



DEPUTY GENERAL MANAGER  
ALTERNATIVE INVESTMENT FUND AND FOREIGN PORTFOLIO INVESTOR DEPARTMENT  
DIVISION OF POLICY AND DEVELOPMENT

SEBI/HO/AFD/PoD/OW/2023/38073

September 13, 2023

Mr. Vineet Bagri  
CEO and Fund Manager,  
Prajana Advisors Private Limited,  
Investment Manager of Athena Alternative Investments Fund,  
1101, Naman Centre, BKC, Bandra (East), Mumbai - 400051

Dear Sir,

**Sub: Request for Informal Guidance by way of interpretative letter under the provisions of Securities and Exchange Board of India (Informal Guidance) Scheme 2003 relating to Regulation 18 of Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 ("AIF Regulations")**

**Ref: Your letter dated July 13, 2023**

1. In the context of your letter under reference, you have, *inter alia*, stated that Athena Alternative Investments Trust is a SEBI registered Category III Alternative Investment Fund ("AIF") bearing registration no. IN/AIF3/22-23/1166 and have sought an interpretive letter under the Securities and Exchange Board of India (Informal Guidance) Scheme 2003 from SEBI on the following query:

*Whether a Cat III AIF can invest in Mutual Funds on a permanent basis as a part of the multi asset portfolio?*

## 2. ***Our Comments***

The submissions made in your letter have been considered and without necessarily agreeing with your analysis, our view on the issues raised in your letter are as under:

2.1. In terms of Regulation 18 of AIF Regulations, Cat III AIFs may, *inter alia*, -

- a) invest in securities of listed or unlisted investee companies, derivatives, units of other AIFs or complex or structured products.

- b) deal in goods received in delivery against physical settlement of commodity derivatives.
- c) buy or sell credit default swaps in terms of the conditions as may be specified by the Board from time to time.
- d) engage in leverage or borrow subject to consent from the investors in the fund and subject to a maximum limit, as may be specified by the Board.

2.2. In terms of Regulation 2(1)(o) of AIF Regulations, “investee company” means any company, special purpose vehicle or limited liability partnership or body corporate or real estate investment trust or infrastructure investment trust in which an AIF makes an investment.

2.3. Thus, investment in Mutual Funds is not covered under permissible investments by a Category III AIF.

2.4. However, in terms of Regulation 15(1)(f) of AIF Regulations, un-invested portion of the investable funds and divestment proceeds pending distribution to investors of AIFs (including Cat III AIFs) may be invested in liquid mutual funds or bank deposits or other liquid assets of higher quality such as Treasury bills, Triparty Repo Dealing and Settlement, Commercial Papers, Certificates of Deposits, etc. till the deployment of funds as per the investment objective or the distribution of the funds to investors as per the terms of the fund documents, as applicable.

- 3. This above position is based on the information furnished in your letter under reference. Different facts or conditions might lead to a different interpretation. This letter does not express the decision of the Board on the question referred through your letter.
- 4. You may note that the above views are expressed only with respect to the clarification sought in your letter under reference on the AIF Regulations and do not affect the applicability of any law and any other regulations, guidelines and circulars framed or administered by SEBI or any other authority.

**Yours faithfully,**

**Sanjay Singh Bhati**