SIF KNOWLEDGE GUIDE

Understanding Specialised Investment Funds

SEBI's newest investment category — explained simply

A General Investor Education Resource
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What Is a Specialised Investment Fund (SIF)?

A Specialised Investment Fund, or SIF, is a new category of investment product introduced by the Securities and Exchange Board of India (SEBI) to sit between traditional Mutual Funds and higher-ticket products such as Portfolio Management Services (PMS) and Alternative Investment Funds (AIF). It allows SEBI-registered Asset Management Companies (AMCs) to offer more flexible, strategy-driven investment approaches — including limited use of derivatives and short positions — within a regulated, mutual-fund-like structure.

Why SEBI Introduced SIF

Historically, investors seeking exposure to more sophisticated strategies (such as long-short equity or tactical derivative overlays) had only two choices: stay within the fairly conservative rules of Mutual Funds, or step up to PMS/AIF products that often require ₹50 lakh or ₹1 crore as a minimum ticket size and carry lighter regulatory oversight. SIF was created to fill this gap — offering more strategy flexibility than a conventional Mutual Fund, at a materially lower minimum investment than PMS or AIF, while remaining under SEBI's Mutual Fund regulatory umbrella.

Key Defining Features

◆ Regulatory home — SIFs are offered under the SEBI (Mutual Funds) Regulations, 1996, as amended to introduce a distinct SIF framework.

◆ Minimum investment — ₹10,00,000 (Rupees Ten Lakh) per investor, aggregated at the PAN level across all SIF strategies of a given AMC.

◆ Strategy flexibility — SIFs may use derivatives and take limited unhedged short positions — something conventional open-ended Mutual Fund schemes generally cannot do.

◆ Eligible issuers — Only AMCs meeting SEBI's eligibility criteria (track record, net worth, and a dedicated Chief Investment Officer / fund manager for the SIF vertical) may launch SIF strategies.

◆ Distinct branding — SEBI requires SIF products to be clearly branded and marketed separately from regular Mutual Fund schemes, so investors do not confuse the two.

This guide is intended purely for general investor education. It explains how SIF as a category works and does not recommend, endorse, or evaluate any specific SIF scheme, strategy, or AMC.

SIF vs. Other Investment Avenues

SIF is best understood by comparing it against the products investors already know — Mutual Funds, Portfolio Management Services (PMS), and Alternative Investment Funds (AIF). Each occupies a different point on the spectrum of ticket size, flexibility, and regulatory structure.

Feature	Mutual Fund	SIF	PMS	AIF (Cat III)
Minimum investment	As low as ₹100 (SIP) / ₹500–5,000	₹10,00,000	₹50,00,000	₹1,00,00,000
Regulator	SEBI (MF Regs)	SEBI (MF Regs — SIF framework)	SEBI (PMS Regs)	SEBI (AIF Regs)
Structure	Pooled scheme, own PAN	Pooled strategy, own PAN	Segregated demat account	Pooled fund (trust/LLP/company)
Use of derivatives / shorts	Very limited / mostly for hedging	Permitted within SEBI limits	Permitted per strategy	Permitted, strategy-dependent
Liquidity	Daily (open-ended schemes)	Periodic redemption windows (e.g. fortnightly)	Broadly liquid; varies by manager	Often lock-in / limited liquidity
Investor reporting	Daily NAV, standard formats	Periodic NAV, SIF-specific disclosures	Customised account-level statements	Periodic fund-level statements
Typical investor base	Retail to HNI	HNI / accredited investors	HNI / UHNI	HNI / UHNI / institutional

Figures above reflect commonly applicable regulatory minimums and structural norms as a general reference; individual scheme terms can vary and should always be verified from the relevant offer document before investing.

SIF Investment Strategies

SEBI's SIF framework groups permitted strategies into three broad investment categories. Within each category, individual AMCs may launch specific named strategies with their own investment approach, benchmark, and risk profile.

Equity Long-Short Strategies

Invest predominantly in equity and equity-related instruments, with the ability to take limited short positions (typically via derivatives) alongside long positions. The long-short structure is designed to let a strategy potentially benefit from both rising and falling prices in specific stocks or sectors, rather than being a purely long-only equity approach.

Debt Long-Short Strategies

Invest predominantly in debt and money market instruments, with limited ability to take tactical positions using derivatives on interest rates or credit. These strategies focus on fixed-income exposure rather than equity.

Hybrid Long-Short Strategies

Combine equity, debt, and derivative exposure within a single strategy, allowing the AMC to allocate across asset classes based on the stated investment approach of the strategy.

Understanding 'Long-Short'

A conventional Mutual Fund is typically 'long-only' — it buys securities and profits if their price rises. A long-short strategy can additionally take short positions (usually through permitted derivative instruments), which are structured to gain in value if the price of the underlying security falls. SEBI caps the extent of unhedged short exposure a SIF strategy may carry, and each strategy's exact derivative and hedging limits are disclosed in its Investment Strategy Information Document.

Sector & Thematic Variations

Within the equity long-short category, AMCs may also launch sector-focused or thematic variants that concentrate exposure in a particular industry or investment theme, in addition to broad-based, diversified long-short strategies. Concentrated strategies typically carry a different risk profile than diversified ones, which is disclosed in the strategy's documentation.

Eligibility & Minimum Investment

SIF is positioned for investors who can commit a higher minimum ticket size than a typical Mutual Fund investment and who are comfortable with strategies that may use derivatives and have periodic (rather than daily) liquidity.

Who Can Invest

- Resident individuals meeting the minimum investment threshold
- Hindu Undivided Families (HUFs)
- Non-Resident Indians (NRIs), subject to applicable FEMA and RBI regulations
- Institutional investors, corporates, and trusts, subject to their own constitutional documents permitting such investment

The ₹10 Lakh Minimum — How It Is Applied

- PAN-level aggregation — The minimum ₹10,00,000 investment threshold is applied cumulatively at the investor's PAN level across all SIF strategies offered by a given AMC — not per individual strategy.
- One-time threshold — Once the minimum threshold has been met and the investor holds a SIF investment, subsequent additional investments (including SIPs, where offered) into the same AMC's SIF strategies may be permitted below the ₹10 lakh mark, per SEBI's framework and the specific AMC's terms.
- Joint holdings — Rules on aggregation across joint holders and family accounts are specified by SEBI and should be verified from the applicable scheme documentation.

Accredited Investors

SEBI's broader regulatory framework separately defines 'Accredited Investors' — individuals or entities meeting specified net worth or income thresholds — who may be eligible for certain relaxations across various SEBI-regulated products. Where applicable to SIF, AMCs verify accredited investor status through documentation as prescribed by SEBI-recognised accreditation agencies.

Onboarding Requirements

Before investing in a SIF, an investor must complete standard Know Your Customer (KYC) verification through a SEBI-registered KYC Registration Agency (KRA), along with any additional risk-profiling or suitability assessment steps prescribed by SEBI or the distributing platform. This mirrors the KYC process already familiar to Mutual Fund investors.

How a SIF Works

Mechanically, a SIF strategy shares many features with a Mutual Fund scheme — pooled money, a Net Asset Value (NAV), and a fund manager — but with some structural differences suited to its more flexible mandate.

Investment Strategy vs. Scheme

Under the SIF framework, an AMC launches an 'Investment Strategy' (broadly analogous to a Mutual Fund 'scheme'). Each strategy has its own Investment Strategy Information Document (ISID) — comparable to a Scheme Information Document (SID) for Mutual Funds — describing its objective, asset allocation range, risk factors, benchmark, fees, and redemption terms.

Net Asset Value (NAV)

Units of a SIF strategy are typically valued using an NAV computed periodically (the exact frequency — daily or otherwise — is specified in the strategy's ISID), reflecting the market value of the underlying portfolio, similar in principle to how Mutual Fund NAVs are calculated.

Subscription & Redemption Windows

Unlike most open-ended Mutual Fund schemes, which allow purchase and redemption on any business day, SIF strategies commonly operate on defined subscription and redemption windows — for example, fortnightly or monthly — as specified for each strategy. This structure gives fund managers more operational flexibility to manage the strategy's derivative and short positions, but it also means investors should plan for less frequent liquidity than a typical open-ended Mutual Fund.

Fees & Expenses

SIF strategies charge an expense ratio (and may charge performance-linked fees, where permitted and disclosed) as specified in the ISID, similar in structure to Mutual Fund Total Expense Ratio (TER) disclosures, though the specific fee structure can differ meaningfully between strategies.

Distribution

SIF strategies may be distributed through AMFI-registered Mutual Fund distributors holding a valid ARN and the requisite NISM certifications, in a manner broadly similar to Mutual Fund distribution, subject to SEBI's specific requirements for SIF distribution and disclosure.

Understanding SIF Risks

Because SIF strategies can use derivatives, take short positions, and operate with periodic rather than daily liquidity, they carry a distinct risk profile compared with conventional Mutual Fund schemes. Every SIF strategy is required to carry a SEBI-mandated Riskometer indicating its risk level, and investors should review this alongside the full ISID before investing.

- ◆ Market Risk — Like all market-linked products, SIF strategies are subject to fluctuations in the value of the underlying equity, debt, or derivative positions held.
- ◆ Derivative & Leverage Risk — The use of derivatives and short positions can amplify both gains and losses relative to a comparable long-only investment, and carries risks specific to derivative instruments, including counterparty and margin-related risk.
- ◆ Liquidity Risk — Periodic (non-daily) redemption windows mean an investor's money may not be accessible on demand between windows, which is a structural difference from most open-ended Mutual Fund schemes.
- ◆ Concentration Risk — Sector-focused, thematic, or otherwise concentrated strategies can be more volatile than diversified strategies, since performance depends more heavily on a narrower set of securities or a single theme.
- ◆ Strategy & Manager Risk — Returns depend on the fund manager's ability to execute the stated investment approach; different strategies pursuing different approaches can produce materially different outcomes even within the same broad category.
- ◆ Credit & Interest Rate Risk (Debt strategies) — Debt-oriented SIF strategies are exposed to changes in interest rates and the credit quality of the debt instruments held, similar to debt Mutual Fund schemes.

The SIF Riskometer

Similar to the Mutual Fund Riskometer investors already see on scheme documents, SEBI requires each SIF strategy to display a Riskometer reflecting its risk category, computed and disclosed as per SEBI's prescribed methodology, and reviewed periodically by the AMC.

Taxation of SIF — A General Overview

The information below is a general, indicative overview of how SIF taxation is commonly understood to apply, for educational purposes only. Tax rules can change, may depend on an investor's individual circumstances, and should always be confirmed with a qualified Chartered Accountant or tax advisor before making any investment or filing decision. This is not tax advice.

General Approach

SIF strategies are generally taxed based on their underlying asset allocation, broadly following principles similar to Mutual Fund taxation — where equity-oriented exposure and debt-oriented exposure are treated differently under the Income Tax Act.

Strategy Type	General Tax Treatment (Indicative)
Equity-oriented SIF (e.g. Equity Long-Short)	Gains are commonly understood to follow equity-fund capital gains principles, distinguishing between short-term and long-term holding periods, with rates as prescribed under prevailing tax law.
Debt-oriented SIF (e.g. Debt Long-Short)	Gains are commonly understood to be taxed at the investor's applicable income-tax slab rate, in line with current debt-fund taxation principles.
Hybrid SIF	Tax treatment typically follows the strategy's predominant underlying asset allocation (equity-oriented vs. debt-oriented) as classified in the ISID.

Other Points to Note

◆ Stamp duty is applicable on investment transactions as per prevailing government rates, similar to Mutual Fund transactions.

◆ Tax rates, holding-period definitions, and surcharge/cess rules are set by the Income Tax Act and Finance Act in force at the time of the transaction, and are subject to change.

◆ Tax treatment can vary based on an investor's residency status (resident vs. NRI) and individual circumstances.

Regulatory Framework & Investor Protection

SIF operates within India's established Mutual Fund regulatory architecture, with additional norms specific to the SIF category. This gives investors access to a formal, SEBI-supervised grievance and disclosure framework.

Key Regulatory Bodies & Frameworks

◆ SEBI — The Securities and Exchange Board of India is the primary regulator, having introduced the SIF framework as an amendment to the SEBI (Mutual Funds) Regulations, 1996.

◆ AMFI — The Association of Mutual Funds in India supports the ecosystem through distributor registration (ARN), certification coordination, and industry-level guidance.

◆ AMC eligibility norms — Only AMCs meeting SEBI's specified track record, net worth, and governance criteria — including a dedicated CIO for the SIF business — may launch SIF strategies.

◆ KYC Registration Agencies (KRAs) — SEBI-registered KRAs (such as CAMS KRA or KFin KRA) maintain centralised investor KYC records used across Mutual Fund and SIF investments.

Disclosure Requirements

Each SIF strategy is required to publish an Investment Strategy Information Document (ISID) detailing its objective, asset allocation, risk factors, fees, benchmark, and redemption terms — giving investors a standardised document to review before committing capital, similar in spirit to a Mutual Fund Scheme Information Document.

Distributor Disclosures

SEBI and AMFI require Mutual Fund distributors to disclose commission structures and the distinction between Direct and Regular plans (where applicable) to investors, promoting transparency in how distribution is compensated.

Grievance Redressal

Investors can raise complaints with the AMC's Investor Grievance / Redressal Officer in the first instance. If unresolved, complaints can be escalated to SEBI's SCORES (SEBI Complaints Redress System) portal, which provides a formal, time-bound escalation and resolution mechanism across all SEBI-regulated intermediaries, including AMCs and distributors.

Glossary & Important Disclosures

Key Terms

SIF	Specialised Investment Fund — a SEBI-regulated category between Mutual Funds and PMS/AIF.
AMC	Asset Management Company — the entity that manages a Mutual Fund or SIF strategy.
NAV	Net Asset Value — the per-unit value of a strategy's underlying portfolio.
ISID	Investment Strategy Information Document — the disclosure document for a SIF strategy.
Long-Short	An approach combining both long (buy) and short (sell/derivative) positions.
Derivative	A financial instrument whose value is derived from an underlying asset, index, or rate.
Redemption Window	A defined, periodic period during which investors may redeem units of a SIF strategy.
Accredited Investor	An investor meeting SEBI-specified net worth/income criteria, eligible for certain regulatory relaxations.
Riskometer	A SEBI-mandated visual scale indicating a scheme or strategy's risk level.
KRA	KYC Registration Agency — a SEBI-registered entity maintaining centralised investor KYC records.
ARN	AMFI Registration Number — issued to registered Mutual Fund distributors.
Trail Commission	An ongoing commission paid to a distributor for as long as an investor's money remains invested through them.
PAN-level Aggregation	The practice of totalling an investor's holdings under a single PAN for threshold or reporting purposes.
STCG / LTCG	Short-Term / Long-Term Capital Gains — tax categories based on the holding period of an investment.