

CIRCULAR

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February 26, 2026

To,

All Mutual Funds

All Asset Management Companies (AMCs)

All Trustee Companies/ Board of Trustees of Mutual Funds

Association of Mutual Funds in India (AMFI)

Madam/ Sir,

**Subject: Categorization and Rationalization of Mutual Fund Schemes**

1. SEBI vide circular no. SEBI/HO/IMD/DF3/CIR/P/2017/114 dated October 06, 2017, read with circular no. SEBI/HO/IMD/DF3/CIR/P/2020/228 dated November 06, 2020 issued directions regarding categorization and rationalization of Mutual Fund Schemes. The said circulars were consolidated as clause 2.6 of the chapter 2 of Master Circular for Mutual Funds dated June 27, 2024 (hereinafter referred as "Master Circular").
2. To accommodate the continuously evolving landscape of mutual fund investments and the emergence of opportunities across various asset classes, **Clause 2.6** of Chapter 2 of the Master Circular stands superseded as under:

***2.6 Categories of Schemes, Scheme Characteristics and Type of Scheme (Uniform Description of Schemes):***

2.6.1 The Schemes are broadly classified as under:

- A. Equity Scheme: *Mutual Fund scheme predominantly investing in equity and equity related instruments;*
- B. Debt Scheme: *Mutual Fund scheme predominantly investing in debt and debt related instruments;*
- C. Hybrid Scheme: *Mutual Fund scheme investing in a mix of asset class i.e. equity, debt, InvITs and commodities related instruments as permitted by SEBI.*

D. Life Cycle Funds

E. Other Schemes:

- i. Fund of Fund Schemes
- ii. Passive Schemes for e.g. Index Funds / ETFs

2.6.2 'Residual portion' mentioned in the circular refers to the part of a scheme's corpus not invested in its main, core asset classes as provided in the scheme characteristics.

2.6.3 The details of the scheme categories under each of the aforesaid groups along with their characteristics and uniform description are as under:

**A. Equity Schemes:**

Sr. No.	Category of Schemes	Scheme Characteristics	Type of scheme (uniform description of scheme)
1	Multi Cap Fund	Minimum investment in equity & equity related instruments - 75% of total assets in the following manner:  a) Minimum investment in equity & equity related instruments of large cap companies - 25% of total assets;  b) Minimum investment in equity & equity related instruments of mid cap companies - 25% of total assets;  c) Minimum investment in equity & equity related instruments of small cap companies - 25% of total assets	An open ended equity scheme investing across large cap, mid cap, small cap stocks
2	Large Cap Fund	Minimum investment in equity & equity related instruments of large cap companies- 80% of total assets	An open ended equity scheme predominantly investing in large cap stocks
3	Large & Mid Cap Fund	Minimum investment in equity & equity related instruments of large cap companies- 35% of total assets Minimum investment in equity & equity related instruments of mid cap stocks- 35% of total assets	An open ended equity scheme investing in both large cap and mid cap stocks.

4	Mid Cap Fund	Minimum investment in equity & equity related instruments of mid cap companies - 65% of total assets	An open ended equity scheme predominantly investing in mid cap stocks
5	Small cap Fund	Minimum investment in equity & equity related instruments of small cap companies- 65% of total assets	An open ended equity scheme predominantly investing in small cap stocks
6	Flexi Cap Fund	Minimum Investment in equity & equity related instruments – 65% of total assets	An open ended dynamic equity scheme investing across large cap, mid cap, small cap stocks
7	Dividend Yield Fund	Scheme should predominantly invest in dividend yielding stocks.  Minimum investment in equity & equity related instruments - 80% of total assets	An open ended equity scheme predominantly investing in dividend yielding stocks
8	Value Fund	Scheme should follow a value investment strategy. Minimum investment in equity & equity related instruments - 80% of total assets	An open ended equity scheme following a value investment strategy
9	Contra Fund	Scheme should follow a contrarian investment strategy. Minimum investment in equity & equity related instruments - 80% of total assets	An open ended equity scheme following contrarian investment strategy
10	Focused Fund (No. of Stocks)	A scheme focused on the number of stocks (maximum 30)  Minimum investment in equity & equity related instruments - 80% of total assets	An open ended equity scheme investing in maximum 30 stocks (mention where the scheme intends to focus, viz., multi cap, large cap, mid cap, small cap)
11	Sectoral Fund	Minimum investment in equity & equity related instruments of a particular sector - 80% of total assets.	An open ended equity scheme investing in ___ sector (mention the specific sector)
12	Thematic Fund	Minimum investment in equity & equity related instruments of a particular theme- 80% of total assets.	An open ended equity scheme investing in ___ theme (mention the specific theme)

		A theme may be a combination of two or more sectors.	
13	ELSS – Tax Saver Fund	Minimum investment in equity & equity related instruments - 80% of total assets	An open ended scheme with attributes in accordance with Equity Linked Saving Scheme, 2005 notified by Ministry of Finance

2.6.3.1 For definition of large cap, mid cap and small cap, clause 2.7 of Master Circular shall be referred.

2.6.3.2 For ESG Funds, para 3.11 of Master Circular shall be referred.

2.6.3.3 In the equity category schemes, Mutual Funds may invest residual portion in equity, money market instruments and other liquid instruments, gold and silver instruments as permitted by SEBI and in InvITs, subject to the ceilings laid out in MF regulations with respect to the respective asset class.

2.6.3.4 Mutual Funds shall be permitted to offer both Value and Contra funds subject to the condition that scheme portfolio overlap between the two schemes shall not be more than 50%.

2.6.3.5 For any scheme offering in sectoral/thematic equity category, Mutual Funds shall ensure that no more than 50% of the schemes portfolios would overlap with other equity schemes in sectoral/thematic category and other equity schemes categories except for large cap scheme.

2.6.3.6 The overlap condition shall be computed on a quarterly basis using the daily portfolio overlap values i.e. the average of daily portfolio overlap values over a quarter. Detailed methodology for computing portfolio overlap is provided at **Annexure A** to this circular.

2.6.3.7 Existing sectoral/thematic schemes shall ensure compliance with regard to portfolio overlap limits within 3 years from the date of this circular. Schemes unable to meet the portfolio overlap criteria after 3 years shall be mandatorily merged with other schemes as per applicable provisions.

2.6.3.8 In order to realign the portfolio in terms of the limit as mentioned at 2.6.3.5 above, the following glide path may be adopted by mutual funds:

Period	Realignment expected
Year 1	35% of the excess overlap
Year 2	Additional 35%
Year 3	Remaining 30%

2.6.3.9 Mutual Funds shall launch sectoral/thematic funds as per the list of sectors/themes as published and updated by AMFI in consultation with SEBI on half yearly basis.

#### B. Debt Schemes

Sr. No.	Category of Schemes	Scheme Characteristics	Type of scheme (uniform description of scheme)
1	Overnight Fund**	Investment in overnight securities having maturity of 1 day  <i>Overnight funds can deploy, not exceeding, 5% of the net assets of the scheme in G-secs and/or T-bills with a residual maturity of upto 30 days for the purpose of placing the same as margin and collateral for certain transactions.</i>	An open ended debt scheme investing in overnight securities
2	Liquid Fund \$**	Investment in only Debt and money market securities with maturity of upto 91 days	An open ended liquid scheme
3	Ultra Short Term Fund	Investment in Debt & Money Market instruments such that the Macaulay duration of the portfolio is between 3 months to 6 months	An open ended ultra-short term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 3 months to 6 months
4	Ultra Short to Short Term Fund	Investment in Debt & Money Market instruments such that the Macaulay duration of the portfolio is between 6 months to 12 months	An open ended debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 6 months to 12 months

5	Money Market Fund	Investment in Money Market instruments having maturity up to 1 year	An open ended debt scheme investing in money market instruments
6	Short Term Fund	Investment in Debt & Money Market instruments such that the Macaulay duration of the portfolio is between 1 year to 3 years	An open ended short term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 1 year to 3 years
7	Medium Term Fund	Investment in Debt & Money Market instruments such that the Macaulay duration of the portfolio is between 3 years to 4 years.  Portfolio Macaulay duration under anticipated adverse situation is 1 year to 4 years	An open ended medium term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 3 years to 4 years
8	Medium to Long Term Fund	Investment in Debt & Money Market instruments such that the Macaulay duration of the portfolio is between 4 to 7 years.  Portfolio Macaulay duration under anticipated adverse situation is 1 year to 7 years	An open ended medium term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 4 years to 7 years
9	Long Term Fund	Investment in Debt & Money Market Instruments such that the Macaulay duration of the portfolio is greater than 7 years	An open ended debt scheme investing in instruments such that the Macaulay duration of the portfolio is greater than 7 years
10	Dynamic Term Fund	Investment across duration	An open ended dynamic debt scheme investing across duration.
11	Corporate Bond Fund	Minimum investment in corporate bonds - 80% of total assets (only in AA+ and above rated corporate bonds) @	An open ended debt scheme predominantly investing in AA+ and above rated corporate bonds

12	Credit Risk Fund	Minimum investment in corporate bonds - 65% of total assets (only in AA and below rated corporate bonds) @	An open ended debt scheme predominantly investing in AA and below rated corporate bonds (excluding AA+ rated corporate bonds)
13	Banking and PSU Debt Fund	Minimum investment in Debt instruments of banks, Public Sector Undertakings, Public Financial Institutions and Municipal Bonds - 80% of total assets @	An open ended debt scheme predominantly investing in Debt instruments of banks, Public Sector Undertakings, Public Financial Institutions and Municipal Bonds
14	Gilt Fund	Minimum investment in G-secs- 80% of total assets (across maturity)	An open ended debt scheme investing in government securities across maturity
15	10-year Constant Maturity Gilt Fund	Minimum investment in G-secs- 80% of total assets such that the Macaulay duration of the portfolio is equal to 10 years	An open ended debt scheme investing in government securities having a constant maturity of 10 years
16	Floating Interest Rates Fund	Minimum investment in floating rate instruments (including fixed rate instruments converted to floating rate exposures using swaps/derivatives)- 65% of total assets @	An open ended debt scheme predominantly investing in floating rate instruments (including fixed rate instruments converted to floating rate exposures using swaps/derivatives)
17	Sectoral Fund	Minimum investment in debt & debt related instruments of a particular sector across duration (only in AA+ and above rated corporate bonds)- 80% of total assets.  Sectoral Debt Funds may be launched in following sectors: Financial Services, Energy, Infrastructure, Housing, Real Estate.	An open ended debt scheme investing in __ sector (mention the sector)

*\*\*Provision as mentioned at Paragraph 8.4.5 of Master Circular shall be followed for Uniform cut-off timings for applicability of Net Asset Value in respect of Liquid Fund and Overnight Fund.*

*\$ All provisions mentioned at Paragraph 1.13, 8.4.2.1.c, 12.6 of Master Circular in respect of liquid schemes shall be applicable.*

*Concept of Macaulay's Duration shall be explained in the scheme information document. It is clarified that Macaulay duration shall be mentioned at portfolio level.*

@ For asset allocation limits considering minimum liquid assets requirement, refer Paragraph 4.6 of Master Circular. For exclusion of investment in units of CDMDF from asset allocation limits, please refer Paragraph 2.10 of Master Circular.

2.6.3.10 With respect to the Medium Term Fund and Medium to Long Term Fund, the characteristics of the scheme shall remain the same under normal circumstances. However, the fund manager, in the interest of investors, may reduce the portfolio duration of the aforementioned schemes up to one year, in case he has a view on interest rate movements in light of anticipated adverse situation. The AMC shall be required to mention its asset allocation under such adverse situation in its scheme information documents.

2.6.3.11 Whenever the portfolio duration is reduced below the specified floors of 3 years and 4 years in respect of Medium Term Fund and Medium to Long Term Fund respectively, the AMC shall be required to record the reasons for the same with adequate justification and maintain the same for inspection. The written justifications shall be placed before the Trustees in the subsequent Trustee meeting. Further, the Trustees shall also review the portfolio and report the same in their Half Yearly Trustee Report to SEBI.

2.6.3.12 Sectoral debt scheme shall be offered after ensuring that there is sufficient availability of investment grade paper in market for the sectors in which sectoral debt fund is offered by the respective AMC.

2.6.3.13 Sectoral exposure limits as outlined in clause 12.9.1 of the Master Circular shall not be applicable to the sectoral debt funds.

2.6.3.14 Mutual Funds may invest the residual portion of debt category schemes in InvITs except for Overnight Fund, Liquid Fund, Ultra-Short Duration Fund, Low Duration Fund and Money Market Fund, subject to the ceilings laid out in MF regulations.

### C. Hybrid Schemes

Sr. No.	Category of Schemes	Scheme Characteristics	Type of scheme (uniform description of scheme)
1	Conservative Hybrid Fund	Investment in equity & equity related instruments- between 10% and 25% of total assets;  Investment in Debt instruments- between 75% and 90% of total assets	An open ended hybrid scheme investing predominantly in debt instruments
2	Balanced Hybrid Fund	Equity & Equity related instruments - between 40% and 60% of total assets;  Debt instruments - between 40% and 60% of total assets  No Arbitrage would be permitted in this scheme	An open ended balanced scheme investing only in equity and debt instruments. No Arbitrage is permitted in this scheme.
3	Aggressive Hybrid Fund	Equity & Equity related instruments- between 65% and 80% of total assets;  Debt instruments- between 20% 35% of total assets	An open ended hybrid scheme investing predominantly in equity and equity related instruments
4	Dynamic Asset Allocation Fund	Investment in equity/ debt that is managed dynamically	An open ended dynamic asset allocation fund investing in debt and equity instruments only
5	Multi Asset Allocation	Invests in at least three asset classes with a minimum allocation	An open ended scheme

		of at least 10% each in all three asset classes	investing in ____, ____, ____, (mention the three different asset classes)
6	Arbitrage Fund	<p>Scheme following arbitrage strategy.</p> <p>Minimum investment in equity &amp; equity related instruments - 65% of total assets.</p> <p>Asset allocation in case of defensive consideration shall be stated in the SID.</p> <p>Exposure in debt instruments shall be limited to government securities with maturity less than 1 year as well as repo of government bonds only.</p>	An open ended scheme investing in arbitrage opportunities. No investment in InvITs permitted.
7	Equity Savings	<p>Minimum investment in equity &amp; equity related instruments- 65% of total assets.</p> <p>Net equity exposure- 15%-40% of total assets</p> <p>Minimum Investment in debt- 10% of total assets.</p> <p>Maximum Arbitrage exposure has to be stated in the SID.</p> <p>Minimum hedged &amp; unhedged exposure to be stated in the SID.</p> <p>Asset Allocation under defensive considerations may also be stated in the Offer Document</p>	An open ended scheme investing in equity, arbitrage and debt

2.6.3.15 In the hybrid category schemes, Mutual Funds may invest residual portion in InvITs (except for arbitrage funds), ETCDs, Gold ETFs and Silver ETFs, subject to the ceilings laid out in MF regulations w.r.t the respective asset class.

2.6.3.16 **Solution Oriented Schemes:** Solutions oriented scheme category is being discontinued w.e.f the date of the circular. Existing schemes in this category shall stop all subscriptions with immediate effect. Such schemes shall be merged with any other scheme having similar asset allocation and risk profile with prior approval from SEBI.

2.6.3.17 Foreign securities will not be treated as a separate asset class.

#### D. Life Cycle Funds

Sr. No	Category of Schemes	Scheme Characteristics	Type of scheme (uniform description of scheme)
1	Life Cycle Funds	Scheme following glide path strategy based investing across various asset classes i.e. Equity, Debt, InvITs, ETCs, Gold & Silver ETF.  Detailed structure placed at <b>Annexure B</b>	An open ended fund with attributes of pre-determined maturity and glide path for goal based investing.

#### E. Other Schemes:

Sr. No	Category of Schemes	Scheme Characteristics	Type of scheme (uniform description of scheme)
1	Index Funds/ETFs	Minimum investment in securities of a particular index (which is being replicated/ tracked)- 95% of total assets	An open ended scheme replicating/ tracking __ index
2	FoFs (Overseas/ Domestic)	Minimum investment in the underlying fund- 95% of total assets	An open ended fund of fund scheme investing in fund (mention the underlying funds)

2.6.4 For FoFs with multiple underlying, framework issued vide communication dated June 30, 2025 (**Annexure C**) to AMFI shall be referred.

2.6.5 For easy identification by investors, in order to bring uniformity in names of schemes for a particular category across Mutual Funds and to ensure that schemes remain “true-to-label”, the scheme name shall be the same as the scheme category. Words/ phrases that highlight/ emphasize only the return aspect of the scheme shall not be used in the name of the scheme.

Further, the 'type of scheme' (mentioned below the scheme name in the offer documents/ advertisements/ marketing material/etc.) should adhere to the description given in the third column of the tables, as applicable.

- 2.6.6 Clause 1.4.1 of the Master Circular stands deleted.
- 2.6.7 Pursuant to the issuance of this circular, the nomenclature, investment objective, investment strategy, benchmark and other parameters of each scheme shall be suitably modified (wherever applicable) to bring it in line with the categories of schemes listed above. Such changes shall not be considered as fundamental attribute change. Existing schemes shall comply with the provisions of this circular within 6 months from its date of issuance.
- 2.6.8 Mutual Funds shall disclose category wise portfolio overlap levels i.e. equity scheme vs other equity schemes, debt scheme vs other debt schemes and hybrid vs other hybrid schemes. Such disclosure shall be published on AMC website for investor communication on a monthly basis. Detailed Methodology for computing portfolio overlap is provided at **Annexure A** to this circular.
3. This circular shall come into force with effect from the date of this circular.
4. This Circular is issued in exercise of the powers conferred by Section 11(1) of the Securities and Exchange Board of India Act, 1992 read with Chapter VI-C of the SEBI (Mutual Funds) Regulations 1996 to protect the interest of investors in securities and to promote the development of, and to regulate the securities market.
5. This Circular is available at [www.sebi.gov.in](http://www.sebi.gov.in) under the link "Legal ->Circulars".

Yours sincerely,

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**Methodology for portfolio overlapping**

1. Weightage of each scrip in a scheme shall be calculated as: Investment made in a particular scrip (ISIN) wise as percentage of AUM of the scheme.
2. Portfolio overlap shall be computed at the level of individual ISINs. Only common scrips held by both schemes shall be considered for overlap calculation, scrips not common to both schemes shall be assigned a weightage of zero.
3. For each common scrip, the minimum weightage between the two schemes shall be considered.
4. The overall portfolio overlap between the two schemes shall be the sum of such minimum weightages of all common scrips as indicated in the illustrative table below:

<b>Scrips</b>	<b>Weightage of Scrip in Scheme A</b>	<b>Weightage of Scrip in Scheme B</b>	<b>Overlap</b>
Scrip P	10%	25%	10%
Scrip Q	15%	30%	15%
Scrip R	20%	10%	10%
Scrip S	10%	-	0
Scrip X	-	25%	0
Scrip Y	25%	10%	10%
Scrip Z	20%	-	0
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>45%</b>

5. Accordingly, portfolio overlap shall be calculated using the following formula:

$$\text{Portfolio Overlap (\%)} = \sum_{i=1}^n \min(w_{iA}, w_{iB}) \times 100$$

$w_{iA}$  - represents the weightage of the  $i^{\text{th}}$  common security (ISIN) in Scheme A

$w_{iB}$  - represents the weightage of the  $i^{\text{th}}$  common security (ISIN) in Scheme B

$$w_i = \frac{\text{Market value of security } i}{\text{Total AUM of the scheme}}$$

**Life Cycle Funds**

An open ended fund with a target date maturity following a glide path investing in a mix of asset classes i.e. Equity, Debt, InvITs, ETCs, Gold & Silver ETF.

1. Mutual Fund may launch Life Cycle Funds with a minimum tenure of 5 years and a maximum tenure of 30 years. Such fund may be launched for tenures in multiple of 5 years and a maximum of 6 funds by a Mutual Fund can be active for subscription at any given point in time. Additionally, as each fund reaches less than 1 year to maturity, such fund may be merged with nearest maturity Life Cycle Fund with positive consent from the unitholders.
2. Asset Allocation for Life Cycle Funds to be followed in following manner:

**For Life Cycle Funds with maturity of 30 years**

Years to Maturity	Investment in Equity (%)	Investment in Debt (%)	Investment in Gold/Silver ETFs/ETCs/InvITs (%)
15-30 Years	65-95	5-25	0-10
10-15 Years	65-80	5-25	0-10
5-10 Years	50-65	5-25	0-10
3-5 Years	35-50	25-50	0-10
1-3 Years	20-35	25-65**	0-10
< 1 Years	5-20	25-65**	0-10

**For Life Cycle Funds with maturity of 25 years**

Years to Maturity	Investment in Equity (%)	Investment in Debt (%)	Investment in Gold/Silver ETFs/ ETCs /InvITs (%)
15-25 Years	65-95	5-25	0-10
10-15 Years	65-80	5-25	0-10
5-10 Years	50-65	5-25	0-10
3-5 Years	35-50	25-50	0-10
1-3 Years	20-35	25-65**	0-10
< 1 Years	5-20	25-65**	0-10

**For Life Cycle Funds with maturity of 20 years**

Years to Maturity	Investment in Equity (%)	Investment in Debt (%)	Investment in Gold/Silver ETFs/ ETCs /InvITs (%)
15-20 Years	65-95	5-25	0-10
10-15 Years	65-80	5-25	0-10
5-10 Years	50-65	5-25	0-10
3-5 Years	35-50	25-50	0-10
1-3 Years	20-35	25-65**	0-10
< 1 Years	5-20	25-65**	0-10

**For Life Cycle Funds with maturity of 15 years**

Years to Maturity	Investment in Equity (%)	Investment in Debt (%)	Investment in Gold/Silver ETFs/ ETCDs /InvITs (%)
10-15 Years	65-80	5-25	0-10
5-10 Years	50-65	5-25	0-10
3-5 Years	35-50	25-50	0-10
1-3 Years	20-35	25-65**	0-10
< 1 Years	5-20	25-65**	0-10

**For Life Cycle Funds with maturity of 10 years**

Years to Maturity	Investment in Equity (%)	Investment in Debt (%)	Investment in Gold/Silver ETFs/ ETCDs /InvITs (%)
5-10 Years	50-65	5-25	0-10
3-5 Years	35-50	25-50	0-10
1-3 Years	20-35	25-65**	0-10
< 1 Years	5-20	25-65**	0-10

**For Life Cycle Funds with maturity of 5 years**

Years to Maturity	Investment in Equity (%)	Investment in Debt (%)	Investment in Gold/Silver ETFs/ ETCDs /InvITs (%)
3-5 Years	35-50	25-50	0-10
1-3 Years	20-35	25-65**	0-10
< 1 Years	5-20	25-65**	0-10

*\*\* Exposure in debt instruments shall be limited to AA & above rated instruments with residual maturity less than the target maturity of scheme.*

*ETCDs shall be based only on Gold/Silver.*

*For years to maturity less than 5 years, all Life Cycle Funds may take equity arbitrage exposure upto 50% in addition to the investment range specified for equity while ensuring that total investment in equity and equity related instruments remains within 65%- 75% in such schemes (as defined above).*

- In order to inculcate financial discipline, in life cycle funds, an exit load of 3% would be chargeable on any exit by an investor within one year of investment; an exit load of 2% within first two years of investment and 1% in the first three years of investment.
- Life Cycle Funds shall follow benchmark framework as prescribed for Multi Asset Allocation Fund.
- Life Cycle Funds shall include the maturity date in the nomenclature of the scheme, for e.g. Life Cycle Fund 2055, Life Cycle Fund 2045 etc.

## Standardized Framework for Fund of Fund (FoF) Schemes

**Applicability-** The captioned framework is applicable for all Fund of Fund Schemes having more than one underlying funds.

### CATEGORISATION OF FUND OF FUND SCHEMES (with multiple underlying Funds)

AMCs may launch FOFs with multiple underlying funds under the following broad categories:

S.no.	Category of FOF	Sub-Category	Description
1.	<b>Equity oriented FOF (Domestic)</b>	<b>Diversified FOF</b>	FOFs that invests in schemes which are based on varied market caps e.g. large-cap, mid-cap, Nifty 100, Nifty 50 etc are allowed under this sub-category and these underlying schemes should not be based on factors like momentum, volatility, etc.
		<b>Sectoral /Thematic FOF</b>	FoF based on <ul style="list-style-type: none"> <li>• a single sector; or</li> <li>• a single theme; or</li> <li>• Multi-sector.</li> </ul>
2.	<b>Debt oriented FOF (Domestic)</b>		These FoFs shall invest in domestic debt oriented MF schemes based on <ul style="list-style-type: none"> <li>• different categories of debt schemes as per paragraph 2.6 of Master Circular on Mutual Fund dated June 27, 2024; or</li> <li>• a single category of debt schemes as per paragraph 2.6 of Master Circular on Mutual Fund dated June 27, 2024.</li> </ul>
3.	<b>Hybrid FoF(Domestic)</b>	<b>Aggressive Hybrid FoF</b>	Investment in underlying Equity oriented schemes- 65% to 80%; Investment in underlying Debt oriented schemes - 20% to 35%.
		<b>Conservative Hybrid FoF</b>	Investment in underlying Equity oriented schemes- 10% to 25%; Investment in underlying Debt oriented schemes - 75% to 90%.
		<b>Income plus Arbitrage FOF</b>	Investment in underlying Debt oriented schemes – up to 65%. Balance investment in only arbitrage based underlying schemes.
		<b>Dynamic Asset Allocation FoF</b>	Investment in equity / debt oriented schemes that are managed dynamically
		<b>Multi Asset Allocation FoF</b>	Investment in Equity oriented schemes, Debt oriented schemes + Commodity based schemes* (and any other asset class based

			<p>scheme as permissible by SEBI from time to time), subject to minimum investment of 10% in each of the three categories of schemes.</p> <p>*currently only gold and silver based passive schemes are allowed to be launched under commodity based schemes.</p>
4.	<b>Commodity based FoF(Domestic)</b>		Investment in commodity funds which invest in Gold and/or Silver or any other commodity that may be permitted by SEBI from time to time.
5.	<b>Overseas FoF<sup>1</sup></b>	<b>Equity oriented FOF (Overseas)</b>	
		<b>Country specific Equity FoF</b>	FOFs investing in overseas equity oriented schemes that provides exposure to the equity markets of a particular country
		<b>Thematic/Sector based Equity FoF</b>	FOFs investing in overseas equity oriented schemes that are based on a single theme/sector
		<b>Region specific Equity FoF<sup>2</sup></b>	FOFs investing in overseas equity oriented schemes that provides exposure to the equity markets of a particular region
		<b>Debt oriented FOF (Overseas)</b>	
		<b>Country specific Debt FoF</b>	FOFs investing in overseas debt oriented schemes that provides exposure to the debt markets of a particular country
		<b>Region specific Debt FoF<sup>2</sup></b>	FOFs investing in overseas debt oriented schemes that provides exposure to the debt markets of a particular region
6.	<b>Domestic and Overseas FOF<sup>1</sup></b>	<b>Diversified Equity FOF</b>	<p>FOFs investing in domestic and overseas equity oriented schemes which should not be based on the factors like momentum, quality, etc.</p> <p>Minimum investment in underlying domestic and overseas schemes should be at least 35% each.</p>
		<b>Sectoral /Thematic based Equity FOF</b>	<p>FoF investing in domestic and overseas equity schemes based on</p> <ul style="list-style-type: none"> <li>• a single sector; or</li> <li>• a single theme; or</li> <li>• Multi-sector.</li> </ul> <p>Minimum investment in underlying domestic and overseas schemes should be at least 35% each.</p>
		<b>Debt oriented FOF</b>	<p>FOFs investing in domestic and overseas debt oriented schemes.</p> <p>Minimum investment in underlying domestic and overseas schemes should be at least 35% each.</p>

**Note:**

1. W.r.t Overseas FoFs, the AMC to take into account certain parameters such as liquidity in such overseas funds, a certain threshold of collective AUM following the overseas indices of such overseas funds, compliance of such indices with portfolio concentration norms for passive indices etc.
2. List of regions for launch of Region specific FOFs is placed at **Annexure I**. Further, AMFI in consultation with SEBI may define additional list of “regions” for Region specific FOFs.
3. Minimum investment in FOF schemes -95% of total assets (in line with the categorisation circular). AMC has to ensure that the remaining portion of the investment shall not be in contrast to the strategy of the scheme.
4. AMCs shall ensure that only those underlying overseas schemes are selected which have exposure in securities as defined under Securities Contract (Regulation) Act, 1956 and other applicable regulations/guidelines.

The AMC may launch schemes in each of the above mentioned categories of FoFs with multiple underlying under the following three options:

- a) **Active option**- FOFs investing in multiple active funds.
- b) **Passive option**- FOFs investing in multiple passive funds.
- c) **Active and passive option** - FOFs investing in multiple active and passive funds.

### **Benchmark**

List of appropriate benchmarks that could be used by Mutual funds for the respective category of FOF schemes is placed at **Annexure II**.

### **Nomenclature of FOF Schemes**

The nomenclature of FOF schemes for each category of FOF schemes is placed at **Annexure III**.

### **Number of FoFs permitted to be launched by an AMC**

Number of FoF schemes permitted to the Mutual funds under above-mentioned categories of FOF schemes is placed at **Annexure IV**.

If the number of existing FoF schemes of a Mutual fund under any particular category is more than the number of FoFs permitted under the particular sub-category of FoF as mentioned at **Annexure IV**, such FoFs will be grandfathered. However, Mutual fund will not be allowed to launch more FoFs under that particular sub-category.

### **Re-categorisation of Existing FOF Schemes**

Mutual funds are required to align/re-categorize their existing FoFs in one of the aforesaid sub-category of FOF schemes by making necessary changes in the scheme attributes by August 31, 2025. In this regard, it is to be noted that such changes will not be considered as Fundamental Attribute Changes (FAC).

Further, in case the number of existing FoFs of an AMC under any particular category/sub-category is greater than or equal to the number of FoFs permitted under that category/sub-category as mentioned in Annexure III:

- a) The AMC may merge the existing FoF schemes falling under a category/sub-category to reduce the number of FoFs under that category/sub-category in compliance with relevant SEBI MF Regulations/ Circulars issued thereunder;
- b) If the AMC is somehow not able to merge existing FoFs falling under a category/sub-category due to scheme features, investment objective, etc., then such existing FoF schemes may be grandfathered from the requirement of restricted number of FOFs in particular category/sub-category based on request and rationale received from the concerned AMC. Further AMCs while making the request for grandfathering for overseas FOF category of schemes may also include distinct terminology in the scheme name for the purpose of providing more clarity to the unitholders, such distinct term may include US Treasury 1-3 year, NASDAQ, etc.

**Annexure- I**

<b>Sr.No.</b>	<b>Name of Regions</b>
1	ASEAN
2	Europe
3	Asia
4	Asia Pacific
5	Africa
6	Middle East
7	North America
8	South America
9	Oceania/Australia

S.No.	Type of FoF	Benchmark to be used
1	Equity oriented FOF (Domestic)	NIFTY 500 TRI or S&P BSE 500 TRI or Tier 1 Benchmark for closely related to the Theme/factor
2	Debt oriented FOF (Domestic)	NIFTY Composite Debt Index A-III or, CRISIL Dynamic Bond A-III Index or benchmark close to the duration/credit profile
3	Aggressive Hybrid FoF	Tier 1 Benchmark – Hybrid category
	Conservative Hybrid FoF	
	Dynamic Asset Allocation FoF	
	Income Plus Arbitrage FoF	<p>Policy framework for Composition of Benchmark of Income Plus Arbitrage FoF</p> <ol style="list-style-type: none"> <li>1) The benchmark should represent both debt and arbitrage schemes, in line with the weights under asset allocation of the schemes.</li> <li>2) Additionally, the weightages of these benchmarks should be at least the minimum of the asset allocation range of that particular asset class.</li> <li>3) AMCs are advised to use an appropriate combination of the broad indices that represent each asset class as mentioned below: <ul style="list-style-type: none"> <li><b>Broad Fixed Income Indices</b></li> <li>NIFTY Short Duration Debt Index</li> <li>NIFTY Composite Debt Index</li> <li>CRISIL Short Term Bond Fund Index</li> <li>CRISIL 10 year Gilt Index</li> <li>CRISIL Composite Bond Fund Index</li> <li><b>Arbitrage Fund Indices</b></li> <li>NIFTY 50 Arbitrage</li> <li>CRISIL Arbitrage Index</li> </ul> </li> <li>4) Additionally, AMCs need to ensure the following requirements: <ol style="list-style-type: none"> <li>a. While constructing the benchmark for a Income plus arbitrage FOF scheme, once a benchmark index is selected for underliung debt and arbitrage schemes the same should not be changed. For example – if for debt schemes, NIFTY Short Duration Debt Index is chosen, it should not be changed on an ad-hoc basis by the AMC and may be changed only after following a due process including prior intimation/ approval of SEBI.</li> <li>b. Likewise, once weights for underlying debt and arbitrage schemes for constructing the benchmark is decided by an AMC, the AMC may not change the weights without following due process including prior intimation/ approval of SEBI.</li> <li>c. The weights of underliung debt and arbitrage schemes in the benchmark may be allotted suitably based on Scheme Information Document/ Investment Pattern of Scheme. For example, it should not happen that while the actual investment in debt by the scheme is generally 10%, the benchmark weight for the debt index is 50%.</li> <li>d. Further, the respective benchmark to be used for underliung debt and arbitrage schemes should be only from the aforesaid limited set of Indices mentioned hereinabove.</li> </ol> </li> </ol>
Multi Asset Allocation FoF	Multi Asset- As per the policy framework for composition of benchmark of multi asset allocation fund category	
4	Commodity based FoF(Domestic)	Gold + Silver (or any other allowed Commodities) Weightages of these benchmarks should be at least the minimum of the investment range of that particular underlying fund.
5	Overseas FOF	Benchmark of the underlying overseas MF schemes or broad market benchmark or weightages of these benchmarks should be at least the minimum of the investment range/duration/credit profile of that particular overseas underlying fund as per the SID.
6	Domestic and Overseas FOF	Benchmark of the underlying overseas MF schemes or broad market benchmark or weightages of these benchmarks should be at least the minimum of the investment range/duration/credit profile of that particular overseas underlying fund as per the SID.

S. No.	Type of FoF	Available Proposed Name		
		Active option	Passive option	Active and Passive option
1	<b>Equity oriented FoF(Domestic)</b>			
	· Diversified FoF	<<Name of Mutual Fund>> Diversified Equity <<Distinct Keyword>>Active FOF If the investment in the underlying schemes is across upto 2 caps i.e. large +midcap or flexicap+multicap, then name of the underlying caps i.e. large +midcap or flexicap+multicap will be used. However, if the investment in the underlying schemes is across more than 2 caps than the word "all cap" will be used.	<<Name of Mutual Fund>>Diversified Equity <<Distinct Keyword>> Passive FOF	<<Name of Mutual Fund>> Diversified Equity <<Distinct Keyword>>Omni FOF If the investment in the underlying schemes is across upto 2 caps i.e. large +midcap or flexicap+multicap, then name of the underlying caps i.e. large +midcap or flexicap+multicap will be used. However, if the investment in the underlying schemes is across more than 2 caps than the word "all cap" will be used.
	· Sectoral /Thematic FoF	<<Name of Mutual Fund>><<name of sector/theme/multi sector>> Active FOF	<<Name of Mutual Fund>><<name of sector/theme/multi sector>> Passive FOF	<<Name of Mutual Fund>><<name of sector/theme/multi sector>>Omni FOF
2	<b>Debt oriented FoF(Domestic)</b>	<i>Based on single debt category</i> - <<Name of Mutual Fund>> <<name of category of debt fund>> Active FOF or <i>Based on diversified debt category</i> - <<Name of Mutual Fund>> diversified debt <<Distinct Keyword>>Active FOF For Example : Distinct Keyword could be 'Short Duration + Credit Risk', 'Overnight+Liquid', etc.	<i>Based on single debt category</i> - <<Name of Mutual Fund>> <<name of category of debt fund>>Passive FOF or <i>Based on diversified debt category</i> - <<Name of Mutual Fund>> diversified debt <<Distinct Keyword>> Passive FOF	<i>Based on single debt category</i> - <<Name of Mutual Fund>> <<name of category of debt fund>>Omni FOF or <i>Based on diversified debt category</i> - <<Name of Mutual Fund>> diversified debt <<Distinct Keyword>>Omni FOF For Example : Distinct Keyword could be 'Short Duration + Credit Risk', 'Overnight+Liquid', etc.
3	<b>Hybrid FoF(Domestic)</b>			
	· Aggressive Hybrid	<<Name of Mutual Fund>><<Aggressive Hybrid>> Active FOF	<<Name of Mutual Fund>><<Aggressive Hybrid>> Passive FOF	<<Name of Mutual Fund>><<Aggressive Hybrid>>Omni FOF
	· Conservative Hybrid	<<Name of Mutual Fund>><<Conservative Hybrid>> Active FOF	<<Name of Mutual Fund>><<Conservative Hybrid>> Passive FOF	<<Name of Mutual Fund>><<Conservative Hybrid>>Omni FOF
	· Dynamic Asset Allocation	<<Name of Mutual Fund>><<Dynamic Asset Allocation>> Active FOF	<<Name of Mutual Fund>><<Dynamic Asset Allocation>> Passive FOF	<<Name of Mutual Fund>><<Dynamic Asset Allocation>> Omni FOF
	· Income plus Arbitrage	<<Name of Mutual Fund>><<Income plus Arbitrage>> Active FOF	<<Name of Mutual Fund>><<Income plus Arbitrage>> Passive FOF	<<Name of Mutual Fund>><<Income plus Arbitrage>>Omni FOF
	· Multi – Asset	<<Name of Mutual Fund>><<Multi – Asset>> Active FOF	<<Name of Mutual Fund>><<Multi – Asset>> Passive FOF	<<Name of Mutual Fund>><<Multi – Asset>>Omni FOF
4	<b>Commodity based FoF(Domestic)</b>		<<Name of Mutual Fund>><<Name of commodity/commodities >> Passive FOF	
5	<b>Overseas FoF</b>			
	· Country specific Equity FoF	<<Name of Mutual Fund>> <<name of country>> specific Equity Active FOF	<<Name of Mutual Fund>> <<name of country>> specific equity Passive FOF	<<Name of Mutual Fund>> <<name of country>> specific Equity Omni FOF
	· Thematic/Sector based Equity FoF	<<Name of Mutual Fund>> <<name of theme/sector>> overseas Equity Active FOF	<<Name of Mutual Fund>> <<name of theme/sector>>overseas Equity Passive FOF	<<Name of Mutual Fund>> <<name of theme/sector>> overseas Equity Omni FOF
	· Region specific Equity FoF	<<Name of Mutual Fund>> <<name of region>>specific Equity Active FOF	<<Name of Mutual Fund>> <<name of region>>specific Equity Passive FOF	<<Name of Mutual Fund>> <<name of region>>specific Equity Omni FOF
	· Country specific Debt FoF	<<Name of Mutual Fund>> <<name of country>> specific Debt Active FOF	<<Name of Mutual Fund>> <<name of country>> specific Debt Passive FOF	<<Name of Mutual Fund>> <<name of country>> specific Debt Omni FOF
	· Region specific Debt FoF	<<Name of Mutual Fund>> <<name of region>> specific Debt Active FOF	<<Name of Mutual Fund>> <<name of region>> specific Debt Passive FOF	<<Name of Mutual Fund>> <<name of region>> specific Debt Omni FOF
6	<b>Domestic and overseas FoF</b>			
	· Diversified Equity FoF	<<Name of Mutual Fund>> domestic and overseas diversified equity<<Distinct Keyword>>Active FOF If the investment in the underlying schemes is across upto 2 caps i.e. large +midcap or flexicap+multicap, then name of the underlying caps i.e. large +midcap or flexicap+multicap will be used. However, if the investment in the underlying schemes is across more than 2 caps than the word "all cap" will be used.	<<Name of Mutual Fund>> domestic and overseas diversified equity <<Distinct Keyword>>Passive FOF	<<Name of Mutual Fund>> domestic and overseas diversified equity <<Distinct Keyword>>Omni FOF If the investment in the underlying schemes is across upto 2 caps i.e. large +midcap or flexicap+multicap, then name of the underlying caps i.e. large +midcap or flexicap+multicap will be used. However, if the investment in the underlying schemes is across more than 2 caps than the word "all cap" will be used.
	· Sectoral /Thematic based Equity FoF	<<Name of Mutual Fund>> domestic and overseas <<name of sector/theme/multi sector>> Active FOF	<<Name of Mutual Fund>> domestic and overseas <<name of sector/theme/multi sector>> Passive FOF	<<Name of Mutual Fund>> domestic and overseas <<name of sector/theme/multi sector>> Omni FOF
	Debt oriented FoF	<i>Based on single debt category</i> - <<Name of Mutual Fund>> <<name of category of debt fund>> Active FOF or <i>Based on diversified debt category</i> - <<Name of Mutual Fund>> diversified debt <<Distinct Keyword>>Active FOF For Example : Distinct Keyword could be 'Short Duration + Credit Risk', 'Overnight+Liquid', etc.	<i>Based on single debt category</i> - <<Name of Mutual Fund>> <<name of category of debt fund>>Passive FOF or <i>Based on diversified debt category</i> - <<Name of Mutual Fund>> diversified debt <<Distinct Keyword>> Passive FOF	<i>Based on single debt category</i> - <<Name of Mutual Fund>> domestic and overseas <<name of category of debt fund>> Omni FOF or <i>Based on diversified debt category</i> - <<Name of Mutual Fund>> domestic and overseas diversified <<Distinct Keyword>>Omni FOF For Example : Distinct Keyword could be 'Short Duration + Credit Risk', 'Overnight+Liquid', etc.

## Annexure- IV

S. No.	Type of FoF	Number of FoFs permitted to be launched by an AMC		
		Active option	Passive option	Active and Passive option
1	<b>Equity oriented FOF(Domestic)</b>			
	· Diversified FOF	2	2	2
	· Sectoral /Thematic FOF	Sector / themes- 1 scheme per sector/ theme Multi Sector - 1 scheme	Sector / themes- 1 scheme per sector/ theme Multi Sector- 1 scheme	Sector / themes- 1 scheme per sector/ theme Multi Sector- 1 scheme
2	<b>Debt oriented FOF(Domestic)</b>	2	2	2
3	<b>Hybrid FoF(Domestic)</b>			
	· Aggressive Hybrid	1	1	1
	· Conservative Hybrid	1	1	1
	· Dynamic Asset Allocation	1	1	1
	· Income plus Arbitrage	1	1	1
	· Multi – Asset	1	1	1
4	<b>Commodity based FoF(Domestic)</b>	N.A	1	N.A
5	<b>Overseas FoF</b>			
	· Country specific Equity FoF	1 scheme per country	1 scheme per country	1 scheme per country
	· Thematic/Sector based Equity FoF	Sector / themes- 1 scheme per sector/ theme	Sector / themes- 1 scheme per sector/ theme	Sector / themes- 1 scheme per sector/ theme
		Multi-Sector- 1 scheme	Multi-Sector- 1 scheme	Multi-Sector- 1 scheme
	· Region specific Equity FoF	1 scheme per region	1 scheme per region	1 scheme per region
	· Country specific Debt FoF	1 scheme per country	1 scheme per country	1 scheme per country
· Region specific Debt FoF	1 scheme per region	1 scheme per region	1 scheme per region	
6	<b>Domestic and overseas FOF</b>			
	· Diversified Equity FOF	2	2	2
	· Sectoral /Thematic based Equity FOF	Sector / themes/multi-sector- 1 scheme per sector/ theme/multi-sector	Sector / themes/multi-sector- 1 scheme per sector/ theme/multi- sector	Sector / themes/multi-sector- 1 scheme per sector/ theme/multi-sector
	· Debt oriented FOF	2	2	2