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SIFs in India - Meaning, Benefits, Taxation & How to Invest

What is a Specialised Investment Fund (SIF)?

A Specialised Investment Fund (SIF) is a newly introduced investment option in India, designed for investors who want more flexibility than traditional mutual funds - but don't qualify or wish to invest the ₹50 lakh minimum required in a Portfolio Management Service (PMS).

Think of a SIF as a mid-level investment vehicle:

- Not as rigid and retail friendly as Mutual Funds (MFs)
- Not as exclusive and high-ticket as PMS

A SIF is managed by a professional fund manager and allows investors to participate in custom strategies like private credit, thematic equity, or structured debt, with a minimum investment of ₹10 lakh. These funds are governed by SEBI (Securities and Exchange Board of India) under a new framework rolled out in 2024–25.

Quick Snapshot:

- Regulated by: SEBI
- Managed by: SEBI-registered Asset Management Companies (AMCs)
- Minimum investment: ₹10 lakh (unless you're an accredited investor)
- Strategy: Flexible - equity long short, debt long short, thematic equity, hybrid models

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Why India Needed a SIF Product?

India’s investment landscape had a noticeable gap:

Product	Minimum Investment	Flexibility	Target Audience
Mutual Fund	₹100–₹500	Low	Retail Investors
PMS	₹50 lakh	High	Ultra-HNIs
❗ Gap	-	-	HNIs with ₹10 – 50 lakhs

SEBI launched the SIF framework to fill this void. It offers:

- A professional, diversified investment option for doctors, professionals, business owners, and others with growing wealth
- Access to alternative strategies not available in mutual funds
- A regulated platform that's still more accessible than PMS or AIF

SIFs now allow wealth managers and AMCs to offer tailored portfolios to a broader base of sophisticated, non-retail investors - without diluting compliance and investor protections.

Is SIF Regulated by SEBI?

Yes, SIFs in India are formally regulated by SEBI.

Here's how it works:

- SIFs are not a separate license like AIF or PMS - instead, they are a new product type that only SEBI-registered AMCs can offer
- SEBI issued a circular in 2024 creating the SIF framework, with clear rules on ticket size, fund structure, disclosures, and risk management
- Unlike PMS or AIF, only mutual fund houses (AMCs) can launch SIFs - this ensures trust, scalability, and public confidence.

This makes SIFs a trusted option, with the credibility of AMC structures and regulatory guardrails similar to mutual funds - but with greater flexibility and a higher risk-reward profile.

Minimum Investment Requirement in SIFs

The minimum investment amount for a Specialised Investment Fund (SIF) in India is ₹10 lakh per investor, per PAN, across all SIF strategies offered by a fund house.

So, if you're investing in multiple SIF schemes from the same AMC, your combined investment must total at least ₹10 lakh.

Important Clarifications:

- This ₹10 lakh minimum is not per scheme, but PAN-level across all SIFs from the same AMC.
- If your investment dips below ₹10 lakh (due to market movement), you must exit completely - partial redemptions below this level are not allowed.
- If you're an accredited investor, you're exempt from this ₹10 lakh rule

Who is an Accredited Investor?

According to SEBI, you qualify if you meet either of these:

- Annual income ≥ ₹2 crore (in each of the last 2 years), or

Net worth ≥ ₹7.5 crore (excluding your primary residence)

SIF vs Mutual Fund (MF): What's the Difference?

This is one of the most searched queries - and rightly so. On the surface, both SIFs and mutual funds are regulated by SEBI, are managed by professional AMCs, and pool money from investors.

But they differ drastically in:

- Who can invest
- Minimum amount required
- Strategy flexibility
- Risk level
- Taxation
- Liquidity

Here's a clear side-by-side comparison:

Features	SIF (Specialised Investment Fund)	Mutual Fund (MF)
Regulator	SEBI	SEBI
Min. Investment	₹10 lakh (unless accredited)	₹100–₹500
Investor Type	HNIs, Professionals, Accredited Investors	Retail, HNIs, Everyone
Strategy Flexibility	High (thematic, credit, hedge, etc.)	Low to moderate (predefined schemes)
Liquidity	Low – exit rules apply	High - daily redemptions allowed
Transparency	Moderate (quarterly/semi-annual updates)	High (monthly portfolio disclosures)
Risk Level	Medium to High	Low to Medium (depending on category)
Taxation	20% STCG / 12.5% LTCG (no indexation)	Depends on holding & fund type (equity/debt)

Takeaway:

SIFs are for serious investors who want more control and access to niche strategies - but can also handle higher risk and lesser liquidity. Mutual funds remain the best choice for simplicity, liquidity, and regulated transparency.

SIF vs PMS vs AIF: Full Comparison Table

Now that you understand the difference between SIF and Mutual Funds, here’s another common query:

"How is a SIF different from PMS or AIF?"

Let’s break it down simply:

- **PMS (Portfolio Management Service)** gives you a custom portfolio, directly in your name. Minimum investment: ₹50 lakh.
- **AIF (Alternative Investment Fund)** is a pooled fund structure across Category I (startup), II (PE/credit), and III (hedge). The entry point is usually ₹1 crore.
- **SIF**, on the other hand, is an AMC-backed pooled vehicle, with SEBI-defined rules but more flexibility than a Mutual Fund and a lower ticket size than PMS/AIF.

Here’s a comparison you can rely on:

Features	SIF	PMS	AIF
Regulator	SEBI	SEBI	SEBI
Minimum Investment	₹10 lakh	₹50 lakh	₹1 crore
Investment Format	Units of the pooled fund	Direct stocks held in the client's name	Units in the pooled fund
Strategy Flexibility	Moderate–High	Very High	Very High
Liquidity	Limited (exit window-based)	Very Limited (custom exits)	Mostly closed-end, long lock-in
Tax Treatment	Fund-level (no indexation)	Investor-level capital gains	Category-dependent (pass-through in Cat I/II)
Transparency	Moderate	High (per holding shown)	Low–Moderate
Ideal For	HNIs with ₹10–50L and risk appetite	Ultra-HNIs seeking control	Institutions or HNIs with a long-term view

Where Do SIFs Invest? (Investment Strategies in India)

SEBI has clearly defined the types of investment strategies a SIF can follow, offering enhanced flexibility while keeping investor protection intact. All permitted strategies fall into three broad categories:

1. Equity-Oriented Strategies

- **Equity Long-Short Fund** - Minimum 80% in equities and equity-related instruments, with up to 25% *unhedged* short exposure via derivatives.
- **Equity Ex-Top 100 Long-Short Fund** - At least 65% in stocks outside the top 100 by market cap; up to 25% short derivative exposure.
- **Sector Rotation Long-Short Fund** - 80% in up to 4 sectors, with a 25% short exposure allowed at the sector level.

2. Debt-Oriented Strategies

- **Debt Long-Short Fund** - Invests in various debt instruments; can take unhedged short positions through debt derivatives (typically weekly redemption frequency).
- **Sectoral Debt Long-Short Fund** - Focuses on at least two debt sectors, with a 75% limit per sector; can take short positions up to 25% of NAV in debt.

3. Hybrid Investment Strategies

- **Active Asset Allocator Long-Short Fund** - Dynamically allocates between equity, debt, derivatives, REITs/InvITs, and commodities; allows 25% short exposure.
- **Hybrid Long-Short Fund** - At least 25% each in equity and debt, with up to 25% short exposure.

Key Points to Note:

- Each SIF can follow only one strategy, clearly stated in its offer document.
- Redemption frequency varies by strategy: from daily/weekly to interval-based windows.
- Unhedged short exposure is capped at 25% of NAV across equity and debt for all strategy types.

Liquidity & Exit Rules for SIFs

Specialised Investment Funds (SIFs) generally have less liquidity and more restricted exit rules compared to traditional mutual funds. This is because SIFs are meant for sophisticated investors who are comfortable with higher risk and longer investment horizons.

Key Features of SIF Liquidity and Exit:

- **Limited Liquidity**
  Unlike mutual funds that offer daily redemption, SIFs may offer redemption only on a monthly or quarterly basis.
- **Restricted Redemption**
  According to SCC Online, SIFs may restrict partial redemptions. Investors may be required to exit their entire holding if the value falls below ₹10 lakh or if redemption windows are limited.

- **Lock-in Periods**
  Some SIF schemes come with mandatory lock-in periods, during which redemption is not allowed. These are generally disclosed in the Scheme Information Document (SID).
- **Notice Periods**
  As per The Economic Times, redemptions from SIFs may require a notice period of up to 15 working days, especially for non-open-ended schemes.
- **Interval Investment Strategies**
  According to AMCs, SIFs can be structured as interval strategies - meaning subscription or redemption is allowed only during fixed time periods, not daily.
- **Listing of Units**
  According to AMCs Fund House, units of closed-ended and interval SIFs are mandatorily listed on recognised stock exchanges to ensure a secondary market exit route.

Takeaway:

If you're considering a SIF, be aware that liquidity is not instant. Always check the lock-in period, exit terms, redemption window, and notice period before investing.

Taxation on Specialised Investment Funds (SIFs)

SIFs are structured similarly to equity mutual funds, and their taxation aligns with mutual fund regulations. Here's a breakdown:

Capital Gains Tax	Holding Period	Old Rate	New Rate
Short-Term Capital Gains (STCG)	Less than 12 months	15%	20%
Long-Term Capital Gains (LTCG)	More than 12 months	10%	12.50%

No Indexation Benefit: This change affects the overall tax liability, potentially increasing it for long-term investors.

Risks and Returns of Specialised Investment Funds

SIFs are not low-risk products. They are designed for investors who can take higher risks for potentially better returns than traditional mutual funds.

Key Risks:

- **Market Volatility**: SIFs may invest in sectors, strategies, or debt that fluctuate more than standard mutual funds.
- **Low Liquidity**: Exits are restricted; unlike mutual funds, you cannot redeem daily.
- **Concentration Risk**: Some SIFs follow thematic or focused strategies, which means fewer stocks and higher exposure to specific sectors.
- **Delayed Reporting**: Unlike mutual funds with monthly disclosures, SIFs may offer updates quarterly or semi-annually.

Expected Returns:

- There is no fixed return. SIF returns depend on the fund's strategy - for example:
- A credit strategy SIF may aim for 10-12% annual returns
- A thematic equity strategy may target 15% or higher, but with more volatility

Takeaway:

SIFs are suitable for HNIs and professionals who understand investment risk and want more control and customisation in their portfolio. They are not ideal for conservative investors who seek predictable returns and easy liquidity.

How to Invest in a Specialised Investment Fund (SIF) in India

SIFs aren't available on regular investment platforms - but that doesn't mean they're hard to access. Here's a simple path to get started:

Step-by-Step:

- **Choose an AMC Offering SIFs**
  Not all Asset Management Companies (AMCs) are eligible to offer SIFs. You'll need to pick an SEBI-registered AMC with a SIF product.
- **Check Your Eligibility**
  You must invest a minimum of ₹10 lakh (unless you're an accredited investor). These funds are mainly for HNIs and professionals looking for advanced strategies.
- **Select the Right Strategy**
  SIFs offer equity, credit, or hybrid models. Choose based on your risk appetite and long-term goals.
- **Complete KYC & Documents**
  Standard KYC is mandatory. You may also need to share income proof or net worth statements - especially if you want to qualify as an accredited investor.
- **Invest & Track**
  Once invested, stay informed. SIFs often provide quarterly/semi-annual reports. Monitoring is key, since these are not daily NAV-tracked like mutual funds.

Pro Tip:

Always invest via a AMFI-Registered SIF Distributor Or SEBI-Registered Investment Advisor or directly through the AMC to ensure full compliance and transparency.

Who Should Consider Investing in a SIF?

SIFs are not built for everyone - they are positioned between mutual funds and PMS/AIFs, catering to a very specific investor profile.

Ideal for:

Profile	Details
High Net-Worth Individuals (HNIs)	With ₹10–50 lakh to invest, who find mutual funds too restrictive but don't want to commit ₹50 lakh to PMS
Accredited Investors	With a proven income (₹2 crore+) or net worth (₹7.5 crore+), seeking alternative asset access
Doctors, Entrepreneurs, Professionals	Especially those with rising wealth and looking for structured, flexible, and high-return strategies
Informed Investors	Those who understand market cycles, liquidity risks, and long-term capital allocation

Who Should Avoid:

- Retail investors with < ₹10 lakh surplus capital
- Those needing frequent liquidity or daily redemptions
- People unfamiliar with advanced investment strategies or market risks

Takeaway

If you're at a stage where your financial life needs more control, curated strategy, and long-term wealth creation - and you've outgrown mutual funds but aren't ready for PMS - SIF might just be your next step.

But remember - With greater flexibility comes higher responsibility. Make sure you consult with an AMFI-Registered SIF Distributor or SEBI-Registered Investment Advisor or AMC before you begin.

Final Thoughts - Should You Consider a SIF?

SIFs are ideal for investors who want more flexibility than mutual funds but don't meet the ₹50 lakh PMS requirement. With a ₹10 lakh entry point, SEBI regulation, and access to advanced strategies, they strike the right balance for informed HNIs.

Not suitable if you need daily liquidity or are new to market-linked investments.

To obtain more information, please reach out to us at the following numbers for any inquiries and service support:

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