— Sundaram —
Hybrid Fund Series - P
A Closed-End Hybrid Scheme

SUNDARAM MUTUAL
UNEARTHING OPPORTUNITIES

NFO Open: March 08, 2016 **NFO Closes: March 22, 2016**

Objective

To generate current income and capital appreciation through a mix of investments in equities and fixed income securities.

Fund Suitability

- Investors who primarily want accrual income and also a limited exposure to equities in order to benefit from any potential upward move in equity markets

Reasons to Invest

- Specially suitable for investing in volatile markets
- Offers an attractive route to take limited equity allocation for conservative investors
- Combines the relative stability of debt with the possibility of higher return on equities thereby endeavouring to provide a return higher than fixed deposits and debt funds

Portfolio Strategy

Fixed Income: Passive; in instruments rated AA & above

Equity: Active management; in diversified equity and equity related securities of companies that have the potential to appreciate over the long term. Therefore the fund would have the flexibility to invest in stocks from sectors and industries of all market capitalization. The allocation to the different market caps would vary from time to time depending on the overall market conditions/opportunities and the fund manager's view.

How does the Hybrid Strategy work?

- Predominantly investment is made in fixed income portfolio to provide stability
- A smaller allocation to equities in order to be able to participate in any upward movement in the equity markets with an aim to provide capital appreciation
- The prevalent tax laws enables investors to achieve better post tax returns vis-à-vis non mutual fund investments

Fixed Income Allocation

Based on the current market conditions, an allocation of 80% may be made to this asset class. The prevalent yield (as on January 31, 2016) on the fixed income instruments, mainly corporate bonds, with a 1300 days tenure is around 8.25%. *(Source: Internal).*

Equity Allocation

The allocation to Equity may be around 20% of the total assets. While it is not possible to predict the capital gains from the equity allocation, it is a fact that equity markets in the past have delivered higher returns than fixed income although accompanied by a higher degree of risk.

To help understand the linkage between degrees of risk and return in the past, the table below analyses the data based on the CNX Nifty, obtained over a ten-year period on a 1300 days rolling return basis. A total of 1,598 observation points have been used.

Annualized Return	# of Occasions	% of Occasions	Cumulative % of Occasions
20% to 25% p.a	39	2.4	2.4
15% to 20% p.a	201	12.6	15.0
10% to 15% p.a	495	31.0	46.0
5% to 10% p.a	426	26.0	72.7
0% to 5% p.a	318	19.9	92.6
<0% p.a	118	7.4	99.9
<-5% p.a	1	0.1	100

Table 1: CNX Nifty 10-year observations; Source – Bloomberg; In-house computation. Index values taken from January 31, 2006 to January 31, 2016.

The highlights of the above table are:

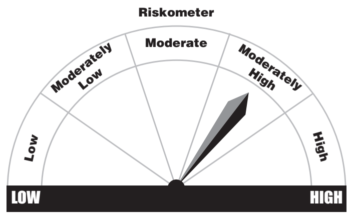
- CNX Nifty has delivered a negative return in only 7.5% of the observations
- CNX Nifty has delivered greater than single digit return in 46% of the observations
- CNX Nifty has delivered greater than 15% return in 17.4% of the observations,

Thus, it is apparent that the equity markets do carry a risk of erosion of capital, but also deliver the reward of high appreciation.

This product is suitable for investors who are seeking*

- Income over medium to long term
- Investment in fixed income securities and long term capital appreciation by investing a portion of the assets in equity and equity related securieties

*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.



Investors understand that their principal will be at
Moderately High Risk

Tax Treatment

The prevalent tax law enables investors to achieve higher post tax returns vis-à-vis non mutual fund investments. The table below illustrates the same. This illustration compares the fund with a 3 to 5 years fixed deposit.

Particulars	Fixed Deposits	Debt Fund with Indexation
Applicable Tax Rate (%)	30.9	20.6
Amount Invested (₹)	100.0	100.0
Interest/Gains for Maturity Period (₹)	27.5	27.5
Value at Maturity (₹)	127.5	127.5
Initial Cost of Acquisition (₹)	100.0	100.0
Indexation (₹)	-	37.7
Cost for computation of capital gain (₹)	100.0	137.7
Taxable Income (₹)	27.5	-10.2
Tax Liability (₹)	8.5	0.0
Post-tax return (₹)	19.0	27.5
Pre-tax annualized yield (%)	7.2	7.2
Post tax annualized yield (%)	5.1	7.2

Table 2 – Tax Illustration Source: Maturity Value of a 3 to 5-year Fixed Deposit rate at 7% from SBI obtained from SBI website as on Jan'16. Cost inflation index (base yr 2011-12: 785; current yr 2015-16: 1081)

Highest tax slab considered for the illustration. Please consult your tax advisor for details. Limitations and assumptions: All the attributes of Hybrid Fund & Bank FD's are not comparable. The comparison is limited to the scope of returns and tax efficiency which will be subject to prevailing tax laws. The above calculation is for illustrative purpose and actual figures may vary.

**Subject to existing tax laws*

As the table illustrates, a debt-oriented mutual fund after indexation gives a significantly higher post tax yield of 2.1% compared to fixed deposits.

Possible Scenarios With The Hybrid Investment Strategy

Assumptions

- An initial investment of Rs 100 for 3.5 years
- Rs 80 invested in Fixed Income; Rs 20 invested in equity
- Yield on Fixed Income instruments @ 8.25% p.a
- Reinvestment rate @ 6% p.a

Assumed Annualized Equity Return %	Portfolio Maturity Value (₹)	Annualized Portfolio Return % (Net off Exp)	Annualized Post-Tax Portfolio Return %
3.0	**118.7**	**5.0**	**5.0**
5.0	120.0	5.3	5.3
10.0	123.4	6.2	6.2
15.0	127.2	7.1	7.1
20.0	131.3	8.1	8.1
25.0	135.8	9.1	9.1

Table 3 – Portfolio return at various equity levels; In-house computation. The above calculation is for illustrative purpose and actual figures may vary. Post tax returns are same as annualized returns as the Portfolio maturity value is less than the value post indexation - Indexation assumptions as in table alongside

An equity return of 3% together with a portfolio return of 5% with indexation will match the equivalent return on a Fixed Deposit - the likelihood of which is 87.6% (Table 1).