Market instruments and Cash & Cash Equivalents	0-20%	Low to Medium
	—	—	—	Investment in REITs & InvITs	0-10%	Medium to High
	Overseas Securities	Up to 35% of the net assets		Overseas Securities (Including ETFs)	0-20% of the net assets	
	• Exposure to derivatives will be limited to 50% of the net asset value of the Scheme at the time of transaction.			• Exposure to derivatives will be limited to 50% of the net asset value of the Scheme at the time of transaction. • Fixed Income & Money Market instruments include investment in Repo in Corporate Bonds upto 10%. • The scheme shall engage in securities lending subject a maximum of 20% and 5% for a single counter party.		
Cap curve / Duration	Rural prosperity theme			Rural and/or consumption theme		
Investment Strategy	The primary investment objective of the scheme is to generate returns by investing predominantly in equity/equity related instruments of "companies that are focussing on Rural India". The fund will also pursue opportunities in public offerings popularly termed as IPOs' in related sectors. Successive Government in the State and Central Government have been making huge outlay for social infrastructure and the development of the Rural Sector. The Plan allocation for the rural development will be Rs. 18, 334 cr for the year 2005-06. The Government of India conceived Bharat Nirman as a business plan, to be implemented over a period of four years, for building infrastructure especially rural India. Under the Plan six components, namely, irrigation, roads, water supply, housing, rural electrification, and rural telecom connectivity to be achieved by year 2009. These measures would entail huge investments in agricultural and rural development sectors in addition to what has been earmarked in the past two years and in our view there is a host of companies, which are going to be the direct beneficiaries of the same			The Fund aims to capitalise on the growing rural economy which in its view is undergoing a structural shift which will span a couple of decades rather than as a temporary upturn. This structural shift will encompass several sectors as increasing rural prosperity is likely to benefit many sectors and hence needs to be defined broadly. In our view the following sectors are expected to be the beneficiaries of this transformation. **I. Investible sectors for the Fund** **a. Farm to Fork** Farm inputs – Fertilisers & Agrochemicals. Farm Equipment Farm Output – producers, processors and traders The above sectors / companies engaged in these activities will be direct beneficiaries of a growing rural economy which has been spurred by several far reaching policy changes like introduction of farm insurance and eMandis to name just two of the many changes that have been introduced since 2014. **b. Consumption** Staples - FMCG Discretionary consumption – e.g. Durables, Automobiles, Consumer electronics / Entertainment, Textiles and related segments Building materials and related segments The above sectors will be the direct beneficiaries of increased rural prosperity as increased disposable income in the hands of Rural India will translate to increased spending on consumer durables and non-durables. **c. Financial Inclusion** Rural finance; Micro Finance companies; retail finance; housing finance; insurance, tractor & vehicle finance We believe that the financial inclusion and expansion theme is a strong segment and one which will see the advent of many players see innovation and rapid growth. All the sectors mentioned above are part of this theme and their growth will be propelled by new segment of the population joining in this segment rather than an expansion of the existing segment of the population which is already a part of the financial mainstream. As the vast majority of the 'financially excluded' are in the rural the transformation happening in this space will be driven by Rural India. **d. Rural Infrastructure** • Companies engaged in construction activities relating to rural infrastructure such as roads, electrification, housing, irrigation, etc. • Agro waste, paper & packing Last but not the least would the development of Rural infrastructure without which it would not be possible to have sustainable rural prosperity. Towards this companies engaged in the above sectors would benefit. **II. Sectors to be excluded from the Fund** Information Technology, Pharmaceuticals, Oil & Gas exploration companies, Power Utilities, Telecom providers, Industrial Manufacturing, Metals, mining and related commodities & Pure Corporate Lenders		
Investment Restrictions	The Fund will invest in the following sectors:			The Fund will invest in the following sectors:		
	• Cement, Paints			• Building materials like Cement, pipes, Tiles, Sanitary ware, Paints, plywood and boards		
	• Fertilizers, Composite, Nitrogenous, Phosphatic, Pesticides and agro chemicals			• Farm inputs like Fertilizers, Seeds, micro nutrients, pesticides and agro chemicals		
	• Tractors			• Tractors & Tillers, Farm automation products		
	• Air conditioners, Consumer electronics, Picture tubes, Batteries			• Consumer electronics & entertainment solutions		
	• Cycles & Cycle Parts			• Cycles & Cycle Parts		
	• Cigarettes, Matches			• Cigarettes & Liquor, Matches		
	• Consumer diversified			• Consumer diversified		
	• Consumer foods, Detergents, Personal care			• Consumer foods, FMCG, cosmetics, soaps, detergents, hygiene,grooming products,personal care, Consumer discretionary items like consumer durables, kitchen appliances, retail, brands & apparels, automobiles		
	• Plastic products			• Plastic products including irrigation systems & accessories		
	• Sugar, Tea, coffee			• Agro commodity value chain dairy, animal husbandry, sugar. tea, coffee & cotton products		
	• Textiles, Fabrics & garments, Spinning-Cotton/Blended Jute and Jute products Silk yarn and fabrics, Man made fibres			• Textiles including Fabrics & garments, Spinning-Cotton/Blended, Jute and Jute products, Silk yarn and fabrics, Man made fibres		
	• Compressors, pumps & Diesel engines			• Agri compressors and pumps, diesel engines		
	• Packing			• Packing		
				• Financials like rural finance, micro finance, retail finance, housing finance, insurance,tractor & vehicle finance		
				• Rural infra contractors engaged in irrigation and road projects		
				• Agro waste based paper & packing Within the permitted sectors, only stocks that benefit from rural prosperity and consumption will be included in the approved stocks of the scheme.		
	The Fund will not invest in the following sectors: • Information Technology, Pharmaceuticals, Oil & Gas exploration companies, Power Utilities, Telecom providers, Industrial Manufacturing, Metals, mining and related commodities & Pure Corporate Lenders			The Fund will not invest in the following sectors: • Information Technology, Pharmaceuticals, Oil & Gas exploration companies, Power Utilities, Telecom providers, Industrial Manufacturing, Metals, mining and related commodities & Pure Corporate Lenders		
	• The scheme shall not invest in repo in corporate bond • The scheme shall not engage in securities lending and short selling • The scheme shall not invest in securitized debt or in credit default swap.			• Fixed Income & Money Market instruments include investment in Repo in Corporate Bonds upto 10%. • The scheme shall engage in securities lending subject a maximum of 20% and 5% for a single counter party. • The scheme shall not invest in securitised debt and credit default swaps. • The scheme shall not engage in short selling.		
Benchmark	S&P BSE 500 Index			Nifty 500		
Product Suitability	This product is suitable for investors who are seeking • Long term capital growth • Investment predominantly in equity and equity related instruments of companies focussing on rural & consumption themes			This product is suitable for investors who are seeking • Long term capital growth • Investment predominantly in equity and equity related instruments of companies focussing on rural and/or consumption themes		
Riskometer	Moderately High Risk			Moderately High Risk		

Sundaram Select Focus

Particulars	Existing			Proposed		
Fund Name	Sundaram Select Focus			Sundaram Select Focus		
Type of scheme	An open-end equity scheme			An open ended equity scheme investing in a maximum of 30 stocks with a focus on large cap companies		
Fund Objective	To achieve capital appreciation by investing in equity and equity related instruments of select stocks.			To achieve capital appreciation through concentrated investments in equity and equity related instruments of large cap companies.		
Asset allocation	Equity and equity-related instruments (including investment in derivatives):	75-100%	High	Equity & Equity related instruments of Large Cap Companies	65%-100%	High
	—	—	—	Other Equities	0-35%	High
	Cash, cash equivalents, money market instruments	Not exceeding 25%	Low	Fixed Income, Money Market instruments and Cash & Cash Equivalents	0-35%	Low to Medium
	—	—	—	Investment in REITs & InvITs	0-10%	Medium to High
	Overseas Securities	Up to 35% of the net assets		Overseas Securities (including ETFs)	0-35% of the net assets	
	• Exposure to derivatives will be limited to 50% of the net asset value of the Scheme at the time of transaction.			• Exposure to derivatives will be limited to 50% of the net asset value of the Scheme at the time of transaction. • Fixed Income & Money Market instruments include investment in Repo in Corporate Bonds upto 10%. • The scheme shall engage in securities lending subject a maximum of 20% and 5% for a single counter party.		
Cap curve / Duration	The fund will generally hold stocks of 10 to 50 companies each with a market capitalization of not less than Rs. 500 crore.			Large Cap: 1st -100th company in terms of full market capitalization The Investment Manager will adopt the list of stocks prepared by AMFI in this regard as defined in SEBI's vide circulars SEBI/HO/IMD/DF3/CIR/P/2017/114 dated October 06, 2017 and SEBI/HO/IMD/DF3/CIR/P/2017/126 dated December 04, 2017 Subsequent to any updation in the list furnished by AMFI, the Investment Manager will rebalance the portfolios in line with updated list, within a period of one month.		
Investment Strategy	The objective of the scheme is to get capital appreciation by investing in a very few select stocks. Thus the scheme can be termed as a concentrated fund managed actively. In normal circumstances, the Fund will stay invested upto 100% of investible resources in equities, equity-related instruments and / or derivatives. The fund will generally hold stocks of 10 to 50 companies each with a market capitalization of not less than Rs. 500 crore. All the stocks in the portfolio will be tested against this criterion as on the last business day of every calendar month. If a stock does not fulfill the criterion, the fund manager will take steps to liquidate it in the next one month. However, in a scenario where the fund manager believes that the stock is not fulfilling the criterion due to temporary reasons, he may continue to hold the stock normally, not more than 3 stocks will be held as on the last business day of each calendar month which do not fulfill the criterion. Equity of a company shall include shares, ADR/GDR/IDR and warrants or other instruments that are convertible into equity. The focus of this Scheme is to normally provide investors a concentrated portfolio of stocks. A portion of the Scheme's assets may also be made in Initial Public Offerings provided in the opinion of Investment Manager, at the issue price, the market cap of the company could fulfill the criterion. The fund shall follow a combination of Top-down and Bottom-up approach to investing in equity and equity related investments. Investments will be pursued in select macro themes, which cut across various industries and sub sectors (e.g. Restructuring, Infrastructure spending, skilled labour etc.). Within such a framework, the emphasis will be on investing in companies with quality management, unique business strengths, sustainable medium/long term growth and reasonable valuations. Diversification of the portfolio is ensured by adherence to internal fund management guidelines (that also prescribe single-stock and sector exposure) approved by the Board of Sundaram Asset Management.			The objective of the scheme is to get capital appreciation by investing in a very few select stocks. Thus the scheme can be termed as a concentrated fund managed actively. In normal circumstances, the Fund will stay invested upto 100% of investible resources in equities, equity-related instruments and / or derivatives. The fund will not hold more than 30 stocks. Equity of a company shall include shares, ADR/GDR/IDR and warrants or other instruments that are convertible into equity. A portion of the Scheme's assets may also be made in Initial Public Offerings provided in the opinion of Investment Manager, at the issue price, the market cap of the company could fulfill the criterion. The fund shall follow a combination of Top-down and Bottom-up approach to investing in equity and equity related instruments. Investments will be pursued in select macro themes, which cut across various industries and sub sectors. Within such a framework, the emphasis will be on investing in companies with quality management, unique business strengths, sustainable medium/long term growth and reasonable valuations.		
Investment Restrictions	• The scheme can at any time hold upto a maximum of 50 stocks. • The Scheme Shall not invest in repo in Corporate Bond. • The scheme shall not engage in securities lending and short selling • The scheme shall not invest in securitized debt or in credit default swap.			• The scheme can at any time hold upto a maximum of 30 stocks. • Fixed Income & Money Market instruments include investment in Repo in Corporate Bonds upto 10%. • The scheme shall engage in securities lending subject a maximum of 20% and 5% for a single counter party. • The scheme shall not invest in securitised debt and credit default swaps. • The scheme shall not engage in short selling.		
Benchmark	For Investments in Indian securities: Nifty 50. For Investment in overseas securities: MSCI Emerging Markets Index			For Investments in Indian securities: Nifty 50.		
Product Suitability	This product is suitable for investors who are seeking • Long term capital growth • Investment in equity & equity related instruments of select stocks			This product is suitable for investors who are seeking • Long term capital growth • Investment predominantly in equity & equity related instruments of select larrge cap stocks		
Riskometer	Moderately High Risk			Moderately High Risk		

Sundaram S.M.I.L.E Fund

Particulars	Existing			Proposed		
Fund Name	Sundaram Small and Medium Indian Leading Equities (S.M.I.L.E) Fund			Sundaram Small Cap Fund		
Type of scheme	An open-end equity scheme			An open ended equity scheme predominantly investing in small cap stocks		
Fund Objective	To primarily achieve capital appreciation by investing in diversified stocks that are generally termed as small and mid-caps and by investing in other equities.			The objective of the scheme is to achieve capital appreciation by investing predominantly in diversified stocks that are generally termed as small-cap stocks.		
Asset allocation	Equity instruments – Small caps and Midcaps (including investment in derivatives)	More Than 65%	High	Equity & Equity related instruments of Small cap companies	65%-100%	High
	Other Equities (including investment in derivatives)	Not exceeding 35%	High	Other Equities	0-35%	High
	Money market instruments	Not exceeding 15%	Low	Fixed Income, Money Market instruments and Cash & Cash Equivalents	0-35%	Low
	—	—	—	Investment in REITs & InvITs	0-10%	Medium to High
	Overseas Securities	The Scheme may invest up to 35% of the net assets in overseas securities.		Overseas Securities (including ETFs)	0-35% of the net assets	
	• Exposure to derivatives will be limited to 50% of the net asset value of the Scheme at the time of transaction.			• Exposure to derivatives will be limited to 50% of the net asset value of the Scheme at the time of transaction. • Fixed Income & Money Market instruments include investment in Repo in Corporate Bonds upto 10%. • The scheme shall engage in securities lending subject a maximum of 20% and 5% for a single counter party.		
Cap curve / Duration	Small- and mid-caps are defined as any equity stock whose market capitalisation shall not exceed the market capitalization of the 50th stock (after sorting the securities in the descending order of market capitalization) listed with National Stock Exchange of India Limited.			Small Cap: 251st company onwards in terms of full market capitalization The Investment Manager will adopt the list of stocks prepared by AMFI in this regard as defined in SEBI's vide circulars SEBI/HO/IMD/DF3/CIR/P/2017/114 dated October 06, 2017 and SEBI/HO/IMD/DF3/CIR/P/2017/126 dated December 04, 2017 Subsequent to any updation in the list furnished by AMFI, the Investment Manager will rebalance the portfolios in line with updated list, within a period of one month.		

Investment Strategy	Small- and mid-caps are defined as any equity stock whose market capitalisation shall not exceed the market capitalization of the 50th stock (after sorting the securities in the descending order of market capitalization) listed with National Stock Exchange of India Limited. The Executive Committee of the Investment Manager may, at its discretion, define the lower market capitalisation limit for mid-cap stocks, market capitalisation limits for small caps and fix the percentages within which the market capitalisation could be varied from the limits. A portion of the funds can also be invested in other equities. The fund will also pursue opportunities in public offerings popularly termed as IPOs. The investment focus of this scheme is to respond to the dynamically changing Indian economy by moving its investments amongst different sectors as prevailing trends change. The focus of this scheme is also to normally provide to investors a diversified portfolio of stocks.	Small caps are defined as 251st company onwards in terms of full market capitalization. A portion of the funds can also be invested in other equities. The fund will also pursue opportunities in public offerings popularly termed as IPOs. The investment focus of this scheme is to respond to the dynamically changing Indian economy by moving its investments amongst different sectors as prevailing trends change. The focus of this scheme is also to normally provide to investors a diversified portfolio of stocks.
Investment Restrictions	• The scheme shall not invest in repo in corporate bond • The scheme shall not engage in securities lending and short selling • The scheme shall not invest in securitized debt or in credit default swap.	• Fixed Income & Money Market instruments include investment in Repo in Corporate Bonds upto 10%. • The scheme shall engage in securities lending subject a maximum of 20% and 5% for a single counter party. • The scheme shall not invest in securitised debt and credit default swaps. • The scheme shall not engage in short selling.
Benchmark	For Investments in Indian securities: S&P BSE Small Cap Index. For Investment in overseas securities: MSCI Emerging Markets Index.	S&P BSE Small Cap
Product Suitability	This product is suitable for investors who are seeking • Long term capital growth • Investment in diversified stocks that are generally termed as small caps	This product is suitable for investors who are seeking • Long term capital growth • Investment in stocks that are generally termed as small caps
Riskometer	Moderately High Risk	Moderately High Risk

In addition, the following changes are also proposed to be introduced which may improve the performance of the scheme:

1.Securities Lending by the Fund

Securities Lending means the lending of securities to another person or entity for a fixed period of time, at a negotiated compensation in order to enhance returns of the portfolio. The borrower will return the securities lent on the expiry of the stipulated period or the lender can call the same back i.e. the scheme before its expiry. The fund may lend the securities for a specific period, to generate better returns on those stocks, which are otherwise bought with the intention to hold for a long period of time.

2.Participation of scheme of Sundaram Mutual Fund in repo of corporate debt securities

Presently, the Scheme invests in repo on Government Securities, Treasury Bills and other money market instruments. It is also proposed to invest in the repo of corporate debt securities.

3.Investment in REITs & InvITs

The scheme may invest upto 10% in the units of Real Estate Investment Trust (REIT) and Infrastructure Investment Trust (InvIT)

The conditions, limits, risk factors are set out in the annexure.

Suitable and consequential changes will be made in the Scheme Information Document, Key Information Memorandum of the Scheme and other related documents.

The above proposals amount to change in the Fundamental Attributes of the specified scheme as per Regulation 18(15A) of the SEBI (Mutual Funds) Regulations, 1996.

In accordance with Regulation 18(15A) of the SEBI (Mutual Funds) Regulations, 1996 and pursuant to provisions of SEBI/HO/IMD/DF3/CIR/P/2017/114 dated October 06, 2017 all the unitholders are hereby given an option to exit, i.e. either redeem their investments or switch their investments to any other schemes of Sundaram Mutual Fund, within the 30 days exit period starting from **05/04/2018 till 04/05/2018 (both days inclusive and upto 3.00 pm on 04/05/2018)** at Applicable NAV, without payment of any exit load. The Exit Option can be exercised during the Exit Option Period by submitting a valid redemption / switch-out request at any Official Point of Acceptance of the Fund. STT will be borne by AMC for any redemptions / switch outs during the exit window period. However for investments made during the exit window period, there will be no waiver of exit load. A separate written communication is being sent to the existing Unit holders in this regard. In case, any existing Unit holder has not received an Exit Option Letter, they are advised to contact any of the Investor Service Centres of Sundaram Asset Management Company Limited ("Sundaram AMC").

Unitholders who do not exercise the exit option by **3.00 pm on 04/05/2018** would be deemed to have consented to the proposed modification. It may also be noted that no action is required in case Unitholders are in agreement with the aforesaid changes, which shall be deemed as consent being given by them for the proposed changes. **Kindly note that an offer to exit is merely optional and is not compulsory.**

All the valid applications for redemptions/switch-outs received under the scheme shall be processed at Applicable NAV of the day of receipt of such redemption / switch request, without payment of any exit load, provided the same is received during the exit period mentioned above. However for investments made during the exit window period, there will be no waiver of exit load. Unitholders who have pledged or encumbered their units will not have the option to exit unless they procure a release of their pledges / encumbrances prior to the submission of redemption / switch requests.

Unitholders should ensure that their change in address or bank details are updated in records of Sundaram Mutual Fund as required by them, prior to exercising the exit option for redemption of units. Unit holders holding Units in dematerialized form may approach their Depository Participant for such changes. In case units have been frozen / locked pursuant to an Order of a Government Authority or a Court, such exit option can be executed only after the freeze / lock order is vacated / revoked within the period specified above. The redemption proceeds shall be dispatched within 10 (ten) business days of receipt of valid redemption request to those unitholders who choose to exercise their exit option.

Redemption / switch-out of units from the scheme, during the exit period, may entail capital gain/loss depending on the holding period in the hands of the unitholder. Similarly, in case of NRI investors, TDS shall be deducted in accordance with the applicable tax laws, upon exercise of exit option and the same would be required to be borne by such investor only. In view of individual nature of tax implications, unitholders are advised to consult their tax advisors.

At the time of communication to the investors, necessary intimation will be made to National Securities Depository Limited, Central Depository Services Limited, NSE for MFSS Platform and BSE for Star Platform for making suitable changes.

To locate your nearest Investor Service Centre (ISC) we request you to visit www.sundarammutual.com.

Apart from above, all other features and terms and conditions of the scheme shall remain unchanged.

This Notice-cum-Addendum forms an integral part of the SID/KIM issued for the scheme read with the addendum issued from time to time.

Annexure

1.Securities Lending by the Fund

Subject to the SEBI (MF) Regulations and in accordance with Securities Lending Scheme, 1997, SEBI Circular No MFD/CIR/01/047/99 dated February 10, 1999, SEBI Circular no. SEBI /IMD / CIR No 14 / 187175/ 2009 dated December 15, 2009 and framework for short selling and borrowing and lending of securities notified by SEBI vide circular No MRD/DoP/SE/ Dep/Cir-14/2007 dated December 20, 2007, as may be amended from time to time, the Scheme seeks to engage in Securities Lending.

The AMC shall adhere to the limits as set out in the respective scheme asset allocation table.

Risk associated with Securities Lending: Risks associated with Securities Lending may include counter party risk, liquidity risk and other market risks.

2.Applicable Investment Limits in REIT and InvIT

a. At the Mutual Fund level:-

Not more than 10% of units issued by a single issuer of REIT and InvIT;

b. At a single Mutual Fund scheme level: -

i. not more than 10% of its NAV in the units of REIT and InvIT; and

ii. not more than 5% of its NAV in the units of REIT and InvIT issued by a single issuer.

The limits mentioned in sub- clauses (i) and (ii) above will not be applicable for investments in case of index fund or sector or industry specific scheme pertaining to REIT and InvIT.

Risk Factors Associated with Investments in REITs and InvITS:

Interest-Rate Risk: REITs & InvITs carry interest-rate risk. Generally, when interest rates rise, prices of existing securities fall and when interest rates drop, such prices increase. The extent of fall or rise in the prices is a function of the existing coupon, days to maturity and the increase or decrease in the level of interest rates.

Risk of lower than expected distributions: The distributions by the REIT or InvIT will be based on the net cash flows available for distribution. The amount of cash available for distribution principally depends upon the amount of cash that the REIT/INVIT receives as dividends or the interest and principal payments from portfolio assets. The cash flows generated by portfolio assets from operations may fluctuate based on, among other things:

- success and economic viability of tenants and off-takers
- economic cycles and risks inherent in the business which may negatively impact valuations, returns and profitability of portfolio assets
- debt service requirements and other liabilities of the portfolio assets and fluctuations in the working capital needs
- ability of portfolio assets to borrow funds and access capital markets
- amount and timing of capital expenditures on portfolio assets

Liquidity Risk: This refers to the ease with which REIT/InvIT units can be sold. There is no assurance that an active secondary market will develop or be maintained. Hence there would be time when trading in the units could be infrequent. The subsequent valuation of illiquid units may reflect a discount from the market price of comparable securities for which a liquid market exists.

Price-Risk: The valuation of the REIT/InvIT units may fluctuate based on economic conditions, fluctuations in markets (eg. real estate) in which the REIT/InvIT operates. As an indirect shareholder of portfolio assets, unit holders rights are subordinated to the rights of creditors, debt holders and other parties specified under Indian law in the event of insolvency or liquidation of any of the portfolio assets.

The above are some of the common risks associated with investments in REITs & InvITs. There can be no assurance that a Scheme's investment objectives will be achieved, or that there will be no loss of capital. Investment results may vary substantially on a monthly, quarterly or annual basis.

3.Participation of scheme of Sundaram Mutual Fund in repo of corporate debt securities

In accordance with SEBI circular no. CIR / IMD / DF / 19 / 2011 dated November 11, 2011 and CIR/IMD/DF/23/2012 dated November 15, 2012; scheme of Sundaram Mutual Fund (SMF) shall participate in the corporate bond repo transactions w.e.f. June 21, 2013 as per the guidelines issued by Reserve Bank of India (RBI) from time to time.

Currently the applicable guidelines are as under:

- The gross exposure of the scheme to repo transactions in corporate debt securities shall not be more than 10% of the net assets of the concerned scheme.
- The cumulative gross exposure through repo transactions in corporate debt securities along with equity, debt and derivatives shall not exceed 100% of the net assets of the concerned scheme.
- Mutual Funds shall participate in repo transactions only in AA and above rated corporate debt securities.
- In terms of Regulation 44 (2) mutual funds shall borrow through repo transactions only if the tenor of the transaction does not exceed a period of six months

The investment restrictions applicable to the Scheme's participation in the corporate bond repos will also be as prescribed or varied by SEBI or by the Board of Sundaram Trustee Company Limited (subject to SEBI requirements) from time to time.

The following guidelines shall be followed by Sundaram Mutual Fund for participating in repo in corporate debt securities, which have been approved by the Board of AMC and Trustee Company.

(i) **Category of counterparty to be considered for making investment:**

All entities eligible for transacting in corporate bond repos as defined by SEBI and RBI shall be considered for repo transactions.

(ii) **Credit rating of counterparty to be considered for making investment**

The schemes shall participate in corporate bond repo transactions with counterparties having aminimum investment grade rating and is approved by the Investment Committee on a case-to-case basis. In case there is no rating available, the Investment Committee will decide the rating of the counterparty, and report the same to the Board from time to time.

(iii) **Tenor of Repo and collateral**

As a repo seller, the scheme will borrow cash for a period not exceeding 6 months or as per extant regulations.

As a repo buyer, the Scheme are allowed to undertake the transactions for maximum maturity upto one year or such other terms as may be approved by the Investment Committee.

There shall be no restriction / limitation on the tenor of collateral.

(iv) **Applicable haircuts**

As per RBI circular RBI/2012-13/365 IDMD.PCD. 09 /14.03.02/2012-13 dated 07/01/2013, all corporate bond repo transaction will be subject to a minimum haircut given as given below:

(1) AAA : 07.50%

(2) AA+ : 08.50%

(3) AA : 10.00%

The haircut will be applicable on the prevailing market value of the said security on the prevailing on the date of trade. However, the fund manager may ask for a higher haircut (while lending) or give a higher haircut (while borrowing) depending on the market prevailing liquidity situation.

4.Investment in Securitised debt

The Scheme proposes to invest in asset based and mortgage based securities not exceeding 50% of the net assets of the Scheme.

Depending upon the Investment Manager's views, the Scheme may invest in domestic debt such as ABS or MBS. The investments in domestic securitized debt will be made only after giving due consideration to factors such as but not limited to the securitization structure, quality of underlying receivables, credentials of the servicing agent, level of credit enhancement, liquidity factor, returns provided by the securitized paper vis-a-vis other comparable investment alternatives.

Although the returns provided by securitized debt could be higher, one must not lose sight of the fact that risks also exist with regard to investments in securitized debt. Investments in pass-through certificates of a securitization transaction represent an undivided beneficial interest in the underlying receivables and do not represent an obligation of either the issuer or the seller, or the parent of the seller, or any affiliate of the seller or the issuer or the trustee in its personal capacity, save to the extent of credit enhancement to be provided by the credit enhancer. The trust's principal asset will be the pool of underlying receivables. The ability of the trust to meet its obligations will be dependent on the receipt and transfer to the designated account of collections made by the servicing agent from the pool, the amount available in the cash collateral account, and any other amounts received by the trust pursuant to the terms of the transaction documents. However, the credit enhancement stipulated in a securitization transaction represents a limited loss cover only. Delinquencies and credit losses may cause depletion of the amount available under the cash collateral account and thereby the scheduled payouts to the investors may get affected if the amount available in the cash collateral account is not enough to cover the shortfall.

Further Unit holders are requested to refer below the disclosure relating to investments in securitized debt, in the SEBI prescribed format:

(i) **How the risk profile of securitized debt fits into the risk appetite of the Scheme:**

The Scheme seeks to generate an attractive return, consistent with prudent risk, from a portfolio which is substantially constituted of quality debt securities. In line with the investment objective, securitised debt instruments having a high credit quality commensurate with other debt instruments in the portfolio will be considered for investment.

(ii) **Policy relating to originators based on nature of originator, track record, NPAs, losses in earlier securitized debt, etc**

The parameters used to evaluate originators are

- Track record
- Willingness to pay, through credit enhancement facilities etc.
- Ability to pay
- Business risk assessment,

wherein following factors are considered: -

Outlook for the economy (domestic and global)

Outlook for the industry - Company specific factors.

In addition a detailed review and assessment of rating rationale is done including interactions with the originator as well as rating agency.

Critical Evaluation Parameters (for pool loan) regarding the originator / underlying issuer:

Default track record/ frequent alteration of redemption conditions / covenants

- High leverage ratios of the ultimate borrower - both on a standalone basis as well on a consolidated level/ group level
- Higher proportion of re-schedulement of underlying assets of the pool or loan, as the case may be
- Higher proportion of overdue assets of the pool or the underlying loan, as the case may be
- Poor reputation in market
- Insufficient track record of servicing of the pool or the loan, as the case may be.

(iii) **Risk mitigation strategies for investments with each kind of originator**

Analysis of originator: An independent Credit Risk Team analyses and evaluates each originator and sets up limits specifying both the maximum quantum and maximum tenor for investments and investments are considered only within these limits.

Originator analysis typically encompasses:

- Size and reach of the originator
- Collection process, infrastructure and follow-up mechanism
- Quality of MIS
- Credit enhancement for different type of originator

(iv) **The level of diversification with respect to the underlying assets, and risk mitigation measures for less diversified investments**

Eligible assets: Only assets with an established track record of low delinquencies and high credit quality over several business cycles will be considered for investment.

Analysis of pool: Characteristics such as average pool maturity (in months), average loan to value ratio, average seasoning of the pool, maximum single exposure, geographical distribution and average single exposure are studied to determine pool quality.

Risk mitigating measures: Credit enhancement facilities (including cash, guarantees, excess interest spread, subordinate tranches), liquidity facilities and payment structure are studied in relation to historical collection and default behaviour of the asset class to ensure adequacy of credit enhancement in a stress scenario.

(v) **Minimum retention period of the debt by originator prior to securitization**

We will follow the guidelines on minimum holding period requirements as laid down by SEBI and RBI from time to time.

(vi) **Minimum retention percentage by originator of debts to be securitized**

We will follow the guidelines on minimum holding period requirements as laid down by SEBI and RBI from time to time.

(vii) The mechanism to tackle conflict of interest when the Mutual Fund invests in securitized debt of an originator and the originator in turn makes investments in that particular Scheme of the Fund

The AMC has an independent Credit Risk team which is distinct from the Sales function and the Investments function and has a separate reporting and appraisal structure designed to avoid conflict of interest. Investments can be initiated by the fund managers only after the Credit Risk team has assigned limits for the originator. The originator wise limits specify both the maximum quantum and maximum tenor for investments.

(viii) **The resources and mechanism of individual risk assessment with the AMC for monitoring investment in securitized debt**

The AMC has a rigorous risk management process for all fixed income investments, which also encompasses securitized debt. A dedicated Credit Risk team is responsible for monitoring risks including credit and liquidity risk. The functions of the Credit Risk team include:

- Detailed credit analysis of issuers: based on the management evaluation, operating strength and financial strength to determine suitability for investment. Periodic reviews on a quarterly/annual basis are under taken for eligible issuers. Ratings are monitored on a daily basis and any changes are immediately recorded and suitable action taken.
- Credit Risk team monitors adherence to single and group level exposure norms, minimum rating requirements, liquidity requirements, and ensures that only eligible securities are included in the fund, in line with the Scheme information document/internal templates.

For securitized pool loan exposures, the analysis includes pool seasoning, pool asset quality, diversification, collateral margin, originator analysis and credit enhancement mechanisms. Pool performance statistics published by rating agencies are analysed for performance of other securitised pools of the same originator as well as for the performance of the asset class as a whole. Regular interactions with the rating agencies are done to discuss performance trends. Documents are vetted by the legal and compliance team. In addition, monthly payout reports from the trustees are analysed for collection performance and adequacy of cash collateral.

Framework that is applied while evaluating investment decision relating to a pool securitization transaction:

Characteristics / Type of Pool	Mortgage Loan	Commercial Vehicle and Construction Equipment	CAR	2 wheelers	Others
Approximate Average maturity (in Months)	In line with average maturity of mortgage loans as per industry norms. Typically less than 10 years.	In line with average maturity of Commercial Vehicle and Construction Equipment loans as per industry norms. Typically less than 4 years.	In line with average maturity of car loans as per industry norms. Typically less than 4 years.	In line with average maturity of two wheeler loans as per industry norms. Typically less than 4 years.	In line with average maturity of the asset class as per industry norms.
Collateral margin (including cash, guarantees, excess interest spread, subordinate tranche)	The collateral margin will be adequate for the pool to achieve a rating in the high safety category at the time of initial rating. The collateral margin will ensure at least a 3 times cover over historical losses observed in the asset class.	The collateral margin will be adequate for the pool to achieve a rating in the high safety category at the time of initial rating. The collateral margin will ensure at least a 3 times cover over historical losses observed in the asset class.	The collateral margin will be adequate for the pool to achieve a rating in the high safety category at the time of initial rating. The collateral margin will ensure at least a 3 times cover over historical losses observed in the asset class.	The collateral margin will be adequate for the pool to achieve a rating in the high safety category at the time of initial rating. The collateral margin will ensure at least a 3 times cover over historical losses observed in the asset class.	The collateral margin will be adequate for the pool to achieve a rating in the high safety category at the time of initial rating. The collateral margin will ensure at least a 3 times cover over historical losses observed in the asset class.
Average Loan to Value Ratio	In line with average Loan to Value ratio of mortgage loans as per industry norms. Typically less than 80 per cent.	In line with average Loan to Value ratio of Commercial Vehicle and Construction Equipment loans as per industry norms. Typically less than 85 per cent.	In line with average Loan to Value ratio of car loans as per industry norms. Typically less than 85 per cent.	In line with average Loan to Value ratio of two-wheeler loans as per industry norms. Typically less than 85 per cent.	In line with average Loan to Value ratio of the asset class loans as per industry norms.
Average seasoning of the Pool	In line with industry norms and guidelines laid down by RBI/SEBI from time to time. Typically, more than 3 months	In line with industry norms and guidelines laid down by RBI/SEBI from time to time. Typically, more than 3 months	In line with industry norms and guidelines laid down by RBI/SEBI from time to time. Typically, more than 3 months	In line with industry norms and guidelines laid down by RBI/SEBI from time to time. Typically, more than 3 months	In line with industry norms and guidelines laid down by RBI/SEBI from time to time.
Maximum single exposure range	Not more than 10%	Not more than 10%	Not more than 10%	Not more than 10%	Not more than 10%
Average single exposure range %	Not more than 10%	Not more than 10%	Not more than 10%	Not more than 10%	Not more than 10%

* Kindly note that all references to single loan securitization has been removed as securitization of single corporate loans are no longer envisaged under revised RBI guidelines on securitization

The schemes will not be investing in foreign securitised debt.

Some of the risk factors typically analyzed for any securitization transaction are as follows:

- **Risks associated with investments in Securitised Assets**

  A securitization transaction involves sale of receivables by the originator (a bank, non-banking finance company, housing finance company, or a manufacturing/service company) to a Special Purpose Vehicle (SPV), typically set up in the form of a trust. Investors are issued rated Pass Through Certificates (PTCs), the proceeds of which are paid as consideration to the originator. In this manner, the originator, by selling his loan receivables to an SPV, receives consideration from investors much before the maturity of the underlying loans. Investors are paid from the collections of the underlying loans from borrowers. Typically, the transaction is provided with a limited amount of credit enhancement (as stipulated by the rating agency for a target (rating), which provides protection to investors against defaults by the underlying borrowers.

Some of the risk factors typically analyzed for any securitization transaction are as follows:

- **Risks associated with asset class:** Underlying assets in securitised debt may assume different forms and the general types of receivables include commercial vehicles, auto finance, credit cards, home loans or any such receipts. Credit risks relating to these types of receivables depend upon various factors including macro economic factors of these industries and economies. Specific factors like nature and adequacy of collateral securing these receivables, adequacy of documentation in case of auto finance and home loans and intentions and credit profile of the borrower influence the risks relating to the asset borrowings underlying the securitised debt.
- **Risks associated with pool characteristics:**

  (a) ***Size of the loan:*** This generally indicates the kind of assets financed with loans. While a pool of loan assets comprising of smaller individual loans provides diversification, if there is excessive reliance on very small ticket size, it may result in difficult and costly recoveries.

  (b) ***Loan to Value Ratio:*** This indicates how much percentage value of the asset is financed by borrower's own equity. The lower LTV, the better it is. This ratio stems from the principle that where the borrowers own contribution of the asset cost is high, the chances of default are lower. To illustrate for a Truck costing Rs. 20 lakh, if the borrower has himself contributed Rs.10 lakh and has taken only Rs. 10 lakh as a loan, he is going to have lesser propensity to default as he would lose an asset worth Rs. 20 lakh if he defaults in repaying an installment. This is as against a borrower who may meet only Rs. 2 lakh out of his own equity for a truck costing Rs. 20 lakh. Between the two scenarios given above, the later would have higher risk of default than the former.

  (c) ***Original maturity of loans and average seasoning of the pool:*** Original maturity indicates the original repayment period and whether the loan tenors are in line with industry averages and borrower's repayment capacity. Average seasoning indicates whether borrowers have already displayed repayment discipline. To illustrate, in the case of a personal loans, if a pool of assets consist of those who have already repaid 80% of the instalments without default, this certainly is a superior asset pool than one where only 10% of instalments have been paid. In the former case, the portfolio has already demonstrated that the repayment discipline is far higher.

  (d) ***Default rate distribution:*** This indicates how much % of the pool and overall portfolio of the originator is current, how much is in 0-30 DPD (days past due), 30-60 DPD, 60-90 DPD and so on. The rationale here is very obvious, as against 0-30 DPD, the 60-90 DPD is certainly a higher risk category.
- **Credit Rating and Adequacy of Credit Enhancement:** Unlike in plain vanilla instruments, in securitisation transactions, it is possible to work towards a target credit rating, which could be much higher than the originator's own credit rating. This is possible through a mechanism called "Credit enhancement". The process of "Credit enhancement" is fulfilled by filtering the underlying asset classes and applying selection criteria, which further diminishes the risks inherent for a particular asset class. The purpose of credit enhancement is to ensure timely payment to the investors, if the actual collection from the pool of receivables for a given period is short of the contractual payout on securitisation. Securitisation is normally non-recourse instruments and therefore, the repayment on securitisation would have to come from the underlying assets and the credit enhancement. Therefore the rating criteria centrally focus on the quality of the underlying assets.

  The Scheme will predominantly invest in those securitisation issuances which have AA and above rating indicating high level of safety from credit risk point of view at the time of making an investment. However, there is no assurance by the rating agency either that the rating will remain at the same level for any given period of time or that the rating will not be lowered or withdrawn entirely by the rating agency.
- **Limited Liquidity & Price Risk:** Presently, the secondary market for securitised papers is not very liquid. There is no assurance that a deep secondary market will develop for such securities. This could limit the ability of the investor to resell them. Even if a secondary market develops and sales were to take place, these secondary transactions may be at a discount to the initial issue price due to changes in the interest rate structure.
- **Limited Recourse to Originator & Delinquency:** Securitised transactions are normally backed by pool of receivables and credit enhancement as stipulated by the rating agency, which differ from issue to issue. The credit enhancement stipulated represents a limited loss cover to the investors. These Certificates represent an undivided beneficial interest in the underlying receivables and there is no obligation of either the Issuer or the seller or the originator, or the parent or any affiliate of the seller, issuer and originator. No financial recourse is available to the Certificate Holders against the Investors Representative. Delinquencies and credit losses may cause depletion of the amount available under the credit enhancement and thereby the investor pay outs may get affected if the amount available in the credit enhancement facility is not enough to cover the shortfall. On persistent default of an obligor to repay his obligation, the servicer may repossess and sell the underlying Asset. However many factors may affect, delay or prevent the repossession of such asset or the length of time required to realize the sale proceeds on such sales. In addition, the price at which such asset may be sold may be lower than the amount due from that Obligor.
- **Risks due to possible prepayments:** Weighted Tenor / Yield: Asset securitisation is a process whereby commercial or consumer credits are packaged and sold in the form of financial instruments Full prepayment of underlying loan contract may arise under any of the following circumstances;

  a. Obligor pays the receivable due from him at any time prior to the scheduled maturity date of that receivable; or

  b. Receivable is required to be repurchased by the seller consequent to its inability to rectify a material misrepresentation with respect to that Receivable; or

  c. The servicer recognizing a contract as a defaulted contract and hence repossessing the underlying asset and selling the same.

  d. In the event of prepayments, investors may be exposed to changes in tenor and yield.
- **Bankruptcy of the Originator or Seller:** If originator becomes subject to bankruptcy proceedings and the court in the bankruptcy proceedings concludes that the sale from originator to trust was not a sale then an Investor could experience losses or delays in the payments due. All possible care is generally taken in structuring the transaction so as to minimize the risk of the sale to Trust not being construed as a 'True Sale'. Legal opinion is normally obtained to the effect that the assignment of Receivables to Trust in trust for and for the benefit of the Investors, as envisaged herein, would constitute a true sale.
- **Bankruptcy of the Investor's Agent:** If Investor's agent becomes subject to bankruptcy proceedings and the court in the bankruptcy proceedings concludes that the recourse of Investor's Agent to the assets/receivables is not in its capacity as agent/Trustee but in its personal capacity, then an Investor could experience losses or delays in the payments due under the agreement. All possible care is normally taken in structuring the transaction and drafting the underlying documents so as to provide that the assets/receivables if and when held by Investor's Agent is held as agent and in Trust for the Investors and shall not form part of the personal assets of Investor's Agent. Legal opinion is normally obtained to the effect that the Investors Agent's recourse to assets/ receivables is restricted in its capacity as agent and trustee and not in its personal capacity.
- **Risk of co-mingling:** The servicers normally deposit all payments received from the obligors into the collection account. However, there could be a time gap between collection by a servicer and depositing the same into the collection account especially considering that some of the collections may be in the form of cash. In this interim period, collections from the loan agreements may not be segregated from other funds of the servicer. If the servicer fails to remit such funds due to Investors, the Investors may be exposed to a potential loss. Due care is normally taken to ensure that the Servicer enjoys highest credit rating on standalone basis to minimize co-mingling risk.
- **Risks relating to tax incidence on securitization Special Purpose Vehicles:** In October 2011, the income tax authorities issued a claim on certain securitisation SPVs, stating that the gross income of such SPVs was liable to tax. The Finance Act, 2013, has sought to clarify the tax position by stating that securitisation SPVs are not liable to pay income tax. However, any tax incidence on gross income of SPVs could result in dilution of pay-outs to investors.

Risk envisaged and mitigation measures for repo transactions:

Credit risks could arise if the counterparty does not return the security as contracted or interest received by the counter party on due date. This risk is largely mitigated, as the choice of counterparties is largely restricted and their credit rating is taken into account before entering into such transactions. Also operational risks are lower as such trades are settled on a DVP basis.

In the event of the scheme being unable to pay back the money to the counterparty as contracted, the counter party may dispose of the assets (as they have sufficient margin) and the net proceeds may be refunded to us. Thus the scheme may in remote cases suffer losses. This risk is normally mitigated.

In addition to the above, the Internal Investment Committee (IIC) or Credit Committee of the AMC shall prescribe limits, restrictions and conditions for the enhancement proposed. The IIC / Credit Committee will also periodically review the limits, restrictions and conditions at its meeting.

Risk Factors - Overseas Investments

As the Scheme will invest in global markets; investors will be exposed to several risk factors that are not relevant for the Scheme that invests in Indian securities. A few types of risks are:

- ***Foreign Exposure and Currency Risk:*** The Scheme may invest in overseas securities that are issued and traded in foreign currencies. As a result, their values may be affected by changes in exchange rates between foreign currencies and the Indian Rupee as well as between currencies of countries other than India. Restrictions on currency trading that may be imposed will have an adverse effect on the value of the securities of companies that trade or operate in such countries.
- ***Country Risk:*** This refers to inability of a country to meet its financial obligations for economical, political or geo-political reasons. The degree of this risk may vary from country to country.
- ***Event Risk:*** Diplomatic and political developments, including rapid and adverse political changes, social instability, regional conflicts, terrorism and war, could affect the economies, industries and securities and currency markets, and the value of the Scheme's investments. These factors are extremely difficult, if not impossible, to predict and take into account with respect to the Scheme's investments.
- ***Restrictions imposed overseas:*** Changes in local regulation can affect the local financial markets and restrictions on investment by overseas investors be imposed; introduction of exchange controls and immobilisation of foreigner financial assets can occur In contrast, an improvement in country risk rating may take a substantially longer period.
- ***Emerging Markets Risk:*** Emerging market countries include those currently considered to be developing by the World Bank, the International Finance Corporation, the United Nations, the countries' authorities or countries that are treated as emerging markets by index service providers at the global level. These countries typically are located in the Asia-Pacific region, Eastern Europe, Central and South America and Africa. Emerging markets are comparatively smaller than developed markets. They are characterised by high degree of market-price and currency volatility and declines of more than 50% are not unusual. Markets that are generally considered to be liquid may become illiquid for short or extended periods.
- ***Regulation-Change Risk:*** If the Government of India, RBI and/or SEBI decide to alter the regulatory framework for investment in overseas financial assets by mutual funds, it may have an impact on the Scheme's ability to adhere to the investment objective. If and when such an eventuality materialises, the Trustee reserves the right to alter the investment objective of the Scheme or wind up the Scheme.

Place: Chennai
Date: 03/04/2018

For **Sundaram Asset Management Company Ltd**
P Sundararajan
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