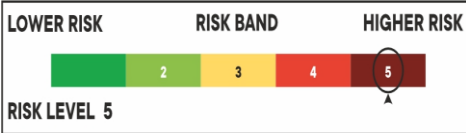
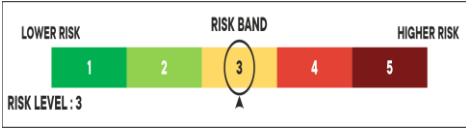


KEY INFORMATION MEMORANDUM (KIM)

**Sapphire Equity Long-Short SIF**

**Brought to you by Franklin Templeton Mutual Fund**

**(An open-ended equity investment strategy investing in listed equity and equity related instruments including limited short exposure in equity through derivative instruments)**

This product is suitable for investors who are seeking#	Risk-band*	Benchmark Risk- band Nifty 500 TRI (as applicable)
<ul style="list-style-type: none"> <li>• Long term capital appreciation</li> <li>• Investment in equity and equity related instruments including limited short exposure in equity through derivative instruments</li> </ul>		

\*The Risk Band as specified by AMFI.

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

The above product labelling assigned during the New Fund Offer (NFO) is based on internal assessment of the characteristics of the investment strategy or model portfolio and the same may vary post NFO when the actual investments are made.

Offer of units of Rs. 1000 each for cash during the New Fund Offer and Continuous offer for Units at NAV based prices

**New Fund Offer Opens on: 10<sup>th</sup> April 2026**  
**New Fund Offer Closes on: 24<sup>th</sup> April 2026**  
**Investment strategy re-opens on: 04<sup>th</sup> May 2026**

Name of SIF	: Sapphire SIF
Name of the mutual fund	: Franklin Templeton Mutual Fund
Name of Asset Management Company	: Franklin Templeton Asset Management (India) Pvt. Ltd.
Name of Trustee Company	: Franklin Templeton Trustee Services Pvt. Ltd.
Addresses, Website of the entities (including SIF):	One International Centre, Tower 2, 12th floor, Senapati Bapat Marg, Prabhadevi, Mumbai-400013.

[www.  
franklintempletonindia.com/sapphiresif](http://www.franklintempletonindia.com/sapphiresif)

This Key Information Memorandum (KIM) sets forth the information, which a prospective investor ought to know before investing. **For further details of the Investment Strategy /SIF, due diligence certificate by the AMC, Key Personnel, investors' rights & services, risk factors, penalties & pending litigations etc. investors should, before investment, refer to the Investment Strategy Information Document and Statement of Additional Information available free of cost at any of the Investor Service Centres or distributors or from the website [www. www.franklintempletonindia.com/sapphiresif](http://www.franklintempletonindia.com/sapphiresif).**

The Investment Strategy particulars have been prepared in accordance with Securities and Exchange Board of India (Mutual Funds) Regulations 1996, as amended till date, and filed with Securities and Exchange Board of India (SEBI). The units being offered for public subscription have not been approved or disapproved by SEBI, nor has SEBI certified the accuracy or adequacy of this KIM.

<p><b>Investment Objective</b></p>	<p>The investment strategy seeks to generate alpha over the long term by investing across a spectrum of large, mid and small cap companies using long/short equity strategies. There is no assurance that the investment objective of the investment strategy will be achieved.</p>														
<p><b>Asset Allocation Pattern of the Investment Strategy</b></p>	<p>This includes asset allocation table giving the broad classification of assets and indicative exposure level in percentage terms. The asset allocation should be consistent with the investment objective of the Investment Strategy and SEBI circular on Regulatory framework for Specialised Investment Funds (SIF).</p> <table border="1" data-bbox="520 685 1383 1344"> <thead> <tr> <th rowspan="2">Instrument s</th> <th colspan="2">Indicative allocations (% of total assets)</th> </tr> <tr> <th>Minimu m</th> <th>Maximu m</th> </tr> </thead> <tbody> <tr> <td>Equity and equity related instruments*</td> <td>80%</td> <td>100%</td> </tr> <tr> <td>Short exposure through unhedged derivative positions in equity and equity related instruments*</td> <td>0%</td> <td>25%</td> </tr> <tr> <td>Debt, money market instruments (excluding instrument, securities kept for Margin purpose), REITS &amp; Invits, Exchange Trade Funds and units of debt mutual fund schemes#</td> <td>0%</td> <td>20%</td> </tr> </tbody> </table> <p>*Equity and equity related instruments include both Long and Short Equity Positions. Atleast 65% of the total proceeds of such funds are invested in the equity shares of domestic companies listed on a recognised stock exchange.</p> <p>Cash or cash equivalents (including for margin) with residual maturity of less than 91 days may be treated as not creating any exposure. SEBI vide letter dated November 03, 2021 has clarified that Cash Equivalent shall consist of Government Securities, T-Bills and Repo on Government Securities.</p> <p>#Money Market instruments include commercial papers, commercial bills, treasury bills, Tri-party repo, Government securities having an unexpired maturity up to one year, call or notice money, certificate of deposit, and any other like instruments as specified under applicable regulations from time to time.</p> <p>In accordance with the clause 3.2 and 6.1.5 of the SEBI Circular on Regulatory framework for Specialized Investment Funds ('SIF') dated</p>	Instrument s	Indicative allocations (% of total assets)		Minimu m	Maximu m	Equity and equity related instruments*	80%	100%	Short exposure through unhedged derivative positions in equity and equity related instruments*	0%	25%	Debt, money market instruments (excluding instrument, securities kept for Margin purpose), REITS & Invits, Exchange Trade Funds and units of debt mutual fund schemes#	0%	20%
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February 27, 2025, clause 12.24.1 of the SEBI Master Circular for Mutual Funds (‘Master Circular’) dated June 27, 2024, the cumulative gross exposure through equity, debt, derivative positions (including commodity and fixed income derivatives), repo transactions and credit default swaps in corporate debt securities, Infrastructure Investment Trusts (InvITs), other permitted securities/assets and such other securities/assets as may be permitted by SEBI from time to time should not exceed 100% of the net assets of the investment strategy.

**Indicative Table** (Actual instrument/percentages may vary subject to applicable SEBI circulars)

Sl. no	Type of Instrument	Percentage of Exposure	Circular references*
1.	Derivatives for hedging and for portfolio rebalancing purposes	Up to 50% of net assets of the Investment strategy.  The Investment strategy may use derivatives for the purpose of hedging and portfolio balancing, based on the opportunities available and subject to guidelines issued by SEBI from time to time	Para 12.25 of SEBI Master Circular dated June 27, 2024.
2.	Derivatives for non-hedging and other than hedging and portfolio rebalancing Purposes	Exposure of upto 25% of the net assets in exchange traded derivative instruments, specifically for purposes other than hedging and portfolio rebalancing	SEBI/HO/IMD/IMD-PoD-1/P/CIR/2025/26 Ref to circular on SIF dated 27 <sup>th</sup> Feb 2025

	3.	Tri-party repos	Upto 25% of net assets	Clause 1 of Seventh Schedule of SEBI (Mutual Funds) Regulations, 1996
	4.	Repo/reverse repo Transactions in corporate debt securities	Upto 10% of net assets	Para 12.18 of SEBI Master Circular on Mutual Funds dated June 27, 2024
	5.	Units of mutual Fund schemes	The Investment strategy may invest in Mutual Fund units including Exchange traded Funds (ETFs) to the extent of 20% of net assets of the Investment strategy. No Investment will be made in equity oriented schemes. This investment is subject to prevailing regulatory limits of aggregate inter Investment strategy investment made by all Investment strategies under the same management or in Investment strategy under the management of any other asset management company which shall not exceed 5% of the net	Schedule 7 of SEBI (Mutual Funds) Regulations, 1996

		asset value of the mutual fund.	
6.	InVITS	The Investment strategy may invest upto 20% of the net assets of the Investment strategy in units issued by InvITs and not more than 10% of the net assets of the Investment strategy will be invested in InvITs of any single issuer.	<p>Para 12.21 of SEBI Master Circular on Mutual Funds dated June 27, 2024</p> <p>Clause 13 in the Seventh Schedule and Regulation 49AA of SEBI (Mutual Funds) Regulations, 1996.</p> <p>Gazette notification CG-MH-E-16122024-259451, dated December 16, 2024,</p>
7.	ReITs	Any potential future investment in units of Real Estate Investment Trusts (REITs) shall be undertaken in accordance with the Securities and Exchange Board of India (Mutual Funds) (Second Amendment) Regulations, 2025, notified on October 31, 2025, and any other applicable Regulations, circulars or guidelines issued by SEBI from time to time.	<p>Para 12.21 of SEBI Master Circular on Mutual Funds dated June 27, 2024</p> <p>In accordance with the SEBI (Mutual Funds) (Second Amendment) Regulations, 2025, notified on October 31, 2025</p> <p>SEBI circular dated November 28, 2025.</p>

	8.	Securities Lending	<p>Upto 20% of net assets and the maximum single party exposure will be restricted to 5%^ of net assets outstanding at any point of time.</p> <p>^ Presently, Securities lending and borrowing (SLB) is an Exchange traded product. Counterparty is not known for transactions carried out under SLB segment and they are guaranteed by Clearing Corporations and hence do not carry any counter party risk.</p> <p>Accordingly, single party exposure limit will not apply to trades on Stock Exchange platform. Single party exposure limits can only apply in case of OTC (over the counter) trades where counterparty can be identified.</p>	Para 12.11 of SEBI Master Circular on Mutual Funds dated June 27, 2024
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	9.	Overseas Securities/ETFs	Upto 20% of net assets for Overseas securities. Upto 20% of Net Assets for Overseas ETFs. Investment strategy shall not invest in overseas debt instruments.	Para 12.19 of SEBI Master Circular on Mutual Funds dated June 27, 2024
	10.	Debt instruments with special features (AT1 and AT2 Bonds)	The Investment strategy shall not invest more than 10% of its NAV of the debt portfolio of the Investment strategy in such instruments having special features or as permitted by SEBI from time to time.	Referred in Para 12.2 of SEBI Master Circular on Mutual Funds dated June 27, 2024
	11.	Debt Instruments with SO / CE	The total exposure towards Credit Enhancement / structured obligations such as corporate / promoter guarantee etc. shall not exceed 10% of debt portfolio of the Investment strategy and group exposure shall not exceed 5% of debt portfolio of the Investment strategy.	Para 4.5.3 (for Overnight & Liquid fund)/ Para 12.3 of SEBI Master Circular on Mutual Funds dated June 27, 2024
	12.	Securitized Debt	Upto 20% of net assets. The Investment strategy shall	Para 12.15 of SEBI Master Circular on Mutual Funds dated June 27, 2024

		not invest in foreign securitized debt.	
13.	Credit Default Swaps	Investment Strategy will not invest in Credit default swaps	Not applicable

**Deployment of Funds collected in New Fund Offer (NFO) period**

Pursuant to SEBI Circular dated February 27, 2025, the AMC shall aim to deploy the funds garnered during the NFO within 30 Business Days from the date of allotment of units. In exceptional cases, if the AMC is unable to deploy the funds within the 30 Business Day period, a written explanation, including details of the efforts taken to deploy the funds, shall be placed before the Investment Committee of the AMC. The Investment Committee may extend the deployment timeline by up to 30 Business Days and will provide recommendations to ensure timely deployment in the future.

In case the funds are not deployed as per the asset allocation mentioned in the SID as per the aforesaid mandated plus extended timelines, AMC shall:

- not be permitted to receive fresh flows in the Investment strategy till the time the funds are deployed as per the asset allocation mentioned in the SID;
- not be permitted to levy exit load, if any, on the investors exiting the Investment strategy after 60 business days of not complying with the asset allocation of the Investment strategy;
- inform all investors of the NFO, about the exit option without exit load, via email, SMS or other similar mode of communication;
- report deviation, if any, to Trustees at each of the above stages.

Portfolio rebalancing:

Short Term Defensive Consideration:

Subject to SEBI (MF) Regulations the asset allocation pattern indicated above may change from time to time, keeping in view market conditions, market opportunities, applicable regulations and political and economic factors. It must be clearly understood that the percentages stated above are only indicative and not absolute and that they can vary substantially depending upon the perception of the Investment Manager, the intention being at all times to seek to protect the interests of the Unit holders. As per clause 1.14.1.2 of SEBI Master Circular on Mutual Funds dated June 27, 2024, as may be amended from time to time, such changes in the investment pattern will be for short term and for defensive consideration only. In the event of change in the asset allocation, the fund manager will carry out portfolio rebalancing within 30 calendar days from date of deviation or such other timeline as may be prescribed by SEBI from time to time. However, if the asset allocation pattern is to be altered for other reasons, as this is a fundamental attribute, the procedure outlined in the paragraph on fundamental attributes below, shall be followed.

Portfolio Rebalancing (in case of passive breaches)

As per clause 2.9 of SEBI Master Circular on Mutual Funds dated June 27, 2024, as may be amended/ clarified from time to time, in the event of change in the asset allocation due to passive breaches (occurrence of

	<p>instances not arising out of omission and commission of the AMC), the fund manager is required to carry out portfolio rebalancing within 30 Business Days. In case the portfolio is not rebalanced within the period of 30 Business Days, justification in writing, including details of efforts taken to rebalance the portfolio shall be placed before the Investment Committee. The Investment Committee, if it so desires, can extend the timeline for rebalancing up to 60 Business Days from the date of completion of mandated rebalancing period. In case the portfolio of the investment strategy is not rebalanced within the aforementioned mandated plus extended timelines, the AMC shall follow the requirements specified under the aforesaid circular including reporting the deviation to Trustees at each stage.</p> <p>All the reporting and disclosure requirements as mentioned in Para 2.9 of SEBI Master Circular on Mutual Funds dated June 27, 2024, shall be complied with. This includes disclosure to investors in case the AUM of deviated portfolio is more than 10% of the AUM of main portfolio of Investment strategy.</p> <p>Passive breaches (occurrence of instances not arising out of omission and commission by AMC), such as those caused by a decline in Net Asset Value (NAV), shall not be treated as a violation of the Minimum Investment Threshold. However, if the total investment value falls below the threshold due to a passive breach, the investor shall only be permitted to redeem the entire remaining investment amount from SIF.</p>
<p><b>Investment Approach</b></p>	<p>Our long/short equity strategy combines a top-down macro model for dynamic capital allocation with a bottom-up proprietary active quantitative multi-factor model for stock selection. This dual-layered approach allows us to build a high-conviction, risk-aware portfolio that is both adaptive to macroeconomic conditions and consistent in capturing stock-level alpha.</p> <p>Capital allocation is governed by our disciplined research-driven proprietary macro model, which evaluates a comprehensive set of indicators to determine appropriate portfolio positioning. The model includes Macro Indicators, Street Sentiment and Index Valuation.</p> <p>Based on the model's output, we dynamically adjust <b>Gross exposure</b>:</p> <ul style="list-style-type: none"> <li>• <b>Long exposure:</b> Between 75% and 100%, increasing in constructive macro environments</li> <li>• <b>Short exposure (Unhedged):</b> Between 0% and 25%, rising in periods of macro uncertainty or negative outlooks</li> </ul> <p>This flexible approach allows the portfolio to align with the prevailing economic regime while preserving the opportunity to generate alpha on both the long and short sides.</p> <p>Stock selection is driven by our proprietary systematic <b>multi-factor model</b> that evaluates securities across a blend of key dimensions. The Fund will follow an active investment strategy that aims to blend fundamental and behavioural perspectives through the use of multiple forward and backward-looking factors embedded in a proprietary</p>

developed Quant model. The investment belief supports that underlying fundamental strength at the security level is the driver of long-term returns. Hence, the Bottom-up approach has been considered as a key driver to achieve relatively better risk adjusted returns.

A stock must have appropriate market capitalization, meet a minimum liquidity threshold, and have a sufficient history of reliable financial data in order to be included in the investable universe for the portfolio. The stock selection process is dynamic, in an attempt to ensure that investment decisions are based on current information.

The factor library utilised in the model used by the Fund has been well researched, broad and deep and has a sound economic rationale for its contribution which allows to build a comprehensive view around the relative attractiveness of each stock in the universe. The Quant model uses five primary factors: Quality, Innovation, Value, Sentiment, and Alternatives. Each factor encompasses a wide range of sub-factors/metrics, some of which are proprietary and derived from rigorous research. These factors help in decision-making through multiple dimensions:

**Quality-Oriented Factor**

- Profitability: Assessing the company's profitability.
- Balance Sheet: Evaluating the strength of the balance sheet from a debt quality perspective.
- Efficiency: Measuring the company's efficiency in asset utilization.

**Innovation-Oriented Factor**

- Innovation: Analyzing the company's investment in innovation.

**Value-Oriented Factors:**

- Value: Determining if the stock is undervalued relative to peers.
- Cash Flow: Assessing the availability of cash for dividends or reinvestment.

**Sentiment-Oriented Factor**

- Earnings Growth: Reviewing the history and potential for earnings growth.
- Expectations: Monitoring analyst upgrades or downgrades and earnings surprises.
- Behavioral: Evaluating price momentum and trend reversals.

**Alternative Factors:**

- Option Data - Analyzing the Put and Call open interest and Implied Volatility.

The sub factors provide Fundamental, Technical and Behavioural perspectives. Some of the sub factors considered in the strategy besides the ones mentioned above are [this is not an exhaustive factor list, and the fund manager may add or delete any factor(s)] Return on Assets, Capex Coverage, Enterprise Multiples, Shareholder Yield, and Earning Momentum, etc.

Many other criteria are also involved in running the model and decision making. Stock specific characteristics such as sector, Market Capitalization, style and others are considered as we seek to have minimal active exposures to these types of attributes. This allows us to develop a more robust Alpha model taking into account multiple factor and style perspectives.

Stocks with best scores are selected in long portfolio. The long portfolio also seeks to apply a negative screen for companies with poor quality based on our proprietary quality factor scores, high risk based on price volatility and poor corporate governance score. The short portfolio seeks to select stocks which have weak multi factor scores and exhibit bearish market sentiment.

The stock selection is done through a systematic and disciplined optimized process using quantitative models, data analysis, risk-models, and algorithms. This approach aims to reduce human biases, offer diversification, capture market inefficiencies and manage risk. As part of the process, risk management is embedded in the portfolio construction process and monitored and managed on a continual basis. The strategy also leverages the power of data, technology, and analytics to uncover the true value and potential of the stocks in the universe, while avoiding the pitfalls of human judgment and emotions. The strategy focuses to balance both return generation as well as risk management.

This strategy implements an integrated portfolio construction to optimize alpha capture while managing factor, sector, beta exposures and also capital allocation as suggested by macro model.

Although the Investment strategy will primarily invest in stocks aligned with the quant theme (process), it retains the flexibility to take selective exposure beyond this theme (process) at the fund manager's discretion

This disciplined investment process enables us to build a high-conviction long/short portfolio that is responsive to macroeconomic conditions while driven by robust, repeatable stock selection by our proprietary active quantitative multi factor investment process.

**Portfolio Turnover:** The strategy includes macroeconomic signal and a long-short component, we expect more frequent trading than in traditional long-only funds, which may result in relatively higher brokerage and transaction costs.

**Derivatives:**

Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the investor. Execution of such strategies depends upon the ability of the fund manager to identify such opportunities. Identification and execution of the strategies to be pursued by the fund manager involve uncertainty and decision of fund manager may not always be profitable. No assurance can be given that the fund manager will be able to identify or execute

	<p>such strategies. The risks associated with the use of derivatives are different from or possibly greater than, the risks associated with investing directly in securities and other traditional investments. For detailed derivative strategies, please refer to SAI</p>
<p><b>Risk Profile of the Investment Strategy</b></p>	<p>SIF Units involve investment risks including the possible loss of principal. Please read the ISID carefully for details on risk factors before investment. Investment Strategy specific Risk Factors are summarized below:</p> <p><b>Investment Strategy Specific risk factors</b></p> <p><b>B.1 Risk factors associated with investment in Capital markets</b></p> <ul style="list-style-type: none"> <li>• The Investment strategy’s performance may be affected by corporate results, macroeconomic conditions, government policy changes, prevailing interest rates, and risks related to trading volumes, market liquidity, and settlement systems within securities markets.</li> <li>• Restrictions on the liquidity of the Investment strategy’s investments can arise from limited trading volumes, extended settlement periods, and complex transfer procedures. Extreme market volatility may impede transactions due to reduced volumes.</li> <li>• Amendments to SEBI or RBI regulations and guidelines may negatively impact on the Investment strategy’s liquidity.</li> <li>• Indian financial markets exhibit varying settlement periods across different segments, which may be significantly extended by unforeseen events. Prolonged settlement times could adversely affect the Investment strategy in the event of an unusually high volume of redemption requests.</li> <li>• The Trustee reserves the right, at their discretion, to temporarily or indefinitely limit or suspend the sale, repurchase/redemption, and switching of units in the investment strategy (including any specific plan under the investment strategy) under certain circumstances. For further details, refer to the sections titled ‘Suspension of sale of units’ and ‘Suspension of redemption of units.’</li> <li>• The investment strategy will maintain a portion of its investment in cash or cash equivalents to meet daily liquidity requirements.</li> </ul> <p><b>B.2 Risk associated in SIF Equity Long/Short Investment Strategy</b></p> <ul style="list-style-type: none"> <li>• <b>Strategy and Manager Risk:</b> As a new asset class, most SIFs lack an established track record. Investors rely heavily on the skill, experience, and risk management capabilities of fund managers. While regulations aim to safeguard investors with mandatory disclosures, minimum investment thresholds, and certification for distributors, enforcement and investor comprehension may vary.</li> <li>• <b>Suitability:</b> SIFs are not designed for retail investors. The minimum investment is ₹10 lakh, making them suitable only for informed high-net-worth or institutional investors capable of understanding complex risks and weathering market volatility.</li> <li>• <b>Market Risk:</b> Although long/short strategies aim to minimize market exposure, they are still affected by broad market movements, such as recessions or macroeconomic shocks. Unexpected swings in market</li> </ul>

sentiment can cause losses in both long and short positions if the market moves against portfolio expectations.

- **Short-Sale Risk:** If a stock sold short rises substantially instead of falling, potential losses are theoretically unlimited, making short positions inherently riskier than long positions.
- **Leverage Risk:** These strategies often use borrowed capital to amplify returns (leverage), but leverage also increases downside risk and portfolio volatility, particularly in periods of market stress.
- **Idiosyncratic/Company-Specific Risk:** Losses can arise from factors that impact specific stocks, such as earnings reports, management changes, scandals, or regulatory actions, regardless of overall market conditions.
  
- **Execution and Liquidity Risk:** Short positions may be hard to establish or maintain in less liquid stocks, and execution risk can arise from short squeezes and borrowing costs. Liquidity is critical, especially during market crises.
- **Factor and Sector Exposure Risk:** Long/short portfolios often have exposure to specific factors such as value, growth, momentum, or quality. Unexpected shifts in factor performance or sector trends can impact returns.
- **Portfolio Construction and Concentration Risk:** Poor diversification or excessive concentration in specific stocks or sectors can increase risk. Prudent risk management calls for regular rebalancing and limiting individual stock exposure.
- **Higher Costs:** Long/short funds can involve higher transaction costs, including fees for short selling, borrowing expenses, and frequent rebalancing. These costs may erode returns, especially for funds relying heavily on short positions or high turnover.
- **Risk Management Complexity:** Managing a long/short portfolio, particularly with leverage or derivatives, requires sophisticated risk systems and processes. Portfolio managers must actively monitor and adjust exposures to prevent unexpected losses.

**B.3 Risk associated with a Quantitative model-based investment strategy**

- **Risk of investing in quants-based investment strategy:** Investing in a thematic fund is based on the premise that the Investment strategy will seek to invest in companies belonging to only specific theme. Thus, investing in a thematic fund could involve potentially greater volatility and risk.
- **Proprietary quantitative model:** The Investment strategy would be investing in Equity & Equity related instruments based on quant-based investment theme based on an in-house proprietary quantitative model. This in-house model will have various qualitative and quantitative factors basis which the investments would be done. However, the model may not be able to capture the short-term market opportunities from time to time due to the underlying factors used. The model is based on historical data and assumptions which may not hold true in future and can lead to losses.

- **Performance Variability in Factor Investing:** There is no guarantee that the factor model will generate higher returns as compared to the benchmark. Factor investing may go through cycles of underperformance and overperformance, and there may be periods when a factor-focused portfolio will not achieve its objectives.
- **Unintended Concentrations:** Factor portfolios can become heavily concentrated in certain sectors, increasing exposure to sector-specific risk
- **Crowded Trades and Overused Signals:** Popular factor strategies can lead to crowded trades, increasing the risk of sharp drawdowns during market stress, as many investors try to exit simultaneously.
- **Data Mining and Overfitting:** Some factors may have been identified through back testing and may not perform as expected in real markets, leading to model risk
- **Non-Constant Correlations:** Correlations between factors can change over time, reducing diversification benefits and potentially leading to simultaneous losses across multiple factors
- **Risk of Factor Premium Commoditization:** Factor premiums may diminish over time due to widespread adoption and arbitrage, reducing expected excess returns.
- **Fund Manager Discretion:** The Fund Manager may deviate from the model, due to market environment, liquidity considerations, flows, trading cost benefit analysis and any new information on any specific.
- **Higher Turnover:** This fund being thematic fund based on quantitative model, the turnover could be higher than other diversified equity funds. Frequent rebalancing or trading to maintain factor exposures can incur higher transaction costs.
- **Market impact and Liquidity Risk:** Model based investment at times may impact the market prices leading to higher costs.

#### **B.4 Risk Factors associated with Minimum Investment Threshold**

When investing in specialized investment funds (SIFs), the minimum investment threshold (₹10 lakh) introduces new dimensions of risk as follows:

- **Liquidity and Forced Redemption Risk** If an investor's holdings fall below the minimum threshold through active breaches (redemption, transfer), regulatory mechanisms require the fund to enforce action such as forced redemption of units or freezing investor accounts for further debits. This may lead to liquidation at a less-than-optimal price, especially during adverse market conditions.
- **Barrier to Entry and Investor Eligibility** A high minimum investment threshold restricts access to these funds mainly to high net-worth individuals and institutional investors. This can exclude retail investors from strategies, concentrating risk among a smaller investor base
- **Concentration and Diversification Risk** High minimum thresholds can result in fewer, larger investors per fund. This concentration makes the fund susceptible to redemption pressure, impacting the overall portfolio stability and increasing liquidity risk.
- **Investment Flexibility Constraints** Investors who prefer the flexibility of gradual inflow must ensure their total investments continue

to meet the minimum threshold. Falling below it can trigger forced redemption, limiting investment strategy options.

#### **B.5 Risks factors associated with equity and equity related instruments**

- **Market Risk:** The Investment strategy proposes to invest in equity and equity-related securities. Prices, trading volumes, settlement periods and transfer procedures may restrict liquidity of investments in equity and equity-related securities. Market risk is a risk which is inherent to an equity investment.

- **Liquidity Risk:** Risk will be monitored in terms of the number of days it takes to liquidate every stock in the portfolio assuming a share of the average volume traded over the previous one year. Efforts would be made to keep the average liquidation period under prudent limits prescribed internally. While securities that are listed on the stock exchange carry lower liquidity risk, the ability to sell these investments may be limited by overall trading volumes of the stock exchanges.

- **Investment in Mid & Small Cap stocks:**

- o While mid cap and small cap stocks give one an opportunity to go beyond the usual large cap stocks and present possible higher capital appreciation, it is important to note that mid/small cap stocks can be riskier and more volatile on a relative basis. Therefore, the risk levels of investing in small cap and mid cap stocks are more than investing in stocks of large well-established companies.

- o While smaller and medium size companies may offer substantial opportunities for capital appreciation, they also involve substantial risks. Historically, these companies have been more volatile in price than larger company securities, especially over the short term. Among the reasons for the greater price volatility are the less certain growth prospects of smaller companies, the lower degree of liquidity in the markets for such securities, and the greater sensitivity of smaller companies to changing economic conditions. Smaller companies carry large amount of liquidity risk compared to the Large Cap companies, as the ability to sell is limited by overall trading volume in the securities, which it invests.

- o In addition, smaller companies may lack depth of management, be unable to generate funds necessary for growth or development or be developing or marketing new products or services for which markets are not yet established and may never become established. They could also suffer from disadvantages such as - outdated technologies, lack of bargaining power with suppliers, low entry barriers and inadequate management depth. Overall, the risks of investing in medium / small companies are (a) transparency/liquidity levels may not be at par with established, large companies; (b) corporate governance may be an issue with some companies; and (c) they may not be resilient enough to withstand shocks of business/economic cycles.

- **Historical Trends and Performance:** The fund manager aims to generate returns based on past statistical trends. However, the performance of the Investment strategy may be affected if there is a change in these trends. There is no assurance that historical trends will

	<p>continue</p> <ul style="list-style-type: none"> <li>• <b>Liquidity in Abnormal Circumstances:</b> In abnormal circumstances, it may be difficult to complete square-off transactions due to poor liquidity in stock futures or the spot market. The fund will aim to take exposure into relatively liquid stocks to minimize the risk of square-off transactions.</li> <li>• <b>Impact of Government Policy Changes:</b> Changes in government policy, especially changes in tax benefits applicable to mutual funds, may impact the returns to investors in the Investment strategy or the business prospects of the company in any particular sector.</li> <li>• <b>Unlisted securities:</b> Securities which are not quoted on the stock exchanges are inherently illiquid in nature and carry a larger liquidity risk in comparison with securities that are listed on the exchanges or offer other exit options to the investors, including put options. This may, however, increase the risk of the portfolio. Additionally, the liquidity and valuation of the Investment strategy's investments due to its holdings of unlisted securities may be affected if they have to be sold prior to the target date of disinvestment.</li> </ul> <p><b>B.6 Risk Factors associated with investment in Derivatives</b></p> <ul style="list-style-type: none"> <li>• <b>General risk factors related to derivatives</b></li> </ul> <p>The investment strategy may use various derivative products as permitted by the Regulations. Use of derivatives requires an understanding of not only the underlying instrument but also of the derivative itself.</p> <ul style="list-style-type: none"> <li>o <b>Correlation with underlying assets:</b> Derivatives can include the risk of mis-pricing or improper valuation and the inability of derivatives to correlate perfectly with underlying assets, rates, and indices.</li> <li>o <b>Leveraged instruments:</b> Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the investor.</li> <li>o <b>Fund manager skill dependent:</b> Execution of such strategies depends upon the ability of the fund manager to identify such opportunities. Identification and execution of the strategies to be pursued by the fund manager involve uncertainty, and the decision of the fund manager may not always be profitable. No assurance can be given that the fund manager will be able to identify or execute such strategies. The risks associated with the use of derivatives are different from or possibly greater than, the risks associated with investing directly in securities and other traditional investments</li> <li>o <b>Market Opportunity Risk:</b> There is a risk of mispricing or improper valuation, as well as the inability of derivatives to correlate perfectly with underlying assets, rates, and indices.</li> <li>o <b>Execution Risk:</b> The prices displayed on the screen may not necessarily be the same as the prices at which execution will occur.</li> <li>o <b>Basis Risk:</b> This risk arises when the derivative instrument used to hedge the underlying asset does not match the movement of the underlying asset being hedged.</li> <li>o <b>Margin Requirements:</b> Exchanges may increase the initial margin, variation margin, or other forms of margin on derivative contracts. They</li> </ul>
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may also impose one-sided margins or require that margins be placed in cash. These actions could force positions to be unwound at a loss and could materially impact returns

**SIF related derivative positions:** Investment Strategy can take derivative positions, including options and short selling, beyond what is permitted for hedging and rebalancing. Derivatives can introduce high volatility and risk of loss. While they are often used for hedging, SIFs may also use them for speculative strategies, amplifying both gains and losses. Strategies like long-short or single-stock derivatives carry risks of unlimited losses in short positions and rapid mark-to-market fluctuations.

- **Complexity of investment strategies:** The structure and payoff mechanisms in derivative-linked investments can be highly complex; investors may not fully understand the risk exposure, especially if derivatives are used for unhedged positions, leverage, or concentrated portfolio strategies.

- **Liquidity Risk:** Derivative markets may not be liquid enough, particularly for exotic or deep-out-of-the-money contracts, making exit difficult. If redemption demands arise, fund managers might have to liquidate positions at unfavorable prices. Derivative positions can be especially illiquid during market stress, making it hard to unwind trades or liquidate holdings quickly.

- **Leverage and Concentration Risk:** Derivatives often involve leverage; even within the gross exposure and maximum unhedged exposure limit, using derivatives can significantly amplify gains and losses. Concentrated bets through derivatives (especially combined with equity/debt exposures) can magnify downside if markets move against the position. Investment strategy may focus on specific sectors or themes, increasing exposure to sector-specific risks. Derivative bets can magnify those effects if the market moves unfavorably.

- **Market and Volatility Risk:** Exposure to niche strategies and derivatives means investment strategies are more vulnerable to market swings, especially during corrections. Price movements in the underlying assets can lead to significant and rapid changes in returns. Derivatives inherently magnify market movements, so price swings in underlying assets can be rapid and substantial. Short positions, especially unhedged ones, carry potentially unlimited loss if the underlying asset price rises instead of falls.

- **Risk associated with Covered Call**

A call option gives the holder (buyer) the right but not the obligation to buy an asset by a certain date for a certain price. Covered calls are an options strategy where a person holds a long position in an asset and writes (sells) call options on that same asset to generate an income stream. The Investment strategy may write call options under covered call strategy, as permitted by the regulations. Risks associated thereto are mentioned below:

- o **Opportunity cost:** A covered call strategy limits the upside potential of the stock underlying. If the stock rises sharply, the gains above the call option's strike price will be missed out. When the underlying asset's price

rises above the strike price, the short call loses its value as much as the underlying stock gains and as a result the upside of the stock always gets capped. Downside risk is reduced by writing covered call options.

o Exit issues / Illiquidity risk: If the strike price at which the call option contracts have been written become illiquid, the Investment strategy may not be able to sell the underlying equity shares, which can lead to temporary illiquidity of the underlying equity shares and result in loss of opportunity. Also, if the covered call options are sold to the maximum extent allowed by regulatory authority, the Investment strategy may not be able to sell the underlying equity shares immediately in case where the view changes to sell and exit the stock.

o The total gross exposure related to option premium paid and received must not exceed the regulatory limits of the net assets of the Investment strategy. This may restrict the ability of Investment strategy to utilize options strategies.

#### **B.7 Risks factors associated with investment in Fixed Income Securities**

- **Market Risk/Interest Rate Risk:** The Net Asset Value (NAV) of the Investment strategy(s), to the extent invested in Debt and Money Market securities, will be affected by changes in the general level of interest rates. The NAV of the Investment strategy(s) is expected to increase from a fall in interest rates while it would be adversely affected by an increase in the level of interest rates.

- **Liquidity Risk:** The liquidity of a security may change depending on market conditions leading to changes in the liquidity premium linked to the price of the security. At the time of selling the security, the security can become illiquid leading to loss in the value of the portfolio.

- **Credit Risk:** Investments in Fixed Income Securities are subject to the risk of an issuer's inability to meet interest and principal payments on its obligations and market perception of the creditworthiness of the issuer.

- **Price Risk:** Government securities where a fixed return is offered run price-risk like any other fixed income security. Generally, when interest rates rise, prices of fixed income securities fall and when interest rates drop, the 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. The new level of interest rate is determined by the rates at which government raises new money and/or the price levels at which the market is already dealing in existing securities. The price-risk is not unique to Government Securities. It exists for all fixed income securities. However, Government Securities are unique in the sense that their credit risk generally remains zero. Therefore, their prices are influenced only by movement in interest rates in the financial system.

- **Reinvestment Risk:** This risk refers to the interest rate levels at which cash flows received from the securities in the Investment strategy are reinvested. The additional income from reinvestment is the “interest on interest” component. The risk is that the rate at which interim cash flows can be reinvested may be lower than that originally assumed.

- **Regulatory Risk:** Changes in government policy in general and changes in tax benefits applicable to Mutual Funds may impact the returns

to investors in the Investment strategy.

- **Risks associated with investment in unlisted debt securities:**

Except for any security of an associate or group company, the Investment strategy can invest in securities which are not listed on a stock exchange (“unlisted Securities”) which in general are subject to greater price fluctuations, less liquidity and greater risk than those which are traded in the open market. Unlisted securities may lack a liquid secondary market and there can be no assurance that the Investment strategy will realise their investments in unlisted securities at a fair value. The AMC may choose to invest in unlisted securities that offer attractive yields. This may increase the risk of the portfolio.

- **Potential difficulties in transacting in Government Securities due to market conditions:**

Although the government securities market is generally more liquid compared to other debt instruments, there can be difficulties in transacting due to extreme volatility, unusual constriction in market volumes, or the need to execute unusually large transactions

- **Settlement risk:** The inability of the Investment strategy to make intended securities purchases due to settlement problems could cause the Investment strategy to miss certain investment opportunities. By the same rationale, the inability to sell securities held in the Investment strategy’ portfolio due to the extraneous factors that may impact liquidity would result, at times, in potential losses to the Investment strategy, in case of a subsequent decline in the value of securities held in the Investment strategy’ portfolio.

- **Risk of large redemption requests:** The Investment strategy(s) at times may receive large number of redemption requests, leading to an asset-liability mismatch and therefore, requiring the investment manager to make a distress sale of the securities leading to realignment of the portfolio and consequently resulting in investment in lower yield instruments.

#### **B.8 Instrument specific risks factors**

- **Risk factors associated with investment in Tri-Party Repo**

All transactions of the mutual fund in government securities and in Tri-party Repo trades are settled centrally through the infrastructure and settlement systems provided by Clearing Corporation of India (CCIL). This reduces the settlement and counterparty risks considerably.

Mutual funds are member of securities segment and Triparty Repo trade settlement of CCIL. The members are required to contribute an amount from time to time to the default fund maintained by CCIL as a part of the default waterfall (a loss mitigating measure of CCIL in case of default by any member in settling transactions routed through CCIL). As per the waterfall mechanism, after the defaulter's margins and the defaulter's contribution to the default fund have been appropriated, CCIL's contribution is used to meet the losses. Post utilization of CCIL's contribution if there is a residual loss, it is appropriated from the default fund contributions of the non-defaulting members. Thus, the Investment

strategy is subject to risk of the initial margin and default fund contribution being invoked in the event of failure of any settlement obligations. Additionally, the fund contribution is allowed to meet the residual loss in case of default by the other clearing member (the defaulting member). CCIL maintains two separate Default Funds with respect to the Securities Segment. One with a view to meet losses arising out of any default by its members from outright and repo trades and the other for meeting losses arising out of any default by its members from Triparty Repo trades.

Therefore, mutual fund is exposed to the extent of its contribution to the default fund of CCIL. If the contribution of the mutual fund is called upon to absorb settlement/default losses of another member by CCIL, the Investment strategy may lose an amount equivalent to its contribution to the default fund.

- **Risks associated with Repo in Corporate Debt**

- o Lending transactions: The Investment strategy may be exposed to counter party risk in case of repo lending transactions in the event of the counterparty failing to honour the repurchase agreement. However, in repo lending transactions, the collateral may be sold, and a loss is realized only if the sale price is less than the repo amount. The risk may be further mitigated through overcollateralization (the value of the collateral being more than the repo amount). Further, the liquidation of underlying securities in case of counterparty default would depend on liquidity of the securities and market conditions at that time. It is endeavoured to mitigate the risk by following an appropriate counterparty selection process, which include their credit profile evaluation and over-collateralization to cushion the impact of market risk on sale of underlying security.

- o Borrowing transactions: In the event of the Investment strategy 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). This risk is normally mitigated by better cash flow planning to take care of such repayments. Further, there is also a Credit Risk that the Counterparty may fail to return the security or Interest received on due date. It is endeavoured to mitigate the risk by following an appropriate counterparty selection process, which include their credit profile evaluation. Further, there is also a Credit Risk that the Counterparty may fail to return the security or Interest received on due date. It is endeavoured to mitigate the risk by following an appropriate counterparty selection process, which include their credit profile evaluation.

- **Risk associated with investing in units of mutual funds**

The Investment strategy may make investments in units of mutual funds. Investments in mutual funds Investment strategy are subject to market risks and there is no assurance or guarantee that the objectives of the Investment strategy will be achieved. Further, any investment in mutual funds is also subject to risk factors outlined in the offer document of the mutual fund and an adverse performance of a mutual fund Investment strategy in which the Investment strategy has made investments could

adversely impact the Investment strategy's performance and NAV of the Investment strategy

**•Risk associated with investments in REITs**

**Market Risk:** REIT securities are subject to fluctuations in market prices driven by macroeconomic conditions, investor sentiment, and overall equity market volatility. REITs are vulnerable to movements in the prices of securities invested in by the Investment Strategy, due to various market-related factors like changes in the general market conditions, factors and forces affecting capital market, level of interest rates, trading volumes, settlement periods and transfer procedures. Adverse economic cycles may lead to a decline in property valuations and rental income streams.

**Interest Rate Risk:** REITs are highly sensitive to changes in interest rates. An increase in interest rates typically raises borrowing costs and may reduce the relative attractiveness of REIT dividend yields compared to fixed-income securities, thereby impacting valuations.

**Liquidity Risk:** Although listed REITs provide market liquidity, trading volumes may be limited compared to equities, potentially impacting the ability to exit positions at favorable prices.

**Property-Specific Risk:** The financial performance of a REIT is directly linked to the quality and occupancy of its underlying real estate assets. Risks include tenant defaults, prolonged vacancies, and sector-specific downturns (e.g., retail, office, hospitality).

**Regulatory and Taxation Risk:** REITs operate under specific regulatory frameworks and tax regimes. Any amendments to applicable laws, including changes in tax treatment or compliance requirements, may adversely affect distributions and overall returns.

**Concentration Risk:** REITs with concentrated exposure to a single property type or geographic region are vulnerable to sector-specific or regional economic downturns, which may impair income stability and asset valuations.

**Inflation Risk:** Although real estate is generally considered an inflation hedge, fixed long-term lease agreements may restrict the ability to adjust rental income in line with inflationary trends, thereby impacting profitability.

**Management and Operational Risk:** The performance of a REIT is contingent upon the strategic and operational decisions of its management team. Ineffective asset allocation, acquisition strategies, or tenant management practices can materially affect financial outcomes.

**Risk associated with investments in Infrastructure Investment Trusts (InvITs):**

**Regulatory and Policy Risk:** InvITs operate under a defined regulatory regime. Any changes in government policies, tax laws, or SEBI regulations can materially impact the structure, returns, and compliance obligations of InvITs.

**Economic and Market Risk:** The performance of InvITs is influenced by macroeconomic conditions, interest rate movements, and overall market sentiment. Economic downturns may reduce traffic volumes, energy demand, or other usage metrics, thereby impacting cash flows.

**Operational Risk:** Infrastructure assets are subject to operational challenges such as maintenance issues, technical failures, and delays in project execution. These factors can lead to cost overruns and reduced revenue generation.

**Revenue and Demand Risk:** InvIT revenues often depend on long-term concessions or usage-based models (e.g., toll roads, transmission lines). Lower-than-expected demand or traffic volumes can adversely affect income streams.

**Counterparty and Credit Risk:** InvITs rely on counterparties such as concession authorities, contractors, and lenders. Defaults or delays in payments by these entities can impair cash flows and distributions to unit holders.

**Interest Rate and Financing Risk:** InvITs typically employ leverage for asset acquisition and operations. Rising interest rates can increase financing costs and reduce distributable income.

**Sector Concentration Risk:** InvITs often focus on specific infrastructure sectors (e.g., roads, power transmission). Sector-specific regulatory changes or economic stress can disproportionately affect performance.

**Liquidity Risk:** Although listed InvITs provide market liquidity, trading volumes may be limited compared to equities, potentially impacting the ability to exit positions at favorable prices.

**Force Majeure and Environmental Risk:** Infrastructure assets are exposed to risks arising from natural disasters, extreme weather events, and other force majeure situations, which can disrupt operations and revenue generation.

**Management and Governance Risk:** The success of an InvIT depends on the competence and integrity of its management team. Poor governance, inadequate risk controls, or misaligned interests can negatively impact investor returns.

- **Risks associated with overseas investment**

To the extent the assets of the Investment strategy are invested in overseas financial assets, there may be risks associated with currency movements, restrictions on repatriation and transaction procedures in overseas market. Further, the repatriation of capital to India may also be hampered by changes in regulations or political circumstances as well as the application to it of other restrictions on investment. In addition, country risks would include events such as introduction of extraordinary exchange controls, economic deterioration, bi-lateral conflict leading to immobilisation of the overseas financial assets and the prevalent tax laws of the respective jurisdiction for execution of trades or otherwise. Overseas investments will be made subject to any/all approvals, limits, conditions thereof as may be stipulated under the SEBI Regulations or by RBI.

	<p>o <b>Currency Risk:</b> The fund may invest in overseas mutual fund / foreign securities as permitted by the concerned regulatory authorities in India. Since the assets will be invested in securities denominated in foreign currencies, the Indian Rupee equivalent of the net assets, distributions and income may be adversely affected by changes/fluctuations in the value of the foreign currencies relative to the Indian Rupee.</p> <p>o <b>Country Risk:</b> The Country risk arises from the inability of a country, to meet its financial obligations. It is the risk encompassing economic, social and political conditions in a foreign country, which might adversely affect foreign investors' financial interests.</p> <ul style="list-style-type: none"> <li>• Risk Factors with respect to Imperfect Hedging Using Interest Rate</li> </ul> <p>An Interest Rate Futures is an agreement to buy or sell a debt instrument at a specified future date at a price that is fixed today. Interest Rate Futures are Exchange traded. These future contracts are cash settled.</p> <p>Perfect Hedging means hedging the underlying using IRF contract of same underlying.</p> <p>Imperfect hedging means the underlying being hedged and the IRF contract has correlation of closing prices of more than 90%.</p> <p>In case of imperfect hedging, the portfolio can be a mix of:</p> <p>Corporate Bonds and Government securities or</p> <p>Only Corporate debt securities or</p> <p>Only government securities with different maturities</p> <ul style="list-style-type: none"> <li>• Risk associated with imperfect hedging includes:</li> </ul> <p><b>Basis Risk:</b> The risk arises when the price movements in derivative instrument used to hedge the underlying assets does not match the price movements of the underlying assets being hedged. Such difference may potentially amplify the gains or losses, thus adding risk to the position.</p> <p><b>Price Risk:</b> The risk of mispricing or improper valuation and the inability of derivatives to correlate perfectly with underlying assets, rates, and indices.</p> <p><b>Risk of mismatch between the instruments:</b> The risk arises if there is a mismatch between the prices movements in derivative instrument used to hedge, compared to the price movement of the underlying assets being hedged. For example, when IRF which has government security as underlying is used, to hedge a portfolio that contains corporate debt securities.</p> <p><b>Correlation weakening and consequent risk of regulatory breach:</b> SEBI Regulation mandates minimum correlation criterion of 0.9 (calculated on a 90-day basis) between the portfolio being hedged and the derivative</p>
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instrument used for hedging. In cases where the correlation falls below 0.9, a rebalancing period of 5 working days has been permitted. Inability to satisfy this requirement to restore the correlation level to the stipulated level, within the stipulated period, due to difficulties in rebalancing would lead to a lapse of the exemption in gross exposure computation. The entire derivative exposure would then need to be included in gross exposure, which may result in gross exposure in excess of 100% of net asset value.

**Yield curve slope risk** – The IRF hedge is done on a modified duration basis. This means that the maturity of the underlying instrument and the maturity of the IRF could be different. The hedge ratio is arrived at using the prescribed formula. This hedges the risk arising from a parallel shift in the yield curve. Any change in the slope of the yield curve (flattening/steepening) remains unhedged as residual risk.

**Spread risk** – The IRF is based on government securities and treasury bills. Imperfect hedging can be applied on portfolios comprised of corporate bonds as well. Corporate bond yield theoretically comprises of the risk free rate (systemic risk) and a credit spread (idiosyncratic risk). IRF would hedge out only the risk free rate. Any compression/expansion of credit spread of the underlying portfolio would not be hedged by the IRF.

**Liquidity/execution risk** – IRF are relatively new instruments traded on the exchanges and don't have as much liquidity as the OTC market in the underlying bond. This could expose the hedge to liquidity (execution and wider bid-offer spread) risk and associated impact cost.

**Change in benchmark bond** – IRF of government bonds are based on the liquid, on the run securities. When the underlying security is phased out for issuance by Government of India, a new bond is typically issued. IRFs are subsequently issued on the new bond and the market liquidity shifts to the new bond and away from the older bond. This would also expose the hedge to liquidity risk and impact cost to shift from the older instrument to the newer instrument.

**Rollover risk** – IRF instruments are available upto a year in maturity, but typically the first few months are more liquid. If the holding period of the hedge exceeds the maturity of the IRF instrument's maturity, then the IRF would have to be rolled over at maturity. This could create rollover risk at maturity and associated costs.

**Unwinding risk**— An unexpected change in market conditions may require unwinding the derivative positions at disadvantageous prices during periods of heightened volatility e.g. if the yields slide lower due to a surprise RBI rate cut, participants with short Interest Rate Futures positions would seek to cut their losses and exit, leading to an increase in the price of the IRF, and negative price impact on the hedged portfolio there from.

- **Risks associated with Securities Lending**

	<p>As with other modes of extensions of credit, there are risks inherent to securities lending, including the risk of failure of the other party, in this case the approved intermediary, to comply with the terms of the agreement entered into between the lender of securities i.e. the Investment strategy and the approved intermediary. Such failure can result in the possible loss of rights to the collateral put up by the borrower of the securities, the inability of the approved intermediary to return the securities deposited by the lender and the possible loss of any corporate benefits accruing to the lender from the securities deposited with the approved intermediary. The Investment strategy may not be able to sell lent out securities, which can lead to temporary illiquidity &amp; loss of opportunity.</p> <p>• <b>Risk factors associated with investments in Perpetual Debt Instrument (PDI)</b>          Perpetual Debt instruments are issued by Banks, non-banking financial institutions (NBFCs) and corporates to improve their capital profile. Some of the PDIs issued by Banks which are governed by the Reserve Bank of India (RBI) guidelines for Basel III Capital Regulations are referred to as Additional Tier I (AT1 bonds). While there are no regulatory guidelines for issuance of PDIs by corporate bodies, NBFCs issue these bonds as per guidelines issued by RBI. The instruments are treated as perpetual in nature as there is no fixed maturity date.</p> <p>The key risks associated with these instruments are highlighted below:</p> <p>o <b>Risk on coupon servicing:</b></p> <ul style="list-style-type: none"> <li>- Banks: As per the terms of the instruments, Banks may have discretion to cancel distributions/payment of coupons</li> <li>- NBFCs: While NBFCs may have discretion to cancel payment of coupon, coupon may also be deferred (instead of being cancelled), in case paying the coupon leads to breach of capital ratios.</li> <li>- Corporates: Corporates usually have discretion to defer the payment of coupon. However, the coupon is usually cumulative, and any deferred coupon shall accrue interest at the original coupon rate of the PDI</li> </ul> <p>o <b>Risk of write-down or conversion into equity</b>          Banks: As per the regulatory requirements, Banks have to maintain a minimum Common Equity Tier-1 (CET-1) ratio of Risk Weighted Assets (RWAs), failing which the AT-1 bonds can get written down. Further, AT-1 Bonds are liable to be written down or converted to common equity, at the discretion of RBI, in the event of Point of Non Viability Trigger (PONV). PONV is a point, determined by RBI, when a bank is deemed to have become non-viable unless there is a write off/ conversion to equity of AT-1 Bonds or a public sector capital injection happens. The write off/conversion has to occur prior to public sector injection of capital. This risk is not applicable in case of NBFCs and Corporates.</p> <p>o <b>Risk of instrument not being called by the Issuer</b></p> <ul style="list-style-type: none"> <li>- Banks: The issuing banks have an option to call back the instrument</li> </ul>
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after minimum period as per the regulatory requirement from the date of issuance and specified period thereafter, subject to meeting the RBI guidelines. However, if the bank does not exercise the call on first call date, the Investment strategy may have to hold the instruments for a period beyond the first call exercise date.

- NBFCs: The NBFC issuer has an option to call back the instrument after minimum period as per the regulatory requirement from date of issuance and specified period thereafter, subject to meeting the RBI guidelines. However, if the NBFC does not exercise the call option the Investment strategy may have to hold the instruments for a period beyond the first call exercise date.

- Corporates: There is no minimum period for call date. However, if the corporate does not exercise the call option, the Investment strategy may have to hold the instruments for a period beyond the call exercise date.

• **Risks associated with Securitised Debts**

The Risks involved in Securitised Papers described below are the principal ones and does not represent that the statement of risks set out hereunder is exhaustive.

o **Limited Liquidity & Price Risk:** There is no assurance that a deep secondary market will develop for the Certificates. This could limit the ability of the investor to resell them.

o **Limited Recourse, Delinquency and Credit Risk:** The Credit Enhancement stipulated represents a limited loss cover to the Investors. These Certificates represent an undivided beneficial interest in the underlying receivables and do not represent an 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 Payouts to the Certificate Holders 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 Asset. However, many factors may affect, delay or prevent the repossession of such Asset or the length of time required to realise 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.

o **Risks due to possible prepayments and Charge Offs:** In the event of prepayments, investors may be exposed to changes in tenor and yield. Also, any Charge Offs would result in the reduction in the tenor of the Pass Through Certificates (PTCs).

o **Bankruptcy of Bank with Liquidity facility:** If the Bank with Liquidity facility, becomes subject to bankruptcy proceedings then an investor could experience losses or delays in the payments.

o **Risk of Co-mingling:** With respect to the Certificates, the Servicer

	<p>will deposit all payments received from the Obligor 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 originator. If originator in its capacity as Servicer fails to remit such funds due to Investors, the Investors may be exposed to a potential loss.</p> <p><b>Risks associated with short selling of securities:</b> Purchasing a security entails the risk of the security price going down. Short selling of securities (i.e. sale of securities without owning them) entails the risk of the security price going up there by decreasing the profitability of the short position. Short selling is subject to risks related to fluctuations in market price, and settlement/liquidity risks. If required by the Regulations, short selling may entail margin money to be deposited with the clearing house and daily mark to market of the prices and margins. This may impact fund pricing and may induce liquidity risks if the fund is not able to provide adequate margins to the clearing house. Failure to meet margin requirements may result in penalties being imposed by the exchanges and clearing house. For further information related to risk factors, please refer SAI.</p>
<p><b>Plans and Options</b></p>	<ul style="list-style-type: none"> <li>• Growth Plan</li> <li>• Income Distribution cum capital withdrawal (IDCW) Plan (with Reinvestment and Payout Options).</li> <li>• Direct - Growth Plan</li> <li>• Direct - IDCW Plan (with Reinvestment and Payout Options).</li> </ul> <p>All the plans have a common portfolio. The face value of the Units is Rs.1000 each.</p> <p>The investors must clearly indicate the Plan and Option (Growth or IDCW / Reinvestment or Payout) in the relevant space provided for in the Application Form. In the absence of such instruction, it will be assumed that the investor has opted for the Default Plan which shall be Direct Plan and Default Option, which shall be:</p> <ul style="list-style-type: none"> <li>• Growth in case Growth or IDCW is not indicated.</li> <li>• Reinvestment of Income Distribution cum capital withdrawal option in case Payout of Income Distribution cum capital withdrawal option or Reinvestment of Income Distribution cum capital withdrawal option is not indicated.</li> </ul> <p>For detailed disclosure on default plans and options, kindly refer SAI.</p>

	<p>The Trustee / AMC reserves the right to alter / vary the default plan / option, after giving notice</p> <p>Plan- Direct Plan/Regular Plan</p> <p>Options under each Plan(s)</p> <ul style="list-style-type: none"> <li>-Growth</li> <li>-Income Distribution cum Capital Withdrawal (IDCW) (include facilities if applicable) <ul style="list-style-type: none"> <li>• Including Default option/ facility (as applicable)</li> </ul> </li> </ul> <p>For detailed disclosure on default plans and options, kindly refer SAI.</p>
<p><b>Applicable NAV (after the Investment Strategy opens for Redemption/repurchase and sale)</b></p>	<p><b><u>For subscriptions:</u></b></p> <p>Pursuant to SEBI guidelines, the cut-off timings and the applicability of Net Asset Value of the scheme is under:</p> <p>In respect of valid applications received* up to 3:00 p.m. by the Mutual Fund and the funds are available for utilisation on the same day before the cut-off time - the closing NAV of the day on which the funds are available for utilisation shall be applicable.</p> <p>In respect of valid applications received* after 3:00 p.m. by the Mutual Fund and the funds are available for utilisation on the same day - the closing NAV of the Business Day following the day on which the funds are available for utilisation shall be applicable.</p> <p>However, irrespective of the time of receipt of application, where the funds are not available for utilisation on the day of the application, the closing NAV of the Business Day on which the funds are available for utilisation before the cut-off time (3:00 p.m.) shall be applicable provided the application is received* prior to availability of the funds.</p> <p>Investors are encouraged to avail electronic payment modes to transfer funds to the bank account of the Investment strategy to expedite unit allotment.</p> <p>For determining the availability of funds for utilisation, the funds for the entire amount of subscription/purchase (including switch-in) as per the application should be credited to the bank account of the scheme before the cut-off time and the funds are available for utilisation before the cut-off time without availing any credit facility whether intra-day or otherwise, by the respective Investment strategy.</p>

	<p>For investments through systematic investment routes such as Systematic Investment Plans (SIP), Systematic Transfer Plans (STP), Transfer of Income Distribution cum capital withdrawal plan (TIDCW) etc. the units will be allotted as per the closing NAV of the day on which the funds are available for utilization by the destination Scheme irrespective of the instalment date of the SIP, STP or record date of IDCW etc.</p> <p>The Trustee/AMC may alter the limits and other conditions in line with the SEBI Regulations.</p> <p>*Received at the Official Points of Acceptance of Transactions of Sapphire SIF.</p> <p><b>For Redemptions:</b></p> <p>Pursuant to SEBI guidelines, the cut off timings and the applicability of Net Asset Value of the Investment strategy is under:</p> <p>In respect of valid applications received up to 3:00 p.m. by the Mutual Fund, same day’s closing NAV shall be applicable.</p> <p>In respect of valid applications received after 3:00 p.m. by the Mutual Fund, the closing NAV of the next business day shall be applicable.</p>		
<p><b>Subscription frequency</b></p>	<p>Daily on all business days</p>		
<p><b>Redemption frequency</b></p>	<p>Daily on all business days</p>		
<p><b>Minimum Investment Threshold</b></p>	<p>INR 10,00,000</p>		
<p><b>Minimum Application Amount/ Number of Units</b></p>	<p><b>Purchase</b>            During NFO or first time investment post NFO: INR 10,00,000 and multiples of 10,000 thereafter            Additional Investment on continuous basis: for existing investors Minimum INR 10,000 and in multiples of INR 1000 thereafter. Switch In - As per clause 4.1.3 of Annexure A of SEBI Circular dated February 27, 2025 on Specialized Investment Funds (“SIF</p>	<p><b>Additional Purchase Minimum of INR 10,000</b></p>	<p><b>Redemption</b>            Rs. 10,000  <b>The redemption will be subject to provisions mentioned under “Minimum Investment Threshold”</b></p>

	<p>Circular'), systemic transactions such as SIP, SWP and STP are permitted only for investment strategies launched under the Sapphire SIF.</p>		
<p><b>Notice period</b> (Maximum duration of notice period shall not exceed 15 working days.)</p>	<p>Not Applicable</p>		
<p><b>Despatch of Repurchase (Redemption) Request</b></p>	<p>Within 3 working days of the receipt of the redemption request at the authorised centre of the Franklin Templeton Mutual Fund.</p>		
<p><b>Benchmark Index</b></p>	<p>Nifty 500 TRI</p>		
<p><b>Dividend /IDCW Policy</b></p>	<p>The Trustee may, at its sole discretion distribute income under IDCW option/plan in the fund at any time and at such frequency (such as daily, weekly, monthly, quarterly, half-yearly, annually etc.) as it deems appropriate. Although there is every intention to distribute income, there is no assurance or guarantee as to the frequency or quantum of such distribution nor that the distributions be regularly paid. Income Distribution cum capital withdrawal (IDCW) is based on the availability of adequate distributable surplus in the Investment strategy. Distributions can be made out of available distributable surplus (including Equalization Reserve, which is part of sale price that represents realized gains). Such distributions are payable to the Unitholders in the IDCW Plan, whose names appear on the Unitholders' register on the record date. The Trustee may not distribute income at all in the event of inadequacy of distributable income.</p> <p>The Investment strategy reserves the right to suspend sale of units for such period of time as it deems necessary before the record date to ensure proper processing.</p> <p>The amount of distribution will be distributed within 7 working days from the record date.</p> <p>IDCWs will be paid through electronic mode or by cheque (in exceptional circumstances only), net of taxes as may be applicable, and payments will be in favour of the first-named registered holder in the folio. To safeguard the interest of Unitholders from loss or theft of IDCW cheques, it is mandatory for investors to provide the details of their bank account in the Application Form. IDCW cheques or electronic payments will be sent in accordance with such information.</p> <p><b>Record dates for declaration of IDCW</b> The procedure of declaring IDCW and fixing of record dates will be in accordance with Chapter 11 of SEBI Master Circular on Mutual Funds dated June 27, 2024.</p>		

<b>Name of the Fund Manager</b>	Arihant Jain
<b>Name of the Trustee Company</b>	Franklin Templeton Trustee Services Pvt. Ltd.
<b>How has the investment Strategy performed</b>	This investment strategy is a new strategy and does not have any performance track record.
<b>Expenses of the Scheme</b>  <b>Load Structure</b>  <b>Recurring expenses</b>	<p><b>Exit Load:</b></p> <p>In respect of each purchase of Units</p> <p>1% if units redeemed within one year of allotment, NIL thereafter.</p> <p><b>A. NEW FUND OFFER (NFO) EXPENSES</b></p> <p>These expenses are incurred for the purpose of various activities related to the NFO like sales and distribution fees paid marketing and advertising, registrar expenses, printing and stationery, bank charges etc.</p> <p>The NFO expenses for launch of investment strategy will be borne by the AMC.</p> <p><b>ANNUAL RECURRING EXPENSES</b></p> <p>These are the fees and expenses for operating the Investment Strategy. These expenses include Investment Management and Advisory Fee charged by the AMC, Registrar and Transfer Agents' fee, marketing and selling costs etc. as given in the table below:</p> <p>The AMC has estimated that upto 2.25% of the daily average net assets of the Investment Strategy will be charged to the Investment Strategy as expenses</p> <p>For the actual current expenses being charged, the investor should refer to the website of the SIF.</p> <p>The maximum annual recurring expenses that can be charged to the Investment strategy, excluding issue or redemption expenses, whether initially borne by the mutual fund or by the asset management company, but including the investment management and advisory fee shall be within the limits stated in Regulations 52 read with SEBI notification no. No. SEBI/LAD-NRO/GN/2024/221 dated December 16, 2024 and Para 10. 1 of Master Circular on Mutual Funds dated June 27, 2024, as follows:</p>

(I) Recurring expenses including the investment management and advisory fee subject to the limits specified in the table below (as % of daily net assets):

on the first Rs. 500 crores	2.25%
on the next Rs. 250 crores	2.00%
on the next Rs. 1,250 crores	1.75%
on the next Rs. 3,000 crores	1.60%
on the next Rs. 5,000 crores	1.50%
On the next Rs. 40,000 crores	Total expense ratio reduction of 0.10% on Rs.5,000 crores of daily net assets
Above Rs. 50,000 crores	1.05%

(II) In addition to the above, the following costs or expenses may be charged to the Investment strategy, as per sub regulation 52(6A) namely-

(a) brokerage and transaction costs which are incurred for the purpose of execution of trade up to 0.12 per cent of trade value in case of cash market transactions and 0.05 per cent of trade value in case of derivatives transactions

(b) expenses not exceeding 0.30% of daily net assets, if the new inflows from retail investors from such cities as specified by SEBI from time to time are at least - (i) 30% of gross new inflows in the Investment strategy, or; (ii) 15% of the average assets under management (year to date) of the Investment strategy, whichever is higher.

Provided that if inflows from retail investors from such cities are less than the higher of (i) or (ii) above, such expenses on daily net assets of the Investment strategy shall be charged on proportionate basis.

Provided further that expenses charged under this clause shall be utilised for sales, marketing and distribution expenses incurred for bringing inflows from such cities.

Provided further that amount incurred as expense on account of inflows from retail investors from such cities shall be credited back to the Investment strategy in case the said inflows are redeemed within a period of one year from the date of investment.

These expenses are in abeyance with effect from March 1, 2023 till further instructions from SEBI.

(c) additional expenses not exceeding 0.05% of daily net assets of the Investment strategy towards various permissible expenses.

Provided that such additional expenses shall not be charged to the Investment strategy where the exit load is not levied or applicable.

	<p>Any expenditure in excess of the limits specified in sub-regulations 52 (6) and 52 (6A)] shall be borne by the asset management company or by the trustee or sponsors.</p> <p>(III) The AMC may charge Goods and Service Tax on investment and advisory fees to the Investment strategy in addition to the maximum limit of annual recurring expenses as prescribed in Regulation 52. Further, the below mentioned expenses and charges shall be borne by the Investment strategy within the maximum limit of annual recurring expenses as prescribed in Regulation 52.</p> <p>a) Goods and Service Tax on expenses other than investment and advisory fees; and,  b) brokerage and transaction costs (including Goods and Service Tax) incurred for the purpose of execution of trade in excess of 0.12% in case of cash market transactions and 0.05% in case of derivatives transactions, if any.</p> <p>Within such total recurring expenses charged to the Investment strategy as above, the investment management and advisory fee (charged as a percentage of daily net assets) would be as decided by the AMC from time to time, provided that the investment management and advisory fee shall not exceed the aggregate of expenses charged under clause (I) and (II)(c) above.</p> <p>The total annual recurring expenses of the Investment strategy including the investment management and advisory fee (together with additional management fee wherever applicable) shall not exceed the limit stated in Regulation 52 read with Para 10.1.16 of SEBI Master Circular on Mutual Funds dated June 27, 2024, as explained above.</p> <p>The investments under ‘Direct’ shall have a lower expense ratio excluding distribution expenses, commission, etc., and no commission shall be paid on investments under Direct Plan. The Direct Plan shall also have a separate NAV.</p> <p>The maximum limit of recurring expenses that can be charged to the Investment Strategy would be as per Regulation 52 of the SEBI (MF) Regulation, 1996. Investors are requested to read “Section- Annual Scheme Recurring Expenses” in the ISID.</p> <p>For further detail, please refer Investment Strategy Document and SIF SAI. The expenses of the Investment Strategy shall be subject to revision in line with the changes prescribed under the SEBI notification dated 14 January 2026, which shall be applicable from April 1, 2026.</p>
<p><b>Additional Scheme related disclosures</b></p>	<p>Not applicable as this is a new investment strategy.</p>

<p><b>Daily Net Asset Value (NAV) Publication</b></p>	<p>The NAV will be calculated for every Business Day and can be viewed on <a href="http://www.franklintempletonindia.com/sapphiresif">www.franklintempletonindia.com/sapphiresif</a>. NAV will be calculated up to four decimal places using standard rounding criteria</p> <table border="1" data-bbox="536 416 1390 976"> <thead> <tr> <th data-bbox="536 416 839 490">Particulars</th> <th data-bbox="839 416 1390 490">NAV declaration time for a Business Day &amp; Rationale</th> </tr> </thead> <tbody> <tr> <td data-bbox="536 490 839 633">First NAV</td> <td data-bbox="839 490 1390 633">Shall be calculated and declared within 5 business days from the date of allotment of respective Plan(s)/Option(s) under the strategy</td> </tr> <tr> <td data-bbox="536 633 839 797">If entire assets under management (AUM) is invested only in Indian securities</td> <td data-bbox="839 633 1390 797">11 p.m. on same Business Day</td> </tr> <tr> <td data-bbox="536 797 839 976">If entire or part of AUM is invested in overseas securities</td> <td data-bbox="839 797 1390 976">As the prices of overseas securities would be determined as per a different time zone, the strategy (s) may declare the NAV for a Business Day by the next Business Day by 10:00 a.m.</td> </tr> </tbody> </table>		Particulars	NAV declaration time for a Business Day & Rationale	First NAV	Shall be calculated and declared within 5 business days from the date of allotment of respective Plan(s)/Option(s) under the strategy	If entire assets under management (AUM) is invested only in Indian securities	11 p.m. on same Business Day	If entire or part of AUM is invested in overseas securities	As the prices of overseas securities would be determined as per a different time zone, the strategy (s) may declare the NAV for a Business Day by the next Business Day by 10:00 a.m.
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<p><b>Tax treatment for the Investors (Unitholders)</b></p>	<p>Investors are advised to refer to the details given in the Statement of Additional Information (SAI) under the section "Taxation". However, the information provided therein is for general information purpose only and is based on the prevailing tax laws. In view of the individual nature of the implications, each investor is advised to consult with his or her own tax advisors with respect to the specific tax and other implications arising out of his or her participation in the schemes.</p>									
<p><b>For Investor Grievances please contact</b></p>	<p>Name and Address of Registrar</p>	<p><b>Computer Age Management Services Private Limited</b> No.10 (Old No.178), M.G.R. Salai, Nungambakkam, Chennai - 600 034.</p>								
<p><b>Unitholders' Information</b></p>	<p>The SIF shall disclose portfolio (along with ISIN), including derivative instruments, as on the last day of every alternate month (i.e. as on the end of May, July, September, November, January and March) for all its investment strategies (including debt based investment strategies) on the respective AMC website and on the website of AMFI within 10 days from the close of such month in a user friendly and downloadable spreadsheet format.</p> <p><b>Half yearly disclosures/results:</b> The SIF shall host half yearly disclosures of the Investment Strategy's unaudited financial results in the prescribed format on its website viz. <a href="http://www.franklintempletonindia.com/sapphiresif">www.franklintempletonindia.com/sapphiresif</a> and on the website of Association of Mutual Funds in India (AMFI) viz. <a href="http://www.amfiindia.com">www.amfiindia.com</a> within one month from the close of each half year i.e. on 31st March and on 30th September and shall publish an advertisement in this regard in at least one English daily newspaper having nationwide circulation and, in a newspaper, having wide circulation published in the language of the region where the Head Office of the Mutual Fund is situated.</p>									

	<p><b>Annual Report:</b> Investment strategy Annual report in the format prescribed by SEBI, will be hosted on the website of the SIF viz. <a href="http://www.franklintempletonindia.com/sapphiresif">www.franklintempletonindia.com/sapphiresif</a> and on the website of Association of Mutual Funds in India (AMFI) viz. <a href="http://www.amfiindia.com">www.amfiindia.com</a> as soon as may be but not later than four months from the date of closure of the relevant accounts year (i.e. 31st March each year). SIF/AMC will publish an advertisement every year, in the all India edition of at least two daily newspapers, one each in English and Hindi, disclosing the hosting of the Investment strategy wise Annual Report on the website of the Fund and on the website of Association of Mutual Funds in India (AMFI). SIF/AMC will e-mail the Investment strategy Annual Report or Abridged Summary thereof to those unitholders, whose email addresses are registered with the SIF. Investors who have not registered their email id will have an option of receiving a physical copy of the Annual Report or Abridged Summary thereof. SIF/ AMC will provide a physical copy of the abridged summary of the Annual Report, without charging any cost, on specific request received from a unitholder through any mode. A physical copy of the Investment strategy wise annual report shall be made available for inspection to the investors at the registered office of the AMC.</p>
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Date: March 26, 2026