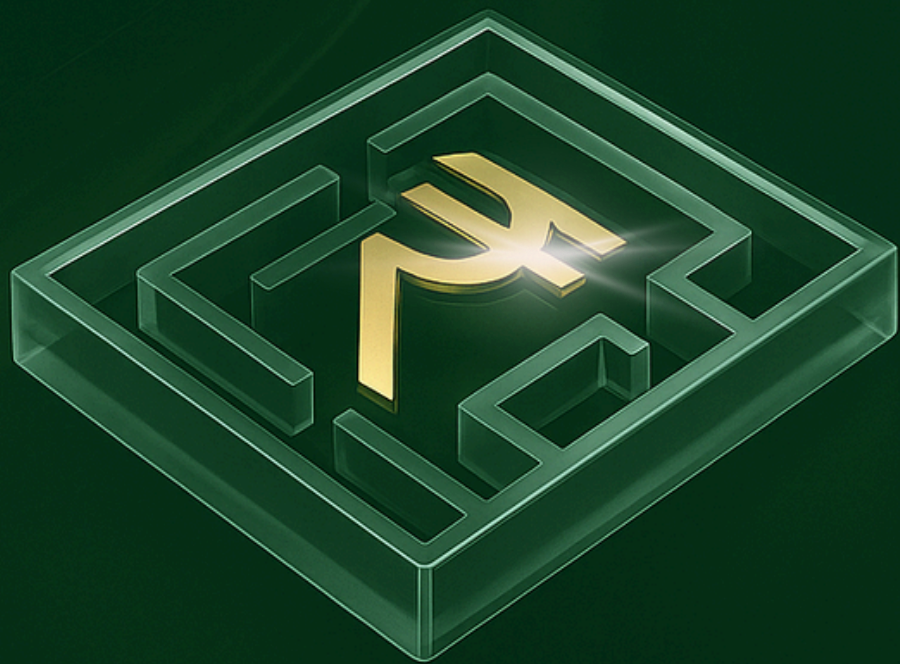




Specialized Investment Funds

June 2025



MANAGING PARTNER'S FOREWORD

Welcome to this edition of the **Begur Bulletin**, where we strive to bring you insightful, relevant, and timely analyses on the legal and business developments shaping our industries today. At Begur & Partners, we take pride in our multifaceted expertise, which spans across multiple "Focus Areas" and a diverse range of "Sectors", reflecting the depth of our practice established over three decades. In an ever-evolving global landscape, it is imperative to stay informed about the legal nuances and trends that impact businesses, individuals, and institutions alike. Through the **Begur Bulletin**, we aim to share not only our knowledge but also our perspective on these critical developments, empowering our readers to navigate challenges and seize opportunities with clarity and confidence.

Each **Begur Bulletin** is carefully curated to address pressing topics, offering deep analysis and insight that is not only legally sound but also practical and actionable. From corporate mergers to emerging technologies, our insights reflect our commitment to the pursuit of legal excellence and thought leadership in the legal domain. I invite you to explore this edition and reflect on the ideas shared within. As always, we welcome your feedback and look forward to continuing this dialogue with you, our esteemed readers, and hope to contribute to the ever-dynamic legal and business landscape.

Thank you for your continued trust and engagement.

Warm Regards,

Rajesh Begur

Managing Partner, Begur & Partners

SPECIALIZED INVESTMENT FUNDS: INDIA'S NEW FRONTIER IN SMART INVESTING

The Securities and Exchange Board of India ("SEBI") has taken vital steps to introduce a new investment product/class, Specialized Investment Fund ("SIF") with effect from April 1, 2025. On April 11, 2025, SEBI issued a circular specifying procedure on application and investment strategy information document ("ISID") for launch of SIF. This circular is in pursuant to the SEBI (Mutual Funds) (Third Amendment) Regulations, 2024 dated December 16, 2024, and SEBI circular dated February 27, 2025, titled 'Regulatory Framework for SIFs' and its clarification vide SEBI circular dated April 9, 2025.

NEED FOR A NEW ASSET CLASS / INVESTMENT PRODUCT

SEBI vide its consultation paper dated July 16, 2024, identified existence of certain unregulated and unauthorized investment schemes promising unrealistically high returns to investors. These financial risks have emerged from the varying ticket sizes of existing regulated investment products. The minimum investment amount for existing investment products is INR 1 crore for Alternative Investment Funds ("AIF"), INR 50 lakh for Portfolio Management Services ("PMS") and low tickets for retail-oriented Mutual Funds ("MF") schemes.

Thus, a need for new asset class between MF and PMS arose for a regulated and structured investment product with a higher ticket size than MF whilst having adequate risk mitigation measures for its higher risk taking capabilities.

KEY FEATURES OF SIFs

Minimum Investment Amount

- INR 10 lakh
- Across all investment strategies under SIF

Resource Sharing

- AMC may share resources for operation across SIF & MF

Systematic Options

- Such options are allowed for investment strategies
- E.g. SiP, SWP & STP

Branding & Offering

- SIF has distinct & separate brand name, logo, website from that of its MF offering
- Can use MF's brand name
- E.g. "Brought to you by", "offered by" etc

2 routes for Launching SIFs

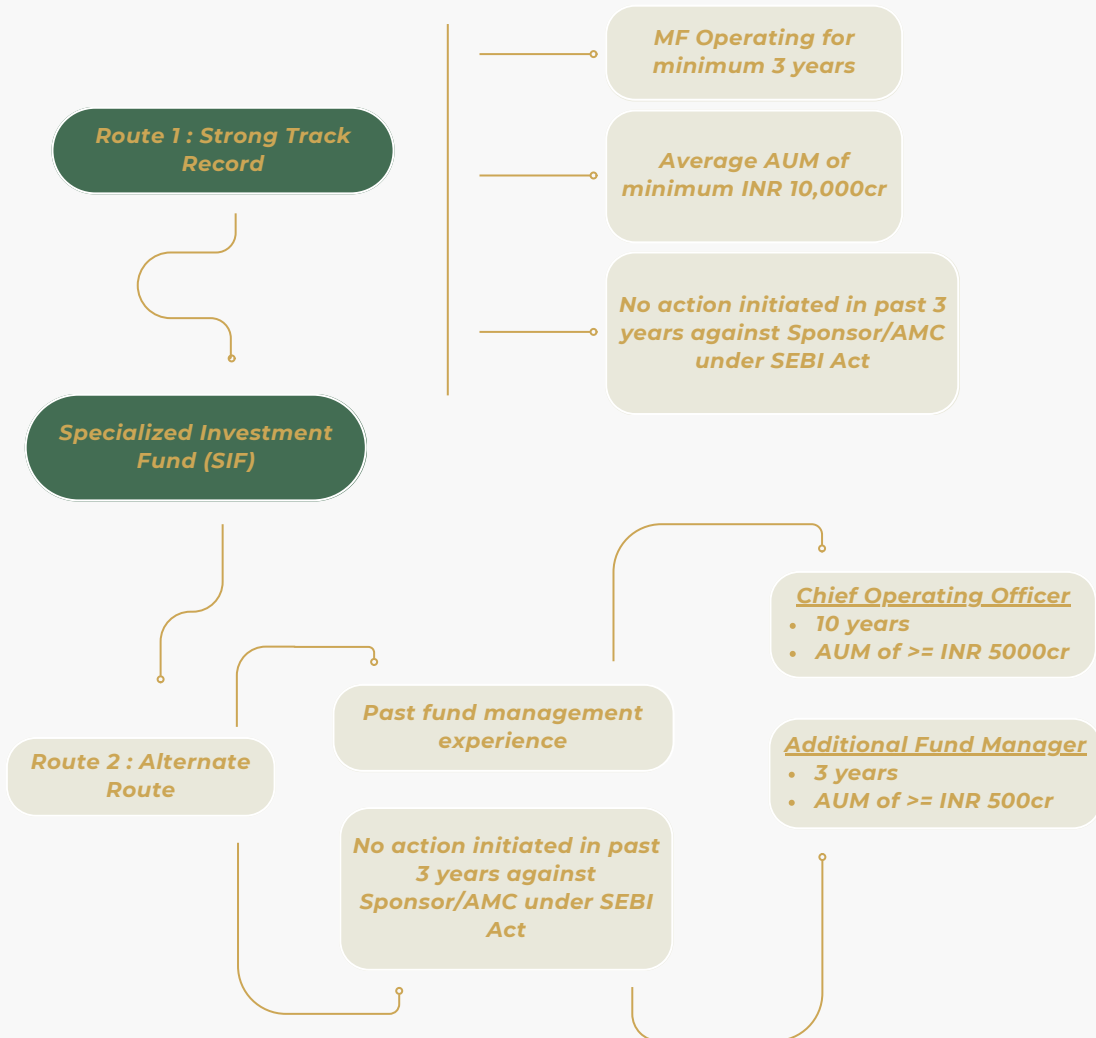
- Strong Track Record Route
- Alternate Route

3 Categories of Investment Strategies

- Equity- Oriented investment Strategy
- Debt-Oriented investment Strategy
- Hybrid Investment Strategy

ELIGIBILITY CRITERIA

As per SEBI MF Regulations, a registered mutual fund may establish a SIF under one of the following routes:



RESTRICTIONS ON INVESTMENT

At SIF level

- SIF under all its investment strategies should not own more than:**

- 20% of units of units issued by a single issuer of REIT and InVIT.
- 15% of any company's paid up capital carrying voting rights.

The above-mentioned limits are inclusive of 10% limit for MF as specified in SEBI MF Regulations.

At investment strategy of SIF level

At investment strategy of SIF level

- 10% of its NAV in equity shares & equity-related instruments of a company.
- 20% of its NAV in the units of REIT and InVITs
- 10% of its NAV in the units of REIT and InVITs issued by a single issuer
- 25% of its NAV in debt and money market securities of a particular sector

- 20% (or 25%, subject to approval of Board of Directors / Trustees) in debt instruments (money market & non-money market instruments) issued by a single issuer. This is not applicable to debt exchange traded fund, government securities, treasury bills and tripartite repo on government securities or treasury bills...

INVESTMENT STRATEGY

A scheme of MF launched under SIF is referred to as investment strategy. Only one investment strategy can be launched under each of below-mentioned categories.

Investment Strategy	Equity-Oriented			Debt-Oriented		Hybrid	
	Long-Short Fund	Ex-Top 100 Long-Short Fund	Sector Rotation Long-Short Fund	Debt Long-Short Fund	Sectoral Debt Long-Short Fund	Active Asset Allocator Long-	Hybrid Long-Short Fund
Open-ended	✓	✓	✓	✗	✗	✗	✗
Interval	✓	✓	✓	✓	✓	✓	✓
Equity & Equity Related Instruments	✓ Min 80%	✓ Min 65% (Excluding top 100 stocks by market cap)	✓ Max 80% (Max 4 sectors)	✗	✗	✓	✓ Min 25%
Debt Instruments	✗	✗	✗	✓ (Max 75% in single sector, Min 2 sectors)	✓	✓	✓ Min 25%
Other Instruments (REITs/InvITs/Commodity Derivatives)	✗	✗	✗	✗	✗	✓	✗
Short exposure through unhedged derivative positions							
In Equity & Equity Related Instruments	✓ (Max 20%)	✓ (Max 25%, Excluding large cap stocks)	✓ (Max 25%, Applies at sector level)	✗	✗	✓ (Max 25%)	✓ (Max 25%)
In Debt Instruments	✗	✗	✗	✓ (Max 25%, Applies at sector level)	✓	✓ (Max 25%)	✓ (Max 25%)
Minimum Redemption Frequency	Daily	Daily	Daily	Weekly	Weekly	Twice a week	Twice a week

CONCLUSION

With clear regulatory frameworks and growing investor interest, SIFs have the potential to play a transformative role in India's investment landscape. The introduction of new asset class provides portfolio flexibility and targeted capital allocation into critical and underserved sectors like energy. However, given their recent launch, limited investor awareness, and potential regulatory overlaps, sustained monitoring and continuous investor education will be essential to ensure their long-term success.

For more information on setting up Specialized Investment Funds, regulations relating to Specialized Investment Funds, Mutual Funds, Portfolio Management Services and other related topics, kindly visit www.begurs.com.

