

# Alternative Investment Funds - Opportunities for CAs & Investors

Conclave on Financial Markets  
WIRC Nagpur - ICAI

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- - CA Nipun Mehta





# Introduction to Alternative Investment Funds (AIFs)

Background – Art Funds, Wine Funds, Hedge Funds, Antiques

SEBI (Alternative Investment Funds) Regulations, 2012

What is an AIF?

- An Alternative Investment Fund (AIF) is a Collective Investment Scheme that operates differently from traditional investment vehicles such as mutual funds and stocks

Types of AIFs

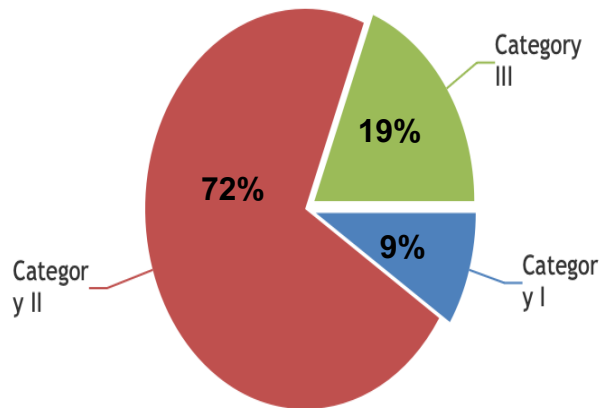
- Category I: Start Ups, Venture Capital Funds, Early-stage Ventures, Social Venture Funds, Infrastructure
- Category II: Invest in Private Equity, Debt, Non-Traditional Assets, Fund of Funds
- Category III: Hedge Funds, PIPE Funds, Complex investment strategies etc.

Growing importance in the Investment Landscape

# SEBI Data on AIFs

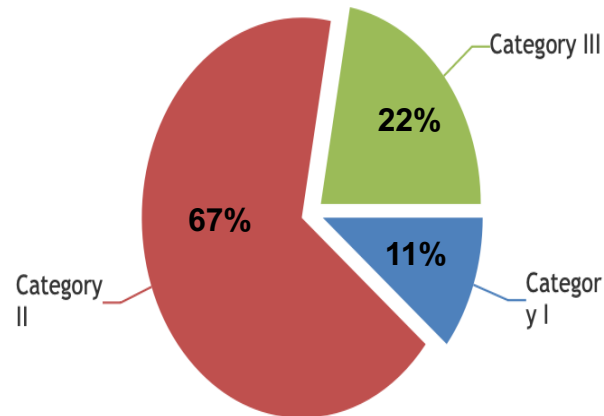
Cumulative net figures as at the end of December 31, 2023

## AIF Fund Raised



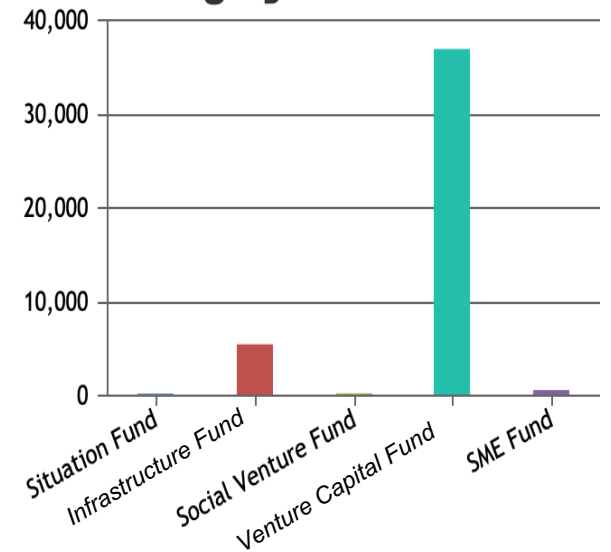
Category I Category II Category III CanvasJS.com

## AIF Investment Made



Category I Category II Category III CanvasJS.com

## Category I Investment



(All figures in Rs. Crores) CanvasJS.com

Source: SEBI website

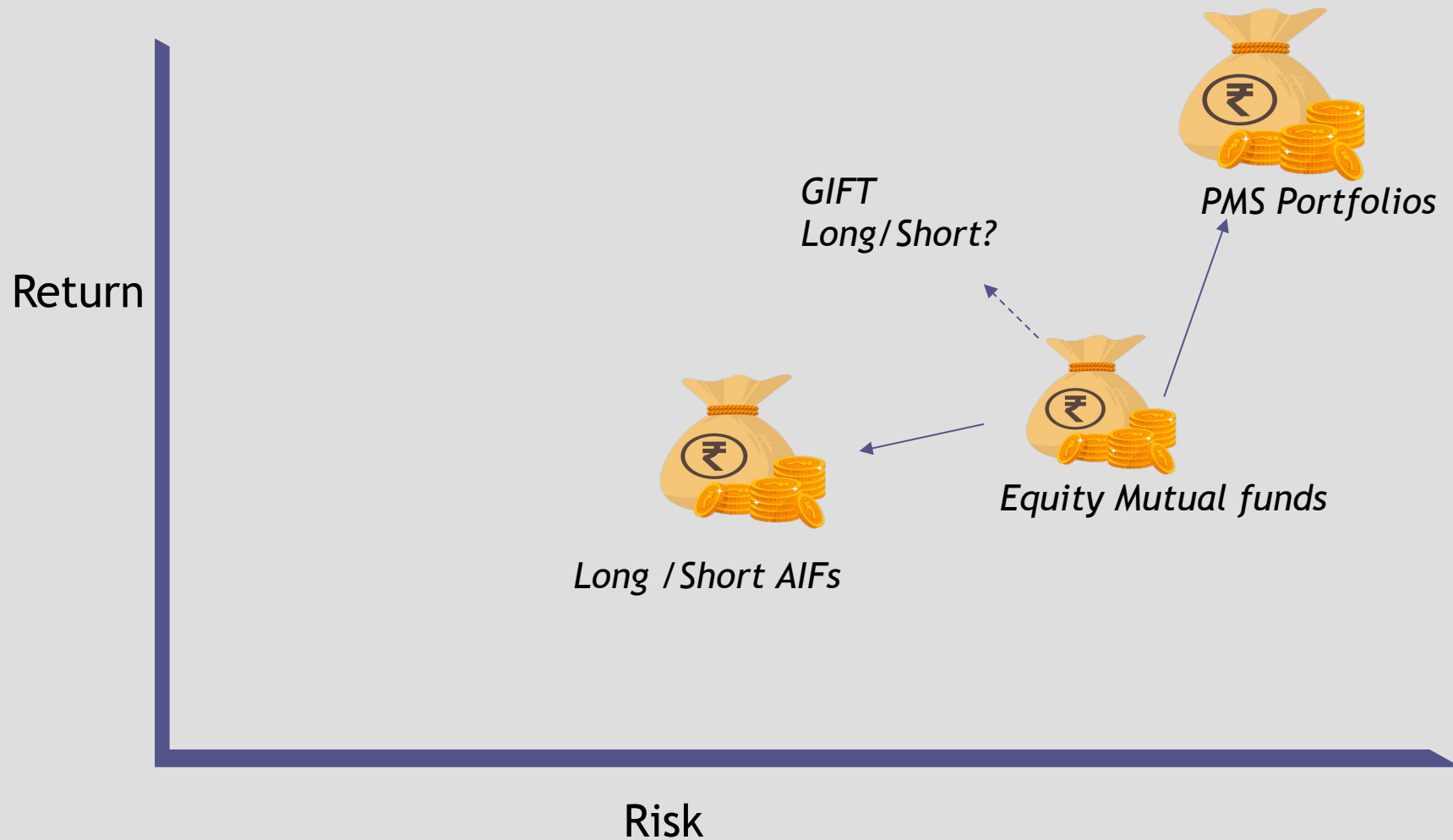
# SEBI Data on AIFs

(All figures in Rs. Crores)

Category of AIF	Commitments Raised	Funds Raised	Investments Made
Category I			
Infrastructure Fund	18,738.08	8,380.28	5,469.33
Social Venture Fund	1,419.93	641.03	258.43
Venture Capital Fund	52,057.17	29,488.41	36,935.42
SME Fund	1,158.22	671.78	597.45
Special Situation Fund	228.00	225.35	225.35
<b>Category I Total</b>	<b>73,601.40</b>	<b>39,406.84</b>	<b>43,485.98</b>
Category II	<b>8,83,215.62</b>	<b>3,08,471.96</b>	<b>2,67,911.24</b>
Category III	<b>1,28,058.26</b>	<b>81,676.42</b>	<b>88,255.97</b>
<b>Grand Total</b>	<b>10,84,875.28</b>	<b>4,29,555.22</b>	<b>3,99,653.19</b>

Source: SEBI website

## Alternatives - Value Proposition



## Why AIFs - Opportunities for Investors

Portfolio  
Diversification

Higher Potential  
Returns

Access to  
Expertise and  
Networks

Exposure to  
Non-traditional  
Assets

Tailored  
Investment  
Strategies

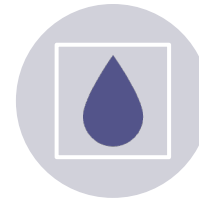
Access to Unique  
Investment  
Opportunities

Ability to Hedge  
Risks

# Key Considerations for Investors



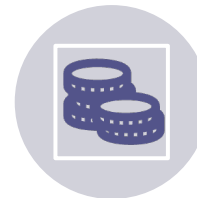
**Risk Profile** – high investment requirement



**Liquidity Needs** – Low liquidity



**Investment Horizon** – generally long



**Fee Structure** – could be complex, high



**Regulatory Environment** – tough





# Regulatory Environment

- SEBI Regulations for AIFs
- Tax Implications
- Capital Requirements
- Compliance Requirements
- Recent Developments - Increasing Disclosures



## Role of Chartered Accountants (1)



### Fund Structuring and Compliance

- Advising on Legal Structures
- Registration and Compliance with SEBI Regulations



### Valuation Services

- Determining Fair Value of Assets
- Ensuring Compliance with SEBI Guidelines



### Due Diligence

- Assessing Investment Opportunities
- Identifying Risks and Opportunities

## Role of Chartered Accountants (2)



### Regulatory Compliance

- Monitoring Regulatory Changes
- Ensuring Adherence to SEBI Guidelines



### Financial Reporting and Audit

- Preparation of Financial Statements
- Conducting Audits to Ensure Transparency and Accuracy

## Key Skills Required for CAs in AIFs



Strong Understanding of Regulatory Environment



Financial Analysis and Modelling Skills



Due Diligence and Risk Assessment Capabilities



Attention to Detail and Accuracy in Reporting



Effective Communication and Collaboration Skills



## Challenges for CAs in AIFs



Rapidly Evolving Regulatory Landscape



Complex Valuation and Reporting Requirements



Managing Conflicts of Interest and Compliance Risks



Continuous Learning and Skill Development

# Key Fund Types, Future of AIFs

- Examples of Successful AIF fund types -
  - Private credit
  - Private equity
  - Real estate
  - Equity long-only
  - Equity long-short
- **FUTURE:**
  - GIFT city AIF
  - Customized mandates for 100 Cr ticket size clients
  - Customized Solutions for Retail through Tech Support
  - Evolving Regulatory Compliance

## Conclusion

- AIFs offer unique opportunities for investors seeking diversification and higher returns
- *Chartered Accountants* can play a crucial role in Fund Structuring, setup, compliance, Due Diligence, financial reporting within the AIF ecosystem, and management of AIFs
- Careful consideration of risks, regulatory requirements, and investment objectives is essential for successful AIF investments

Thank you

