



EQUITY MARKET

MF vs SIF, PMS and AIF

Mutual funds and three other SEBI-regulated products, compared on structure, minimum, tax, exit and sale

Rules as on 12 October 2026

For training and education only. Not investment advice.

The four differ in what you own, the minimum you put in and who is taxed. None is a higher grade of another.

A larger minimum investment is a rule about entry. It is not a sign of lower risk or of a different result. Returns are not assured in any of the four.

What each one is

MF



Mutual fund

Money from the public is pooled in a scheme. Each investor holds units of the scheme.

SIF



Specialized fund

A product inside the mutual fund framework, under a separate brand. Pooled, with units. Seven long-short strategies.

PMS



Portfolio service

A service, not a fund. Each client has an account in their own name and owns the securities in it.

AIF

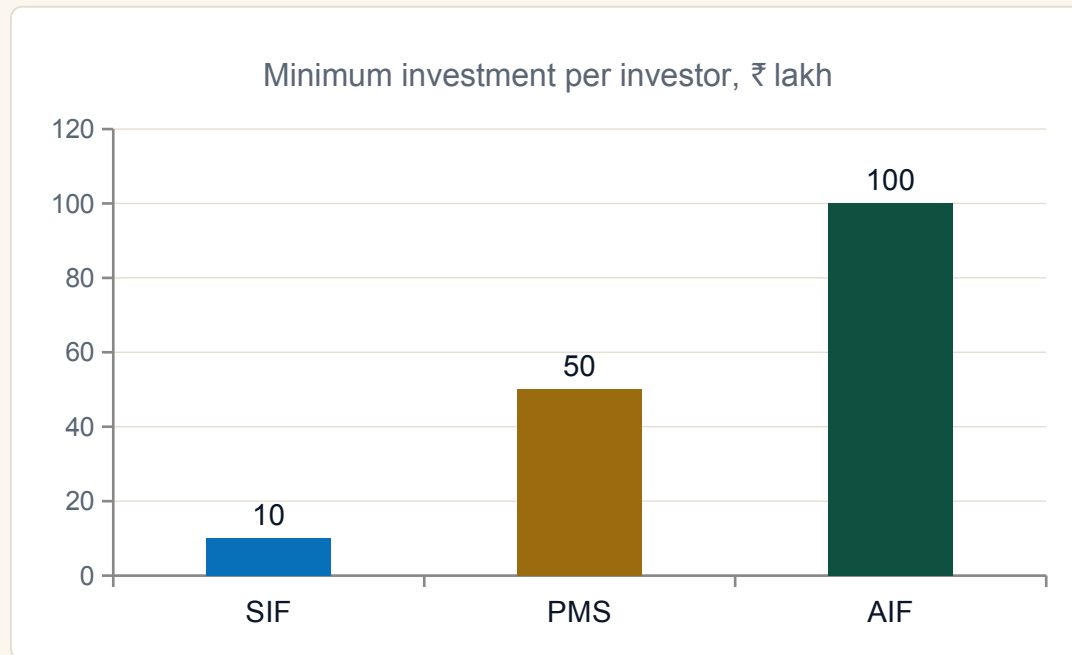


Alternative fund

A privately placed pooled fund in one of three categories. Investors hold units, issued in demat form.

Sources: SEBI Master Circular for Mutual Funds, 20 Mar 2026 (Ch. 21 for SIF); SEBI (Portfolio Managers) Regulations, 2020; SEBI (AIF) Regulations, 2012.

The minimum SEBI sets for each



Read the chart

- Mutual fund: SEBI sets no figure. Each scheme states its own minimum.
- SIF: ₹10 lakh across all strategies of that SIF, counted by PAN.
- PMS: ₹50 lakh per client. AIF: ₹1 crore per investor.
- Accredited investors are exempt from the SIF, PMS and AIF minimums.

Sources: SEBI Master Circular for Mutual Funds, 20 Mar 2026, para 21.4; SEBI (Portfolio Managers) Regulations, 2020; SEBI (AIF) Regulations, 2012, reg. 10(c).

What you hold and how it is offered

	What the investor holds	How it is offered
Mutual fund	Units of a pooled scheme. The scheme owns the securities.	To the public, through a scheme information document.
SIF	Units of a pooled investment strategy.	By an eligible fund house, through an investment strategy information document.
PMS	The securities themselves, in the client's own name. Nothing is pooled.	Under an agreement between the client and the portfolio manager.
AIF	Units of a privately placed fund, not its underlying investments.	Private placement only, by memorandum. At most 1,000 investors in a scheme.

Sources: SEBI Master Circular for Mutual Funds, 20 Mar 2026; SEBI (Portfolio Managers) Regulations, 2020; SEBI (AIF) Regulations, 2012.

One sale, taxed in two ways

THE SAME TRADE

Listed shares bought for ₹4,00,000 are sold eight months later for ₹5,00,000.

Case A: a PMS manager sells for a client.

Case B: a mutual fund sells.

- 1 Gain on the sale: ₹5,00,000 – ₹4,00,000 = ₹1,00,000. Held for 12 months or less, so short-term.
- 2 Case A: the client owns the shares, so the gain is the client's. Tax at 20%: ₹1,00,000 × 20% = ₹20,000.
- 3 Case B: the unit holder has sold nothing. The gain shows up in the scheme's NAV.
- 4 The unit holder's own capital gain arises later, when the units are redeemed, on the units' gain.

In PMS each sale in the account is the client's taxable event. In a fund it is the redemption of units.

Illustration with assumed figures. Tax shown before surcharge and cess. Not tax advice.

Tax: in whose hands

	Who is taxed, and when	Point to note
Mutual fund	The investor, when units are redeemed or switched, and on income distributions.	The rate depends on what the scheme holds and for how long units were held.
SIF	The investor, on the same rules as a mutual fund.	Derivative positions do not count towards the 65% equity test.
PMS	The client, on each sale in the account.	Many sales in a year mean many gains to report.
AIF Category I, II	The investor, as if the investment were made directly (pass-through).	Business income is the exception: it is taxed at the fund level.
AIF Category III	Generally the fund. No pass-through.	The investor receives income after the fund has borne tax.

Source: Income-tax Act, 2025, s.196, s.198 and s.224 (investment funds). Not tax advice.

Getting money out

1

Mutual fund (open-ended)

Units can be redeemed on any business day. Proceeds are paid within three working days. An exit load of up to 3% may apply.

2

SIF

Per strategy: daily for equity, weekly for debt, twice weekly for hybrid, or less often if the AMC decides. Up to 15 working days' notice may apply.

3

PMS

No lock-in; withdrawals follow the agreement and must leave the minimum. Any exit load is capped at 3%, 2%, 1% in years one to three.

4

AIF

Category I and II are close-ended, for at least three years, and do not redeem on request. Category III may be open-ended or close-ended.

Sources: SEBI Master Circular for Mutual Funds, 20 Mar 2026 (paras 15.3, 21.7); SEBI Master Circular for Portfolio Managers; SEBI (AIF) Regulations, 2012, reg. 13.

Who may sell each one

MF



ARN holder

NISM certificate (Series V-A or V-D) and registration with AMFI. Paid by trail commission.

SIF



ARN + Series V-D

AMFI registration and a valid NISM certificate, Series V-D, which also covers mutual funds.

PMS



APMI-registered

NISM Series XXI-A certificate and registration with APMI. No upfront commission; trail only.

AIF



Private offer

Offered privately. A direct plan must be available. Category III pays trail commission only.

An ARN alone covers mutual funds only. SIF and PMS need more; AIF has voluntary NISM exams.

Sources: SEBI circular of 21 Jul 2026 (SIF certification); SEBI Master Circulars for Portfolio Managers (16 Jul 2025) and AIFs (3 Jun 2026); AMFI.

If you learnt this from older material

What older decks say

- Hedge funds are virtually unregulated.
- Mutual funds cannot take short positions.
- Entry is set by dollar tests for US investors.

What holds now

- In India such funds register with SEBI as Category III AIFs.
- Schemes may hedge with derivatives and short under stock lending.
- SEBI sets rupee minimums: ₹10 lakh, ₹50 lakh, ₹1 crore.

A SIF may hold unhedged short derivative positions up to 25% of net assets. It may not use leverage.

Sources: SEBI Master Circular for Mutual Funds, 20 Mar 2026 (para 13.6.1, Ch. 21); SEBI (AIF) Regulations, 2012.

Four things people get wrong



'A higher minimum means lower risk.'

The minimum is an entry rule. A Category III AIF, with the highest minimum, may use leverage, which can magnify losses.



'A SIF is a hedge fund for ₹10 lakh.'

It is a mutual fund product. Gross exposure is capped at 100% of net assets, so there is no leverage.



'PMS is a kind of fund.'

It is a service on an individual account. The client owns each security and is taxed on each sale.



'Every AIF locks money for ten years.'

SEBI's rule for Category I and II is close-ended with at least three years. The actual term is in each fund's placement memorandum.

Sources: slides 3, 7, 8 and 10; SEBI Master Circular for Mutual Funds, 20 Mar 2026, Ch. 21; SEBI (AIF) Regulations, 2012, reg. 13.

Check yourself

Q1

An investor holds ₹6 lakh in one strategy and ₹4 lakh in another strategy of the same SIF, and ₹8 lakh in that fund house's regular schemes. Is the SIF minimum met?

Q2

A PMS manager sells listed shares in a client's account after 5 months at a gain of ₹2,00,000. Who has the gain, and what is the tax at 20% before surcharge and cess?

Q3

A client says: 'AIFs need ₹1 crore, so they must be the top-quality option.' How do you respond?

Sources and disclaimer

SOURCES FOR THE FIGURES IN THIS DECK

- SEBI Master Circular for Mutual Funds, 20 March 2026, including Chapter 21 (Specialized Investment Funds); SEBI circular of 21 July 2026 on SIF distributor certification.
- SEBI (Portfolio Managers) Regulations, 2020, as amended to 3 September 2025; SEBI Master Circular for Portfolio Managers, 16 July 2025.
- SEBI (Alternative Investment Funds) Regulations, 2012, as amended to 14 July 2026; SEBI Master Circular for AIFs, 3 June 2026.
- Tax: Income-tax Act, 2025, as summarised in Trustner Academy's verified fact sheet, 7 October 2026 (partly from secondary sources).
- Trustner Academy's SIF, PMS and AIF lessons and investments fact sheet were used as working references.
- The trade in the example and the investors in the quiz are invented. Figures are assumed.

This material is for training and investor education only. It is not investment, tax or legal advice and is not a recommendation to buy, sell or hold any security or scheme. Examples use assumed figures unless a source and date are shown. Mutual fund investments are subject to market risks; read all scheme related documents carefully. Trustner Asset Services Pvt. Ltd. is an AMFI-registered Mutual Fund Distributor (ARN-286886).