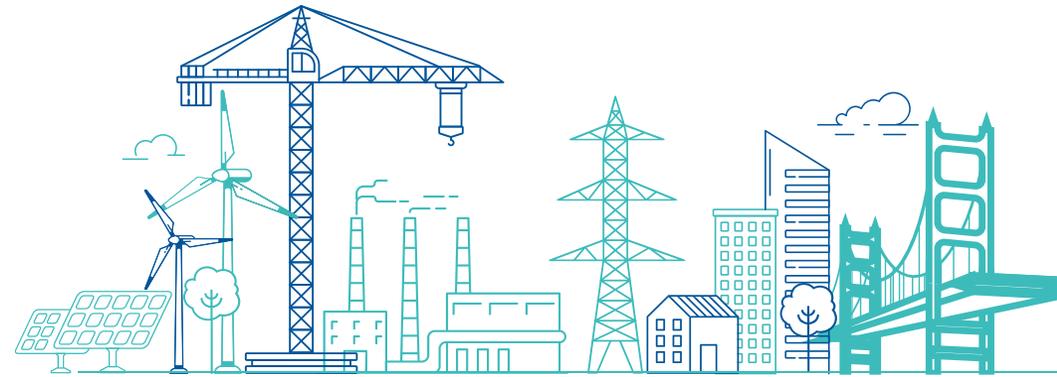


Primer on Alternatives

EAAA – Jan'26



India's Asset Management Industry structure is likely to mirror the US story

- ✓ Asset Management (AM) industry can be divided into two categories
 - Liquid Markets Strategies
 - Private Markets Strategies
- ✓ Liquid Markets Strategies offer liquidity / exit options at any time due to exposure to Liquid Public Markets instruments
 - Mutual Funds
 - PMS / SEBI Cat-III AIFs
- ✓ Private Markets Strategies deploy Patient Capital with an objective of long-term value creation through
 - Growth Strategies : Private Equity, Venture Capital
 - Yield Strategies : Private Credit, Real Assets
- ✓ Investors in Private Markets have long term horizon and are willing to take illiquidity for uncorrelated risk adjusted returns
- ✓ US Private Markets Strategy assets have increased their share from 9% to 15%¹ of the entire AM industry AUM in last 10 years
 - US Asset Management industry size is \$55 – 60 tn¹ today, India is at \$1.2 tn²
 - India expected to follow similar trajectory as US

India AM Industry is where US was 30 years ago

- ✓ AM Industry in US was ~\$3.4 tn in 1995; India AM at \$1.2 tn in 2025
 - Liquid Strategies¹ in US ~\$3.1 tn in 1995; India² at ~\$1 tn in 2025
 - Private Markets Strategies¹ in US ~\$200-300 bn in 1995; India² at \$150 bn in 2025
- ✓ Globally, Blackstone had an AUM³ of \$3 bn in 1995 which has grown to \$1.2tn at a CAGR of 22% in the last 30 years
- ✓ Growth of Indian AM Industry has been faster in the last 10 years
 - India **18% CAGR*** vs US ~8% CAGR¹
- ✓ India's **Private Markets AUM-to-GDP ratio (3.5%)** remains **far below the US (25%+) or global average (~15%)⁴** in 2023
- ✓ Private Markets Strategies are at \$150bn in India in 2025F; whereas in US it's at \$8-9 tn⁴
 - ✓ Private Credit: ~\$30 bn in India, growing @20%+ CAGR; \$1 tn growing @13% annually in US in last 10 yrs
 - ✓ Real Assets AUM in India currently at \$32 bn; \$1.8 tn in US

Significant runway ahead—India's Alternatives Markets is tracking the U.S. growth curve

Private Markets offer long-term investment with active value creation

- ✓ It requires **higher minimum investments** and has **longer investment horizon** than Liquid Strategies
- ✓ Mainly serves HNIs and institutional investors
- ✓ Focus on **active value creation** through strategic and operational improvements
- ✓ Liquid Strategies show high volatility and correlation with other assets; Private Markets provide **diversification**
- ✓ Private investors gain strategic influence; investors in Liquid Strategies hold passive ownership
- ✓ Involve deep **proprietary diligence**; Liquid Strategies operate on public information
- ✓ Liquid Strategies include Mutual Funds, Hedge Funds and Listed PMS whereas Private Markets have **Growth Strategies** (Private Equity, Venture Capital) and **Yield Strategies** (Private Credit, Real Assets)

- ✓ Private Markets offer access to **higher, uncorrelated returns** due to the illiquidity premium (300-500 bps) they can charge
- ✓ Global Private Markets AUM has grown ~4x in the last decade up to CY24 vs 2x for Public Markets¹
- ✓ Global institutions **increased their allocation** to Private Markets **from 20.6% in CY20 to ~23% in CY24**²
- ✓ India's **Private Markets AUM-to-GDP ratio (3.5%)** remains **far below the US (25%+) or global average (~15%)** in 2023
- ✓ Indian insurance, pension funds and family offices are at the beginning of their alternatives journey, mirroring the US institutional shift which happened between 2000-2020
- ✓ Indian Private Markets AUM is ~\$150 bn¹ vs Mutual Fund AUM of ~\$900 bn³. As institutions increase allocation to Private Markets to diversify from Public Markets, this provides a further fillip to its growth
- ✓ Companies are also staying private for longer, increasing the opportunities for Private Markets

- ✓ Higher interest rate environment increases the attractiveness of near-term cash flows provided by Yield Strategies relative to distant appreciation at exits in Growth strategies
- ✓ Shorter duration products with predictable cash flows reduce volatility, exposure to cycles and reliance on IPO Markets for exits
- ✓ Both institutional and non-institutional investors have increasing requirement for predictable cash flows and steady distributions
- ✓ Tailwinds in Private credit due to the funding gap for companies after banks' shift in focus to retail loans and AA+ rated borrowers. Credit to industry as % of non-food credit has fallen from 43% in 2014 to 30% in 2025¹
- ✓ Indian private credit has stepped up to fill this gap and has grown ~6-8x in last 10 year to ~\$30 bn in 2025²
- ✓ Infra financing in India requires **\$2.2 tn in investment between by 2030**³ with public financing covering only part of it
- ✓ Real assets act as hedge against inflation and outperform equities and bonds in period of high inflation

How do Alternatives deliver alpha?

- ✓ **Customized Solutions** – Optimize financial instruments and structures to enhance returns while managing risks effectively
- ✓ **Operational Improvement** – Value creation through enhanced management and operational efficiencies within portfolio companies
- ✓ **Investment Selection** – Robust sourcing and diligence to identify optimal capital deployment opportunities
- ✓ **Governance** – Aligns asset manager interests with investors, boosting returns through incentives and having managers co-invest along with investors
- ✓ **Speed & Agility** – Swift decision-making and flexible execution to capture opportunities efficiently.

Differentiating factors: Scale, Size, and Vintage in Private Markets

Larger firms benefit from brand recognition, global reach, diverse strategies and strong LP relationships. Though relatively small now, India Private Markets are likely to follow trends in US as well as Global Markets

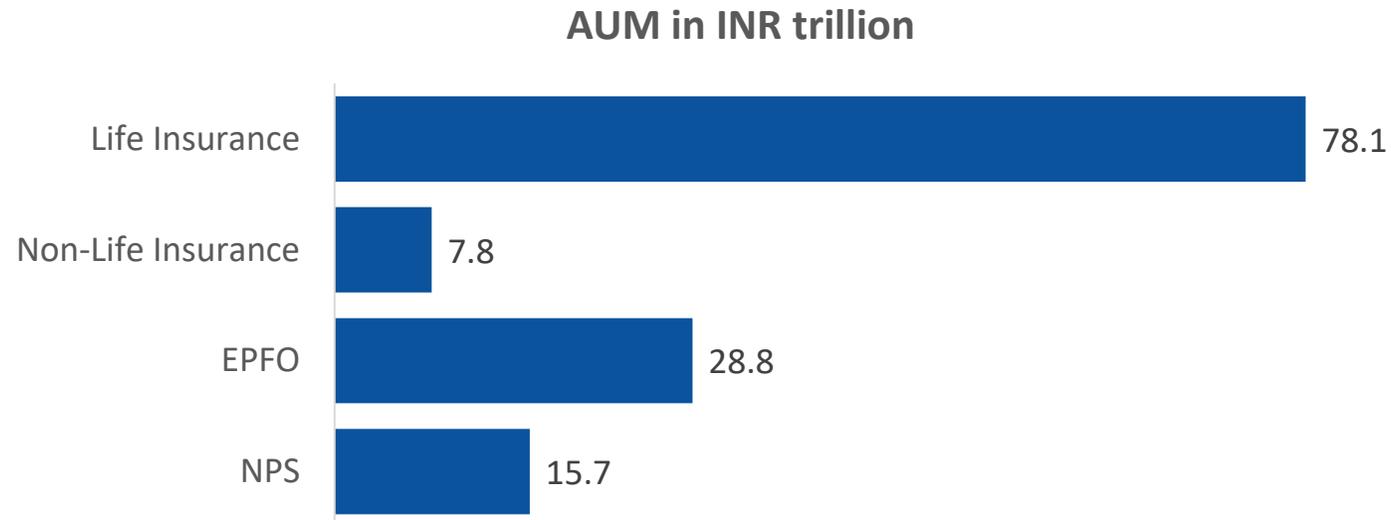
- ✓ **Scale:** Multi-strategy firms provide convenient one-stop investing solutions and are relatively better placed than smaller counterparts
 - ✓ Over the past five years to 2024, globally the top 100 GPs made approximately three times more acquisitions of competing GPs than they did in the previous five years¹
- ✓ **Size:** Large investors with big cheques prefer allocating capital pools to larger asset managers. In the US Markets, large GPs anchor bigger deals and dominate deal sourcing
 - ✓ During 2024, **top 10 global** asset managers **accounted for 55% of global private debt fundraising**¹
- ✓ **Vintage:** With years, come brand recognition and performance history across Markets cycles. This performance history is a crucial metric for investors to allocate capital
 - ✓ In 2024, over 80% of US PE funds closed at size higher than their previous series, a routine trend²

Private Markets investments feature **long-term lock-in**, emphasizing **low volatility and alpha generation**

- ✓ There is a large and growing investor base – from Institutional to Wealth channels
- ✓ Institutional Investors -
 - ✓ **Foreign Institutions** (Global Pension funds, Insurers etc.) – Need **geographical diversification and local partner** for regulatory compliance. They contributed around 35-40% of the fund raised in 2024-25 in India¹
 - ✓ **Sovereign Wealth Funds** – a subset of foreign institutions, are active co-investors with a focus on infrastructure and priority sectors
 - ✓ **Domestic Institutions** – Waking up to the growth opportunity and are potentially a large investor block
- ✓ Non-Institutional Investors – Min INR 10 mn ticket size limits retail participation to patient, sophisticated HNIs/family offices
 - ✓ **HNIs**: India's dollar millionaire population is expected to almost double between 2022 and 2027²
 - ✓ **Family Offices**: Seek customized investment solutions not offered by Liquid Strategies. Gaining in numbers from 45 to 300 between 2018 to 2024³

Domestic Institutional Capital are looking towards Alternatives

Domestic Institutions hold ~Rs 130 trillion in capital which is projected to grow at a CAGR of ~14% over the next few years



- ✓ Life Insurers are permitted to allocate up to 3% of their funds to venture funds and AIFs
- ✓ Non-Life Insurers are permitted to allocate up to 5% of their funds to venture funds and AIFs
- ✓ EPFO and NPS can invest up to 5%* of their total annual investments into Alternatives.

Private Markets pose significant entry barriers that protect incumbents and **sustain competitive advantage**

- ✓ **Local Markets Knowledge:** Deep understanding of local Markets and long-term relationships support consistent deal sourcing
- ✓ **Scale, Track Record & Reputation:** Investors favor managers with proven experience and credibility
- ✓ **Expertise:** Specialized skills in tailored financing and deal structuring come from extensive experience
- ✓ **Operational Capabilities:** Enhancing the value of portfolio companies through operational improvements is a crucial and hard-to-replicate advantage
- ✓ **Technology & Regulatory Familiarity:** Robust digital infrastructure combined with knowledge of changing regulations ensures efficient deal execution, compliance, and builds investor trust

US and India currently differ in fundraising approaches for Private Markets

- ✓ Fundraising in the US is dominated by institutions like Pension funds, endowments and sovereign wealth funds
- ✓ During 2024, **top 10 global** asset managers **accounted for 55% of global private debt fundraising** as institutions need scale and long-term track records¹
- ✓ Top asset managers have developed decades-long relationships with these institutions based on multi-fund track records
- ✓ US also has a deep ecosystem with stringent diligence aided by databases tracking fund performances
- ✓ Fundraising in India is currently dominated by family offices and HNIs through channel networks
- ✓ Progressive relaxation of investment norms may unlock institutional capital
- ✓ 1 ppt increase in Private Markets' allocation from insurance funds and EPFO would add ~\$10 bn to Private Markets AUM²
- ✓ As institutional participation increases, requirements on track records are expected to rise. This could lead to consolidation of the industry, similar to US

- ✓ Private Markets professionals earn a significant portion of compensation through performance fees vesting over multiple fund cycles
- ✓ Performance fees are paid after capital is returned to investors and a hurdle rate is met. It is vested over entire life of funds, aligning incentives with both the manager and investors, creating disincentives for professionals to shift
- ✓ Teams manage multiple funds in different phases (harvesting, mid-deployment, early-deployment) which creates compensation smoothing and rationale to stay
- ✓ Limited Partner relationships are across multiple funds and cannot be easily transferred to competing firms
- ✓ **Deal sourcing depends on 10+ year relationships** with investment bankers, intermediaries, entrepreneurs and proprietary relationships which are harder to move
- ✓ Private Markets focus on **creating brands over individual deal makers**, with decision making institutionalized and process driven
- ✓ This is in contrast to Public Markets where bonuses are typically paid annually based on recent performance

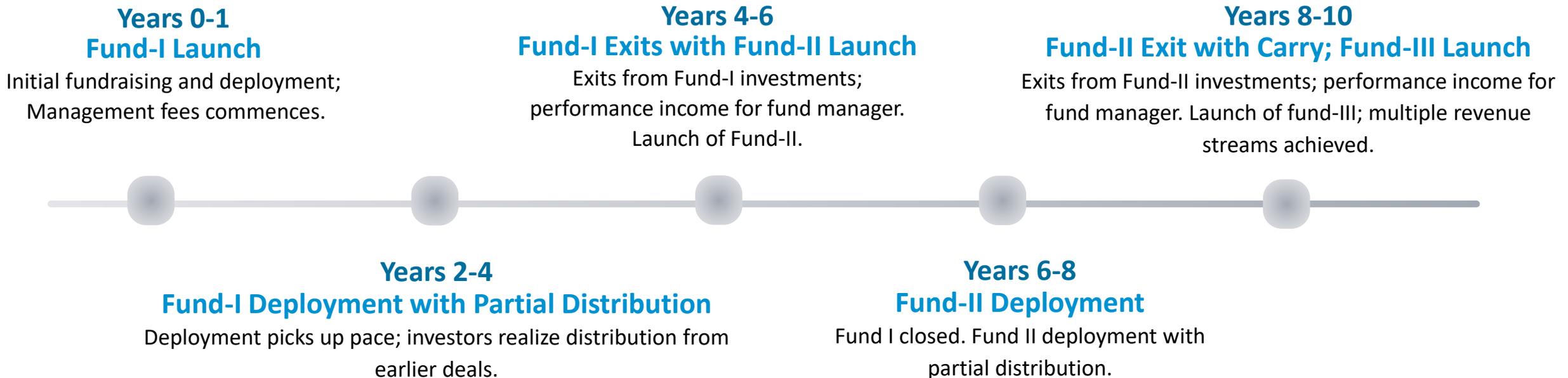
Typical investment lifecycle of a Private Markets Fund

A diversified, multi-vintage alternatives platform maintains steady fee-earning AUM because funds harvest and exit in overlapping cycles, preventing sudden declines



Typical investment lifecycle of a Private Markets Fund

A mature alternatives platform manages multiple fund vintages simultaneously, creating overlapping fee streams and diversified revenue



Investors track Private Markets fund performance through returns, cashflows, and how quickly invested capital is realized. Below are some key metrics:

- ✓ **IRR** (internal Rate of return) measures the aggregate rate of returns generated by the fund over a holding period— showing how efficiently capital is deployed and returned over time
- ✓ **MOIC** (Multiple on Invested Capital)= ratio that measures the total value of an investment relative to the initial investment, without taking into account the time value of money
 - ✓ It shows how many times the original capital has multiplied
- ✓ **DPI** (Distributions to Paid-in Capital)= $\text{Cash distributed} \div \text{Capital Invested}$
 - ✓ Indicates capital distributed vs capital invested — a DPI of 1.2x means investors have received back 1.2 times their invested capital
- ✓ **NAV** (Net Asset Value) is calculated as Total Assets less Total Liabilities of the Fund

Gross IRR Vs Net IRR

For Onshore Investors

- ✓ **Gross IRR** represents the annualized total portfolio return based on actual cashflows before fees, taxes, or performance income, reflecting fund level performance
- ✓ Funds typically charge 1 – 2% **management fees** annually on the invested or committed capital
- ✓ Private Markets funds have a **hurdle rate** (~8 – 10%) to ensure investors earn a base return before the manager shares in profits.
 - ✓ Hurdle rate is the minimum rate of return an investment fund must achieve before the fund manager can earn a performance fee
 - ✓ Once the hurdle is met, the Variable Additional Return (**VAR**) — often 10–20% of profits — goes to the manager
- ✓ **Net IRR** represents the actual return realized in the hands of the investors

$$\text{Net IRR} = \text{Gross IRR} - (\text{Fees} + \text{VAR})$$

For Offshore Investors

- ✓ Currency movements can further impact returns for offshore investors

Alternatives players typically generate 12-14% net returns to investors

Leverage in Private Funds – India vs US

- ✓ Indian AIFs (Category 1 & 2) do not hold leverage at the fund level. SEBI regulations don't permit fund-level borrowings except under specific conditions
- ✓ Leverage is only available at the portfolio company level. Currently, Indian banks do not offer AIF lending products due to unfamiliarity with enforceability of LP commitments
- ✓ This is in sharp contrast to the US where majority of funds use subscription line facilities (SLF) and NAV facilities
 - ✓ SLF is a short-term credit line for private funds, secured by their investors' unfunded capital commitments
 - ✓ SLF provides operational flexibility and enables immediate deployment without capital calls
 - ✓ NAV facility is a fund-level credit line secured against the fund's existing investment portfolio
- ✓ Evolution of SLF and NAV facilities in the US:
 - ✓ 1980-90: Legal framework for making capital calls enforceable came to force, leading to an expansion of the SLF Markets.
 - ✓ 2008: Despite the financial crisis, SLF facilities saw very low default rates, providing further validation
 - ✓ Post 2008: Spread compression in SLF facility led to accelerated adoption
 - ✓ Post COVID, NAV facilities have gained traction adding a second layer of fund-level leverage

- ✓ **AUM** (Assets Under Management) represents the total commitment raised under active funds
- ✓ **FPAUM** (Fee Paying AUM) is the portion of the AUM on which asset managers are entitled to earn management and advisory fees. It is based on capital committed, capital invested, net asset value, gross block, etc, as per respective governing documents.
- ✓ FPAUM changes as funds move through different lifecycle stages and can drift lower as principal is returned to investors

AUM shows total investor commitments, while FPAUM captures the income-generating base that drives predictable, recurring revenues for asset managers

- ✓ Private Markets managers have **two major streams of revenue**: Management fees and Variable Additional Returns (VAR).
- ✓ **Management fees**: annual charge for managing the raised funds- sticky in nature
 - ✓ Management fees are usually charged at 1 – 2% of committed capital/drawn capital/NAV and charged over fund life
- ✓ **Variable Additional Returns (VAR)**: This is the additional return realized once the fund has achieved the hurdle rate of return for its investors. It is the primary incentive tool aligning the GPs with the LPs
 - ✓ VARs are typically 10 – 20% of the fund's profits after returning LP capital along with a hurdle rate
- ✓ The “2 and 20” fee and alignment model is the global standard, adopted directly from the US

Important KPIs and financial metrics to monitor performance of manager

Key Business scale and Financial KPIs

- ✓ **Growth in AUM** reflects the platform's ability to raise capital, retain investor confidence, and expand fee-earnings assets across vintages
- ✓ Evolving **strategy mix** highlights diversification while a healthy **fundraising pipeline** signals continued investor demand visibility into future growth
- ✓ **Variable Additional Return** (VAR) is the additional return realized by the asset manager once the fund has achieved the hurdle rate of return for its investors based on NAV and/or Realisation

Profitability and Quality of Earnings Metrics

- ✓ Total **Cost-to-Income** (C/I) = Total Costs ÷ Total Revenue – measures overall efficiency – a lower ratio shows better cost discipline
- ✓ PBT margin and operating leverage capture the scalability of the business model - margin improves as AUM grows
- ✓ **Client retention** demonstrates trust, consistency, and repeat investor participation across fund cycles

Securities and Exchange Board of India (SEBI) governs all Alternative Investment Funds (AIFs) under SEBI (AIF) Regulations, 2012

- ✓ Managers must follow specific rules on **leverage, investments, and concentration** for the three AIF categories
- ✓ Category 1 AIF: Promotes **early-stage or socially beneficial ventures**
 - ✓ Leverage is prohibited except for temporary funding
 - ✓ Min 75% invested in unlisted securities with focus on infrastructure; single company exposure capped at 25%
- ✓ Category 2 AIF: Primarily invests in **growth & credit-oriented investments**
 - ✓ Leverage is prohibited except for short-term operational needs
 - ✓ Focus on unlisted securities without sector cap. Single investee company exposure \leq 25% of fund's corpus
- ✓ Category 3 AIF: Invests in **open-ended, return-maximizing strategies**
 - ✓ Leverage is permitted to certain extent with considerable flexibility in investment (listed/unlisted/derivative)
 - ✓ Single investee company exposure \leq 10% of fund's corpus

Strong internal governance framework for large Private Asset managers

The **Board of Directors**, composed of executive and independent directors, serves as the highest decision-making authority

- ✓ Strong internal governance ensures oversight, compliance, and aligned interests through various bodies and policies
- ✓ **Investment Committees:** Review and approve investments, ensuring alignment with fund policies and objectives
 - ✓ Consist of senior professionals, independent members and LP representatives
- ✓ **Risk Review Committees:** Oversees key investment risks to ensure effective mitigation and policy compliance
- ✓ **Limited Partner Advisory Board (LPAB):** Includes LP representatives and provides advisory oversight to protect investor interests and ensure transparent governance
- ✓ **Independent Experts:** Ensure unbiased, specialized advice for transparent, objective investment decisions
- ✓ There are other committees that oversee functions including operational and financial oversight, internal audit and remuneration/incentive structure

Alternatives are a Long-Term, Sustainable Growth Engine

Structural tailwinds driving Alternatives are durable and multi-decade

- ✓ **Financialization of savings** – rise of domestic patient capital
- ✓ Shift from valuation-driven returns to **cashflow-driven investing**
- ✓ India's **infrastructure build-out** (transport, renewables, digital)
- ✓ Sustainability and energy transition themes attracting global flows
- ✓ Digital infra and urbanization as new asset classes
- ✓ Investors' need for higher Yield though **stable returns** and **capital protection**
- ✓ Need to **generate Alpha over Public Markets** to improve portfolio returns and wealth creation

These trends ensure that Alternatives are not a cyclical theme, but the core of India's next investment chapter — combining financial performance, physical asset creation, and sustainability outcomes

Characteristic	Traditional AM	Alternative AM
Liquidity	Daily	Locked (7–10 yrs)
Fee structure	Thin, volume-driven	Higher, value-driven
ROE	Moderate, cyclical	High, durable
Capital intensity	Low	Moderate, scalable
Volatility	Moderate to High	Low to Moderate
Revenue duration	Short-term	Long-term, recurring
Investor alignment	Transactional	Partnership-driven

The Alternatives industry globally has transformed asset management from a flow business into a compounder business — one that combines yield, growth, and longevity

Alternatives tend to hold up better in times of stress as their returns have historically shown low correlation with traditional assets.

Annexures: Private Credit



Private Credit Strategies and its key sub-strategies

- ✓ Private Credit refers to direct lending outside Public Markets, offering **flexible capital solutions** that traditional banks or bonds often cannot provide
- ✓ It offers investors **enhanced, predictable yields** with strong downside protection through covenants and asset backing
- ✓ Its low correlation with Public Markets provides **diversification** benefits to investors while boosting risk-adjusted returns
- ✓ The asset class has three key sub-strategies: Performing Credit, Special Situations, and Real Estate Credit
 - ✓ **Performing Credit** provides flexible capital for growth, M&A, and refinancing, typically with low to moderate risk
 - ✓ **Special Situations** include tailored financing solutions for unique circumstances including debt buyouts, takeover financing
 - ✓ Returns are typically in the range of 20 – 25% gross IRR¹
 - ✓ **Real Estate Credit** focuses on construction and completion financing for real estate projects, carrying moderate risk and 18 – 20% gross IRR return potential¹

Why Corporates Choose Private Credit

- ✓ **Flexibility** – Private capital provides customized solution depending on specific requirements
- ✓ **Accessibility** – Both the corporate bond and bank credit is skewed in favor of large high rated corporates while mid-Markets companies are left under-served
 - ✓ Bond issuances are majorly towards higher rated corporates. During FY25, out of \$ ~120 bn issuances, ~85% were AA and above¹
- ✓ **Regulations** – Banks are heavily regulated entities and can't extend credit in specific situations. Private credit fills those gaps
- ✓ **Speed and Certainty** – Private credit transactions are executed more rapidly than traditional lending channels, effectively addressing time-sensitive financing needs
- ✓ Many private credit deals have a single-lender relationship with the borrower which reduces complexity and expedites decision making

- ✓ Private credit focuses on process driven investing, monitoring framework and risk management as a source for alpha generation
 - ✓ Every investment goes through an investment committee which discusses all deal associated issues, including risk
- ✓ The asset manager maintains adequate **portfolio diversification** with sector and sponsor limits
- ✓ The underwriting process includes extensive **diligence** which act as a strong check at the pre-investment stage
- ✓ Private credit deals are privately negotiated and bespoke, allowing the manager to include **strong covenants**
- ✓ Quarterly covenants include financial covenants, information rights and negative covenants to ensure oversight and take corrective action if required
 - ✓ Financial covenants: Includes leverage, debt servicing and asset coverage ratios. Violations trigger lender intervention
 - ✓ Information rights: Include monthly performance trackers, quarterly meetings and board updates
 - ✓ Negative covenants: Include restricting new debt raises, asset sales, capex and M&A without lender consent
- ✓ Some investments also include additional control rights with board seats, veto rights, key management appointments etc.
- ✓ This **active monitoring** by dedicated teams create information advantage leading to lower credit costs

Investor Preference for Private Credit over other Fixed Income products

Private Credit offers higher yields, steady cash flows, and better downside protection

- ✓ **Yield Premium and stable income** — Patient investors can earn higher, consistent returns than traditional bonds, providing regular cash flows with low volatility
- ✓ **Diversification** - Private credit has low correlation to Public Markets, enhancing overall portfolio risk management
- ✓ **Downside Protection** - Investments are supported by strong collateral, covenants, and seniority in the capital structure, offering multiple safeguards and downside protection
- ✓ **Access to Unique Opportunities** - Private Credit can provide exposure to companies and sectors that are underserved by traditional lenders, offering differentiated return streams

Alpha generation is an outcome of bespoke structuring, monitoring and access to an under-serviced clientele. The focus is on developing efficiencies rather than chasing risk.

Annexures: Real Assets



Overview of Real Assets and their distinction from traditional listed infrastructure and real estate

- ✓ Real Assets are tangible, physical assets that provide essential services or goods to the economy
- ✓ These assets generate cash flow **through contracts** such as rents, leases in addition to potential capital appreciation
- ✓ Real Assets have **intrinsic value** based on their physical existence and operational utility
- ✓ They offer **long-term, stable income** with bond-like predictability combined with equity-like returns
- ✓ They provide **inflation protection** and potential for **capital appreciation**
- ✓ Real Assets can be held privately or publicly depending on their stage and maturity
 - ✓ Mature and stabilized assets are often listed via REITs or InvITs, offering liquidity and steady distributions
 - ✓ Private Assets are generally unlisted and managed actively by fund managers focusing on operational improvements, lifecycle capital expenditure, and financial structuring
 - ✓ The key distinction lies in liquidity, management style, and investor access between private real assets and publicly listed infrastructure or real estate

Return drivers for Real Assets

- ✓ Returns are primarily generated through two components: **ongoing yield** and **capital appreciation**
 - ✓ Ongoing yield is the **regular, predictable income** derived from long-term contracts
 - ✓ Capital appreciation occurs over time due to improved utilization, operational efficiencies, financial restructuring, or a favorable exit valuation
- ✓ Different investment strategies target varying return levels¹:
 - ✓ **InvITs/REITs: 11-15%**, focusing on stable distributions and growth through acquisitions
 - ✓ **Operating value-add funds: 18-20%** by combining income yield with enhancements driving capital gains
 - ✓ **Growth-focused investments: 23-25%+** by emphasizing asset development and operational improvements
- ✓ Returns from real assets are predominantly cash-flow-driven rather than reliant on Markets price multiples, which makes them more resilient to Markets volatility

Real Assets require operating capability in addition to financial capital

- ✓ Having an **in-house asset operations** is recognized as a critical advantage in Real Assets investing
- ✓ Operating capabilities help improve **income from the asset, not just capital invested**
- ✓ Key advantages of in-house operations are:
 - ✓ **Real-time monitoring** helps avoid downtime and capture full revenue linked to availability
 - ✓ Having operational data improves decisions and future investment choices
 - ✓ Direct control ensures compliance with safety and ESG rules
 - ✓ Good operation records build trust with investors and increase asset value
 - ✓ Managing lifecycle capital spending **prevents costly repairs and protects value**
- ✓ Thus, operating capability creates a competitive edge and lowers risks in real asset investing

Liquidity in Real Assets investments and Investor's exit options

- ✓ Real Asset investments usually require a **long hold**, typically 5 to 10 years or more
- ✓ Stable and predictable cash flows keep them in demand, supporting liquidity despite long durations
- ✓ Few of the exit options for funds are as follows:
 - ✓ Public listings through **InvITs and REITs**
 - ✓ **Strategic sales** to specialized platforms looking to expand their portfolios
 - ✓ **Secondary sales to long-term institutional buyers** such as pension funds and sovereign wealth funds

While real assets trade-off immediate liquidity, visibility and reliability of cash flows and the potential to beat inflation aligns well with most institutional investors seeking steady income and capital preservation.

Real Assets - critical for India's next decade of growth

- ✓ India's rapid urbanization, industrialization and digitalization to drive demand for real assets
- ✓ India's economy is set for multi-decade growth, driven by programs like **NIP, NMP, and GCCs Policy**
- ✓ Real assets support **private-public partnership models**, enhancing scalability and delivery efficiency
- ✓ Private capital and operational expertise are essential to build, maintain, and modernize assets
- ✓ Investor can participate in India's economic rise with stable, inflation-hedged income
- ✓ Real assets also align with ESG goals, **supporting compliance, sustainability**, and social impact
- ✓ Real Asset investments form the backbone of India's productivity, sustainable development, and improvement in quality of life and enable India to achieve growth targets and global competitiveness

The next decade's pivotal growth levers are thus inseparable from the development of world-class real assets—making them critical to India's economic ambition and an unmatched opportunity for forward-looking investors

Annexures: Case Study and Proforma P&L Model



Blackstone outperforms on Premium Multiples vs Blackrock

Blackstone (Private Asset Manager)

AUM \$ 1.2 tn, MCap- \$ 191 bn, MCap/AUM- 15%

- Focused on private markets: Private Equity, Private Credit and Real Assets
- Returns driven by alpha & value creation; earns performance fees
- A diversified, high-margin fee base with steady earnings underpins premium valuation

Blackrock (Public Market Player)

AUM \$ 13.5 tn, MCap- \$ 177 bn, MCap/AUM- 1.3%

- Dominated by public markets & index products (ETFs, passive funds)
- Returns driven by beta & scale: Index products commoditized equity exposure
- Lower fees reduce profitability despite large asset base.

PE Multiple	2013-22	2023-25
Blackstone	17x	46x
Blackrock	19x	23x

Alternative players have seen rerating over traditional asset managers

Among alternatives, a more diversified the asset mix may command a higher valuation premium¹

Indicative P&L Model for an Alternatives Player

An alternatives player, with a diverse asset mix, typically has a PBT yield of 80-100 bps¹

Particulars	% of FPAUM	Typical Range	Notes (simple investor explanation)
Management Fee Revenue	1.40%	1.0-1.5%	Recurring fees across funds (blended 1–1.5%)
Variable Additional Return (VAR)	0.60%	0.5-0.8%	Variable, depends on exits & fund performance
GP / Sponsor Co-investment Income	0.25%	0.2-0.3%	Returns from manager's own capital invested
Total Revenue	2.25%	2-2.5%	Mgmt Fees + carry + investment income

Cost Item	% of FPAUM	Typical Range	Notes (simple investor explanation)
Employee Cost (Investment + Ops + Sales)	-0.50%	0.4-0.5%	Largest cost: teams + retention
VAR Related Expense	-0.30%	0.2-0.4%	Carry related expense
Distribution / Placement Costs	-0.30%	0.2-0.4%	Channel payouts / fundraising cost
Other Opex / Admin / Technology	-0.20%	0.2-0.3%	Legal, compliance, data, systems, overhead
Total Operating Cost	-1.30%	1.2-1.5%	Scales well as AUM grows

Profitability Metric	% of FPAUM	Typical Range	Notes (simple investor explanation)
Profit Before Tax (PBT)	0.95%	0.8-1.0%	Pre-tax earnings power

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