

PARTNER EDITION · INVESTOR PRIMER

Specialized Investment Funds

India's newest SEBI-regulated asset class.

PREPARED BY

[Partner Name]

[Firm Name] · ARN-[XXXXXX] · [email@firm.com]

EDITION

May 2026

Data through 30 April 2026 · v2.0

What you need to know in one page

01

A new asset class

SEBI notified the Specialized Investment Fund (SIF) framework in February 2025 and made it effective from 1 April 2025 — the first new mutual-fund-adjacent vehicle in over a decade.

02

Built for the HNI gap

₹10 lakh minimum per PAN per AMC. Sits between mutual funds (retail) and PMS / AIF (₹50 lakh / ₹1 crore). Designed for emerging HNIs who have outgrown long-only MFs.

03

Long-short flexibility

SIFs may take unhedged short positions up to 25% of net assets through exchange-traded derivatives, alongside long books — enabling alpha in both rising and falling markets.

04

First stress test passed

In the March 2026 drawdown (Nifty 50 -11.30%), the average SIF was down only -2.76%. One fund finished positive. The category did the job it was designed to do.

Why SIFs exist — what changed in 2025

Before February 2025, an Indian HNI investor seeking hedged equity had two choices:

Portfolio Management Services (PMS)

₹50 lakh minimum, separately managed account, monthly statements, high friction.

Alternative Investment Funds (AIF Cat III)

₹1 crore minimum, multi-year lock-ins, quarterly NAV, opaque on costs.

Neither was right for the ₹50L – ₹5Cr investor — the segment SEBI termed 'emerging HNI'. **The SIF framework was designed for exactly this gap.**

REGULATORY TIMELINE

Feb 2025	SEBI circular notifies the SIF framework.
Apr 2025	Framework effective; AMCs file first scheme drafts.
Oct 2025	First SIFs go live — Altiva, qSIF.
Dec 2025	SEBI refines ISID disclosure requirements.
Mar 2026	First major Nifty drawdown tests the category.
May 2026	20 SIF strategies, 12 AMCs participating.

What is a Specialized Investment Fund?

A SIF is a SEBI-regulated pooled investment vehicle that can run long-short, hybrid and active asset-allocator strategies — with mutual-fund-grade NAV publication, custody, audit and disclosure, but with PMS-like strategic flexibility.

MF-like operations

Daily / fortnightly NAV. Custody and audit under SEBI's Mutual Fund Regulations. Open-ended or interval structure.

PMS-like strategies

Long-short equity, hybrid books, dynamic asset allocation, and up to 25% unhedged short exposure via exchange-traded derivatives.

HNI minimum

₹10 lakh aggregate per investor per AMC across all SIF schemes (PAN level). Below the threshold of ₹50 lakh PMS / ₹1 cr AIF.

Manager economics

TER-based fees in line with mutual funds. No carry / profit-share on the AMC side. Direct and Regular plans available.

The structural gap SIFs fill

Three forces created the opening for this category:

- 01 HNI households outgrew plain mutual funds.**
Investors in the ₹50L – ₹5Cr band wanted active risk management, not just market-cap exposure.
- 02 Long-only managers couldn't hedge.**
Existing MF mandates restrict derivatives to hedging only. Drawdowns tracked the benchmark dollar-for-dollar.
- 03 PMS and AIF minimums priced most HNIs out.**
At ₹50 lakh / ₹1 crore, friction (separate accounts, lock-ins, opacity) was high. The gap was real.

SEBI'S INTENT

“Bring institutional-grade long-short and asset-allocator strategies under mutual-fund-grade transparency, at an HNI-realistic minimum ticket.”

— Paraphrased from SEBI's February 2025 circular and subsequent FAQs.

How a long-short SIF actually works

A long-short SIF runs three books inside a single scheme:

Long book

UP TO 100% OF NET ASSETS

High-conviction single stocks across the AMC's mandated universe (large-cap, flexi-cap or ex-Top 100 depending on strategy).

Short book

UP TO 25% UNHEDGED

Short exposure via exchange-traded equity derivatives (index futures / options or single-stock derivatives). Designed as a hedge or a directional alpha source.

Cash + debt sleeve

BALANCE

Liquid debt or arbitrage to meet margin and redemption needs and to anchor the portfolio's risk profile.

THE NUMBER THAT MATTERS

Net equity exposure = Long – Short. A 60% net-long fund will typically draw down ~60% of what the equity benchmark draws down.

The SEBI-approved SIF strategy taxonomy

SEBI permits SIFs across three families — equity-oriented, debt-oriented and hybrid:

EQUITY-ORIENTED

Equity Long-Short

≥65% equity; up to 25% unhedged short. Hedged equity exposure across the broad market.

EQUITY-ORIENTED

Sector Rotation Long-Short

≥80% equity in up to 4 sectors with rotation flexibility based on macro signals.

EQUITY-ORIENTED

Ex-Top 100 Long-Short

≥65% in stocks outside India's top 100 by market cap — mid- and small-cap focus with derivative hedge.

DEBT-ORIENTED

Debt Long-Short

Active duration management with up to 25% unhedged short via exchange-traded debt derivatives.

HYBRID

Hybrid / Balanced Long-Short

Dynamic equity-debt allocation with derivatives overlay. Often <65% equity for tax purposes.

HYBRID

Active Asset Allocator

Unrestricted rotation across equity, debt, REITs / InvITs and arbitrage based on quant signals.

The May 2026 SIF landscape

20

SIF strategies tracked

17 live · 3 in NFO

12

AMCs participating

Quant, ICICI, SBI, Tata, Edelweiss, Bandhan, ABSL, ITI, 360 ONE, Franklin, Union, Wealth Co.

₹10,400 Cr

Cumulative category AUM

Approximate, as of April 2026

BREAKDOWN BY CATEGORY

Category	Live	NFO	Editor's pick (SIFPrime)
Hybrid Long-Short	7	—	Altiva — Edelweiss MF
Equity Long-Short	6	2	qSIF Equity LS — Quant MF
Ex-Top 100 Long-Short	2	—	qSIF Ex-Top 100 — Quant MF
Sector Rotation Long-Short	—	1	qSIF Sector Rotation — Quant MF
Active Asset Allocator	2	—	Dyna AAA — 360 ONE Asset

March 2026 — the category's first stress test

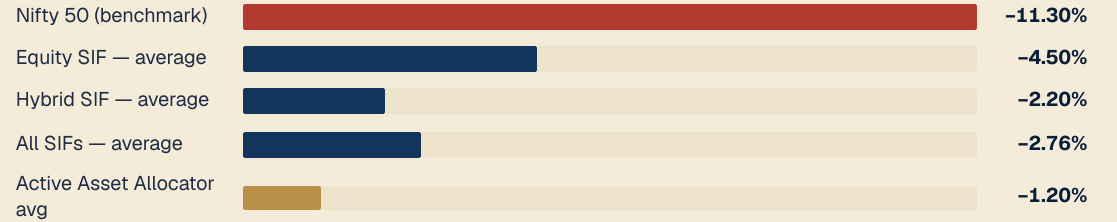
In March 2026, the Nifty 50 fell 11.30% — the largest monthly drawdown since the SIF framework went live. It was the category's first genuine test of whether long-short tools actually protect capital in a falling market.

The result. The category did its job. The average SIF was down ~2.76% — roughly one-fourth of the index drawdown. Hybrid strategies held up best, equity strategies absorbed more, and one Active Asset Allocator finished the month positive.

April 2026 then saw a clean recovery: every SIF closed positive on the month, led by qSIF Ex-Top 100 at +15.38%.

MARCH 2026 DRAWDOWN

Drawdown by vehicle (lower is better)



Source: SIFPrime; AMFI NAVs.

Since-inception returns — selected SIFs

Direct plan, growth option. NAVs as of 30 April 2026. Most funds incepted between Oct 2025 and Mar 2026.

Fund	AMC	Category	Inception	1-month (Apr 2026)	Since inception
Altiva Hybrid Long-Short	Edelweiss	Hybrid L-S	24 Oct 2025	+3.17%	+5.35%
qSIF Hybrid Long-Short	Quant	Hybrid L-S	20 Oct 2025	+6.94%	+5.10%
Magnum Hybrid Long-Short	SBI	Hybrid L-S	29 Oct 2025	+2.28%	+1.85%
Titanium Hybrid Long-Short	Tata	Hybrid L-S	17 Dec 2025	+5.51%	-0.74%
qSIF Equity Long-Short	Quant	Equity L-S	08 Oct 2025	+13.68%	+1.44%
DynaSIF Equity Long-Short	360 ONE	Equity L-S	27 Feb 2026	+6.59%	+1.92%
Diviniti Equity Long-Short	ITI	Equity L-S	03 Dec 2025	+0.71%	-4.58%
qSIF Ex-Top 100 Long-Short	Quant	Ex-Top 100	13 Nov 2025	+15.38%	-0.79%
iSIF Ex-Top 100 Long-Short	ICICI Prudential	Ex-Top 100	05 Feb 2026	+8.87%	-1.70%
DynaSIF Active Asset Allocator	360 ONE	Active AA	30 Mar 2026	+1.02%	+1.03%

Past performance is not indicative of future returns. Benchmarks vary by scheme — figures above are absolute, not alpha. Source: AMFI, sifprime.com.

SIF vs Mutual Fund vs PMS vs AIF (Cat III)

Parameter	Mutual Fund	SIF	PMS	AIF (Cat III)
Minimum investment	₹100 – ₹5,000	₹10 lakh	₹50 lakh	₹1 crore
Pool / separate account	Pool	Pool	Separately managed	Pool
Short selling	Hedging only	Up to 25% unhedged	Mandate-dependent	Largely unrestricted
Liquidity	Daily	Daily / periodic	Quarterly+	Lock-in
NAV cadence	Daily	Daily / 1–2× weekly	Monthly statement	Quarterly
Fee structure	0.5 – 2.0% TER	1.5 – 3.0% TER	Fixed + performance	Fixed + performance
Tax treatment	By category	By category	Pass-through	Category-dependent
Regulation	SEBI MF Regulations	SEBI MF Regulations	SEBI PMS Regulations	SEBI AIF Regulations
Target investor	Retail / HNI	Emerging HNI	HNI	Ultra-HNI / institutional

SIFs follow the underlying, not the wrapper

Capital gains tax on SIFs mirrors the mutual-fund regime, classified by the fund's equity allocation.

Fund classification	STCG (<12m equity / <24m other)	LTCG	Holding period for LTCG
Equity-oriented (≥65% domestic equity)	20%	12.5% above ₹1 lakh exempt	> 12 months
Debt / hybrid (<65% equity)	Slab rate	Slab rate	—
Dividend / IDCW (any SIF)	Slab rate	Slab rate	—

PRACTITIONER'S NOTE

Many Hybrid Long-Short SIFs run net equity of 40–60%, but the SEBI 65% rule is calculated on total equity in the fund (longs + arbitrage), not net long. Several Hybrid SIFs are still classified as debt-oriented for tax. Always confirm the tax category from the latest scheme document at onboarding.

Subscription, redemption and settlement

SUBSCRIPTION

Lumpsum

₹10 lakh minimum at PAN level per AMC. Aggregated across all SIF schemes of that AMC.

SIP / STP / SWP

Available after the ₹10 lakh threshold is met. Periodic instalments from ₹5,000 – ₹10,000.

Folio

A separate SIF folio is opened — distinct from the investor's mutual-fund folio at the same AMC.

KYC

Standard mutual-fund KYC suffices. Accredited investors are exempt from the ₹10 lakh minimum.

REDEMPTION

Cadence

Most SIFs offer twice-weekly windows (typical: Mon + Wed or Mon + Thu). Some are daily; one Hybrid is monthly.

Settlement

Funds credit on T+3 working days from the window date in most schemes.

Exit load

Typically 0.50% – 1.00% if redeemed within 90 days to 1 year; nil thereafter. Varies by AMC.

Practical implication

Never put a client's emergency liquidity in a SIF — size the allocation so redemption never disrupts near-term cash needs.

Who should — and should not — own a SIF

GOOD FIT

The textbook SIF investor

- ₹50 lakh+ already deployed across mutual funds and direct equity.
- A three-year-plus horizon for the SIF allocation specifically.
- Genuine discomfort with the full Nifty drawdown — felt March 2020 / March 2026.
- Comfort with biweekly liquidity instead of daily MF redemption.
- Some grasp of long-short concepts, or willingness to learn them.
- Tax bracket where 12.5% LTCG (equity-oriented) beats slab rate.

POOR FIT

Not the right product if..

- This is the investor's first or only equity allocation.
- The capital is meant as emergency liquidity or short-term parking.
- Net worth is below ₹25 lakh — the ticket is too concentrated.
- Horizon is under 18 months.
- The investor wants the cheapest fee structure (index funds win there).
- Low tolerance for new, sub-2-year track records.

And the honest answer

“It’s a brand-new category — what if SEBI changes the rules?”

Possible. SEBI refined the framework in December 2025 and may again. The intent is HNI-grade transparency, not retraction. Allocate a portion — not all — of the equity bucket.

“Why not a balanced advantage fund instead?”

BAFs cannot short individual stocks or run a 25% unhedged short book. The two products generate alpha through different mechanisms — SIFs through long-short selection; BAFs through equity-debt rebalancing.

“The fees are higher than my flexi-cap.”

Correct. SIF TERs run 1.5–3% vs 0.5–2% for MFs. The right comparison is PMS (2–3% plus performance fee) — and the question is risk-adjusted return, not gross.

“Why not wait for a longer track record?”

Fair. The first 12 months provided one stress test (March 2026 Nifty -11.3%) which the category passed. Waiting for a 3-year record will cost opportunity and the empanelment window.

The eight terms every SIF conversation needs

Net long exposure

Long book minus short book, as % of NAV. Predicts how the fund behaves in a market drawdown.

Alpha

Fund return minus benchmark return over a period. The portion of return attributable to skill, not market direction.

Capital protection ratio

$1 - (\text{fund drawdown} / \text{benchmark drawdown})$. 80% means the fund protected 80% of capital vs the index.

Sharpe ratio

Excess return per unit of volatility. The standard risk-adjusted return measure.

Gross exposure

Long book plus short book, as % of NAV. A measure of total position-taking by the manager.

Drawdown

Percentage decline from a peak NAV to the subsequent trough NAV.

Beta

Sensitivity of the fund's returns to its benchmark. SIFs typically run 0.4 – 0.7 vs the equity benchmark.

Alpha Shield (SIFPrime)

Proprietary 0–10 score for how well each fund protected capital in the March 2026 Nifty drawdown.

Next steps

If your client wants to learn more before committing, three things help:

01 Receive a SIFPrime Alpha Shield scorecard

Two or three specific funds, scored on crash-period drawdown protection, since-inception alpha, manager pedigree and TER.

02 Schedule a 20-minute call

Walk through the tax classification, redemption mechanics, and how a SIF fits the client's broader portfolio.

03 Receive a customised allocation memo

Branded by [Firm Name], built around the client's portfolio context, with explicit risk and liquidity assumptions.

PREPARED FOR YOU BY

[Partner Name]

[Firm Name]

AMFI ARN ARN-[XXXXXX]

Email [email@firm.com]

Phone +91 [XXXXX-XXXXX]

WhatsApp +91 [XXXXX-XXXXX]

Office [City], India