

## AIFs Made Simple: What They Are and How They're Classified

Managing meaningful wealth often calls for more than market-linked products — it demands access to differentiated strategies, flexibility, and the ability to capture opportunities which may be unavailable via traditional investment vehicles. This is where **Alternative Investment Funds (AIFs)** come in.

- AIFs are *privately pooled* investment vehicle that invests in diverse *alternative* asset classes such as private equity, venture capital, hedge funds, private and public debt, real estate, commodities, and derivatives etc.
- In short, they open doors to deals that the public markets may not be able to
- They can either be close-ended (CAT I, II, & III) or open-ended (CAT III)

<b>Close Ended Funds</b>	Fixed Tenure; Limited liquidity (may have lock-ins)
<b>Open Ended</b>	No Fixed Tenure; High liquidity

### The AIF Family Tree: Where Do You Belong?

Category I	Category II	Category III
<ul style="list-style-type: none"> <li>✓ Invest in start-ups, early-stage ventures, SMEs, infrastructure, or other sectors considered socially or economically important by the government or regulators</li> <li>◆ Venture Capital Funds</li> <li>◆ SME Funds</li> <li>◆ Social Venture Funds</li> <li>◆ Infrastructure Funds</li> </ul>	<ul style="list-style-type: none"> <li>✓ AIFs which do not fall in Category I and III and which do not undertake leverage or borrowing other than to meet day-to-day operational requirements</li> <li>◆ Private Equity Funds</li> <li>◆ Debt Funds</li> <li>◆ Real Estate Funds</li> <li>◆ Fund of Funds</li> </ul>	<ul style="list-style-type: none"> <li>✓ AIFs which employ diverse or complex trading strategies and may employ leverage including through investment in listed or unlisted derivatives</li> <li>◆ Hedge Funds</li> <li>◆ PIPE Funds</li> <li>◆ Long only equity Funds</li> <li>◆ Long Short Equity Funds</li> </ul>

### What's in AIF locker that others don't have the keys to?

<b>Skin In the Game</b>	Fund sponsors are required to invest their own capital, ensuring alignment with investor interests
<b>Increased autonomy</b>	AIFs allow broader freedom in asset selection, structuring, and strategy — unconstrained by mutual fund norms
<b>Co-Investment Opportunity*</b>	Select investors may get opportunities to invest directly alongside the fund in specific deals.

\*Co-investment available only in CAT I & II AIFs

### Key Considerations

**Min Investment:** Rs. 1 cr

**Liquidity risk:** High liquidity risk (in case of closed-ended funds)

**Taxation:** Investor level for CAT I & II; Fund level for CAT III

**Suitability:** Ideal for HNIs, family offices, and long-term investors with high-risk appetite

Explore our [AIF offerings](#) if you're seeking alternative investment options

**Disclaimer:**

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Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022-71934263; Website [www.motilaloswal.com](http://www.motilaloswal.com). Correspondence Office Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 7188 1000. Registration Nos.: Motilal Oswal Financial Services Limited (MOFSL)\*: INZ000158836. (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412. AMFI: ARN - 146822; ; Insurance Corporate Agent: CA0579. Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No.: INP000000670); PMS and Mutual Funds are offered through MOAMC which is group company of MOFSL. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No.: INP000004409) is offered through MOWML, which is a group company of MOFSL. • Motilal Oswal Financial Services Limited is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs, Insurance Products, Investment advisor and IPOs etc These are not Exchange traded products and the Trading Member is just acting as distributor. All disputes with respect to the distribution activity would not have access to Exchange Investor Redressal Forum or Arbitration mechanism • Research & Advisory services is backed by proper research. Please read the Risk Disclosure Document prescribed by the Stock Exchanges carefully before investing. There is no assurance or guarantee of the returns. Details of Compliance Officer: Name: Neeraj Agarwal, Email ID: [na@motilaloswal.com](mailto:na@motilaloswal.com), Contact No.:022-40548085.The securities quoted are exemplary and are not recommendatory. Brokerage will not exceed SEBI prescribed limit. Customer having any query/feedback/ clarification may write to [query@motilaloswal.com](mailto:query@motilaloswal.com). In case of grievances for Securities Broking write to [grievances@motilaloswal.com](mailto:grievances@motilaloswal.com), for DP to [dpgrievances@motilaloswal.com](mailto:dpgrievances@motilaloswal.com).

**\*Such representations are not indicative of future results. Investment in securities market are subject to market risks, read all the related documents carefully before investing.**