



Specialized Investment Funds (SIF)

Your Gateway to Advanced Investment Strategies Under SEBI Regulations



What Makes SIF Special?

Imagine having access to investment strategies that were once exclusive to ultra-wealthy investors and institutional funds. Specialized Investment Funds (SIFs) bring sophisticated investment techniques to qualified investors, offering flexibility that traditional mutual funds simply cannot provide.



Key Insight: SIFs bridge the gap between traditional mutual funds and Portfolio Management Services (PMS), offering institutional-grade strategies with mutual fund convenience.

- Minimum investment of ₹10 lakh (targeting sophisticated investors)
- Ability to take long and short positions
- Focus on niche sectors and specialized strategies
- Enhanced transparency through Investment Strategy Information Document (ISID)



Understanding SIF Categories

SEBI has carefully designed three main categories of SIF strategies, each serving different investment philosophies and risk appetites.

Equity-Oriented

Strategies

- **Equity Long-Short:** Traditional stocks with strategic short positions (up to 25%)
- **Equity Ex-Top 100:** Focus on mid and small-cap opportunities
- **Sector Rotation:** Dynamic sector allocation with timing strategies

Debt-Oriented Strategies

- **Debt Long-Short:** Interest rate plays across yield curves
- **Sectorial Debt:** Credit opportunities across specific industries

Hybrid Strategies

- **Active Asset Allocator:** Dynamic allocation across asset classes
- **Hybrid Long-Short:** Balanced equity-debt with short exposure



Important Limitation: Each mutual fund can launch only ONE strategy under each category. This ensures focused expertise and prevents over-diversification of management attention.



Who Can Launch SIFs?

SEBI has established two clear pathways for mutual funds to enter the SIF space, ensuring only capable players participate.



Sound Track Record Route

3+ years in operation

₹10,000 crores average AUM

Clean record with SEBI



Alternate Route

Expert CIO: 10+ years, ₹5,000 cr AUM

Skilled Fund Manager: 3+ years, ₹500 cr AUM

Clean compliance record



Real-World Example: A boutique mutual fund with 2 years of operations but exceptional talent can still launch SIFs by bringing in a seasoned CIO who previously managed large portfolios at established institutions.



Tax Implications - What You Need to Know

Understanding SIF taxation is crucial for investment planning. Here's how it impacts your returns:

Short-Term Capital Gains

20%

On sales within 12 months

Long-Term Capital Gains

12.5%

On sales after 12 months

Up from previous 15%


Up from previous 10%

Dividend Taxation**Slab Rate**

As per your income bracket

10% TDS if dividend > ₹5,000

Investment Scenario	Traditional MF	SIF	Key Difference
₹10 lakh investment, 15% STCG	₹15,000 tax (10%)	₹30,000 tax (20%)	Higher tax on short-term gains
₹10 lakh investment, 15% LTCG	₹15,000 tax (10%)	₹18,750 tax (12.5%)	Moderate increase for long-term
Indexation Benefit	Available for debt funds	Not available	Significant for inflation protection

 **Tax Strategy Tip:** Given the higher tax rates, SIFs work best for investors who can hold positions for longer periods and those in lower tax brackets who can benefit from the sophisticated strategies despite higher capital gains tax.

**How SIFs Work in Practice**

Let's break down the operational mechanics that make SIFs unique:

**Capital Pooling**

Investors contribute minimum ₹10 lakh, creating a sophisticated investor base



Strategy Execution

Expert fund managers implement complex long-short strategies




NAV Calculation

Daily valuation reflects both long and short positions



Unit Allocation

Investors receive units proportional to investment

 **Practical Example:** An Equity Long-Short SIF might hold 75% long positions in undervalued stocks while maintaining 25% short positions in overvalued stocks, potentially generating returns in both rising and falling markets.

Key Operational Features:

- **Professional Management:** Dedicated fund managers with specialized expertise
- **Pass-Through Taxation:** No tax at fund level, only when you redeem
- **Enhanced Disclosure:** Detailed ISID document explaining strategies
- **SEBI Oversight:** Regular compliance and investor protection measures



Ready to Explore SIF Opportunities?

Specialized Investment Funds represent the evolution of mutual fund investing in India. With their sophisticated strategies and professional management, they offer qualified investors access to institutional-grade investment approaches.



Key Takeaways for Investors:

- SIFs are designed for sophisticated investors with higher risk tolerance
- Higher minimum investment (₹10 lakh) ensures qualified investor base
- Tax implications are higher but strategies may justify the cost
- Enhanced transparency and regulatory oversight provide investor protection

Consult with qualified financial advisors to determine if SIFs align with your investment objectives and risk profile.



Service Location

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