SIFPRIME

PARTNER EDITION · ADVISOR PLAYBOOK

# Allocation & Tax Playbook

*Allocation frameworks for HNI portfolios — and the SIF tax conversation.*


PREPARED BY

[Partner Name]

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



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# What's inside this playbook

# How a SIF fits the HNI equity sleeve

A SIF allocation belongs inside the equity sleeve of an HNI portfolio. It doesn't replace mutual funds (still the cheapest long-only equity) or PMS (still the right vehicle for personalised stock portfolios at ₹50L+). It displaces some long-only equity with a hedged version — lowering portfolio volatility while preserving most of the expected return.

### HOW MUCH? THREE INPUTS.

#### Behavioural volatility tolerance

Measured by past-drawdown behaviour, not stated preference.

#### Existing concentrated alpha

Direct equity and PMS already provide uncorrelated alpha.

#### Trust in the asset class

New entrants warrant smaller initial sizing — conviction builds over a cycle.

### SIZING RULES OF THUMB

- Never less than ₹10 lakh — anything below the SEBI minimum doesn't make sense.
- Never more than 25% of the total equity sleeve in the first year.
- Never put emergency liquidity or imminent-need cash into a SIF.
- Diversify across at least two SIFs once the total SIF allocation exceeds ₹50 lakh.

# ₹1 crore portfolio

| Bucket | % of portfolio | Allocation | Vehicle |
|---|---|---|---|
| **Liquid + emergency** | 10% | ₹10 L | Liquid MF + bank FD |
| **Debt core** | 30% | ₹30 L | Banking & PSU + short-duration MF |
| **Equity core (long-only)** | 40% | ₹40 L | Flexi-cap MF + large-cap MF |
| **Equity hedged (SIF)** | **15%** | **₹15 L** | **One hybrid long-short SIF** |
| **Tactical / opportunistic** | 5% | ₹5 L | Direct equity / thematic MF |

## RATIONALE

At ₹1 Cr, the SIF allocation is a single fund — typically a hybrid long-short SIF for first-time HNI exposure. The ₹15 L ticket clears the ₹10 L SEBI minimum and delivers meaningful drawdown protection on the equity sleeve. Two-fund SIF diversification doesn't earn its keep at this ticket — the second fund's incremental value is smaller than the operational friction it adds. If the client is unusually risk-tolerant and wants more equity participation, consider replacing 5% of the long-only equity with an equity LS SIF (taking total SIF exposure to 20%).

# ₹3 crore portfolio

| Bucket | % of portfolio | Allocation | Vehicle |
|---|---|---|---|
| **Liquid + emergency** | 5% | ₹15 L | Liquid MF + sweep FD |
| **Debt core** | 25% | ₹75 L | Gilt + banking & PSU + corp bond MF |
| **Equity core (long-only)** | 35% | ₹105 L | Flexi-cap + large-mid + small-cap |
| **Equity hedged (SIF)** | **20%** | **₹60 L** | **1 hybrid LS + 1 equity LS** |
| **PMS / strategic** | 10% | ₹30 L | One PMS mandate |
| **Tactical / direct equity** | 5% | ₹15 L | Conviction direct positions |

## RATIONALE

At ₹3 Cr the SIF allocation supports two funds — typically split ~60% hybrid LS / ~40% equity LS. This delivers both volatility protection and equity participation in the same sleeve. The 10% PMS allocation is the gateway to personalised stock selection if the client wants it; otherwise this capacity can re-route into a third SIF — an active asset allocator — for a valuation-driven layer.

# ₹10 crore portfolio

| Bucket | % of portfolio | Allocation | Vehicle |
|---|---|---|---|
| **Liquid + emergency** | 3% | ₹30 L | Liquid + sweep + treasury bills |
| **Debt core** | 22% | ₹220 L | Gilt + banking & PSU + tax-free bonds |
| **Equity core (long-only)** | 30% | ₹300 L | Diversified MF + direct equity |
| **Equity hedged (SIF)** | **20%** | **₹200 L** | **2 hybrid LS + 1 equity LS + 1 AAA** |
| **PMS / AIF** | 15% | ₹150 L | 1–2 PMS + 1 AIF Cat III |
| **Real assets** | 5% | ₹50 L | REITs + InvITs |
| **Tactical / global** | 5% | ₹50 L | GIFT-City feeder / direct global ETF |

## RATIONALE

At ₹10 Cr the SIF allocation supports four funds across all three categories: two hybrid long-short funds (different managers, different sub-styles), one equity long-short, and one active asset allocator. The PMS / AIF allocation covers strategies SIFs cannot run; real assets at 5% provide an inflation hedge with low correlation.

# SIFs follow the underlying, not the wrapper

*SEBI's classification rule is based on average equity exposure over the year:*

| Fund classification | Equity % | STCG | LTCG | LTCG holding period |
|---|---|---|---|---|
| **Equity-oriented SIF** | ≥ 65% | 20% | 12.5% above ₹1 L exempt | > 12 months |
| **Debt / hybrid-oriented SIF** | < 65% | Slab rate | Slab rate | — |
| **Dividend / IDCW (any SIF)** | — | Slab rate | Slab rate | — |

THE TRAP TO AVOID

Hybrid long-short SIFs are often classified as debt-oriented even when net equity is 40–60%, because total gross equity (long book + hedge book) often sums to under 65%. Debt-oriented hybrid LS SIFs are taxed at slab on both STCG and LTCG — this catches clients off-guard. Always quote the fund's tax category explicitly at onboarding and document it in the suitability record.

SLIDE 08 · OBJECTION HANDLING

# The STCG 20% conversation

THE OBJECTION

*“If I rebalance my SIF after six months, I'm paying 20% on the gain. That's worse than the tax on my mutual fund.”*

YOUR REPLY

**Yes — the STCG rate on equity SIFs is 20%, the same as equity MFs. They're identical.** But the typical need to rebalance is lower with a SIF, because the manager is hedging actively inside the fund. With an MF, you trigger STCG every time you reduce equity exposure to manage risk. With a SIF, the manager does that work for you — realised gain stays inside the fund (already netted into the NAV) and is deferred until you actually sell units.

WORKED EXAMPLE

An HNI holds ₹50 L in an equity MF and another ₹50 L in an equity long-short SIF. In a 12% drawdown, the MF holder must rebalance to maintain target equity weight — triggering STCG. The SIF holder doesn't need to rebalance because the manager has already adjusted net exposure inside the fund. Same gain, lower realised tax friction.

# March 2026 rebalancing — with vs without a SIF

**Setup.** ₹1 Cr portfolio, 50% equity MF (₹50 L), 0% SIF — as of 28 Feb 2026. By 31 Mar 2026 equity drew down 11.3%. The MF book is now at ₹44.4 L. Client wants to rebalance back to 50:50.

PATH A · NO SIF

## Rebalance the old way

- Sell ~₹6 L of debt MF, deploy into equity MF.
- Buys low (good) — but no hedge for the next leg down (vulnerability).
- Triggers small STCG on the debt MF redemption (slab rate) — minor.
- Portfolio still has zero drawdown protection going forward.

PATH B · WITH SIF (15% HYBRID LS)

## Rebalance with hedged equity

- Hybrid LS SIF (₹15 L start) drew down ~2.8% → ₹14.6 L.
- Equity MF (₹35 L start, post-SIF allocation) drew down 11.3% → ₹31.0 L.
- Total equity sleeve drawdown ₹4.4 L vs ₹5.6 L in Path A — saved ~₹1.2 L.
- Less rebalancing needed → less STCG triggered. Hedge stays on.

# Year-end tax-loss harvesting calendar

*Equity SIF units held under 12 months can offset short-term gains anywhere in the financial year. Treatment matches MFs, with two operational advantages: twice-weekly NAVs give multiple discrete entry points each month (useful for tactical year-end harvesting), and detailed factsheets show realised gains inside the fund — useful for timing the unit-level harvest.*

## Oct

REVIEW

Review SIF YTD performance. Identify candidate harvest positions.

## Nov

CONFIRM

Confirm STCG vs LTCG holding period lot-by-lot.

## Dec

EXECUTE

Execute harvesting transactions. Re-enter in a different scheme (30-day cooling for SEBI's same-scheme rule).

## Jan–Feb

MONITOR

Monitor re-entries. Validate replacement schemes match the original mandate.

## Mar

HAND OFF

Final cleanup. Confirm the CA has all required data.

# What your client's CA will ask for

*A clean SIF tax filing depends on a handful of documents — get them in one place before year-end.*

- ✓ **Capital gains statement**

  Pulled from the AMC distributor portal — one per SIF, per financial year.

- ✓ **Redemption log**

  Date, units, NAV and realised gain or loss for each redemption transaction.

- ✓ **STT statement**

  From the AMC — required for STT credit computation. Applies only to equity-oriented SIFs.

- ✓ **Distributor commission disclosure**

  Where the client's records require it.

- ✓ **Fund classification factsheet**

  Equity ≥65% or <65%. This determines whether the fund is taxed as equity-oriented or debt-oriented.

- ✓ **Exit load deductions**

  These reduce realised proceeds but are not separate capital expenses — flag them for the CA.

- ✓ **Dividend / IDCW statement**

  Required if the fund pays IDCW. Taxed at slab rate.

TAKING THE CONVERSATION FORWARD

# Next steps

*After this playbook lands with your client, three things help them act:*

## 01 Map the playbook to their portfolio

Walk through which model (₹1 Cr / ₹3 Cr / ₹10 Cr) most closely fits their existing balance sheet.

## 02 Confirm the tax classification of each fund

Pull the latest factsheet for every SIF on the shortlist. Document equity ≥65% or <65% in the suitability record.

## 03 Schedule a CA hand-off call

Bring the CA into the conversation early so the tax treatment is clear from the first investment, not the first redemption.

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 |


*Risk & disclosures. Allocation models in this playbook are illustrative and not personalised investment advice. SIFs are subject to market risk including capital loss. Past performance is not indicative of future returns. Tax positions are based on the SEBI SIF framework as of May 2026 and may change. Investors should read the SID and ISID of each scheme and consult a SEBI-registered advisor and a qualified CA before acting. Data: sifprime.com, AMFI, SEBI as of April 2026.*