H-SIF Hybrid Long-Short Fund

Frequently Asked Questions

Q1. What is the H-SIF Hybrid Long-Short Fund?

It is an interval investment strategy under HDFC Mutual Fund's Specialized Investment Fund (SIF) platform. This Hybrid strategy invests in both equity and debt, and it can also take limited short positions in equity and debt through derivatives. Its objective is to generate income and capital appreciation. There is no assurance that the objective will be achieved.

Q2. What does "Arbitrage+" positioning indicate?

The fund's strategy is built on exposure to Arbitrage and Fixed income instruments across duration offering higher degree of Safety, intended to provide a relatively steady return profile. The strategy aims to generate the additional returns through a combination of strategies including directional long equity, special situations and derivative exposure including short positions. The '+' in the positioning indicates an endeavour for incremental returns over and above Arbitrage funds which can potentially add higher risk.

Q3. Why is Fund positioned between Arbitrage Fund and an Equity Savings Fund?

- **Arbitrage funds** aims to generate returns from cash–futures spreads and use derivatives with 100% hedge.
- **Equity savings funds** maintains allocation to Net Long Equity with Debt and Arbitrage exposure.
- **H-SIF Hybrid Long-Short Fund** draws returns from debt, arbitrage and long- short equity positions. It can use derivatives for hedging and also for unhedged short exposure of up to 25% of net assets. The Risk return profile and positioning will potentially be between the 2 categories. Hence on the illustrative risk-return scale, it stays between Arbitrage Funds and Equity Savings Funds.

Q4. What will be the Asset allocation strategy?

Asset	Range (% of net assets)
Equity & equity-related instruments^ including units of Equity Oriented Mutual Funds and Exchange Traded Funds	25% – 75%
Debt & money market instruments^ including Units of Debt Oriented Mutual Fund schemes and Exchange Traded Funds	25% – 75%
Units of InvITs	0% – 20%

^Unhedged short position can be up to 25% of net assets and derivatives exposure can be upto 100% of net assets

The indicative strategy-level split is as follows:

Strategy	Instruments	Indicative range
Fixed income	G-Secs, SDL, T-Bills, Debt papers	30% – 65%
Equity	Arbitrage and covered calls	25% – 45%

Strategy	Instruments	Indicative range
Equity	Special situations / corporate actions	0% – 15%
Other derivative strategies (incl. unhedged short)	Futures and options	0% – 25%
InvITs	Listed InvIT units	0% – 20%

Q5. What is an "unhedged short position" and how much can the fund invest in the same?

A short position in derivatives market generally means entering into an agreement to sell a stock. The position profits when a stock or index falls. "Unhedged" means it is not offset by an equivalent long holding thus carrying additional risk if the market call goes wrong. The fund can take unhedged short exposure of up to 25% of net assets through index futures, stock futures and options strategies. Short Positions taken are considered under Asset Allocation for Equity and Equity instruments and total exposure cannot exceed 100% of net assets.

Q6. Which derivative strategies will the fund use?

Below are the Indicative Derivative strategies the Fund can use during conditions favourable to the derivative strategy -

- **Covered call:** The fund holds a stock and sells a call option on it to earn premium income. This cushions a fall but caps the upside.
- **Short straddle:** The fund sells a call and a put at the same strike. This is profitable if the stock stays in a narrow range.
- **Short strangle:** The fund sells an out-of-the-money call and an out-of-the-money put. This gives a wider profit zone but less premium.
- **Delta hedging:** The fund continuously adjusts its long position so that an options position is protected from small price moves. This helps during a structural downtrend.

Q7. What are "special situations"?

These are controlled levels of short-term tactical opportunities arising from corporate events. Indicative list for Special situation:

- Open offers and buybacks
- IPO/FPO anchor applications
- Rights issues
- QIPs and block deals, which are usually offered at a discount
- Mergers and demergers
- Delistings

Q8. What does the yield-oriented portion consist of?

- **Debt:** G-Secs, SDLs, T-Bills and Debt papers across Duration and offering Higher standard of safety.
- **Arbitrage –** Fully hedged Portfolio
- **InvITs:** Up to 20% in listed InvIT units.

Q9. In which market conditions is the fund likely to do well or struggle?

Likely to do well	Likely to struggle
Mild Positive markets	Sharp short-term falls
Flat to mildly negative markets	Sharp short-term rallies
Volatile markets with higher implied volatility	Sharp swings in interest rates
IPO-friendly markets	

Preferred Investment Horizon is > 18 months

Q10. How is risk managed?

Component	Risk control
Arbitrage	Fully hedged
Debt	Debt papers offering higher degree of safety, Diversified across issuers, low-to-medium duration
Special situations	Mainly F&O stocks, so they can be hedged; acceptance ratios tracked; timely hedging or exit; selective, research-based IPO participation
InvITs	Listed InvIT units only
Derivatives	Sector-neutral approach, delta hedging during volatile markets, covered calls to cushion downside

Q11. How will the Taxation work in the scheme?

SIF taxation is in line with Mutual fund taxation. This strategy falls under **"Other than equity-oriented funds"** basis the Asset Allocation mix. Also, the units will be listed on the exchanges. Tax rates applicable for Capital gains are as follows:

Holding period	Tax treatment
12 months or less	Short-term capital gains taxed at your slab rate
More than 12 months	Long-term capital gains taxed at 12.5%, without indexation

Note: Investors are requested to take professional advice while making investment decisions. The information given here is neither a complete disclosure of every material fact of Income Tax Act (2025), nor it constitutes a legal or tax advice. The above tax rates do not include cess and surcharge.

Q12. Who should consider investing?

- HNIs, ultra-HNIs and family offices
- Investors having commensurate risk appetite
- Investors with a horizon of more than 18 months
- Investors who understand market-linked products and want sophisticated strategies without the larger ticket sizes of PMS or AIF

Q13. What is the minimum investment? Are other Investment modes available in the Strategy?

- During NFO Period and on continuous basis •

  Minimum of ₹10,00,000/- and in multiples of ₹1/- thereafter. For Accredited investor – Minimum amount of ₹10,000/- and in multiples of ₹1/- thereafter. Systematic Investment Plan (SIP) can be registered by the existing investor subject to meeting Minimum threshold investment of ₹10 Lakhs and minimum amount for Accredited investor of ₹10,000 Minimum Additional Purchase Amount (Including Switch in) - ₹5,000/ and in multiples of ₹1 thereafter
- **STP and SWP** facilities are also available for investment in strategies under SIF. The minimum balance after each withdrawal/transfer should be at least Rs. 10,00,000/-.

Q14. How do subscriptions and redemptions work? Is there an exit load?

- **Subscriptions:** Accepted daily.
- **Redemptions:** Allowed twice a week, on Monday and Wednesday, because the fund is an interval strategy. For redemptions during the week, the units are listed on Exchanges
- **Exit load:** 0.5% if you redeem within 90 days of allotment, and nil after that.
- **Entry load:** Nil.

Q15. What happens when investment in the scheme falls below minimum Investment threshold?

- Investment in SIF strategies falling below INR 10 lakhs will be first categorized as “Active” or “Passive” Breach
- An active breach occurs when an investor-initiated transaction, such as a redemption, sale, transfer or off-market transfer, causes the aggregate value across the concerned SIF to fall below ₹10 lakhs.

  In such a case:

  A) all units held by the investor across the investment strategies of that SIF will be frozen for debit,

  B) the investor will receive 30 calendar days to restore the minimum threshold, • the units will be unfrozen if the threshold is restored within that period,

  C) if the threshold is not restored, the frozen units will be automatically redeemed at the NAV applicable on the next business day after the 30th calendar day

  Under Passive breach due to Market action, investor action is not required for any restoration of Minimum threshold amount. However, in such scenarios, no partial redemption will be allowed. Only full redemption will be allowed

Investments in Specialized Investment Fund involves relatively higher risk including potential loss of capital, liquidity risk and market volatility. Please read all investment strategy related documents carefully before making the investment decision