



ALTERNATIVE INVESTMENT FUND (AIF)

ALL YOU NEED TO KNOW



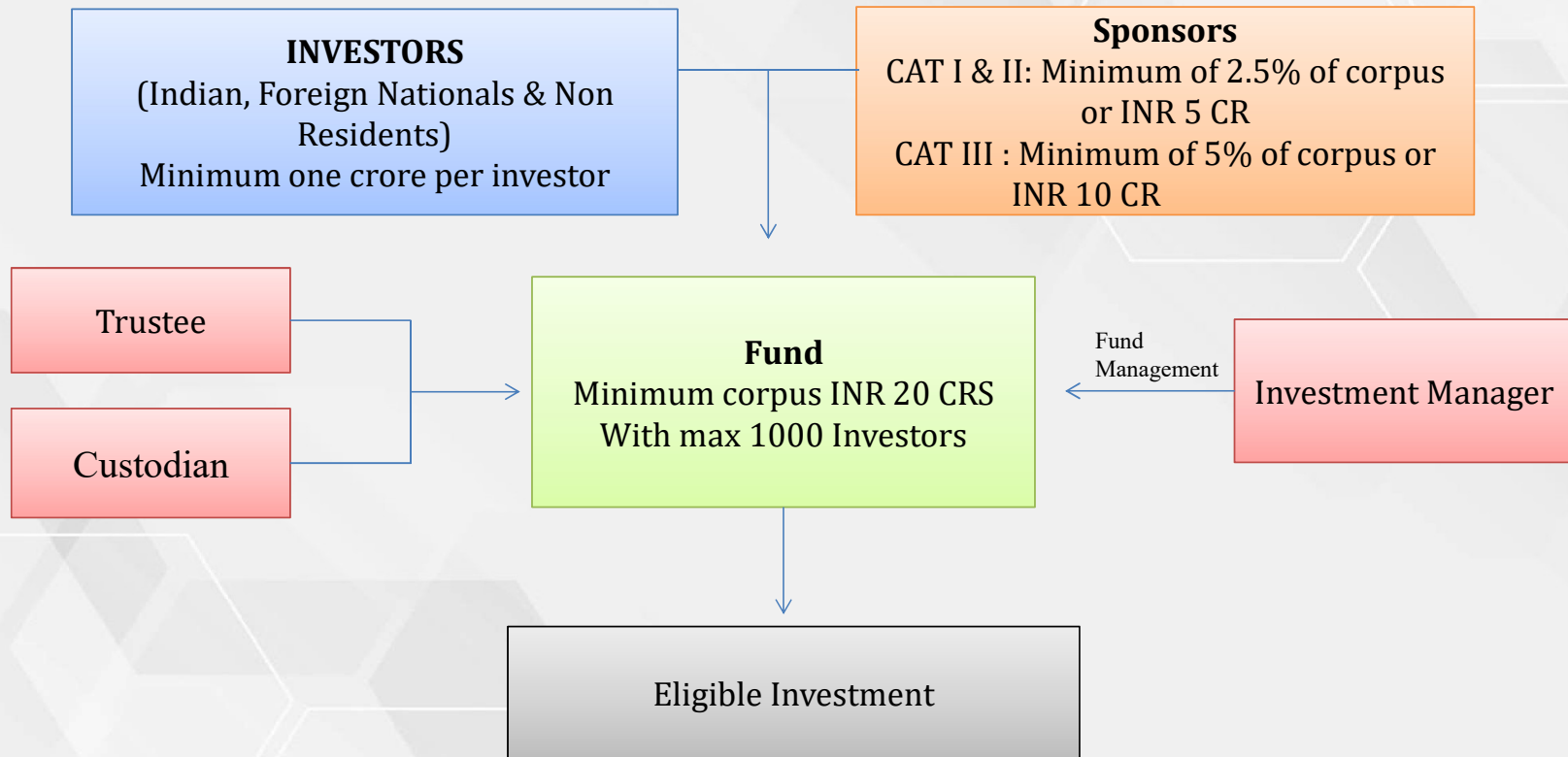
ALTERNATIVE INVESTMENT FUND

Alternative Investment Fund or AIF means any fund established or incorporated in India which is a privately pooled investment vehicle which collects funds from sophisticated investors, whether Indian or foreign, for investing it in accordance with a defined investment policy for the benefit of its investors.

AIFs combines the operational ease of a mutual fund and the flexibility of a PMS making it a perfect blend geared for generating optimum performance for a stipulated investment objective.

To enhance risk-adjusted performance, these products can use complex strategies like unlisted equity investments, long-short hedging style of investments etc

AIF - STRUCTURE



FEATURES OF AN AIF

Skin in the Game

Investment Manager (IM) / Sponsor must invest 10cr or 5% of the committed capital whichever is lower

Alignment of Interest

IM / Sponsor must be well-capitalized

Flexible Investment Mandate

Can raise money in drawdown mode and so take advantage of market volatility

There is No compulsion to reinvest. Can return the capital by booking profits from securities that attain targets, before the completion of the tenure of fund.

Allowed to Participate in IPOs as Qualified Institutional Buyer (QIB)

Allowed to invest in SME Stocks

Scope for Alpha Generation

Maximum Investors allowed per scheme is 1000

Limited corpus allows the investment manager to create differentiated & uncorrelated portfolio

No compulsion to invest in higher weightage stocks in Benchmark —not benchmark hugging

Ease and Convenience

No Need to open Demat account

Pooled vehicle hence all clients investing at the same closure have similar returns experience

No Requirement/ Restriction of opening a PIS (Portfolio Investment Scheme) account for NRI investors.

AIF CATEGORIES

TYPE	CATEGORY I	CATEGORY II	CATEGORY III
CRITERIA	<input type="checkbox"/> Infra, Social, Non-banked Credit for SME <input type="checkbox"/> Special incentives provided by the government <input type="checkbox"/> Invest in startups or early stage ventures or social ventures <input type="checkbox"/> Socially or economically desirable areas	<input type="checkbox"/> Residual category of funds, invested primarily in unlisted securities	<input type="checkbox"/> Funds which are liquid/listed equities <input type="checkbox"/> Funds which may invest in derivatives <input type="checkbox"/> Funds which employ leverage for investments
TYPE OF FUNDS	<input type="checkbox"/> Venture Capital Funds <input type="checkbox"/> SME Funds <input type="checkbox"/> Social Venture Funds <input type="checkbox"/> Infrastructure Funds	<input type="checkbox"/> Private Equity Funds <input type="checkbox"/> Debt Funds <input type="checkbox"/> Fund of Funds <input type="checkbox"/> Other Funds (like Real Estate funds) not classified under the other two categories	<input type="checkbox"/> Long Only Equity Funds <input type="checkbox"/> Long Short Equity Funds
FEATURES	<input type="checkbox"/> Close ended <input type="checkbox"/> Not allowed to leverage <input type="checkbox"/> Specific Investment restrictions for each sub type	<input type="checkbox"/> Close ended <input type="checkbox"/> Not allowed to leverage <input type="checkbox"/> No restrictions on asset allocation	<input type="checkbox"/> Open or close ended <input type="checkbox"/> Leveraging is allowed up to 2x <input type="checkbox"/> No restrictions on asset allocation
TAXATION	Pass through (income accruing from such funds is taxed at the investor level and not the fund level with a requirement to deduct 10% on income credited to the investor)	Pass through (income accruing from such funds is taxed at the investor level and not the fund level with a requirement to deduct 10% on income credited to the investor)	Fund level (Tax obligation doesn't pass through to the investor. Tax rate depends upon the investment strategy and asset allocation of the fund (where the income of the fund is characterized as income under the head Profits or gains from business or profession, the investment fund is taxed in respect to such income at the maximum marginal rate of tax).
TENOR	Close Ended with a minimum tenure of three years	Close Ended with a minimum tenure of three years	Open ended or Close ended
INVESTMENT LIMIT	Maximum 25% in single investee company	Maximum 25% in single investee company	Maximum 10% in single investee company

AIF vs. PMS vs. MUTUAL FUND

PARTICULAR	AIF	PMS	MUTUAL FUND
STRUCTURE	<input type="checkbox"/> Private pooling vehicle <input type="checkbox"/> Incorporated as a Trust/ LLP/ Company	Non –pooled ; individual account structure	<input type="checkbox"/> Funds established to raise monies through sale of units to public <input type="checkbox"/> Set up as a trust, which has sponsors, trustees, AMC
FUND TYPE	<input type="checkbox"/> Category I & II AIF- close ended <input type="checkbox"/> Category III AIF – can be both open & closed	PMS can be discretionary or non discretionary	Close ended or open ended fund
MINIMUM CORPUS	20 Crores	No specific requirement	No specific requirement
MINIMUM INVESTMENT BY INVESTORS	1 Crores	50 Lakhs	As mentioned in the offer documents
VALUATION CREATION	NAV based	No NAV calculations. Stocks are held in the individual name of the investors.	NAV based
MINIMUM TENOR	Minimum 3 yr	No minimum Tenor	No minimum Tenor
NO. OF INVESTOR	Not more than 1000 investors	No such Ceiling	No such Ceiling



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**THANK
YOU!**