

HDFC MF

Weekend Bytes

A weekly series from HDFC Mutual Fund

Not Just Stocks, Bonds and Commodities: How REITs* and InvITs Are Finding a Place in Mutual Funds



*REITs are now classified as equity-related instruments

If you look closely at various mutual fund portfolios, you'll notice something interesting. Apart from stocks, bonds and commodities like gold and silver, there is exposure to REITs* and InvITs.

So, what exactly are these instruments?

Real Estate Investment Trusts (REITs) are investment vehicles that own and operate commercial properties like office buildings and malls, allowing you to earn rental income without owning the property. These are listed on stock exchanges, and not only provide significantly higher liquidity compared to direct real estate ownership but also lower the minimum investment required to gain exposure to real estate.

Infrastructure Investment Trusts (InvITs) are investment vehicles investing in operational infrastructure assets such as roads, power lines and telecom towers, enabling you to earn income from their usage. Many of these InvITs are listed on stock exchanges providing you with liquidity that would otherwise be unavailable in direct infrastructure ownership.



Another important thing is that w.e.f January 01, 2026, SEBI has re-classified REITs as equity-related instruments under Mutual Fund regulations.

How will the re-classification impact REITs and InvITs market?

Since equity and other applicable limits are applicable to REITs, it may make it easier for equity-oriented schemes to invest in these instruments, which in turn will also provide more headroom for InvIT investment

Key Features of REITs and InvITs

Parameter	REITs	InvITs
Underlying Asset	Income-generating Real Estate Assets	Income-generating Infrastructure Assets
Source of Income	Rental Income	Fees collected from the usage of the project
Regulation	Not less than 90% of the net distributable cash flows of the REIT shall be distributed to the unit holders	Not less than 90% of the net distributable cash flows of the InvIT shall be distributed to the unit holders
Liquidity	High	High*
Investment Risks	Market risks, Vacancy risk	Project-specific Risks, Policy Risks

*Publicly-listed InvITs

How REITs and InvITS add value to MF portfolios?



Looking beyond market ups and downs:

REITs and InvITs earn income through rentals with long-term contracts, which tend to make them potentially predictable than equities. This makes them attractive as a stabilizing element in portfolios.



Diversification:

Income from REITs and InvITs can potentially be uncorrelated with equities.



Alignment with long-term growth themes:

Urbanisation, office demand and infrastructure development are long-term trends in India. REITs and InvITs provide exposure to these themes in a structured and regulated way.



Potential inflation cushioning:

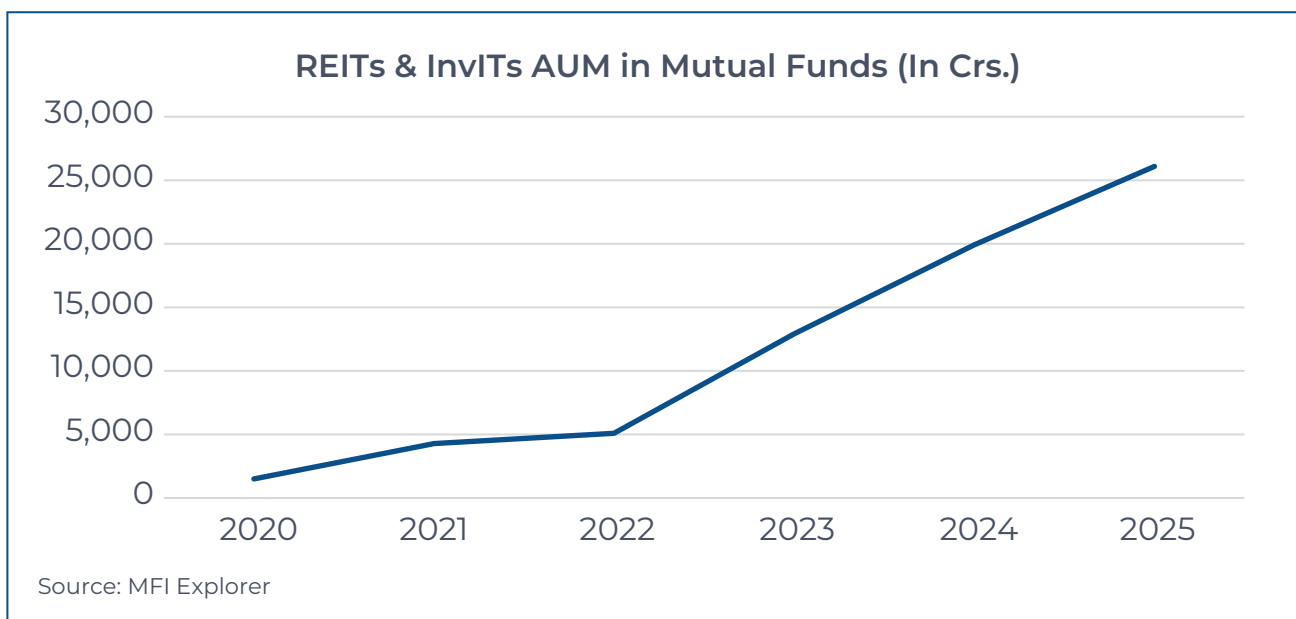
Rentals and tariffs/fees for project usage may be revised over time, helping these income distributions move along with inflation.



Liquidity:

MFs generally invest in publicly listed REITs and InvITs allowing them to have considerable liquidity.

Rising Mutual Fund Exposure to REITs and InvITs



Reflecting the growing acceptance of these instruments, As of Dec 2025, **HDFC Balanced Advantage Fund** has a notable exposure to REITs and InvITs amounting to INR 1644.5 crores* in market value accounting for 1.52% of the portfolio.

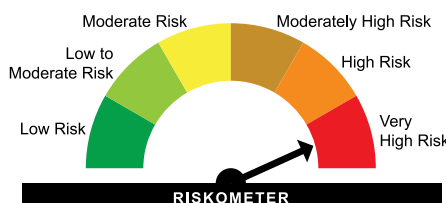
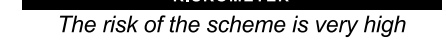
*Source: MFI Explorer

Closing Thoughts

REITs and InvITs markets are still at a nascent stage, given the growth potential in the Indian context. The availability of these instruments for investor participation is through mutual funds is encouraging. As investors seek diversification and stable cash flows, these real-asset backed instruments are becoming harder to ignore.

They may not grab headlines like equity rallies but quietly, these real-asset investment avenues are finding a place alongside stocks and bonds.



HDFC Balanced Advantage Fund (An open ended balanced advantage fund) is suitable for investors who are seeking*	Riskometer#
<ul style="list-style-type: none"> • To generate long-term capital appreciation / income • Investments in a mix of equity and debt instruments 	
<p>*Investors should consult their financial advisers, if in doubt about whether the product is suitable for them. #For latest Riskometer, investors may refer to the Monthly Portfolios disclosed on the website of the Fund viz. www.hdfcfund.com</p> <p>Scheme Riskometer as on January 31, 2026</p>	

Views expressed above are indicative and should not be construed as investment advice or as a substitute for financial planning. Due to the personal nature of investments, investors are advised to seek professional advice before investing.

**MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS,
 READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.**