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How hybrid SIFs differ in their long-short strategy playbook

The structure combines equity, debt and derivatives, but investors must understand the risks

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Flexibility of hybrid long-short SIFs

Hybrid long-short specialized investment funds (SIFs) come in various forms, with the flexibility to go long and short, hedge the portfolio and use various derivative strategies along with tactical calls.

What is a hybrid long-short fund?

Asset class	Sebi rule
Equity*	Min **25%**
Debt	Min **25%**
Unhedged shorts (via derivatives)	Max **25%** of net assets

*Equity and equity related instruments

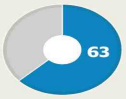
AUM (₹ crore)

Hybrid long-short SIF 19,785

SIF's industry size 31,175

Source: SIF360.com; data as of 31 August 2026

Share of total SIF AUM (in %)



Wider room to manoeuvre

Lever	Room available
Equity portion	Long-only, hedged, arbitrage or a mix
Net equity	Wide range; can even go net short
Market cap	No large/mid/small-cap limit
Shorting	Optional; index or stock level
Other assets	REITs, InvITs
Derivatives	Wider range of strategy set-ups
Risk band^	Hybrids come with risk band level 1 to 5

^Risk band can dynamically move as portfolio changes

What should investors do?

Let SIFs build track-record | Assess how funds manage downside risks | Move up the risk bands gradually

AUM: Assets under management



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Specialized investment funds (SIFs), a new fund category launched by the Securities and Exchange Board of India (Sebi), give investors access to long-short strategies unavailable in mutual funds. The minimum investment amount is ₹10 lakh.

Of the 33 SIFs launched so far, 11 are hybrid long-short funds. They must invest at least 25% each in equity and debt, and can short up to 25% of net assets. They managed over ₹19,000 crore, or 63% of total SIF AUM, as of 31 August, according to SIF360.com.

However, these funds employ a wide range of strategies, reflecting the flexibility of the SIF structure. "The framework does not prescribe whether the equity allocation has to be long-only, large-, mid- or small-cap, arbitrage or hedged. That gives fund managers considerable flexibility," said Bhavesh Jain, president and co-head, factor investing at Edelweiss Asset Management Ltd.

"Traditional mutual fund hybrid categories are clearly defined, and investors can broadly set their expectations accordingly. SIF framework is broader, so each SIF can have a different risk-return profile," said Sirshendu Basu, head of product management and strategy at Bandhan AMC, which has launched its SIF strategies under Arudha SIF.

"Hybrid long-short strategies can be viewed through two use cases. Some may be designed for relatively shorter investment horizons, with greater emphasis on fixed-income, arbitrage or relative-value opportunities. Others may be designed for longer-term wealth creation, combining equity participation with dynamic exposure management," said Amol Patel, lead product specialist at ICICI Prudential Asset Management Co., which has launched its SIF strategies under the iSIF brand.

SIFs also allow fund managers to take naked short positions, that is, bet on a stock or an index falling without holding an offsetting position. So far, the industry by and large has used this tool sparingly. Here is how each hybrid SIF differs from the others.

Arbitrage and debt

Edelweiss's Altiva Hybrid Long-Short Fund targets investors seeking slightly better returns than arbitrage funds. It would use a mix of equity arbitrage, debt, special situations and derivatives. "Special situations are corporate events, such as mergers, demergers and initial public offerings (IPOs), that can create short-term price gaps a fund can capture. A common derivative strategy is the covered call: the fund holds a stock and sells a call option on it, earning a premium in return for giving up gains above a set price," said Jain.

"Bandhan AMC's Arudha Hybrid Long-Short Fund invests 60-65% in debt, mostly AAA-rated or government securities with a duration of one to four years, with about 10% in AA and AA+ rated securities," said Basu.

The remaining 35-40% goes into arbitrage, giving the fund no directional equity exposure. This means it does not bet on the market rising or falling, but seeks to capture price differences through arbitrage.

HSBC Asset Management (India) Pvt. Ltd's RedHex Hybrid Long-Short Fund also leans on debt and arbitrage, while exploring credit opportunities and other strategies.

Equity-savings-plus

Then there are funds that take some directional equity exposure alongside arbitrage, debt and derivatives to hedge the equities. Aditya Birla Sun Life AMC Ltd's Apex Hybrid Long-Short Fund follows this approach and positions itself as an "equity savings-plus" product. Equity savings funds typically keep net equity at 10-25%, while Apex can go up to 40%, mostly through a basket of Nifty 50 stocks. The equity portion is hedged through arbitrage and derivative strategies such as covered calls. It also looks at special situations, including IPOs, buybacks and open offers, and holds debt rated AA or above.

More derivative plays

Other hybrid long-short funds rely more on derivatives, alongside arbitrage, debt and special situations.

With a ₹10 lakh minimum outlay, SIFs open up long-short strategies that were unavailable via mutual funds

Jio BlackRock Asset Management Pvt. Ltd's Prism Hybrid Long-Short Fund focuses on the collar strategy and merger arbitrage, along with debt, Real Estate Investment Trusts (Reits), Infrastructure Investment Trusts (InvITs) and special situations.

In a collar, the fund holds a stock and sells a call option to earn a premium. It also buys a put option, which limits losses if the stock falls. Gains are capped, but so are losses. Merger arbitrage is a bet when a merger is announced. The target company's shares often trade slightly below the value implied by the deal terms. The fund buys them and sells the acquirer's shares as a hedge, earning the gap when the deal closes. The risk is that the deal is delayed or falls through.

Mirae Asset Investment Managers (India) Pvt. Ltd's Platinum Hybrid Long-Short Fund can switch between a collar strategy and traditional cash-futures arbitrage depending on market conditions. It also uses debt and special situations.

Kotak Mahindra Asset Management Co.'s Infinity Hybrid Long-Short Fund positions itself as "Arbitrage++". It also aims to deploy tactically in debt, traditional cash-futures arbitrage, Reits, special situations and derivatives.

For example, pair trades involve taking a long position in one security and a short position in another, typically when the two securities within the same sector are expected to behave differently or when their relative valuations are expected to converge.

SBI Funds Management Ltd's Magnum Hybrid Long-Short Fund focuses on equities but uses the collar strategy to seek steadier returns. It would also take exposure to debt, Reits, InvITs and special situations.

BAF-Plus

ICICI Prudential AMC's iSIF Hybrid Long-Short Fund builds on a dynamic asset-allocation approach, while using the wider investment flexibility available within the SIF framework. The fund dynamically manages its net equity exposure using an investment framework in which the Nifty 50 price-to-book ratio is an important input. When the ratio is below 3, net equity can range between 65% and 75%; between 3 and 3.7, it can range between 25% and 65%; and above 3.7, it can fall to 0-25%. The framework also considers other market factors while determining portfolio positioning.

"The strategy has significant flexibility to dynamically manage its net equity exposure depending on market valuations and other market factors. It also maintains a minimum 25% allocation to debt, providing diversification beyond equity," said Patel.

The strategy can also use covered calls, options and other permitted derivatives to enhance returns and manage risk, alongside debt, special situations and InvITs.

Quant AMC's qsif Hybrid Long-Short Fund is also positioned as a BAF-Plus product, but plans to use shorting more actively. Its in-house quantitative model decides when to go long or short using high-frequency market data. It also invests in arbitrage and debt, and can use covered calls, pair trades and special situations such as IPOs.

Tata Asset Management's Titanium Hybrid Long-Short Fund's "net equity range may run from minus 25% to plus 75%, so it can hold a sizeable net short position. It invests 65-75% in equities and derivatives, 25-35% in debt and up to 10% in Reits and InvITs," said Anand Vardarajan, CEO and managing director, Tata Asset Management.

Takeaways

The SIF category is still new. Advisors suggest investors start with more conservative strategies, while allowing less conservative ones to build a longer track record. "When it comes to any investment vehicle, it is important to let the product build a longer track record. While backtested data on these strategies is available, a longer live track record will help investors assess how these funds are managing the downside and delivering returns," said Vishal Dhawan, founder of Plan Ahead Wealth Advisors Pvt. Ltd.

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