

SPECIALISED INVESTMENT FUND: ECONOMY

NEWS: All you need to know about Specialised Investment Fund

WHAT'S IN THE NEWS?

The **Securities and Exchange Board of India (SEBI)** has introduced the **Specialised Investment Fund (SIF)**, designed for high-risk investors, allowing more flexibility in investments like stocks, bonds, real estate, and private equity. Set to launch on **April 1, 2025**, the scheme requires mutual funds with substantial AUM and experienced fund managers to launch SIFs.

Specialised Investment Fund (SIF)

Introduction to Specialised Investment Fund (SIF)

- **Purpose and Target Audience:**
 - The **Specialised Investment Fund (SIF)** is designed specifically for investors who have a strong understanding of market dynamics and are willing to take on **higher risks** in exchange for the possibility of **higher returns**. This product aims to cater to **high-net-worth individuals (HNIs)** and institutional investors who seek exposure to more complex and diversified investment opportunities.
 - Unlike traditional mutual funds, SIFs are aimed at those who are comfortable with the risks associated with more volatile and diverse asset classes, such as **private equity**, **real estate**, and **derivatives**, in addition to conventional **stocks** and **bonds**.
- **Minimum Investment Requirement:**
 - The minimum investment amount required for participation in the **Specialised Investment Fund** is **₹10 lakhs**. This higher threshold ensures that SIFs are aimed at individuals or entities with a substantial financial capacity to withstand the inherent risks of this investment vehicle.
- **Flexibility of Fund Management:**
 - The **fund managers** of SIFs enjoy **greater freedom** compared to traditional mutual funds. They have more **flexibility** to implement **innovative strategies**, which may involve diversifying across multiple asset classes, including **stocks**, **bonds**, **real estate**, and even **private equity investments**.
 - This freedom allows SIFs to take advantage of **market inefficiencies** and pursue **alternative investment strategies**, potentially providing higher returns but at increased risks.

Eligibility Criteria for Launching SIF

- **For Established Mutual Funds:**

- Mutual funds that have been operational for at least **three years** and have an **average Assets Under Management (AUM) of ₹10,000 crore** over the preceding three years are eligible to launch an SIF.
- This criterion ensures that only large, well-established mutual funds, with significant experience in managing large portfolios, are entrusted with the responsibility of launching these high-risk, high-reward products.

- **For New Entrants:**

- New mutual funds, which wish to launch an SIF, must meet the following criteria:
 1. **Appointment of a Chief Investment Officer (CIO):** A CIO with at least **10 years of experience** managing an asset pool of **₹5,000 crore** is required to ensure that the fund's management is in capable hands.
 2. **Experienced Fund Manager:** The fund manager must have a **minimum of three years** of experience in handling an **AUM of ₹500 crore**. This ensures that the fund manager is adept at handling large sums of money and is familiar with the complexities of managing diverse and high-risk assets.

- **Why These Criteria Matter:**

- These eligibility requirements ensure that the SIFs are managed by experienced professionals who have the required expertise to handle the diverse and complex nature of investments in the SIF. They are designed to safeguard investor interests and mitigate risks associated with this new financial product.

Guidelines for SIF Investments

- **Debt Instruments:**

- SIFs can invest up to **20% of their assets in debt** issued by a **single entity**.
- This limit can be increased to **25%** if the trustees of the fund approve it, offering some flexibility in how the fund can allocate its resources.
- **Government securities** and **treasury bills** are exempt from these limits, allowing SIFs to have significant exposure to low-risk, government-backed securities without restrictions.

- **Equity Investments:**

- SIFs are allowed to hold **up to 15% of a company's paid-up capital**, including its **voting rights**. This provides the fund with some level of influence over the companies they invest in.

- Additionally, SIFs can invest up to **10% of their Net Asset Value (NAV)** in the **equity shares of a single company**, ensuring a diversified portfolio and limiting the risk of heavy exposure to a single company.
- **Investments in Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs):**
 - SIFs can allocate **up to 20% of their NAV** to **REITs** and **InvITs**, which allow exposure to the **real estate** and **infrastructure sectors**, which are often less correlated with traditional equity and bond markets.
 - However, no more than **10% of the NAV** can be invested in a **single issuer** of REITs or InvITs, which helps to diversify the risk and ensures that the fund's exposure to these sectors is spread across different assets.
- **Derivatives:**
 - The SIFs can use **derivatives** for hedging or leveraging, but the total **exposure through derivatives** cannot exceed **100% of the fund's net assets**. This puts a cap on the use of derivatives, ensuring that the fund does not become overly reliant on such instruments, which can increase risk significantly.

Operational Timeline and Launch Date

- The **Specialised Investment Fund (SIF)** product is scheduled to be launched on **April 1, 2025**. This timeline gives mutual funds ample time to comply with the regulatory guidelines and prepare their investment strategies and portfolios for the new product.

Conclusion

- **SIFs** represent a **new and innovative investment product** for those who understand the risks and are looking for higher returns. They offer **greater flexibility** for fund managers, allowing them to explore a wider range of investment opportunities.
- The **eligibility criteria** for launching SIFs ensure that only experienced mutual funds with substantial AUM can offer this product, giving investors confidence in the management of their funds.
- The guidelines for **debt, equity, real estate, and derivatives** investment within the SIFs ensure that while the product offers more risk and flexibility, it also maintains a **structured approach** to managing investor money, preventing over-exposure to any single asset class.
- This new initiative expands the options available to sophisticated investors and is a significant step in **diversifying India's investment landscape**.

Aspect	SIF	Mutual Funds	PMS - Portfolio Management Services	AIFs- Alternative Investment Funds.
Minimum Investment	₹10 lakh	₹500 or more	₹50 lakh	₹1 crore
Risk Level	High	Varies from low-moderate-high	Higher risk due to concentrated portfolio	High, depending upon the category
Flexibility	More freedom to fund managers in investment strategies	Limited by predefined strategies	High; tailored investment to meet specific financial goals	High flexibility, including investments in unlisted securities
Target Investors	Experienced investors	Retail and small investors	High-net-worth individuals (HNIs)	Institutional investors and HNIs

Source: <https://www.thehindubusinessline.com/markets/all-you-need-to-know-about-specialised-investment-fund/article69357974.ece>