Perpetual funds

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In news– The Securities and Exchange Board of India (Sebi) is deliberating on allowing permanent capital vehicles (PCVs), evergreen or perpetual funds, where the capital available is managed for an unlimited period of time, into India.

What are perpetual funds?

- Perpetual funds do not have a fixed investment period. They continue until the time one wish to invest.
- These funds can potentially exist for perpetuity and are aimed at long-term investors such as pension funds and insurance firms which do not want return of capital but regular income.
- The funds could be structured in a way to give investors an option to redeem a certain portion of their investment after a 5, 10 or 15-year lock-in.
- PCVs can thus be considered as an alternative to private equity(PE) funds with limited life cycles.
- Several alternative investment funds (AIFs) in India have been facing an issue with fund extensions and have been unable to liquidate their investments within the given life cycle of the fund, which is typically 8-12 years.
- With India rapidly coming up the learning curve on private investment funds, it may be the best time to introduce PCVs in India.
- Unlike traditional funds which have a finite tenure, PCVs can have an open term with respect to the tenure and don't have a sunset period
- PCVs can be of various types, including limited partnerships traded publicly on an exchange, real estate investment trusts, closed-ended funds, interval funds and variable funds such as annuities and life insurance.
- In the Indian context, since Category I and II AIFs are

permitted to launch close-ended schemes only, legally the concept of evergreen funds has not evolved in the country.