

# Business Standard

## AIF registration dips in 2020 as fund managers turn cautious amid Covid-19

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Sachin P Mampatta | Mumbai December 31, 2020 Last Updated at 12:12 IST



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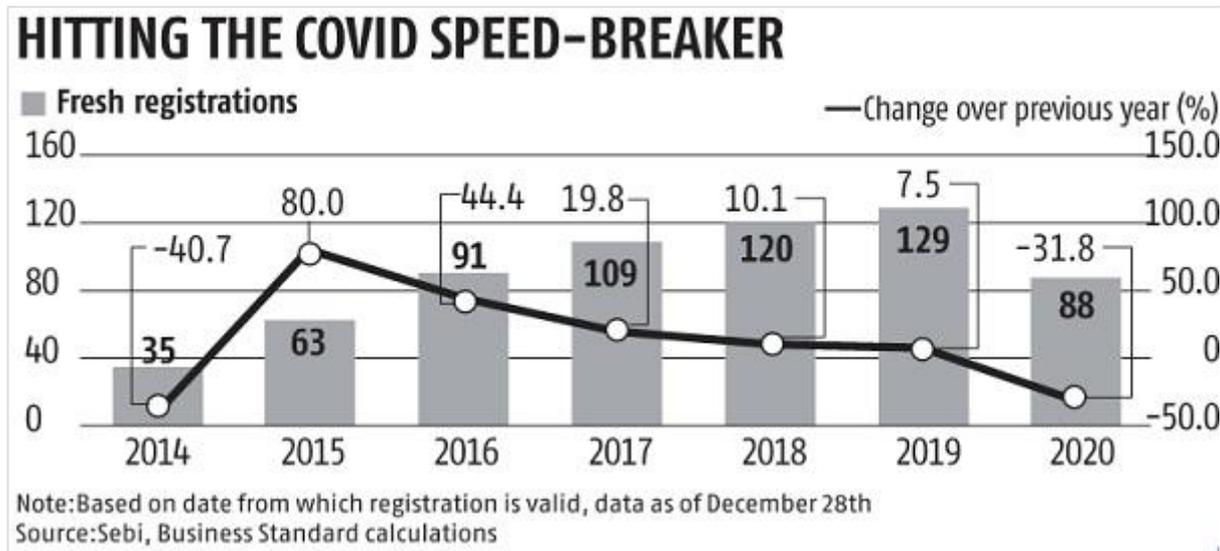
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registration of new alternative investment funds (AIFs) may have slowed down for the first time in years in 2020. AIF registrations numbered 88 in 2020, compared to 129 in 2019, a decline of 31.8 per cent and reported for the first time since 2014. This breaks a five-year rising trend, showed a Business Standard analysis of regulatory registration data.

Alternative investment funds are sophisticated schemes for wealthy people to invest their money. They require a minimum investment of Rs 1 crore.

"Fund managers adopted a wait-and-watch approach at the beginning of the Coronavirus (Covid-19) pandemic due to increased redemptions and miniscule interest in fresh investments. Also, incremental additions could be lower than before because a lot of registrations had already happened over the last 2-3 years," said Rajesh H Gandhi, partner at Deloitte Haskins & Sells.

"It's only in the last few months that things have started to pick up," said Sumit Agrawal, founder of law firm Regstreet Law Advisors and former Sebi official. Tax issues had also affected AIF registrations and launch of schemes in the recent past, he added.



Sentiments have changed now with a sharp turnaround in the market. Moreover, category II funds have seen momentum partly due to an increased interest in stressed

assets, said Gandhi.

There are three categories of AIFs. The first includes venture capital that backs new, innovative companies and start-ups. It also includes funds investing in small and medium enterprises, social venture funds and infrastructure funds. The second category includes private equity funds, which may back large companies, as well as funds which invest in distressed assets. They do not use leverage, which means that they don't bet more money than they have. Only the third category of funds is allowed to use leverage. This last category includes hedge funds.

Alternative investment funds have made investments worth Rs 1.6 trillion already shows the latest September data. They have commitments worth over Rs 4 trillion from investors.