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KYRON FINSERV'S

HORIZON

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Should You Consider Alternative Investment Funds (AIFs)?

What Are AIFs?

Alternative Investment Funds are privately pooled investment vehicles offering access to non-traditional strategies like:

- Private equity
- Venture capital
- Hedge funds
- Distressed assets

Why Are AIFs Gaining Popularity?



- Surge in HNIs and family offices in India
- Demand for portfolio diversification and higher returns
- Access to niche and high-growth investment opportunities

Who Are AIFs For?



SEBI mandates a ₹1 crore minimum investment. Ideal for investors who:

- Have a ₹5 crore + diversified portfolio
- Are okay with a 3–7 year lock-in
- Understand complex strategies
- Can handle illiquidity and higher fees

SEBI Categories of AIFs:

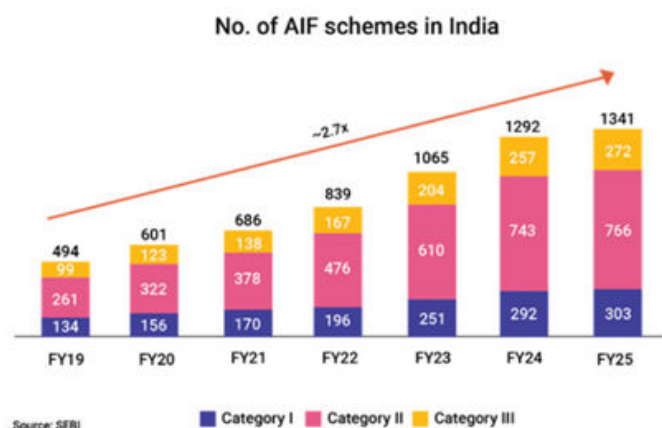
- **Category I:** Venture capital, infrastructure, impact funds
- **Category II:** Private equity, debt, distressed assets
- **Category III:** Hedge funds, long-short, market-neutral strategies

Key Features:

- ₹1 crore minimum (₹25 lakh in select cases)
- High flexibility in strategy
- Professional management for HNIs
- Potential for higher returns vs. mutual funds

Market Growth of AIFs in India

In recent years, the Indian AIF market has witnessed exponential growth, fueled by rising investor demand for alternative assets. SEBI-registered AIFs have seen their asset base expand significantly, with Category II funds leading the charge in private equity investments.



AIFs vs Mutual Funds vs PMS:

Feature	AIFs	Mutual Funds	PMS
Investment Ticket	₹1 crore	₹500	₹50 lakh
Liquidity	Low	High	Medium
Strategy Flexibility	High	Low	High
Risk	High	Moderate	High
Fees	2% + 20%	Expense ratio	Fixed + profit share

Risks to Watch For



- Illiquidity due to lock-in
- Higher fees
- Dependence on fund manager skill
- Limited transparency
- Evolving regulations

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Taxation:

- **Category I & II:** Pass-through taxation
- **Category III:** Taxed at fund level



Trends to Watch:

- Growth in tech and ESG-focused AIFs
- Increased interest from NRIs and family offices
- SEBI pushing for better transparency and valuation norms

Bottom Line:

AIFs offer exclusive opportunities but are best suited for experienced, affluent investors. Talk to a financial advisor before investing.



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