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DHFL group company Arthveda Fund Management unveils Rs 200 crore realty fund

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Arthveda Fund Management, a DHFL group company, has launched Arthveda Star Fund. This 200-crore fund, with a greenshoe option to raise an additional 100 crore, aims to invest in greenfield residential projects. The fund manager will invest 75% of the money in middle income housing projects across 16 Tier II / III cities and metro outskirts. The remaining can be invested in other greenfield housing projects. Building on the consistent demand for middle income housing across real estate cycles in Tier II and Tier III cities is the focus of this fund. The fund intends to choose 30 to 35 projects of investment ticket size between 5 crore and 20 crore. To contain the risk involved with each project, the fund will have active control of special purpose vehicles housing these projects, with ownership of at least 51% of SPV. The fund will invest in equity and equity related instruments of the SPV. Investors in this fund are expected to enjoy capital appreciation over a period of fund life as investee projects reach completion.

The fund carries all risks associated with a real estate sector fund. Worsening of macro variables in real estate sector and project specific execution risks are the key risks investors are exposed to.

The fund's life is three years, with an option of extension of two terms of one year each. You can buy into the opportunity with a minimum one-time investment of 10 lakh. If you intend to invest in installments, you have to invest minimum 25 lakh in three installments spread over six months.

The fund charges a management fee of 2% per annum, payable quarterly. There is an entry load of 2% for investments less than 1 crore and 1% for investments more than 1 crore. The fund will have a 20% share in profits above the hurdle rate of 12% per annum.

Why Invest
To benefit from investment opportunities in housing sector in second rung cities by owning a well diversified portfolio.

Why not invest
A real estate fund is a risky proposition, and it may be hit by further fall in demand for housing, rising interest rates and overall correction in housing prices.