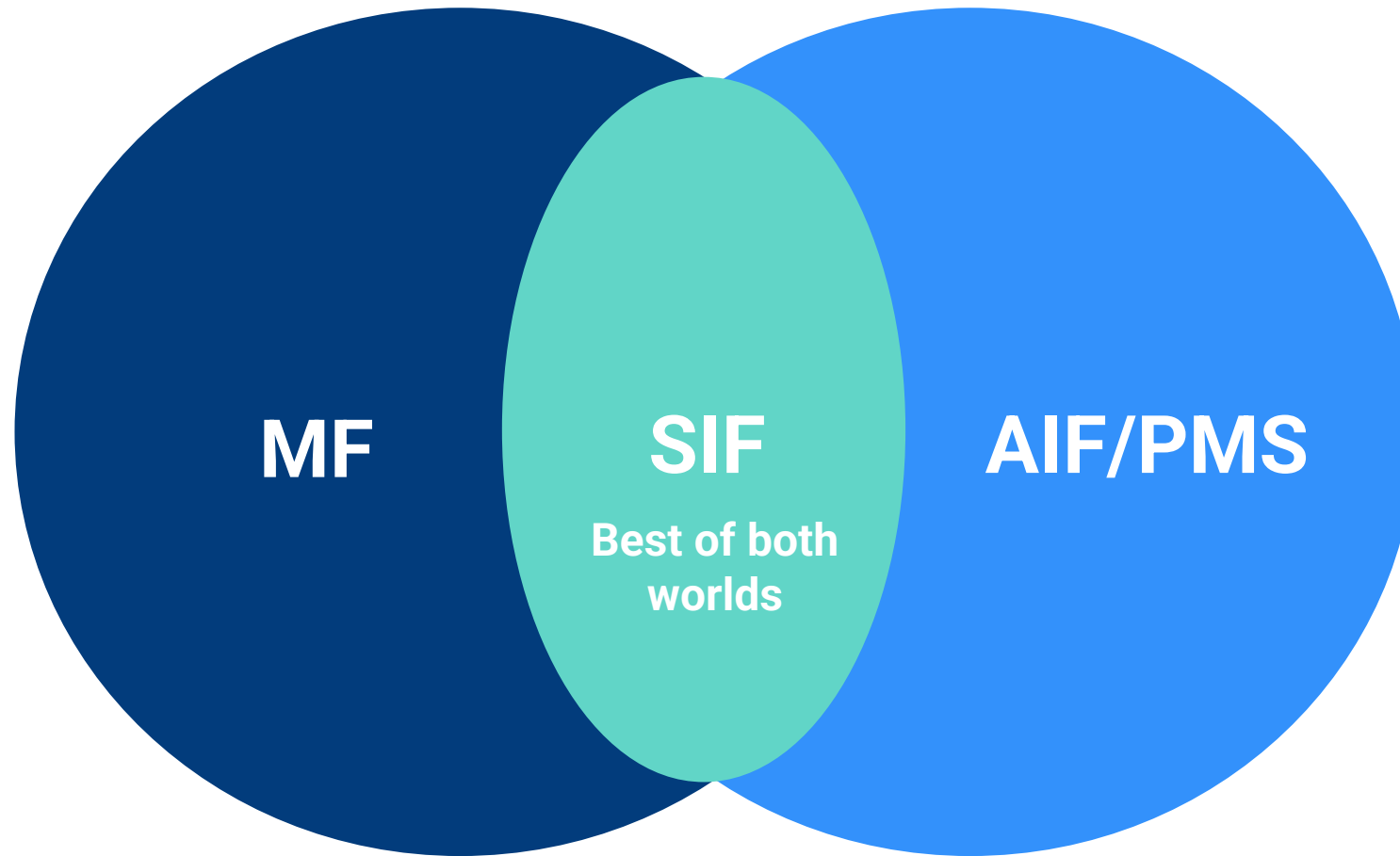


An introduction to Specialized Investment Fund (SIF)



Why SIF?



A registered MF can establish SIF under the following 2 Routes

Route 1

(Sound Track Record)

A Mutual Fund

- * In operation for minimum **3 yrs**
AND
- * Has an avg AUM of Rs. 10,000 cr in the immediately preceding 3 years

Route 2

(Alternative Route)

An AMC

- * Appoints a **CIO** with **10+ yrs** of FM experience and managed an avg AUM of Rs. 5,000 cr+.
AND
- * Appoints an additional FM with 3+ years of FM experience and managed an avg AUM of Rs. 500 cr+.

The AMC may share resources for operations across MF and SIF

SIF vs MF vs PMS/AIF

	SIF	MF	PMS	AIF
Nomenclature	Investment Strategy	Scheme	Portfolio	Fund
Minimum Investment	Rs. 10 Lakh (Across SIF strategies)	Rs. 100	Rs.50 Lakh	Rs. 1 Crore
Investor Type	HNI	Retail/HNI	HNI	HNI/Ultra HNI
Taxation at Investor level	Equity - LTCG at 12.5% (after 12m) Debt – Slab rate Other – LTCG @ 12.5% (after 24 m)	Equity - LTCG at 12.5% (after 12m) Debt – Slab rate Other – LTCG @ 12.5% (after 24 m)	Taxed to investor at each transaction level.	NIL
Taxation at Fund Level	Nil as per Section 10 (23D)	Nil as per Section 10 (23D)	Nil	Cat III - Capital gains @12.5% + Business Income @ MMR
Expense Ratio*	Max at 2.25% and 2%	Max at 2.25% and 2%	Management Fee + Performance Fee	Management Fee + Performance Fee
Leverage	NA	NA	NA	Allowed – Gross exposure upto 200%
Derivatives	Naked shorts upto 25% + Hedging	Only for Hedging	Only for Hedging	Allowed

* Excl Additional Expenses under Regulation 52 (6A) (c) & 52 (6A) (b)

Restriction on investments

		SIF	MF
Debt & Money Market Instruments	Issued by a single issuer with AAA rating	<= 20% of NAV	<= 10% of NAV
	Issued by a single issuer with AA rating	<= 16% of NAV	<= 8% of NAV
	Issued by a single issuer with A rating	<= 12% of NAV	<= 6% of NAV
	The instrument limits may be extended with prior approval from the MF trustees and AMC board	By 5% of NAV	By 2% of NAV
	Issued of a particular sector	<= 25% of NAV	

Restrictions on investments on Equity & Equity related instruments – Same as MF regulations i.e.

No investment strategy of a SIF shall invest more than 10 % of its NAV in the equity shares and equity-related instruments of any company

Subscription and redemption

Minimum Investment Threshold (MIT)

- * The SIF shall accept **aggregate investments** of **Rs. 10 Lakhs** or more **across all strategies** offered by SIF at **PAN level**
- * The requirement of minimum investment amount **shall not apply** to an **accredited investor**
- * The AMC may **offer SIP, SWP, and STP** for SIF strategies, ensuring compliance with the MIT.
- * **Passive breaches**, such as **NAV declines**, shall **not be** considered a **violation** of the MIT

Subscription and redemption frequencies:

- * The subscription frequency and redemption frequency of an investment strategy may be distinct from each other
(Eg: An investment strategy may permit daily subscriptions, while offering weekly redemptions)

How will a portfolio look like in SIF?

Few e.g. where Investment strategy is allowed to offset certain derivative transactions

Position 1	Position 2	Offsetting allowed	% of net exposure in portfolio
Equity Long	Futures Short	Yes	Equity Long Only
Equity/Futures Long	Call Option Short	Yes	Equity/Futures Long Only
Call Option Long	Call Option Short	Yes	Call Option Short Only
Futures Short	Call Option Long	Yes	Futures Short Only
Equity Long	Futures Long	No	Equity Long + Futures Long
Equity/ Futures Long	Call Option Long	No	Equity/ Futures Long + Call Option Long
Futures Short	Call Option Short	No	Futures Short + Call Option Short
Call Option Long	Put Option Short	No	Call Option Long + Put Option Short

**For offsetting of positions, the futures and options contracts shall be on the same underlying security and having same expiry date.*

How will an SIF portfolio look like?

Example 1

Investment Details	Amount (Total: INR 100 crore)
Investment in Equity	INR 70 Crore
Cash Holding	INR 5 Crore
Short exposure using stock/index futures	INR 25 Crore

Example 2

Investment Details	Amount (Total: INR 100 crore)
Investment in Equity	INR 62.5 Crore
Investment in EQ Long Futures & Long options	INR 10 Crore
Cash Holding	INR 2.5 Crore
Short exposure using stock/index futures	INR 25 Crore*

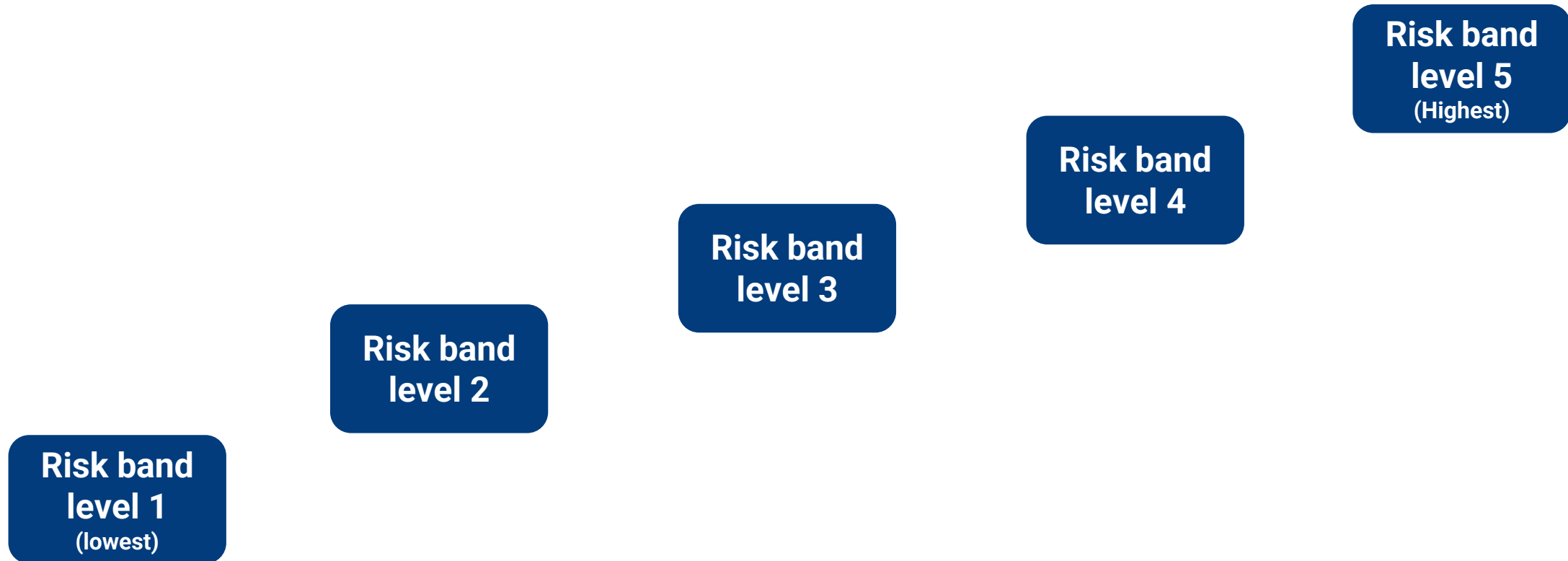
**Since unhedged short exposure of upto 25% is additional to the investment in derivatives for purposes other than hedging and portfolio rebalancing.*

Represents derivatives exposure for the purpose of hedging and portfolio rebalancing

Represents unhedged short exposure through derivatives

The SIF investment strategies' potential risk will be shown using a "Risk-band" pictorial risk meter

The Risk-band shall have following five levels of risks for investment strategies of SIF



- * The AMC shall ensure the **SIF** has a **distinct brand name** and **logo**, separate from its regular Mutual Fund
- * The **AMC** may **use** the sponsor's or MF's **brand name** in offer documents, ads, and promotions for **5 yrs** post-SEBI approval
- * The AMC shall use phrases like "**brought to you by,**" "**offered by,**" when referring to the sponsor's or MF's brand name for the SIF
- * The AMC shall maintain a **separate website** or dedicated **webpage exclusively** for the SIF
- * The sponsor's or MF's brand name **font size** shall be **equal to or smaller** than the SIF's.

Investment strategies permitted to be launched under SIF, at this stage

Equity Oriented Investment Strategies

- * Equity Long-Short Fund
- * Equity Ex-Top 100 Long-Short Fund
- * Sector Rotation Long-Short Fund

Debt Oriented Investment Strategies

- * Debt Long-Short Fund
- * Sectoral Long-Short Fund

Hybrid Investment Strategies

- * Active Asset Allocator Long-Short Fund
- * Hybrid Long-Short Fund

Only one investment strategy under each sub-category shall be permitted to be launched under each of the aforementioned categories

Equity Oriented Investment Strategies

Equity Long-Short Fund

- * An **open ended/interval equity** investment strategy
- * **Min** investment in **equity & equity** related instrument: **80%**

Equity Ex-Top 100 Long-Short Fund

- * An **open ended/interval equity** investment strategy
- * **Min** investment in **equity & equity** related instrument of stocks **excluding top 100 stocks** by market capitalization: **65%**

Sector Rotation Long-Short Fund

- * An **open ended/interval equity** investment strategy
- * **Min** investment in **equity & equity** related instrument of **max 4 sectors**: **80%**

For all the above strategies, **Max short** exposure through **unhedged derivative** positions in equity and equity related instruments: **25%**

For **Sector Rotation Long-Short Fund**: Short exposure shall apply at the sector level, covering all stocks within that sector held in the portfolio. For instance, if the fund takes a short position in the Auto sector, all Auto sector stocks in the portfolio must be held as short positions

Debt Oriented Investment Strategies

Debt Long-Short Fund

- * An **interval debt** investment strategy
- * Investment in **debt instruments** across duration, including unhedged short exposure through exchange traded debt derivative instruments.

Sectoral Long-Short Fund

- * Investment in **debt instruments** of at least **two sectors**, with **max** investment of **75%** in a **single sector**

For all the above strategies, **Max short** exposure through **unhedged derivative** positions in debt instruments: **25%**

For **Sectoral Long-Short Fund**: Short exposure shall be across the sector, applicable for all the instruments of that particular sector held in the portfolio.

Example: If the fund is short on Auto sector, then all debt instruments of the Auto sector, held in portfolio, shall be held as short positions

Hybrid Investment Strategies

Active Asset Allocator Long-Short Fund

- * An **interval** investment strategy dynamically investing across **equity**, **debt**, equity and debt **derivatives**, **REITs/InVITs** and **commodity** derivatives incl. limited short exposure

Hybrid Long- Short Fund

- * **Interval investment strategy** investing in **equity** and **debt** securities
- * Min investment in **equity** and equity related instruments: **25%**
- * Min investment in **debt** instruments: **25%**

For all the above strategies, Max **short exposure** through **unhedged derivative** positions in **equity** and **debt** instruments: **25%**

Thank you!

