



Early SIF returns are encouraging, but investors must stay cautious

SIFs slightly outperformed mutual funds during the West Asia war-led correction amid FPI selling, high valuations

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At least three new fund offers (NFOs) announced in April under the specialized investment fund (SIF) framework, introduced by the Securities and Exchange Board of India (Sebi) in 2025, will add to a sharp surge in assets under management (AUM) of these products.

The net AUM of this category, that is the total market value of all investments a fund manages including inflows, outflows and changes in asset prices on a given date, have risen from ₹2,010.44 crore at the end of October 2025 (when the Association of Mutual Funds in India released SIF numbers after first launch in September) to ₹9,710.87 crore at the end of February.

These will also give investors a variety of options in the category, which was dominated by hybrid long-short strategies that use equities, debt, and derivatives to balance risk and returns during the initial phase.

Unlike a mutual fund that takes only long positions, buying and holding stocks to benefit when prices rise, SIFs can employ both long and short strategies. In other words, SIFs are not dependent only on upward market movement and can also generate returns in a bearish market. By using derivatives, they can profit even when prices fall.

Mint spoke to industry players to assess target users and performance.

Early performance as a metric? The early picture shows that these funds have performed slightly better than mutual funds when the Nifty 500 fell around 14% from 1 January-31 March as the West Asia war escalated at the end of February on top of the constant selling by foreign investors amid high valuations.

According to Value Research data, hybrid long-short funds, where most of the current AUM is concentrated, delivered an average negative three-month return of 3.1% as of 31 March.

During the same period (1 January-31 March), their benchmark, the Nifty 50 Hybrid Composite Debt 50:50 Index fell 7.8%. For comparison, traditional mutual funds that invest in both equities and debt to balance risk and return, like balanced advantage schemes, had average negative return of 8.1%. Equity savings saw an average negative return of 3.5%, while arbitrage schemes delivered an average return of 1.5% at the end of March.

In equity-oriented SIFs, only three schemes launched before 1 January delivered a negative three-month return of 10.1%, compared to the Nifty 500 Total Return Index's -13.9% return from 1 January to 31 March.

During this period, flexi-cap long-only mutual funds posted an average negative return of 13.1%.

But experts advise waiting for at least a full market cycle to gauge their performance. **Vishal Dhawan, a certified financial planner and co-founder of Plan Ahead Wealth**

SIFs hold up better during drawdowns

Early comparisons suggest specialized investment funds (SIFs) may cushion drawdowns better than some mutual funds but may lag in strong bull markets.

SIF and MF category/ benchmark index	3-month category return (in %)
Hybrid long short (SIF)	-3.1
Nifty Hybrid Composite Debt 50:50 (benchmark index)	-7.8
Balanced advantage category average	-8.1
Equity savings category average	-3.5
Equity long-short including one ex-top 100 (equity oriented SIF)	-10.2
Nifty 500 Total Return Index (benchmark index)	-13.9
Flexi-cap category average	-13.1



Returns calculated for the three-month period from 1 January to 31 March across seven SIFs launched until December. Note: SIFs are relatively new products, making it difficult to draw firm conclusions about performance. The graphic captures early trends in a volatile market phase.

SIF assets gather momentum

Assets under management (AUM) across SIFs

	Net AUM (in ₹ crore)	Number of schemes (cumulative)	Number of folios
Oct 2025	2,010	4	10,212
Nov 2025	2,932	5	14,712
Dec 2025	4,892	7	20,779
Jan 2026	6,564	8	24,372
Feb 2026	9,711	11	39,851

Net AUM represents the total market value of assets managed by funds, including inflows, outflows, and changes in asset prices at a given point in time.

Data source: Value Research, Amfi, NSE

How SIFs differ from mutual funds

SIFs	Mutual funds
Limited track record; many strategies based on back-tested models	Established track record
Long-short strategies allowed	Long-only investing
Greater portfolio flexibility	Simpler structure and higher transparency
Limited liquidity in some structures	High liquidity
Potential downside protection	Stronger performance in bull markets
Minimum investment ₹10 lakh	Minimum investment as low as ₹100-500

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Advisors, said the launch of these products has coincided with a sharp correction in equity markets. While they have shown some downside protection, they are likely to underperform in a one-way bull market.

Feroze Azeez, joint chief executive, Anand Rathi Wealth Ltd, also noted that there is very limited data to judge performance, most SIFs have been in existence for less than a year, and early NAVs are broadly around the launch price, signalling that it is too soon to look at their performance. "Since SIFs use long-short and derivatives strategies, performance needs to be seen across at least one full market cycle," he said. By then, there will also be more schemes and better comparability, he added.

The new category opens room for innovation for asset management companies, which were earlier limited to one scheme per category. Under the SIF framework, they can now launch seven additional strategies with a min-

imum ticket size of ₹10 lakh.

Structurally different from MF

This product was launched to bridge the gap between mutual funds and portfolio management services (PMS) in terms of portfolio flexibility. SIFs can invest in both long and short strategies. From a structural perspective, Azeez said investors should be aware that while Sebi allows up to 25% short exposure, there is no minimum requirement, so a long-short fund can still behave largely like a long-only fund.

He added that these may also come with restricted redemption windows, lock-ins, or interval structures, resulting in lower liquidity compared to mutual funds.

Sandeep Tandon, founder and chief investment officer, of Quant Mutual Fund, said they have utilized only between 9-12% of the 25% short limit allowed under the framework. He added that the category is designed with a longer-term perspec-

tive and investors should evaluate it over a three-to-five-year horizon.

Bhavesh Jain, co-head of factor investing at Edelweiss Mutual Fund explained that performance in the hybrid category has varied because each fund follows a different strategy. He said the Altiva Hybrid long-short fund has shown only a minor decline in performance during January-March, as its positioning as an arbitrage-plus fund and a disciplined approach to avoiding equity chasing have given it the flexibility to cut down equity exposure.

Jain clarified that the fund's derivatives exposure has been 14-15%, and that special situations such as initial public offerings and demergers have also contributed to alpha generation.

Unlike traditional open-ended mutual funds, where you can invest or redeem on any business day at the applicable net asset value (NAV), the hybrid strategies under the SIF framework operate in an interval

structure, in which subscriptions are allowed daily, but redemptions are restricted to two days per week.

This structure enables fund managers to manage derivatives positions, arbitrage books and fixed-income allocation without the pressure of daily redemption outflows. Some funds may also have a notice period of up to 15 working days. SIF disclosures are less transparent, making it harder to track, so the framework is evolving, but not fully mature yet, Azeez said.

Who can consider investing?

SIFs are better positioned than traditional long-only mutual funds, as their taxation is similar to that of a mutual fund and their fund managers have given greater flexibility, said Sandeep Seth, founder and CEO of SIF360. He added that it is also for that class of investors who were not ready to count on a single fund manager for minimum investment of ₹50 lakh and ₹1 crore through other vehicles.

"We are not recommending trying SIFs to beginners, those with less time horizon, and have total investment of less than ₹30-40 lakh," he said.

Dhawan also said this product is for those who are comfortable with buying into strategies that don't have a long track record. Investors can allocate a small portion of their capital, mindful that what they are buying into is mostly through a back-tested model and the real data is limited. It is also for investors who are looking to diversify from long-only products.

According to him, for a new category, the allocation as a percentage of the portfolio should not go beyond 10% at the most. He added that until the track record of these funds exists, investors should look at the expense ratio and the track record of the fund management team in short strategies, because the skill set available here is relatively limited compared to long-only products.

He said one advice is that investors should run an overall concentrated portfolio, but because SIFs are new products, they should consider being a little more.

New launches

As of early April, three new SIFs are expected to launch this month, including Franklin Templeton's Saphire and The Wealth Company's WSIF equity long-short funds and Quant qSIF's active asset allocator long-short fund.

Ultimately, SIFs are more flexible than mutual funds and more accessible than AIFs, but the category is still in its infancy. Their early outperformance during a downturn is encouraging, not conclusive. Patience, modest allocation, and close attention to fund manager quality will matter far more than chasing the early winners.



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