Nodal Co-ordination Cell

Informal Guidance

Issue No: I/16609/2026

July 17,2026

Sundaram Alternate Assets Limited

Alamelu Terrace, 3rd Floor

163 Anna Salai, Chennai-600002

Sir,

Kind Attention: K Rajagopal, Secretary and Compliance Officer-Sundaram Alternate Assets Limited

Subject: Request for Informal Guidance under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2025 in relation to Regulation 24(3A) of the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020 read with paragraph 3.4 of the Master Circular for Portfolio Managers dated July 16, 2025

1. This is with reference to your letter dated May 18, 2026 ("**Application**") seeking guidance by way of an interpretative letter under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2025 ("**Informal Guidance Scheme**").

2. The following information is gathered from your application-

2.1. Sundaram Alternate Assets Limited ("**Applicant**") is registered with SEBI as a Portfolio Manager vide Registration No. INP000006271.

2.2. The applicant is also the Investment Manager for

2.2.1. Sundaram Alternative Investment Trust, a Category III Alternative Investment Fund (Registration No. IN/AIF3/16-17/0291); and

2.2.2. Sundaram Category II Alternative Investment Fund (Registration No. IN/AIF2/17-18/0340)

2.3. While operating as Investment Manager for Alternative Investment Fund ("**AIF**"), the applicant has come across a query in respect of applicability of prudential limits specified at Para 3.4 of the Master Circular for Portfolio Managers dated July 16, 2025 ("**Master Circular**"), on transfer of units of AIF held with associates of PMS.

3. In view of the above facts and circumstances, you have sought guidance on the following query:

3.1. "We are of the view that, if the investor gives written consent to transfer the AIF units held in multiple schemes of Sundaram Category II Alternative Investment Trust (Associate of Portfolio Manager) to a separate account opened in the name of investor under (a) Discretionary PMS or (b) Strategy for Large Value Accredited Investors (LVAI) of Sundaram Alternates, the limit specified under Para 3.4.2 shall not be applicable as AIF units are akin to Mutual Fund units (i.e. pooled investment vehicle). Kindly confirm our understanding."

4. We have considered the submissions made by you in your letter under reference and without necessarily agreeing with your analysis, our views on the queries raised in your letter are as under:

4.1. Regulation 24(3A) of the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020 provides that the portfolio manager shall ensure compliance with the prudential limits on investments as may be specified by the Board.

4.2. The prudential limits on investments by portfolio manager is specified in paragraph 3.4 of the Master Circular, which provides ***"Limits on investments in securities of associates/related parties of Portfolio Managers"*** as under:

4.2.1. A portfolio manager may invest up to a maximum of 30 percent of their client's portfolio (as a percentage of the client's assets under management) in the securities of their own associates/related parties.

4.2.2. Paragraph 3.4.3 of the Master Circular provides as under:

"The aforementioned limits shall be applicable only to direct investments by Portfolio Managers in equity and debt/hybrid securities of their own associates/related parties and not to any investments in the Mutual Funds."

4.2.3. A plain reading of the aforesaid provision makes it clear that the prudential limits are applicable only to direct investments made by the portfolio manager in equity and debt/hybrid securities of associates/ related parties of the portfolio manager. The said provision also provides that the said limits are not applicable in case of investments by the portfolio manager in the units of Mutual Funds.

4.2.4. The said provision provides limits on investments in securities of associates/related parties of portfolio manager and the same limits shall also be applicable in case of transfer of AIF units already held in the name of the client, to a separate account held with the portfolio manager.

4.3. Further, unlike mutual fund (which is a fund established as a trust and registered with SEBI for raising monies through sale of units to the public), AIF is a privately pooled investment vehicle which collects funds from sophisticated investors, whether Indian or foreign, for investing it in accordance with a defined investment policy for the benefit of its investors. Moreover, the definition of AIF in Regulation 2(1)(b) of the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 excludes funds covered under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996. Therefore, AIF is not akin to mutual funds for the said purposes.

4.4. Considering that the exemption under paragraph 3.4 of the Master Circular is restricted only to mutual funds and given the above, the investment by a portfolio manager in the units of AIF are not exempted from the provision of prudential limits.

5. This letter has been issued with the approval of the competent authority and the guidance is based on the representation made in your application. Different facts or conditions would require a different result. This letter expresses the relevant Department's position on enforcement action only and does not affect the applicability of any other law including the Securities and Exchange Board of India Act, 1992 and the Rules, Regulations, Guidelines or Circulars framed thereunder that are administered by the Securities and Exchange Board of India or of the laws administered by any other authority. It does not express the decision of the Board on the questions presented and does not preclude you from taking any other opinion, as deemed appropriate.

Yours faithfully,

Anamika Shripat

भारतीय प्रतिभूति और विनिमय बोर्ड ★ Securities and Exchange Board of India