



TRU Primer

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SIFs: Driving the next wave of Investment Innovations

Since SEBI introduced **Specialized Investment Funds** (SIFs) in February 2025, the category has quickly gained traction, signaling a new era in the investment landscape. In just a few months, seven leading AMCs have already launched their SIF brands and rolled out three distinct schemes. This rapid activity indicates early adoption and growing industry confidence.

Strategically positioned between mutual funds and high-ticket products like PMS and AIFs, SIFs combine the tax advantages of mutual funds with the flexibility to use advanced strategies, offering investors a structured yet adaptable approach.

Introduction to SIF

A Specialized Investment Fund, or SIF, is a type of investment vehicle that has been introduced in February 2025 by SEBI to bridge the gap between traditional mutual funds and high-ticket investment products like Portfolio Management Services (PMS) and Alternative Investment Funds (AIFs).

It is designed to offer the "taxation benefit of a mutual fund" along with the "flexibility of a PMS/AIF".

SIFs are suitable for investors who seek a balance of regulatory safety, tax efficiency, and greater flexibility in managing their wealth.

Eligibility for creating a SIF

- Mutual Funds with a minimum track record of 3 years and an average AUM of not less than INR 10,000 crores, in immediately preceding 3 years.
- No regulatory or criminal action has been initiated or taken against the sponsor/asset management company ('AMC') under section 11, 11B, and/or Section 24 of the SEBI Act, 1992 during the last 3 years.

OR

- A Chief Investment Officer ('CIO') for the SIF with an experience of fund management of at least 10 years and has managed an average AUM of not less than INR 5,000 crores, and
- An additional Fund Manager for the SIF with experience of fund management of at least 3 years and has managed an average AUM of not less than INR 500 crores.
- No regulatory or criminal action has been initiated or taken against the sponsor/asset management company ('AMC') under section 11, 11B, and/or Section 24 of the SEBI Act, 1992 during the last 3 years.

Comparing SIFs to PMS, MFs and AIFs

	SIF	MF	PMS	AIF*
Minimum Investment	Rs. 10 Lakh	Rs. 100	Rs. 50 Lakh	Rs. 1 Crore
Taxation at Investor level	Equity - LTCG at 12.5% (after 12m) Debt - Slab rate Other - LTCG @ 12.5% (after 24 m)		Taxed in the hands of investor at each transaction level.	NIL
Taxation at Fund Level	Nil as per Section 10 (23D)		Nil	@ MMR of 42.7% [^]
Leverage & Derivatives	No leverage permitted. Short exposure through unhedged derivative up to 25% + Derivatives for hedging & rebalancing	No leverage permitted. Derivatives only for Hedging & rebalancing	No leverage permitted. Derivatives only for Hedging & rebalancing	Leverage permitted with gross exposure upto 200%

Source: Edelweiss

Note: Taxation for SIFs will be at the scheme level in the hands of the investor.

Minimum investment of Rs 10 Lakh applies per PAN per AMC.

STCG for SIF and Mutual fund: Equity (upto 12 months) – 20%; Debt – slab rate; Others (upto 24 months) – slab rate.

*** CAT III AIF assuming that it will be a business income product. [^] Incl applicable cess & surcharge**

Please consult tax advisor for better understanding and taxation applicable to specific investments.

To summarize,

- They are built under SEBI oversight.
- They are as tax efficient as Mutual Funds.
- They have a lower minimum investment compared to products like PMS and AIFs.
- They have flexible strategies.
- They can use unhedged derivatives compared to MFs which can only use derivatives for hedging.

SIF Categories and Subcategories

Category	Sub-category	Investment Strategy	Minimum Redemption Frequency
Equity	Equity Long-Short SIF	Long & Short In Any Equity (min. 80%)	Daily or at a lesser frequency set by the AMC
	Equity ex-Top 100 Long-Short SIF	Long-Short, Only Stocks Outside Top 100 By Market Cap (min. 65%),	
	Sector Rotation Long-Short SIF	Long-Short, In A Max Of 4 Chosen Sectors (min. 80%),	
Debt	Debt Long-Short SIF	Across Fixed-Income, Ability To Take short position	Once in a week or at a lesser frequency set by the AMC
	Sectoral Debt Long-Short SIF	Only Debt Securities with atleast 2 Sectors (max. 75%),	
Hybrid	Active Asset Allocator Long-Short SIF	Dynamically Across Equity, Debt, Reits, Commodities	Two Times in a week or at a lesser frequency set by the AMC
	Hybrid Long-Short SIF	Equity & Debt Mix, Long-Short Capability In Both (min. 25% in Equity and Debt)	

Note: Net Short position - upto 25% for all sub-categories

Source: SEBI

To avoid proliferation of investment strategies and in line with the approach followed for categorization of MF schemes, only one investment strategy is permitted to be launched under each of the aforementioned sub-categories.

How does it work?

Long-Short strategy is the key feature of SIFs, aiming for consistent, absolute returns regardless of market direction. Managers take 'long' positions in strong stocks and simultaneously 'short' (via derivatives) weak stocks. This dual approach creates a hedged portfolio to mitigate market risk. SEBI mandates capping of unhedged short exposure at 25% of the NAV.

SIF schemes employ a range of additional derivative strategies for active risk management and supplemental returns. These include Covered Calls for income, Short Straddles/Strangles to profit from low market volatility, Pair Trades to exploit relative value, and Arbitrage for low-risk, steady gains from market mispricing.

SIF Scheme Launch Updates

AMC	SIF Brand Name	Scheme Name	NFO Open Date	NFO Close Date
Edelweiss Mutual Fund	Altiva SIF	Altiva Hybrid Long-Short Fund	01-Oct-25	15-Oct-25
SBI Mutual Fund	Magnum SIF	Magnum Hybrid Long-Short Fund	01-Oct-25	15-Oct-25
Quant Mutual Fund	QSIF	QSIF Equity Long-Short Fund	17-Sep-25	01-Oct-25

Source: SEBI

Beyond the AMC's that have already launched the above schemes, the following AMC's have registered their SIF platforms/brands with SEBI.

AMC	SIF Brand Name
Mirae Asset Mutual Fund	Platinum SIF
ITI Mutual Fund	Diviniti SIF
DSP Mutual Fund	Endurance SIF
Bandhan Mutual Fund	Arudha SIF

Source: SEBI

The Ideal Investor Profile for SIFs?

- **Investors seeking diversified, strategy-driven solutions** that go beyond the constraints and standard offerings of traditional MFs.
- **High-net-worth individuals** looking for a **tax-efficient alternative** to PMS and AIFs which is also well regulated.
- Individuals who **value all-weather investment strategies** specifically designed and managed to deliver consistent returns across various market cycles.

In summary, Specialized Investment Funds (SIFs) redefine modern investing. They deliver **structured, actively managed solutions** that prioritize risk-adjusted, absolute returns across market cycles. For experienced investors, SIFs are a clear choice: a tax-friendly and regulated way to invest that helps enhance portfolio resilience and find opportunities that traditional investments like MFs often miss, making it an attractive proposition for discerning investors.

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