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PMS & AIF

SPECIAL EDITION

NOVEMBER 2026

The SHIFT Towards ALTERNATIVE ASSETS



Cover Story

Pg No. 19

The Shift Towards Alternative Assets

Exclusive Interview

Pg No. 87

Sandeep Jethwani
Co-Founder, **Dezerv** &
Vice-Chairman, **APMI**

The World of Investing Beyond Traditional

Pg No. 01

Radha Raman Agarwal
Managing Director & CEO
Swyom Advisors Limited

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MESSAGE FROM PMS BAZAAR

The Indian investment landscape is undergoing a significant transformation, with alternative investments increasingly becoming an integral part of portfolio construction and long-term wealth creation. It gives us immense pleasure to welcome you to the ninth edition of our Annual Summit, **PMS & AIF 9.0,** centred on the theme **"The Shift Towards Alternative Assets."**

Over the years, PMS & AIF Summit has evolved into a prominent platform for India's alternative investment ecosystem, bringing together investors, asset managers, distributors, wealth managers, family offices and industry leaders. This year's summit, scheduled for **17th November 2026 at Taj Santacruz, Mumbai,** comes at a defining moment for the alternatives investment industry.

The global economy continues to navigate geopolitical tensions, inflationary pressures, fluctuating crude oil prices and evolving monetary policies. Against this backdrop, India's economic fundamentals remain resilient, supported by domestic demand, consumption and structural growth drivers, reinforcing its long-term growth potential.

India's alternative investment industry reflects this growing opportunity. AIF commitments have increased from ₹50,441 crore in June 2016 to ₹17.53 lakh crore in June 2026, registering a CAGR of approximately 42.5%. Similarly, PMS assets under management have grown from ₹1.62 lakh crore in September 2016 to ₹9.04 lakh crore in September 2026, representing a CAGR of 18.8%. Together, the PMS and AIF industry has expanded to approximately ₹26.42 lakh crore.

These figures reflect more than industry growth. They highlight rising investor participation, greater acceptance of professional fund management and increasing interest in alternative investment opportunities beyond traditional asset classes.



Through PMS & AIF 9.0, we aim to explore the opportunities and challenges shaping this next phase of investing, covering listed equities, MF-PMS, PE & VC, private credit, commercial real estate, PIPE, quantitative strategies, infrastructure, pre-IPO investments, GIFT City and Crypto Investing other emerging investment avenues. The discussions will also focus on diversification, risk management, capital allocation and sustainable wealth creation.

At PMSBazaar, our endeavour has always been to make the alternative investment ecosystem more accessible, transparent and informed through research, data-driven insights and performance analytics. This Special Edition reflects that commitment by bringing together valuable perspectives on India's evolving alternative investment landscape.

As India advances towards its next phase of economic growth, alternative investments will play an increasingly important role in shaping diversified portfolios and creating long-term wealth.

The future of investing will not be defined merely by the availability of capital, but by how effectively it is allocated to create sustainable, long-term value.

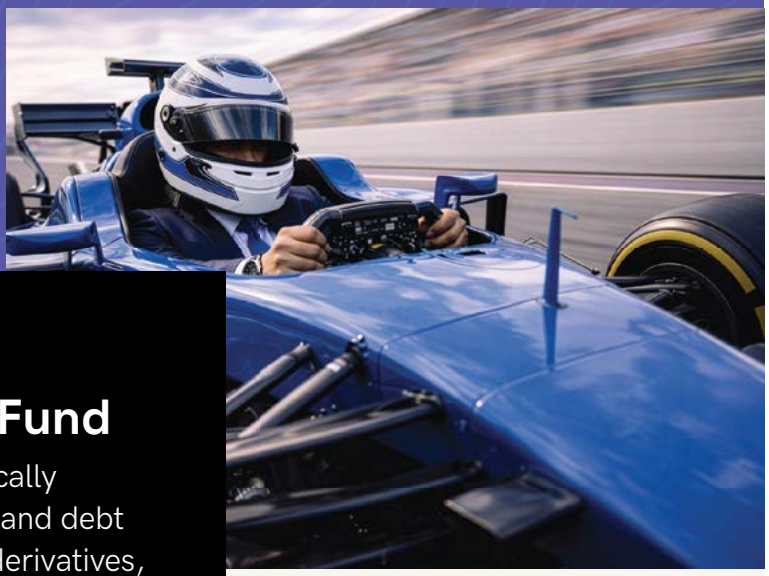
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• To create Long-term capital appreciation & income generation • Investment across equity, debt, equity and debt derivatives, InVITs and commodity derivatives, including limited short exposure on permitted instruments through derivatives	Lower Risk 1 2 3 4 5 Higher Risk Risk band level 2	Lower Risk 1 2 3 4 5 Higher Risk Risk band level 2 25% BSE SENSEX TRI + 60% CRISIL Short Term Bond Fund Index + 15% iCOMDEX Composite Index

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01 A 30-minute, in-depth analysis

02 Identification of risks and underperformance

03 Improvement of allocation and outcomes

Scan the QR to start your portfolio review.

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Strategy Return (1Y)	Nifty 50 TRI Return (1Y)	Alpha Generated
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Returns as on 31 October 2026

Generating 23.04 pp alpha

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Radha Raman Agarwal
MD & CEO, Swyom Advisors Limited

THE WORLD OF INVESTING *BEYOND TRADITIONAL*

How is India's Alternative Space Redefining Portfolios

There was a time when investing was largely a question of choosing between a handful of familiar destinations.

Equities
for growth.

Fixed income
for stability.

Gold
for diversification.

The portfolio was built around asset classes, and the investment conversation largely stayed within those boundaries.

That world is changing.

Not that traditional equities have lost its sheen. They remain one of the most powerful vehicles for participating in India's long-term economic growth. But the alternative investment universe is expanding tremendously.

The rise of alternative assets is ultimately a reflection of something much larger happening in Indian finance.

India's capital markets are becoming *deeper.*

Its businesses are becoming more *sophisticated.*

Its investors are becoming more *discerning.*

And as this happens, the boundary between what is considered "traditional" and "alternative" will continue to evolve.

Perhaps, eventually, some of today's alternatives will simply become part of tomorrow's mainstream.

₹17.53 lakh crore

According to SEBI's latest data, AIF commitments rose to ₹17.53 lakh crore as of June 2026, up nearly 3.5% from ₹16.94 lakh crore at the end of March 2026.

₹3.37 lakh crore

Category III, the fastest-growing major category in terms of investments, saw its commitments rise to ₹3.37 lakh crore by the end of June 2026.

An industry report projects that total commitments could reach ₹40-45 lakh crore by March 2030, implying a CAGR of 24-27% from March 2025.

This is where the conversation around alternative assets becomes particularly interesting. The shift towards alternatives is not simply a shift from one asset class to another.

It is a shift in the way investors think about opportunities.

When the market is no longer the whole story

Stock market has always been the most visible representation of India's investment opportunities. Every trading day brings a new price, a new headline and a new narrative.

But markets do not always tell the entire story.

A business may be preparing for a significant transformation while its market value reflects its past. A company may be undertaking a demerger that could fundamentally change how its businesses are valued. A promoter may be restructuring ownership. A private enterprise may be scaling rapidly without yet having entered the public markets.

The opportunity exists. The market simply may not have priced the next chapter yet.

This is one of the defining attractions of alternative investing: the ability to look for opportunity beyond the immediately visible.

It requires investors to look not just at where a company is today, but at what could change tomorrow.

And that changes the nature of investing itself.

From buying businesses to understanding transitions

Traditional investing often revolves around a relatively straight forward question:

Is this a good business at the right price?

Alternative investing can require a different question:

What is changing?

That change could be financial, operational, strategic or structural.

A merger can change the economics of two businesses.

A demerger can reveal value that was previously obscured.

A capital allocation decision can alter the trajectory of a company.

A restructuring can transform a balance sheet.

A private business entering a new phase can create an entirely different investment proposition.

These are not merely events surrounding an investment. Sometimes, the event is the investment thesis. And that distinction is at the heart of special-situation and event-driven investing.

The opportunity is not necessarily created by market volatility. It can be created by change itself.

The unlisted india story

India's structural transformation makes this evolution particularly relevant for the alternative-investment landscape.

US$60.7 bn
1,475 DEALS - 2025

US$23.2 bn
RECORD FUNDRAISING · 2025

US$20.5 bn
604 DEALS · H1 2026

The depth of the private-market opportunity is reflected in the numbers. India's PE/VC ecosystem recorded US$60.7 billion across 1,475 deals in 2025. Fundraising activity hit an all-time high in 2025, rising to US$23.2 billion.

The momentum has continued into 2026. PE/VC investments in India reached US$20.5 billion across 604 deals in the first half of 2026, according to EY–IVCA Trendbook 2026.

Capital is flowing into new businesses. Established companies are reshaping themselves. Industries are consolidating. Businesses are separating non-core operations, raising capital, acquiring capabilities and preparing for their next phase of growth.

Alternative investing opens the possibility of looking at businesses at different points in that journey. But this access comes with a different responsibility.

In a listed market, fund managers tend to often rely heavily on publicly available information, market liquidity and continuous price discovery.

In private and unlisted markets, the investment process can demand something deeper — understanding the promoter, assessing governance, examining business quality, evaluating capital requirements and, ultimately, determining what could unlock value.

For investment managers, this creates both an opportunity and a challenge.

The opportunity is a much larger canvas.

The challenge is knowing where to look.

The absence of a daily market price makes fundamental and financial research more important, not less.

The new investor mindset: beyond diversification

As India's wealth pool expands, investor sophistication is evolving with it.
The question is increasingly moving beyond:

"What return can this investment generate?" *to*

"Where does that return come from?"

Is it driven by the broader market?	By earnings growth?	By valuation re-rating?
By an identifiable corporate catalyst?	By private-market value creation?	By a structural inefficiency?

The more compelling proposition is access. Access to businesses that are not yet listed. Access to specialised situations. Access to corporate events that can amplify value. Access to strategies where the return driver is fundamentally different from simply being invested in the market.

This is an important evolution.

Because diversification tells us

where risk is spread

Alternative investing can also ask

where opportunity is found

This distinction matters because two investments can deliver similar returns while carrying entirely different risks and return drivers. Alternative investing, at its best, is therefore not about adding complexity to your portfolio.

It is about adding dimensions to the sources of return, diversification in its true sense.

Discipline in the world of opportunity

Yet a broader opportunity set does not mean every opportunity deserves capital. In fact, the opposite may be true. The more avenues available to an investor, the more important selectivity becomes.

Alternative investments can involve different liquidity profiles, longer investment horizons, complex structures and outcomes dependent on specific catalysts. The analytical expertise can therefore require professional management.

This is where structured investment discipline becomes the differentiator. The importance of this discipline is reflected in the evolution of the AIF ecosystem.

45+ lakh crore

CRISIL projects the total AUM of managed funds, encompassing Mutual Funds, Life Insurance, Retirement Funds, Portfolio Management Services (PMS), Alternative Investment Funds (AIFs), Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs), is projected to reach ₹455 lakh crore by 2030. Of this, AIFs are expected to contribute approximately 10%, translating to ₹45 lakh crore.

At Swyom, we believe that differentiated investing begins with 3 simple principles:

Look beyond alpha:

Transparency

Investor centricity

Consistency

Whether the opportunity lies in a listed business, an unlisted enterprise or a corporate action, the investment process must ultimately come back to the same fundamentals — understanding the business, identifying the catalyst, assessing the downside and knowing what needs to happen for the thesis to play out.

A forward-looking portfolio

Perhaps the most interesting change underway is not just the emergence of alternatives. It is also about the changing definition of a portfolio.

Tomorrow's sophisticated portfolio may not be defined simply by how much is allocated to equities, fixed income or other asset classes. It may increasingly be defined by the various distinct sources of alpha.

That's exactly what *Swyom India Alpha Fund* brings on table for its investors.

Listed businesses

can provide participation in market-led growth.

Unlisted opportunities

can provide access to businesses earlier in their value-creation journey.

Corporate actions and special opportunities

can provide exposure to identifiable catalysts.

Different strategies. Different drivers. Different horizons.

One portfolio. A broader opportunity set.

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Invest Beyond the Obvious



LISTED BUSINESSES

UNLISTED OPPORTUNITIES

CORPORATE ACTIONS

SWYOM INDIA ALPHA FUND

A CATEGORY III AIF

3 in 1	36.88%	Top 3	₹350+ Cr
STRATEGY	**CAGR**	**AMONG CAT III AIFS**	**AUM**
LISTED | UNLISTED | CORPORATE ACTIONS	SINCE INCEPTION (*Sep'23*)	2-YEAR CAGR (*Source: PMS Bazaar*)	AND GROWING

WHY INVEST IN SWYOM INDIA ALPHA FUND?

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Chockalingam Narayanan

Head Equities – Alternates, ICICI Prudential AMC

POSITIONING FOR A NEW MACRO REGIME

Growth has long been one of the market's most powerful investment narratives. But growth alone does not create value.

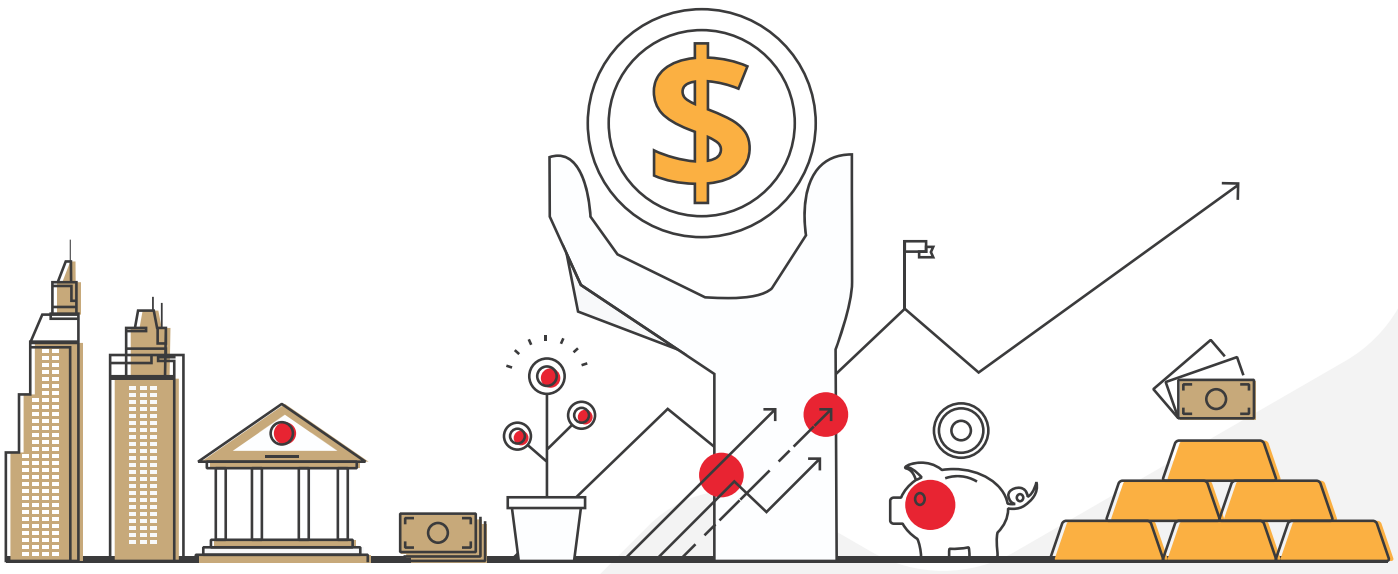
What matters is how much capital it consumes, how long it takes to generate cash and whether the returns justify the investment. As inflation, interest rates and competitive dynamics shift, investors need to look beyond headline growth to understand the underlying economics of a business.

For much of the past two decades, global manufacturing overcapacity, particularly in China, helped export deflation across the world. Intense competition among manufacturers, often supported by capacity well in excess of domestic demand, kept prices of many goods subdued. Lower input costs and relatively stable inflation helped create an environment of low interest rates and abundant liquidity.

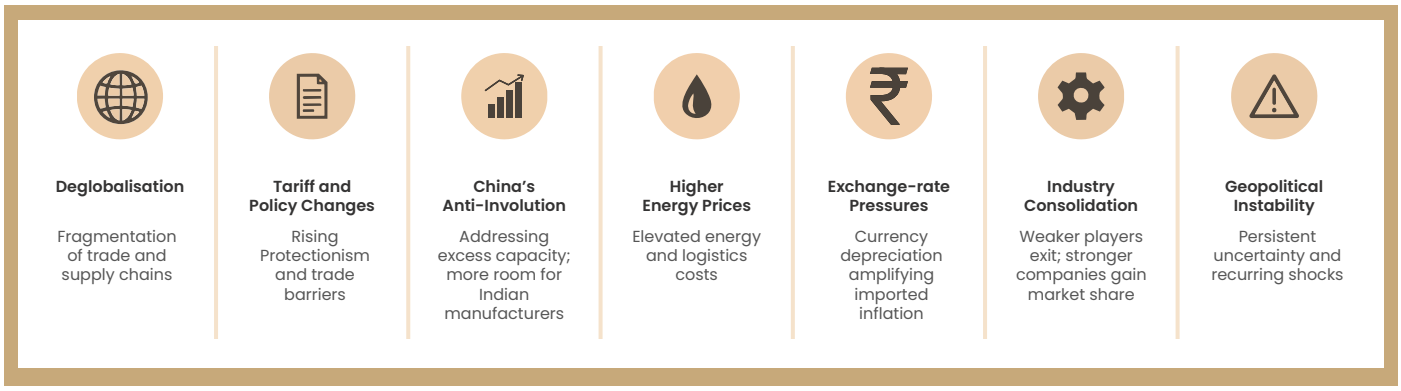
> **"WHAT MATTERS IS HOW MUCH CAPITAL IT CONSUMES, HOW LONG IT TAKES TO GENERATE CASH AND WHETHER THE RETURNS JUSTIFY THE INVESTMENT"**

Manufacturers competing with low-priced imports often faced constrained pricing power and pressure on returns. Lenders to these businesses were exposed to the resulting stress. In contrast, many consumer-facing businesses benefited from benign input costs, while rising per-capita incomes supported demand. Asset-light models also benefited from a world in which capital was relatively inexpensive, and future growth could be funded at a lower cost.

But we believe that backdrop is changing. Geopolitical fragmentation, tariffs and policy shifts, supply-chain diversification, energy-security priorities and efforts to build domestic manufacturing capacity may keep input costs, inflation and capital costs more volatile. China's efforts to address excess capacity could also alter competitive dynamics in selected industries.



STRUCTURAL FORCES RESHAPING THE GLOBAL AND DOMESTIC LANDSCAPE



These forces are collectively leading to higher inflation, higher capital costs and supply-chain realignment, creating not only a more selective market, but also meaningful opportunities.

THE IMPORTANCE OF DURABLE, PRODUCTIVE ASSETS

In this environment, investors may benefit from looking closely at businesses whose tangible assets remain economically productive, difficult to replicate or replace, and relevant over long periods. Such assets can support durable demand, competitive positioning and pricing power. But their presence alone is not enough: the business must also generate cash flows sufficient to maintain its assets, fund growth where appropriate and earn attractive returns on the capital employed.

Cash-flow timing and balance-sheet quality are equally important. In a higher-rate environment, near-term cash generation can provide more certainty than earnings that depend on distant growth assumptions. Businesses with disciplined capital allocation, manageable leverage and the ability to fund maintenance and growth internally may be better placed to withstand volatility. A preference for durable assets must therefore go hand in hand with financial discipline; neither characteristic is sufficient on its own.

Energy is a key transmission channel for macroeconomic shocks. Oil and gas feed into transport, fertilisers, chemicals, plastics, metals and a wide range of manufactured goods. India's dependence on imported crude makes a sustained increase in oil prices a potential pressure point for the import bill, the rupee and costs across supply chains. India's crude-oil import dependence of about 88.7% in FY26 and Brent crude over US$110 per barrel in Oct' 26 raises renewed supply concerns.[1]

This is where the quality of assets and the strength of the business model must be considered together. Durable assets may support a cost advantage or make a business difficult to replicate, but only if the company has the operational capability and market position to monetise them. Pricing power is not simply the ability to raise prices; it is the ability to do so without materially damaging demand, market share or long-term customer relationships.

[1] https://ppac.gov.in/prices/international-prices-of-crude-oil

The above factors are only indicative, there may be other factors that may be responsible.

WHY CAPITAL COSTS AND TIMING OF CASH-FLOWS MATTER ?

Interest rates shape both borrowing costs and the way investors value future earnings. Businesses whose valuations rest on profits far into the future are naturally more sensitive to changes in discount rates: when rates rise, the present value of distant cash flows compresses more than near term earnings. This doesn't diminish the appeal of growth companies; it simply heightens the importance of the entry price, the time needed to earn back invested capital, and the probability that the anticipated growth actually plays out. Higher capital costs also change the economics of expansion. Businesses that continually require external funding may become more vulnerable to tighter liquidity, refinancing costs and potential shareholder dilution. Companies that can finance a meaningful part of their growth through internal cash generation have greater flexibility to invest through a cycle. A strong balance sheet can be particularly valuable when demand softens, input costs rise or competitors are forced to retrench.

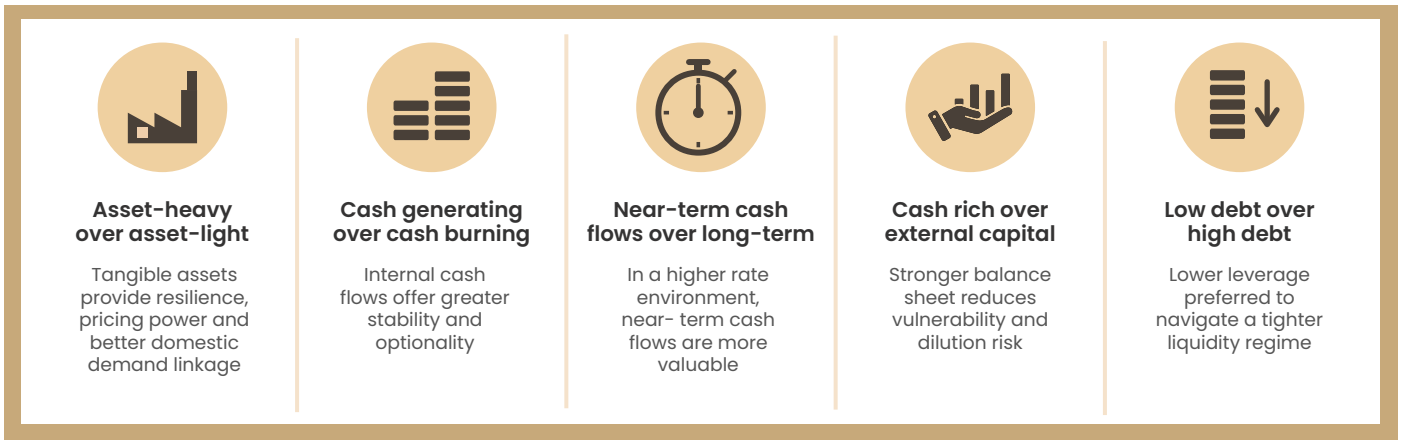
COMPANIES THAT CAN FINANCE A MEANINGFUL PART OF THEIR GROWTH THROUGH INTERNAL CASH GENERATION HAVE GREATER FLEXIBILITY TO INVEST THROUGH A CYCLE.

DURABILITY IN AN AGE OF TECHNOLOGICAL CHANGE

Business models that once appeared predictable may face new investment requirements, changing customer behaviour or pricing pressure. At the same time, asset-heavy businesses are not immune: automation technology can make existing equipment less competitive, while changes in regulation or demand can shorten the economic life of physical assets. The durability of an asset should therefore be assessed economically, not merely physically. An asset may remain intact but lose its relevance if customers migrate to a new technology, a lower-cost substitute emerges or regulation changes. Conversely, assets embedded in essential infrastructure, supported by long-lived demand or protected by scale and specialised capabilities may remain productive for a long time.

THE TEST IS WHETHER THE ASSET BASE CAN CONTINUE TO GENERATE COMPETITIVE CASH FLOWS, AND NOT SIMPLY WHETHER IT LASTS.

WHERE COULD OPPORTUNITIES EMERGE?



Rising inflation and interest rates change the investment landscape favouring value style of investing. We prefer businesses with real assets, pricing power and near-term cash flows, making their earnings more resilient, while higher rates reduce the present value of long-dated growth earnings.

India's manufacturing and investment landscape may offer selective opportunities. Businesses that have endured years of import competition could see improved pricing power where supply chains diversify, trade policies change or customers seek more resilient sources of supply. **Capital goods, industrial components, materials and other capex-linked businesses may benefit from infrastructure spending,** domestic investment and capacity creation, provided order books convert into cash flow and adequate returns on capital.

The distinction between productive capacity and capacity for its own sake is critical. Investment can create durable advantages when it improves cost position, product quality, scale or customer access. But capacity additions can also create oversupply and depress returns for years. Investors need to assess utilisation, incremental capital employed, balance-sheet capacity and the likely economics of the next unit of investment, not just the size of the opportunity or the growth in reported revenue.

Supply-chain diversification, often described as the China+1 opportunity, may create openings for Indian manufacturers in areas such as industrial inputs, specialty chemicals, textiles and auto components. Yet the opportunity is company-specific. Customers may diversify sourcing without abandoning existing suppliers, and new capacity may attract competition. Businesses with established customer relationships, differentiated capabilities, cost advantages and prudent capital allocation are better placed to translate the opportunity into sustainable returns.

Industry consolidation is another potential source of resilience, where weaker competitors exit and capacity rationalises, surviving businesses may gain market share, improve utilisation and exercise greater pricing discipline. In fragmented industries, by contrast, intense competition can prevent companies from passing higher costs to customers. The same inflationary backdrop can therefore produce very different outcomes within a sector.

VALUATION REMAINS ESSENTIAL

Business quality is not a substitute for valuation. A durable business can still be a poor investment if its price assumes an unrealistic level of growth or ignores the capital required to sustain its assets. Equally, a low valuation multiple may reflect structural decline, poor capital allocation, excessive leverage or an earnings peak that cannot be maintained. The task is to compare the price paid with a realistic assessment of long-term cash generation, reinvestment needs, balance-sheet risk and return on capital.

In a world of more volatile inflation and higher or less predictable capital costs, investors may need to look beyond headline growth rates and conventional labels such as 'value' and 'growth'. The more useful questions are whether a business owns economically durable assets, whether those assets are becoming obsolete, whether the company has pricing power, and whether it can generate cash and earn returns above its cost of capital without relying excessively on external funding.

Markets will continue to respond to macroeconomic surprises, but long-term wealth is ultimately created by businesses and the cash flows they generate. In a potentially more inflationary and capital-intensive world, the focus may need to shift towards businesses whose assets remain relevant, whose economics are resilient and whose valuations leave room for potential re-rating.

The above factors are only indicative, there may be other factors that may be responsible.

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DEZERV

STOP WAITING FOR THE PEAK IN BOND YIELDS



Vaibhav Porwal

Co-Founder, Dezerv

"Should I wait for rates to rise further before I buy bonds?" It is the question I have been asked most this month, by clients and friends alike, and I understand the instinct. The RBI raised the repo rate to 5.50% on 7 October, its first increase since February 2023. The 10-year government bond yield has climbed to about 7.4%, and the US Federal Reserve raised rates in September. When rates are rising, waiting for the top feels prudent. The arithmetic says otherwise.

Why the world's cost of money is resetting

An interest rate is the price of money. Like any price, it rises when demand outruns supply, and demand for borrowed money is unusually high.

At a recent Decipher with Dezerv session, fund manager Pankaj Tibrewal gave the clearest explanation of this I have heard. He split the US yield curve into three parts, each with its own cause:

- **The short end is reacting to inflation.** Crude oil above $100 a barrel, tariffs and a retreat from globalisation are lifting prices, and short-term rates follow.
- **The middle is being crowded by AI.** Technology companies now borrow heavily to build data centres. By his estimate, AI-related debt is heading from 2-3% of global corporate borrowing to about a quarter of it, competing with governments for the same pool of capital.
- **The long end is carrying deficits.** US federal debt, which he puts at about $40 trillion, keeps growing by about $1 trillion every six months, and all of it has to be funded.

Howard Marks, whose memos I read closely, reached the same conclusion from a different direction. In his memo of 22 September, he wrote that heavy new Treasury issuance is "putting upward pressure on yields and arguing against the likelihood of a decline in interest rates anytime soon" *(Howard Marks, Shall We Repeal the Laws of Economics, Part III, Oaktree Capital, 22 September 2026).*

So I don't see this as a spike to wait out. It is a higher price for money.

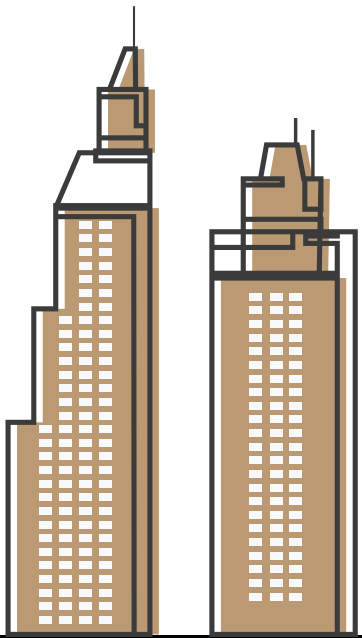
Why India could not stay out of it

India's own inflation turned first. Consumer price inflation rose from 0.3% in October 2025 to 5.54% in September 2026, according to MoSPI, well above the RBI's 4% target, as food and fuel prices climbed.

The global reset narrowed the RBI's room. With the US 10-year Treasury yielding more than 5%, foreign money has more reasons to leave India, and the rupee has come under pressure. Holding rates low would have meant importing more inflation through a weaker currency. The RBI chose to tighten.

For investors, the result is simple. A one-year AAA-rated corporate bond yielded 6.93% a year ago and 8.11% on 1 October (CCIL, Refinitiv). Well-researched A to AA+ rated bonds offer roughly 9% to 10.5% (indicative, not guaranteed).

If you kept fixed income to a token share of your asset allocation during the low-rate years because it barely beat inflation, the case has changed. The question is no longer whether to own bonds, but when to buy them. Which brings us back to where we started: should you wait?



What waiting actually costs

Many investors have parked money in liquid funds, planning to buy bonds once yields peak. When clients tell me this, I ask them to put the plan into numbers with me.

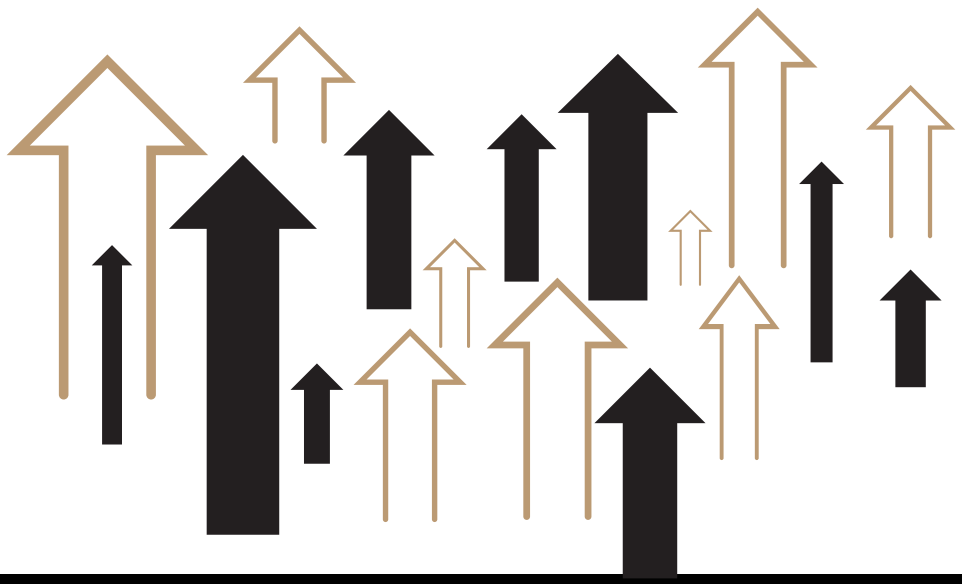
Take ₹1 crore and two choices. Option A buys a bond yielding 10% today. Option B parks the money at 6% for three months, then buys a two-year bond at 10.5%, half a percentage point higher. Compare both after 27 months.

	Option A: invest today	Option B: wait three months
Months 1 to 3	10% bond	6% liquid option
Months 4 to 27	10% bond	2-year bond at 10.5%
Value of ₹1 crore after 27 months	**₹1.239 crore**	**₹1.239 crore**

Hypothetical illustration, not indicative of actual returns. Compounded annually; ignores tax, costs and price changes. Yields are indicative, not guaranteed; 6% represents a liquid or overnight option.

The two end in the same place. Each month in the liquid option gives up about 0.33 percentage point (10% minus 6%, divided by 12), or roughly 1% over three months. Yields have to rise by half a point within three months just to recover that.

If they rise less, rise later, or fall, the investor who waited ends up behind. Waiting doesn't buy safety. It buys a bet that must be right by a specific amount, on a specific date.



Don't call the peak. Shorten the duration

I don't know where the peak is, and I don't believe anyone else does either. If we could call it, we would tell clients to buy long bonds and lock in the top. The practical answer to that uncertainty isn't timing but **duration,** which measures how much a bond's price moves when rates change.

Both things can be true at once: rates are unlikely to fall soon, and nobody can say how much further they will rise. That combination is exactly what short duration is built for.

Today, the long end isn't paying for that risk. On 1 October, a one-year and a ten-year AAA corporate bond both yielded 8.11% (CCIL, Refinitiv). The longer bond asks you to carry nine more years of rate risk for no extra yield.

The difference shows up when rates move. If yields rise by one percentage point, a bond portfolio with a duration of about 1.3 years falls roughly 1.3% in price. A 10-year government bond falls about 7%.

Short bonds also mature quickly, and the money is reinvested at whatever rates prevail then. If rates keep rising, a short-duration portfolio rolls into them. That is the benefit the waiting investor hopes for, captured without sitting out.

The bigger risk is the borrower

Yield is payment for risk. A bond paying 10.5% when a AAA bond pays 8% is paying you to accept a weaker borrower. The interest is the most you can earn; your capital is what you can lose.

Credit ratings help, but they often move after the damage. An infrastructure financing group carried a AAA rating weeks before it defaulted in 2018 on close to ₹1 lakh crore of group debt. A housing finance company rated AAA at the start of 2019 was in default by June (rating actions by CRISIL and ICRA, June 2019; SEBI orders on credit rating agencies).

So the questions worth asking go beyond the rating. Will cash come in before repayments fall due? How much does the company owe against what it earns? Who runs it, and who stands behind it? These decide credit quality.

In our bond PMS strategies at Dezerv, we answer them through PQRS: Performance, Quality, Rating and Solvency, scored across 17 factors and reviewed every quarter. The rating is one input of four. If a borrower scores below 3 out of 5 on any pillar, we don't invest, or we exit.

Earn the interest, leave the cycle alone

Bonds belong alongside equity, not in place of it. With the Nifty still below its September 2024 peak, a full switch is tempting, and that is the wrong lesson to draw.

This approach is not for money you may need at short notice, which belongs in a liquid option. Nor is it for anyone buying long bonds to bet on rate cuts, which is the same timing call in reverse.

For everyone else, the principle I keep coming back to is simple. You earn the interest. You don't have to predict the cycle.

Vaibhav Porwal is co-founder of Dezerv. Views are personal. Investment in the securities market is subject to market risks, read all the related documents carefully before investing. Dezerv Investments Private Limited is a Portfolio Manager with SEBI Registration no. INP000007377. This article is for educational purposes only and should not be construed as investment advice.

The SHIFT Towards ALTERNATIVE ASSETS



The Shift towards Alternative Assets

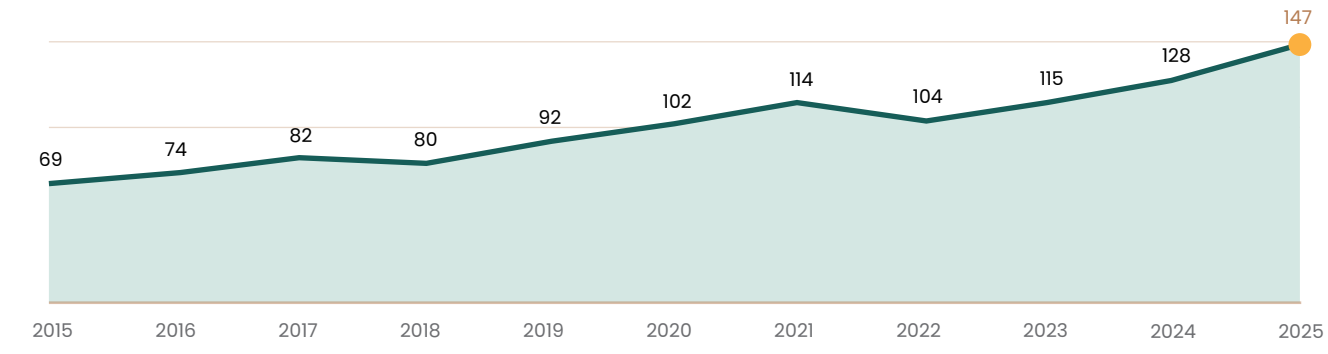
A decade of wealth creation and capital-market development is widening the investment opportunity set. As alternatives move into the mainstream, the focus for India is shifting from more niche to accessible investments through disciplined allocation, stronger governance and better outcomes.

The Rise of Global Asset Under Management

The global investment landscape is entering a period of structural change. Alternative investments once associated largely with institutional portfolios and a relatively narrow group of sophisticated investors are becoming a more established part of the global asset-management conversation. Private and listed equity, Venture Capital, Private Credit, Infrastructure, Real Estate, Hedge funds and many more are expanding the range of ways in which capital can be deployed.

This evolution is being shaped by several forces. Private companies are staying private for longer, creating demand for capital outside public equity markets. Governments and businesses face substantial financing requirements in infrastructure, energy, technology, healthcare and logistics. At the same time, investors are looking beyond traditional equity and fixed-income allocations to understand whether additional sources of return and diversification may have a role in their portfolios.

> **"Private companies are staying private for longer, creating demand for capital outside public equity markets."**



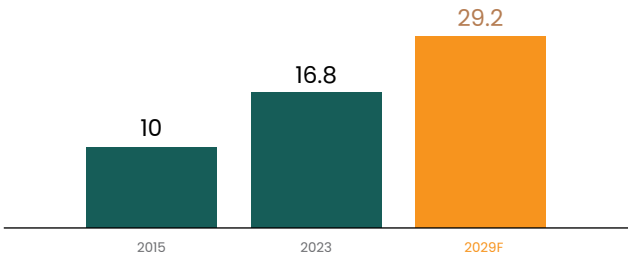
Source: BCG's Global Asset Management Report 2026 24th Edition

The above graph illustrates the growth of Global Asset Management Assets Under Management (AUM) from 2015 to 2025, highlighting the steady expansion of the global investment management industry over the decade Global asset management AUM more than doubled (2.13 times) over the decade, rising from **$69 trillion in 2015 to $147 trillion in 2025.** This represents an overall growth of approximately 113%. Despite a temporary decline in 2022, the industry demonstrated strong resilience, with AUM recovering steadily to reach a new peak in 2025. This growth reflects expanding global wealth, increasing investor participation and the rising demand for diversified investment opportunities.

Global Alternatives Growth

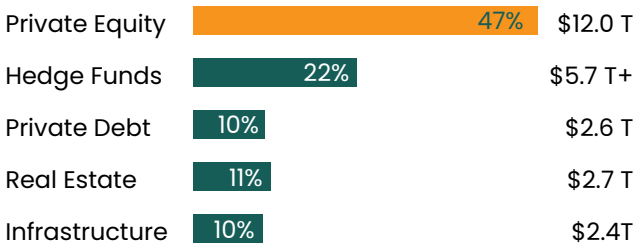
Global alternative assets under management (AUM) are projected to reach $29.2 trillion by 2029, expanding nearly **3x** from $10 trillion in 2015 (representing an 8.0% CAGR). Over the forecast period from 2023 ($16.8 trillion) to 2029 ($29.2 trillion), the industry is set to grow **1.74x** at a steady CAGR of ~9.7%. Growth will be anchored by Private Equity, which is expected to dominate over 40% of the market at $12.0 trillion.

GLOBAL ALTERNATIVES AUM · $ TRILLION



Source: BCG's Global Asset Management Report 2026 23rd Edition & Preqin- Preqin-Future Of Alternatives 2029 report

ASSET CLASS WISE PROJECTED AUM (BY 2029F)

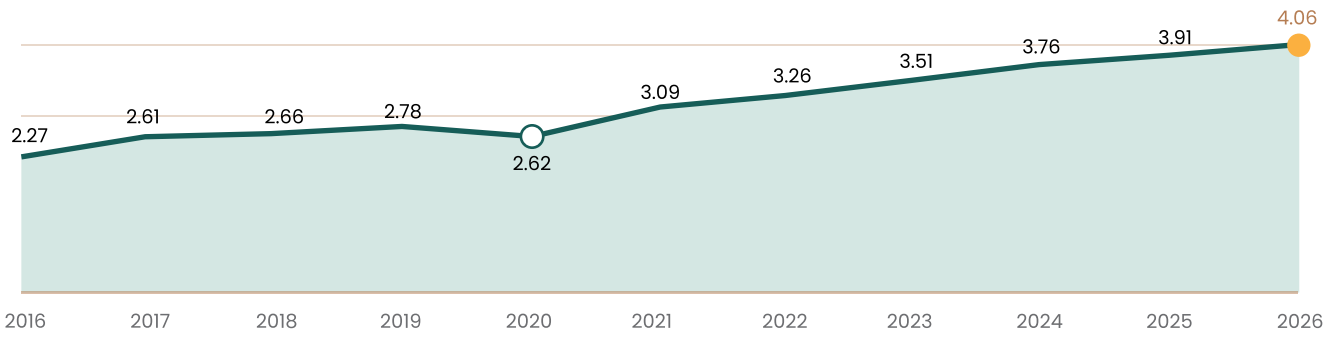


Source: Preqin-Future Of Alternatives 2029 report

India's Economic expansion

As the global demand for alternatives grow it gets reflected to India's alternatives growth story, which is closely connected to the expansion of its domestic economy. A growing economy creates demand for capital across manufacturing, infrastructure, technology, energy, healthcare, real estate and services. It also supports the development of businesses at different stages from young enterprises seeking growth capital to established companies requiring expansion finance and specialist funding.

INDIA NOMINAL GDP · $ TRILLION · 2016-2026

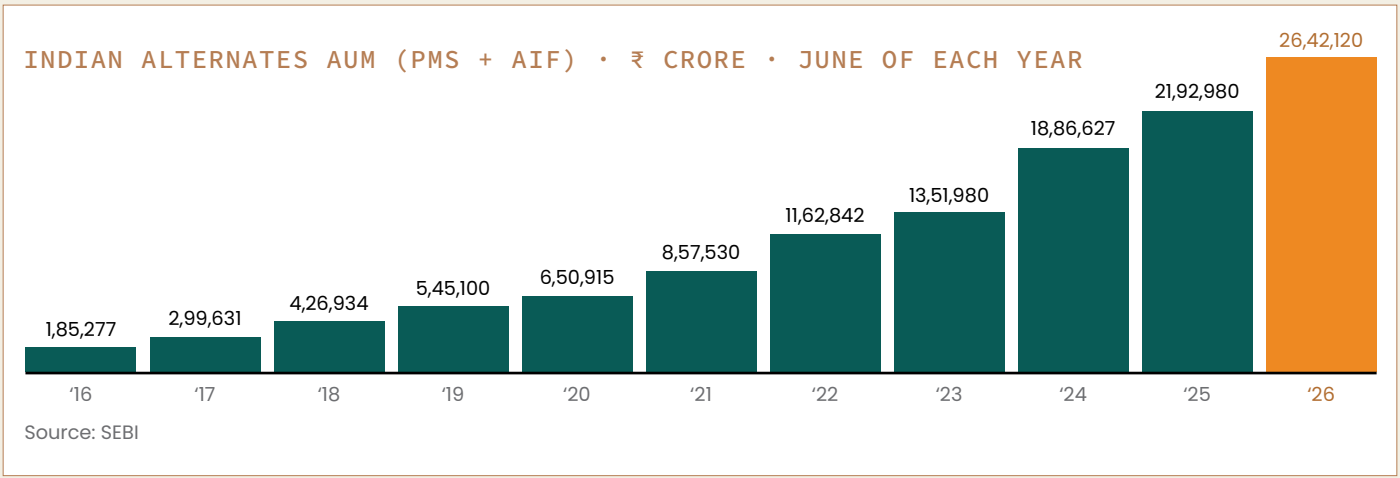


Source: worldometers,IMF World Economic Outlook, October 2026, for the 2026 estimate and real-growth reference.

The supplied nominal GDP series shows India's economy increasing from approximately US$2.27 trillion in 2016 to an estimated US$4.06 trillion in 2026. India's nominal GDP rises over the decade, with a visible interruption around 2020 and subsequent recovery. Because the series is expressed in current US dollars, exchange rates and price levels affect the comparison. Even with that qualification, a larger economic base supports a broader universe of enterprises, infrastructure projects and financing requirements. The IMF's October 2026 World Economic Outlook places nominal GDP at about US$4.06 trillion and estimates real GDP growth at 7.0% for 2026. These measures should be distinguished: nominal GDP in US dollars reflects domestic output and prices as well as exchange-rate movements, while real GDP growth adjusts for price changes. India's nominal GDP rises over the decade, with a visible interruption around 2020 and subsequent recovery.

Why India needs a border Alternative Ecosystem?

India's case for alternatives rests on the interaction between a growing economy, a changing wealth base and a wider range of financing needs. Traditional investments remain essential, but they may not provide exposure to every opportunity or financing structure emerging across the economy. Private equity and venture capital can connect investors with businesses beyond the listed market. Private credit can give capital to companies through structures that differ from conventional bank or NBFC lending. Infrastructure and real assets can provide exposure to long-duration economic requirements. Market-linked alternative strategies can pursue differentiated approaches within their permitted mandates.



India's alternate investment landscape (PMS + AIF) is undergoing a massive transformation, with AUM projected to expand **14.26x** from **₹1,85,277 Crore** in June 2016 to **₹26,42,120 Crore** by June 2026. This reflects an extraordinary 10-year **CAGR of ~30.41%.**

Between 2024 and 2026, the sector continues its strong momentum, growing **1.40x** at an **18.32% CAGR.** This surge is driven by expanding High-Net-Worth Individual (HNI) allocations beyond traditional mutual funds.

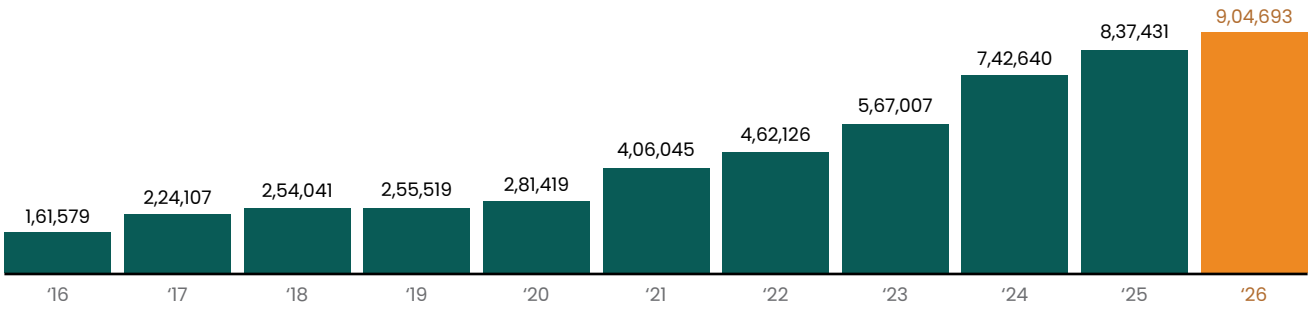
Growth in the PMS Industry

India's Portfolio Management Services (PMS) industry has demonstrated remarkable structural growth over the past decade, expanding 5.60x from ₹1,61,579 Crore in September 2016 to a ₹9,04,693 Crore in September 2026 at a compound annual growth rate (CAGR) of ~19%. This is excluding the EPFO/PF contributions and Co-investment and Advisory AUM. This trajectory surged post-pandemic as assets more than doubled from ₹4,06,045 Crore in September 2021 (17.38% 5-year CAGR), before continuing a steady 10.37% 2-year CAGR expansion from ₹7,42,640 Crore in September 2024 to cross the ₹9 Lakh Crore threshold. This strong trajectory highlights a clear shift among High-Net-Worth Individuals (HNIs) and family offices from Traditional investment products toward personalized, high-conviction portfolios.

The client base of India's Portfolio Management Services (PMS) industry has witnessed a significant structural expansion, growing **3.70x** from **61,900 investors** in September 2016 to **2,28,918 investors** by September 2026, representing a 10-year **CAGR of 13.98%.** The industry experienced three distinct trajectory phases: initial expansion (2016–2019), a brief consolidation dip (2020–2021) as market volatility hit during the pandemic alongside SEBI

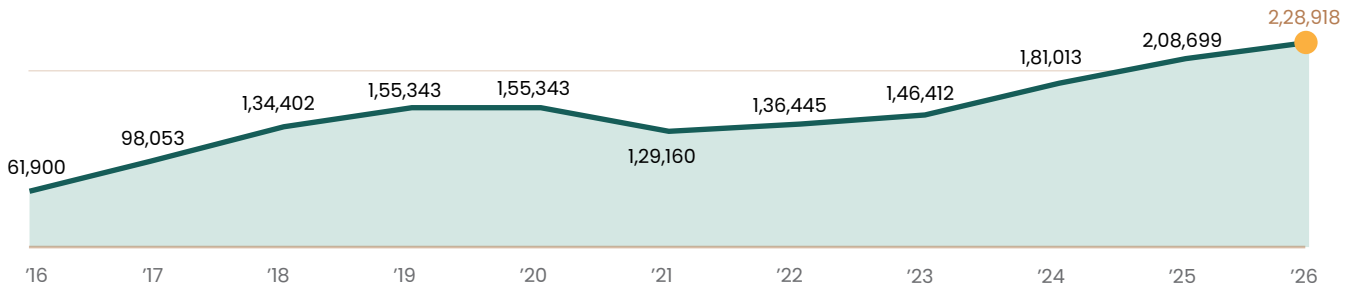
raising the minimum investment threshold from ₹25 Lakhs to ₹50 Lakhs, and a strong post-2021 resurgence driven by rapid wealth creation. Comparing this client trajectory with overall PMS AUM data reveals a vital insight: while client numbers expanded **3.70x,** PMS total AUM grew **5.60x** over the exact same period. This divergence demonstrates that the average capital commitment per investor grew significantly, signaling both expanding wealth creation among High-Net-Worth Individuals (HNIs) and increasing confidence in allocating larger shares of their net worth into tailored, discretionary equity strategies.

PMS INDUSTRY AUM • ₹ CRORE • SEPTEMBER OF EACH YEAR



Source: SEBI & The AUM excluding the EPFO/PF contributions and Co-investment and Advisory AUM

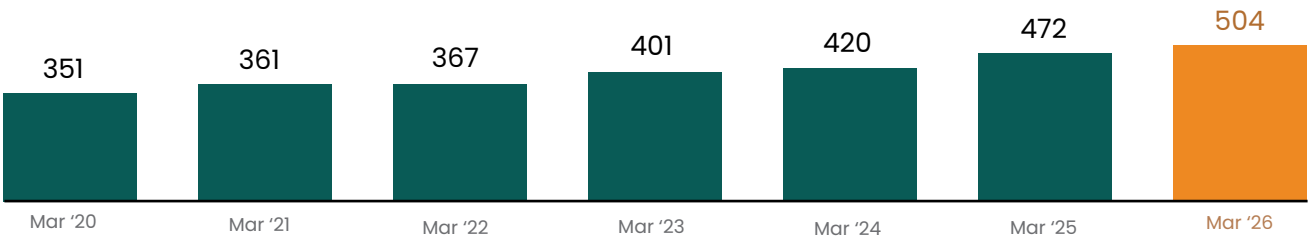
INDIAN PMS INDUSTRY • NUMBER OF CLIENTS • SEPTEMBER OF EACH YEAR



Source: SEBI

The count of SEBI Registered Portfolio Managers in India expanded **1.44x** from **351** in March 2020 to **504** by March 2026, delivering a 6-year **CAGR of ~6.22%.** Growth significantly accelerated in the second half of the decade, rising from a **4.54% CAGR** (2020–2023) to a **7.92% CAGR** (2023–2026) as 103 new managers joined the market. Crossing the 500-manager milestone highlights the rapid expansion of India's institutional wealth management infrastructure, expanding to service the rising capital inflows from High-Net-Worth Individuals (HNIs) and family offices into discretionary equity strategies.

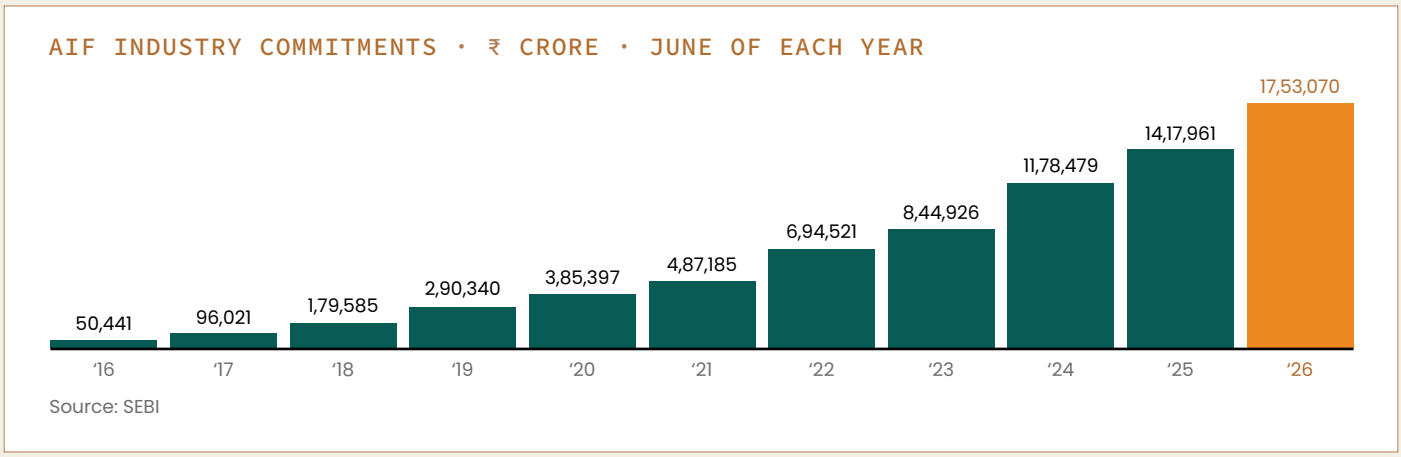
SEBI REGISTERED PORTFOLIO MANAGERS



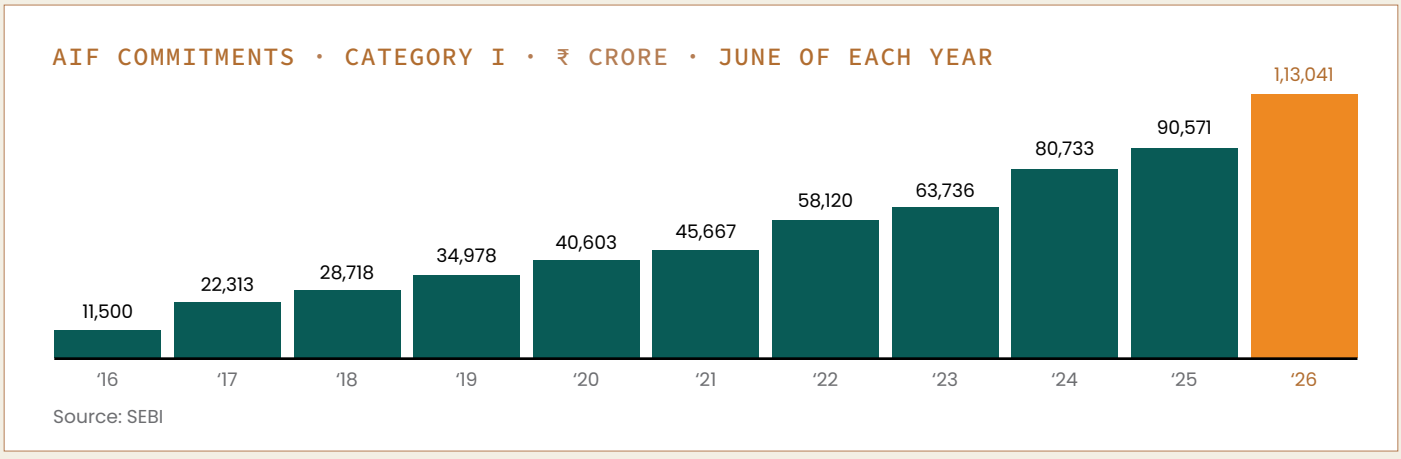
Source: SEBI

Growth of Alternative Investment Funds in India

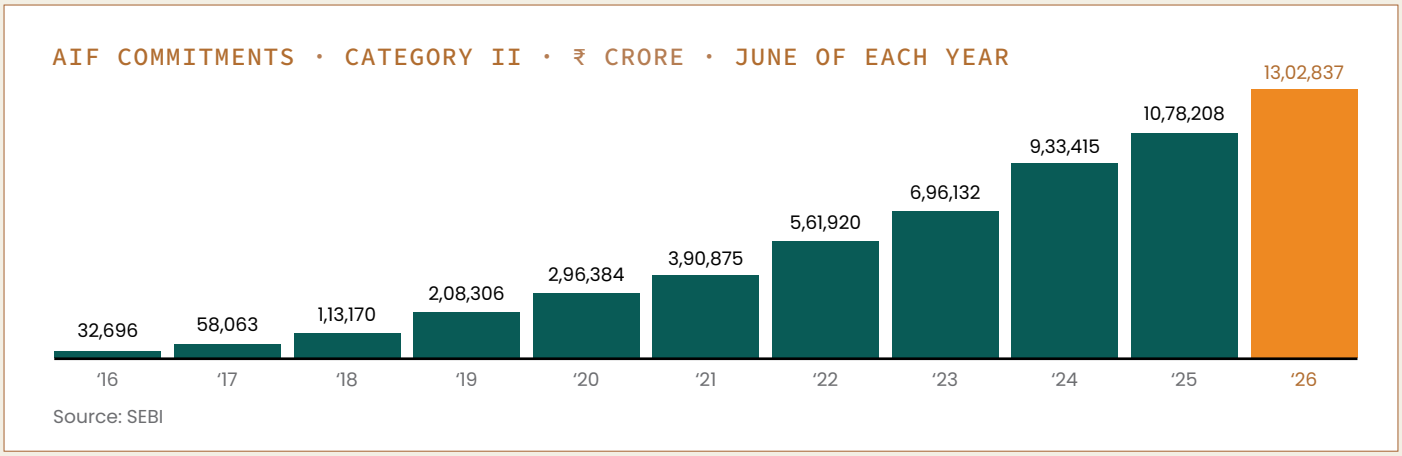
India's Alternative Investment Funds (AIF) industry has experienced an extraordinary capital surge, growing 34.75x from ₹50,441 Crore in June 2016 to a projected ₹17,53,070 Crore by June 2026, representing a 10-year CAGR of 42.59%. This makes AIFs the fastest-compounding segment across India's alternate wealth landscape, outstripping the growth rate of traditional PMS products. The asset class witnessed a hyper-growth phase in its initial four years (2016–2020), compounding at 66.24% annually to reach ₹3,85,397 Crore, before sustaining a strong 27.54% CAGR from June 2023 (₹8,44,926 Crore) to cross the ₹17.5 Lakh Crore mark by 2026. This massive trajectory highlights a structural migration of High-Net-Worth Individuals (HNIs), Ultra-HNIs, and domestic family offices away from public equities toward unlisted private markets. Investors are increasingly seeking specialized, non-correlated yield and alpha through Category I, II, and III vehicles—spanning Private Equity, Venture Capital, Private Debt, Real Estate, and Long-Short hedge strategies. Furthermore, enhanced regulatory oversight by SEBI, standardized disclosures, and refined accredited investor norms have built deep institutional trust, solidifying AIFs as an essential core pillar in modern Indian wealth management.



The **AIF Commitments - Category - I** chart demonstrates significant growth in early-stage, social impact, and infrastructure-focused capital commitments in India, expanding **9.83x** from **₹11,500 Crore** in June 2016 to **₹1,13,041 Crore** by June 2026 at a 10-year **CAGR of ~25.68%.** The sector experienced steady early trajectory compounding at **31.72% annually** between June 2016 and June 2021 to reach **₹45,667 Crore,** followed by an accelerated push past **₹80,733 Crore** in June 2024 and reaching over ₹1.13 Lakh Crore by June 2026 **(18.32% 2-year CAGR).** Category I AIFs—which include Venture Capital (VC) funds, Infrastructure funds, SME funds, and Social Venture funds—benefit from favorable regulatory incentives and pass-through tax status.

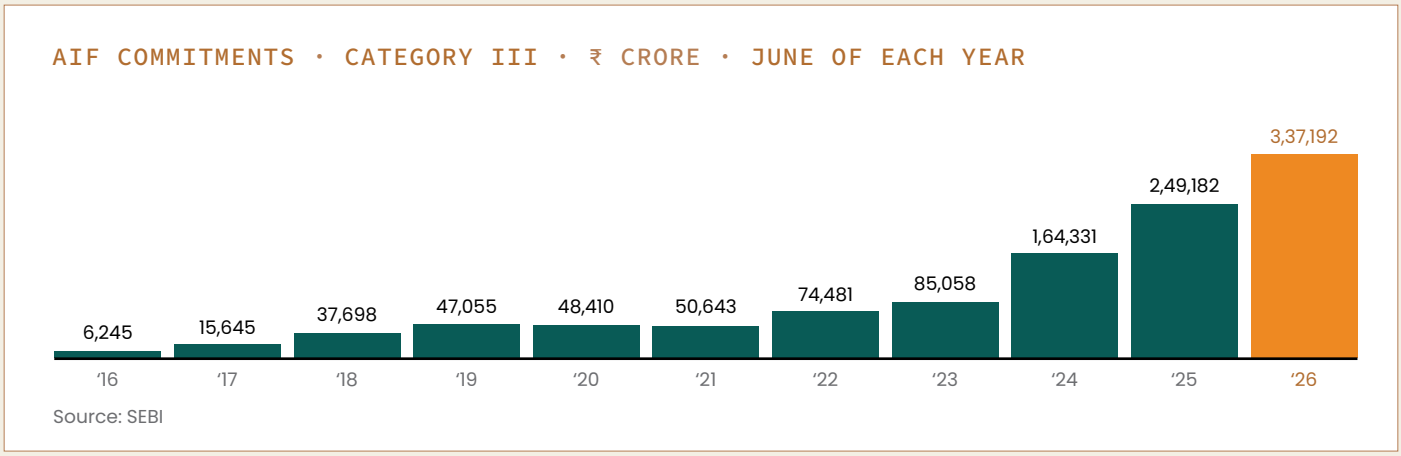


Category II Alternative Investment Funds (AIFs) form the absolute cornerstone of India's alternate assets universe, capturing the vast majority of total AIF capital with commitments expanding **39.85x** from **₹32,696 Crore** in June 2016 to ₹13,02,837 Crore by June 2026. This extraordinary decade-long growth reflects a **CAGR of ~44.55%,** making Category II the primary engine powering the broader ₹17.5+ Lakh Crore Indian AIF boom. The trajectory was marked by hyper-compounding in its early years, growing **9.06x** to reach **₹2,96,384 Crore** by June 2020 **(73.5% CAGR),** before more than doubling again to **₹6,96,132 Crore** in June 2023, and eventually crossing the ₹13 Lakh Crore threshold by 2026. Comprising Private Equity (PE) funds, Private Debt/Structured Credit funds, Real Estate funds, and Fund of Funds (FoF) that do not fall under Category I or III.



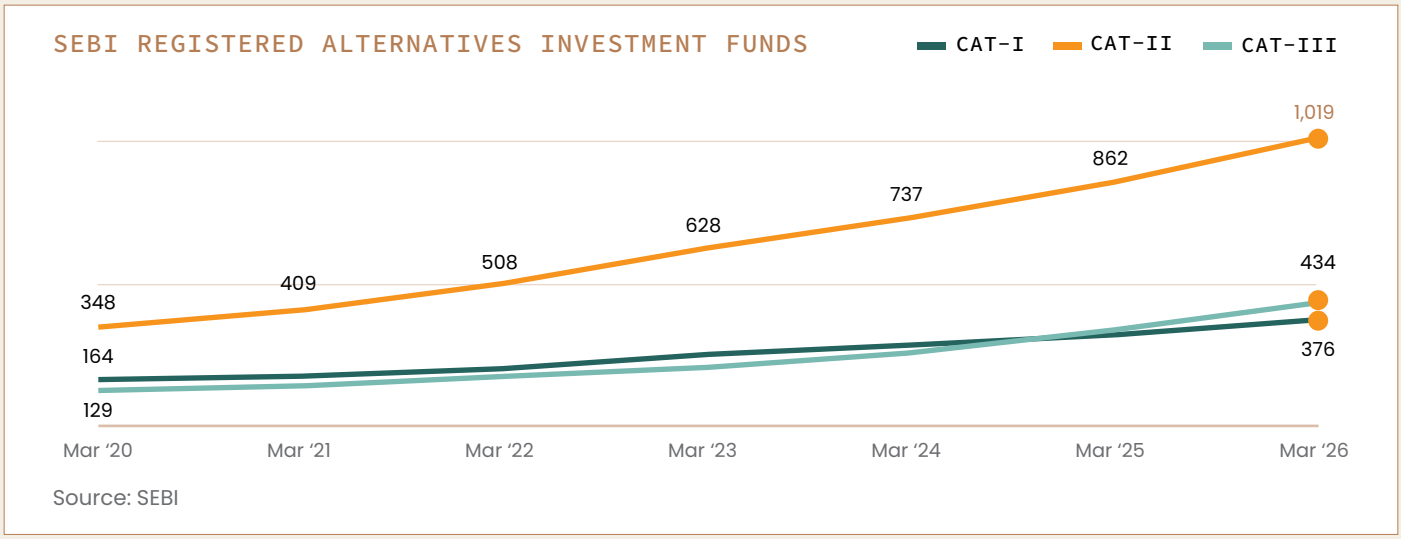
Source: SEBI

Category III Alternative Investment Funds (AIFs) have registered extraordinary growth in India's high-yield and complex public market strategy space, with capital commitments expanding **53.99x** from **₹6,245 Crore** in June 2016 to **₹3,37,192 Crore** by June 2026. This trajectory reflects a decade-long compound annual growth rate **(CAGR)** of **49%**, making Category III the fastest-compounding segment among all AIF categories. The asset class witnessed rapid early-stage scaling to reach **₹47,055 Crore** by June 2019 **(96.05% CAGR),** followed by a brief consolidation phase during the pandemic, before embarking on a massive post-2023 surge from **₹74,481 Crore** in June 2022 to cross **₹3.37 Lakh Crore** by June 2026 **(45.87% 4-year CAGR).** Category III funds—primarily comprising Hedge Funds, Long-Short equity strategies.



Source: SEBI

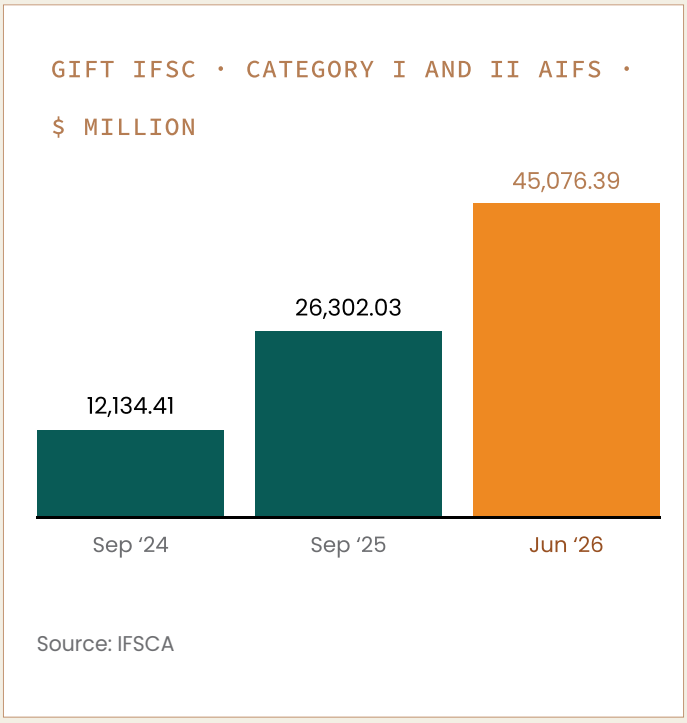
The count of SEBI Registered Alternative Investment Funds across all three categories expanded significantly between March 2020 and March 2026, reflecting a maturing alternate investment ecosystem. **Category II AIFs** lead the industry by a wide margin, growing **2.93x** from **348** funds in March 2020 to cross the **1,019** mark by March 2026 at a 6-year **CAGR of ~19.61%. Category III AIFs** posted the fastest relative trajectory, compounding at **~22.41% annually (3.36x growth)** to expand from **129** to **434** funds, overtaking Category I by 2025. Meanwhile, **Category I AIFs** experienced steady growth, moving **2.29x** from **164** to **376** funds at a **14.83% CAGR.** In total, registered AIFs rose from **641 to 1,829** over six years, highlighting deep institutionalization as fund managers.



Source: SEBI

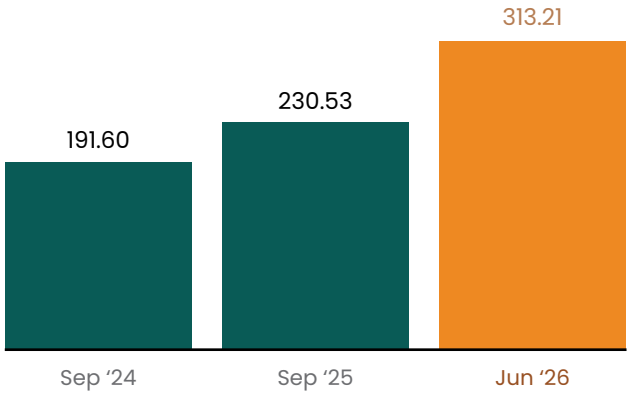
GIFT City IFSC: Connecting Domestic Capital with Global opportunities

GIFT City's International Financial Services Centre (IFSC) has emerged as an unprecedented growth engine for offshore and cross-border capital inflows into India, with total Alternative Investment Fund (AIF) commitments expanding **3.71x** from **$12,134.41 million** in September 2024 to **$45,076.39 million** by June 2026. Over this brief 21-month timeframe, dollar-denominated commitments compounded at an extraordinary annualized rate **(CAGR)** of **6.45%,** underscoring a structural shift in how global capital accesses Indian growth opportunities. The trajectory surged significantly after September 2025—more than doubling **from $26,302.03 million** to cross the **$45 million threshold** by mid-2026.



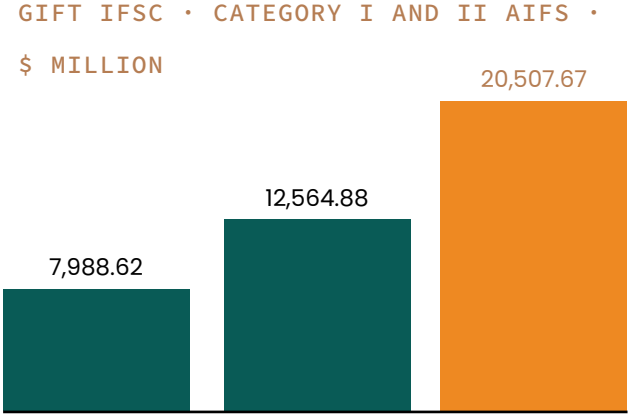
Source: IFSCA

The **GIFT IFSC - Venture Capital Schemes Commitments ($ Millions)** chart illustrates steady, rapid growth in cross-border venture funding structured through India's offshore international financial hub, with total commitments expanding **1.63x** from **$191.60 million** in September 2024 to **$313.21 million** by June 2026. Over this 21-month period (1.75 years), dollar commitments compounded at an annualized rate **(CAGR)** of **32.42%.** The trajectory shows consistent momentum, & growing **1.20x.**



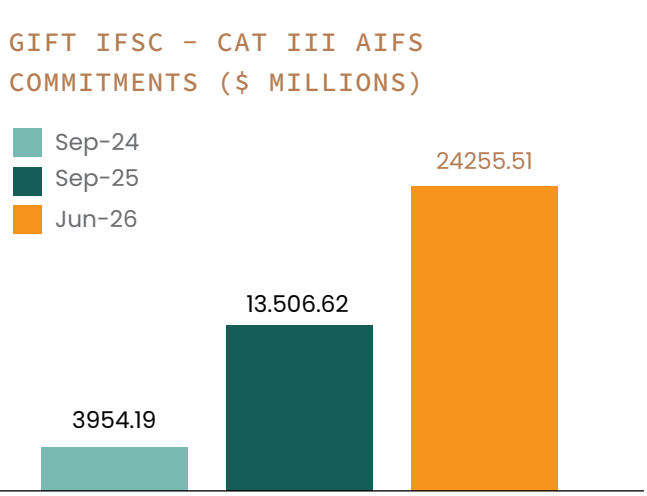
Source: IFSCA

Capital commitments for Category I and Category II Alternative Investment Funds in GIFT IFSC expanded **2.57x** from **$7,988.62 million** in September 2024 to **$20,507.67 million** by June 2026, delivering an annualized compound growth rate **(CAGR)** of **71.38%** across the 21-month period. The initial phase saw capital climb **1.57x.**



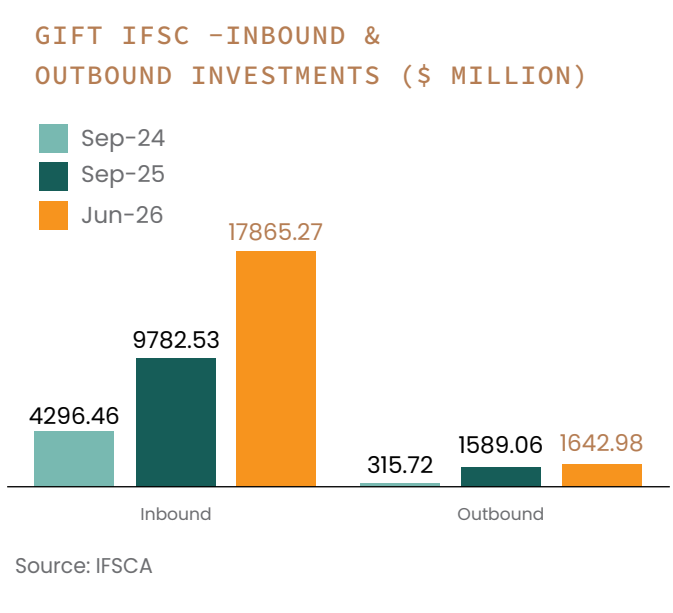
Source: IFSCA

The **GIFT IFSC - CAT III AIFs Commitments ($ Millions)** chart demonstrates an extraordinary acceleration in offshore capital pooling for active, complex public market strategies in India's international financial hub. Total commitments surged **6.13x** from **$3,954.19 million** in September 2024 to **$24,255.51 million** by June 2026. Over this 21-month period (1.75 years), dollar commitments compounded at an impressive annualized growth rate **(CAGR)** of **181.93%,** establishing Category III AIFs as the fastest-growing fund segment within GIFT City.



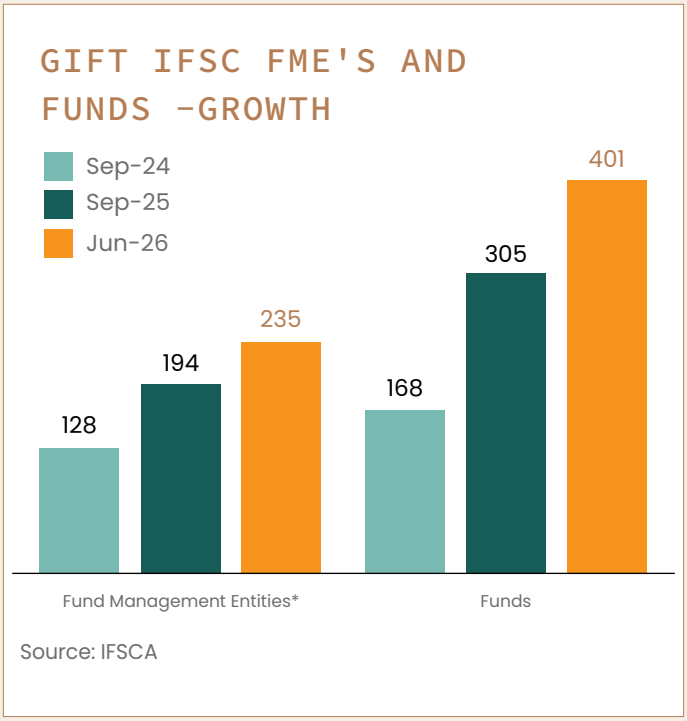
Source: IFSCA

The **GIFT IFSC - Inbound & Outbound Investments ($ Million)** data reveals a rapid dual-directional expansion of capital through India's offshore international financial hub, where total cumulative capital flows surged **4.23x** from **$4,612.18 million** in September 2024 to **$19,508.25 million** by June 2026, delivering an annualized compound growth rate **(CAGR)** of **127.98%.** Inbound foreign capital targeting Indian opportunities dominates the ecosystem, scaling **4.16x** from **$4,296.46 million** to **$17,865.27 million.**



Source: IFSCA

The **GIFT IFSC FME's and Funds** - Growth data highlights a rapid structural expansion of both financial institutions and registered funds within India's offshore international financial center, driven by an annualized compound growth rate **(CAGR) of 63.02%** for total registered **Funds** and **41.5%** for **Fund Management Entities (FMEs)** between September 2024 and June 2026. FMEs expanded **1.84x** from **128** to **235** entities, reflecting steady institutional onboarding by asset managers, domestic family offices, and foreign sponsors setting up base in GIFT City.



Source: IFSCA

Conclusion:

The rise of alternative investments in India reflects a fundamental transformation in the country's financial landscape. Economic expansion, increasing investor wealth, deeper capital markets and evolving financing requirements have created opportunities beyond traditional equity and fixed-income investments. The significant growth in PMS and AIF assets, expanding investor participation and increasing number of fund managers demonstrate the growing maturity and acceptance of alternative investment strategies.

India's growing presence in the global alternatives ecosystem is further strengthened by GIFT City, which is emerging as an important gateway for cross-border investments. Its expanding fund ecosystem and rising international capital commitments highlight India's potential to become a more prominent destination for global investment opportunities.

The shift towards alternative assets is ultimately a shift towards a more diversified and sophisticated approach to wealth creation. As India's economy and investor base continue to expand, alternative investments are poised to play an increasingly meaningful role in connecting capital with opportunity and shaping the future of India's wealth management industry.

PIPE Investing in India: What It Is, and What It Takes to Do It Well

A fund manager's perspective on running a PIPE strategy in Indian small and mid-caps



BY

Charanjit Singh

Senior EVP & Fund Manager – AIFs
360 ONE Asset

PIPE in plain words

PIPE stands for private investment in public equity. Consider a listed company that needs capital for growth or to reduce debt. Instead of going back to the whole market through a QIP or a rights issue, it issues new shares directly to a small group of investors or strategic partners, often alongside its own promoters. The company raises capital quickly and efficiently. The investor secures a negotiated seat at the table in a business it can later exit on the stock exchange. But a negotiated entry does not automatically make for a worthwhile investment. The real question is whether the business, its promoter, the proposed use of capital and the valuation together justify the risk.

Over twenty years of research and fund management, I have sat through thousands of management meetings. One lesson stands out: the most honest signals about a company rarely appear on its presentation slides. They emerge from how a promoter allocates capital, responds to setbacks, honours commitments, and treats minority shareholders. That, at its core, is what a PIPE strategy seeks to capture: a promoter's conviction in the business, and visibility of future growth.

How it works in India: alignment, not discounts

In developed markets, PIPE deals are often associated with rescue financing at likely steep discounts. In India, the picture is different. SEBI rules link the issue price to the stock's recent trading history, so discounts tend to be modest. The real edge comes from three things:

Alignment

When promoters invest alongside you, especially through warrants on which 75% of the price remains payable, their next rupee sits right beside yours.

Information

Every issue comes with a stated use of proceeds, effectively a plan against which management can be held accountable.

Access

In under-covered companies, a PIPE investor receives management time and context that a passive buyer rarely enjoys.

A PIPE portfolio can also include block deals, IPO anchor books and select pre-IPO rounds, with unlisted exposure kept within a defined limit. The common thread is a negotiated entry into a business we know well.

How PIPE compares with other strategies

PIPE sits between listed long-only investing and private equity. It offers much of the management access of private equity with the liquidity of listed markets. Unlike in private equity, the investor can exit on the exchange once the lock-in ends, typically after six months for non-promoter allottees, rather than waiting years for a listing.

The IPO market offers another contrast. Calendar 2025 was a record year for new issues, yet close to half of that year's listings were trading below their offer price by December. In a preferential issue, the price is anchored to months of actual trading rather than to price discovery in a book-building process.

Managing a PIPE strategy effectively

A willing promoter is necessary, but far from sufficient. The discipline sits in three places: what you buy, how much you buy, and when you sell.

Selection. Four filters stand between a deal and our capital:

Quality

A screening framework may use thresholds such as return on capital of 20–25% or more, profit growth of 18% or more, low debt, promoter holding of at least 50% and positive operating cash flow, at a valuation that is reasonable for that growth.

Forensics

Checks on earnings quality, cash conversion, related-party dealings, and auditor quality, all before the first meeting.

Use of proceeds

Money that funds a new plant with visible demand is vastly different from money that quietly repairs a balance sheet.

Say-Do

Three years of what management promised, lined up against what it delivered.

Sizing. A concentrated portfolio magnifies both good and bad decisions. For instance, a stock with an estimated 50% upside and 25% downside likely earn a full position; weaker odds earn less. To make sure we can always exit a position, we closely monitor a stock's average daily trading value, keep each position under 5% of the free float, and assess the likely market capitalisation and liquidity at the time of exit.

Exits. When a stock re-rates out of our market-cap band or its expected return falls below what new deals offer, we sell and recycle the capital. Equally, the discipline is to exit when the original thesis breaks, not when the price merely falls.

50% / 25%

Estimated upside and downside that earn a full position

Under 5%

Of the free float, the cap on each position

Exit when thesis breaks

Not a price that merely falls

What a platform needs to run PIPE well

A PIPE strategy is only as good as the deals it sees and the speed at which it can say yes or no. In my experience, four capabilities matter most:

1

Origination

The best deals are rarely marketed widely; they come through promoter relationships built over years.

2

Research depth where nobody else looks

Of the 973 stocks in the BSE SmallCap index, 360 have no analyst coverage. The platform must be able to build conviction without a broker report to lean on.

3

Rigorous due diligence

The ability to build an independent view, drawing on sector experts, and to identify companies and sectors approaching an earnings inflection. Beyond fundamental and industry analysis, forensic work is critical in these transactions, covering promoter quality, shareholding patterns, and accounting practices.

4

Post-deal engagement

Holding management to the use of proceeds, quarter after quarter, and engaging on corporate governance, investor communication, board-level changes, succession planning, business gaps, and potential acquisition targets.

973

stocks in the BSE SmallCap index

360

of them have no analyst coverage



The right fund size, and the right structure

Under ₹500 crore	₹1,500–3,000 crore	Beyond ₹5,000 crore
Too small to be a meaningful partner in a promoter's fundraise	The optimal size for an Indian small and mid-cap PIPE fund	Pushed towards bigger companies, where the PIPE edge fades

Fund size is a strategic decision. In my view, the optimal size for an Indian small and mid-cap PIPE fund is roughly ₹1,500–3,000 crore. Too small, under ₹500 crore, and a fund cannot be a meaningful partner in a promoter's fundraise. Too large, beyond ₹5,000 crore, and it is pushed towards bigger companies, where research coverage is crowded and the PIPE edge fades.

Structure matters just as much. PIPE shares come with lock-ins, and warrants can be paid for over up to 18 months. An open-ended fund, where investors can redeem at short notice, may be forced to sell good positions to meet redemptions. Open-ended structures can work well for a wider, 35–40 stock special-situations portfolio that includes PIPE deals. For a concentrated preferential-allotment strategy, however, I believe a close-ended fund that draws capital deal by deal is the more appropriate structure: lock-ins on our side are matched by commitment on the investor's side.

Summing up

PIPE is not a shortcut to returns. It is a unique way of entering good businesses, one that rewards patience, relationships, and the discipline to walk away. For investors evaluating a PIPE fund, three questions go a long way: Is the promoter investing too? Is the fund built to hold through lock-ins? And which deals did the manager say no to? In small and mid-caps, access can open the door; research, judgement and discipline determine whether it is worth walking through.

360 ONE Asset Management Limited, Investment Manager to 360 ONE Opportunities Fund - Category III AIF - IN/AIF3/12-13/0016 and is registered with SEBI as Portfolio Manager INP000004565, Mutual Fund: MF/067/11/02 and registered with US SEC as Investment Adviser Reg. no 801-115268.

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Investments in Specialized Investment Fund involves relatively higher risk including potential loss of capital, liquidity risk and market volatility. Please read all investment strategy related documents carefully before making the investment decision. Mutual Fund investments are subject to market risks, read all scheme related documents carefully. Securities investments are subject to market risks and there is no assurance or guarantee that the objectives of the AIF strategy will be achieved.

Registration details: 360 ONE Private Equity Fund (SEBI Registration no. IN/AIF2/12-13/0015) and 360 ONE Venture Capital Trust (SEBI Registration no. IN/AIF2/20-21/0838) managed by 360 ONE Alternates Asset Management Limited. 360 ONE Mutual Fund (SEBI Registration no. MF/067/11/02) and 360 ONE Opportunities Fund (SEBI Registration no. IN/AIF3/12-13/0016) managed by 360 ONE Asset Management Limited.

What Matters When Investing in Equities



For investors evaluating equity opportunities, attractive returns are only part of the decision.

The strength of the underlying business, sustainable sales and profit growth, valuation, risk and future relevance matter just as much.

Shailesh Saraf

Fund Manager and Managing Director

Dynamic Equities Private Limited

FIVE QUESTIONS · FIVE FILTERS

01	**Where should the search for opportunities begin?**	*Select from the Nifty Total Market Index*
02	**Is expansion translating into stronger earnings?**	*Minimum 20:40 Growth Filter*
03	**Does the price reflect the growth delivered?**	*Use PEG Instead of PE Alone*
04	**How volatile could the investment be?**	*Keep Volatility and Beta Under Control*
05	**Will the company's products and services remain relevant over time?**	*Invest Only in Futuristic Sectors*

Addressing these questions together requires a disciplined framework.

The following five stock-selection principles connect the investment universe, growth, valuation, risk management and futuristic sectors. Developed through years of extensive research by Mr Shailesh Saraf, our Fund Manager and Managing Director, they guide company evaluation and portfolio construction.

PRINCIPLE 01

01 Select from the Nifty Total Market Index

WHAT IS IT?

The Nifty Total Market Index tracks **750 Indian stocks** across large, mid, small and microcap segments. It combines the **Nifty 500** and **Nifty Microcap 250** indices and weights companies by their publicly tradable market value.

750	500+250
Indian stocks	Nifty 500 + Microcap 250

WHY USE IT?

Fund managers often select stocks from broad indices such as the **Nifty 500** or **Nifty Total Market Index** because they provide a structured and investible universe.

Broad opportunity set

Covers companies across sectors and market-cap segments.

Better liquidity

Index stocks generally have adequate trading volumes, making buying and selling easier.

Pre-screened universe

Very small and highly illiquid companies are largely filtered out by the exchange.

Efficient research

Managers can focus on a defined set of companies instead of thousands of listed stocks.

A wider universe matters because attractive businesses need not be concentrated among the largest companies. Our approach allows a large company with renewed growth prospects to compete for capital alongside a smaller business with expansion potential

PRINCIPLE 01

Benchmark and Segment returns

The table compares VS Bluechip with benchmark indices. Microcap 250 has the highest five-year CAGR among these indices. While most fund managers use Nifty 500 for stock picking, we use the Nifty Total Market Index which enables us to generate extra alpha because of the additional Microcap 250 index.

Segment	Inception	5Y Absolute	5Y CAGR	3Y Absolute	3Y CAGR	1Y	Avg. market cap (₹ cr.)	Avg. daily volume (1M, ₹ cr.)
VS Bluechip	379.58%	209.69%	25.37%	137.02%	33.33%	33.18%	88,766	248
Nifty 50	75.00%	40.56%	7.05%	25.07%	7.74%	-1.42%	3,92,103	511
Nifty 500	106.52%	61.11%	10.01%	38.56%	11.48%	4.40%	86,886	146
Nifty 750	111.16%	63.96%	10.40%	39.58%	11.46%	4.86%	60,600	107
LargeMid 250	135.01%	79.51%	12.41%	45.50%	13.32%	7.07%	1,52,765	223
Smallcap 250	208.37%	107.48%	15.72%	53.98%	15.48%	11.30%	20,742	67
Micro Cap 250	369.24%	183.39%	23.16%	67.02%	18.65%	15.41%	8,356	31

As of 31st Aug,2026. CAGR: compound annual growth rate. 1M: one month. ₹ cr.: Indian rupees in crore.

Strategy performance mentioned above is the aggregate performance of all Clients in the Strategy using the Time Weighted Rate of Return (TWRR) methodology. Returns for one year or less are on absolute basis, while returns more than one year are on annualized basis, returns are not verified by SEBI.

PRINCIPLE 02

02 Minimum 20:40 Growth Filter

WHAT IS IT?

Our second principle narrows the investment universe to companies delivering **at least 20% sales growth** and **at least 40% growth in profit after tax (PAT).** Both conditions must be satisfied on a comparable reporting basis. The aim is to identify businesses that are not merely becoming larger, but are also consistently converting expansion into stronger, more sustainable earnings.

WHY USE IT? *The filter tests both demand and profitability.*

Customer acceptance

Rising sales can reflect greater customer demand, successful products or services, market-share gains, or expansion into new markets.

Competitive strength

We seek growth supported by a compelling offering and clear competitive advantage, rather than favourable economic conditions alone.

Stronger profitability

Earnings growing faster than revenue may indicate stronger pricing, a more profitable sales mix or better cost efficiency.

Operating leverage

Existing infrastructure can support higher sales without a proportionate increase in costs, allowing more revenue to flow through to profit.

ILLUSTRATIVE EXAMPLE

Metric	Before	After	Change
Sales (₹ crore)	100	120	20% growth
PAT (₹ crore)	10	14	40% growth
Net profit margin	10%	Approximately 11.7%	Improvement

The quality of growth matters as much as the percentage. Acquisitions, asset sales, tax benefits or a weak comparison period can boost reported growth without proving lasting improvement. Assess underlying operations, cash generation and repeatability. No growth threshold makes a business immune to economic or geopolitical risks.

The principle is simple: **seek strong demand alongside stronger earnings.** The 20:40 filter identifies candidates for further evaluation; valuation, risk and future-sector relevance still determine whether a company deserves a place in the portfolio.

PRINCIPLE 03

03 Use PEG Instead of PE Alone

WHAT IS IT?

Our third principle evaluates **valuation in relation to profit growth,** rather than relying on the price-to-earnings (PE) ratio alone. Our strategy uses the price/earnings-to-growth (PEG) ratio, dividing PE by year-on-year growth in trailing twelve-month (TTM) net profit. TTM means the latest twelve months. Our preferred zone is **PEG below 1.**

FORMULA

PEG = PE ratio ÷ TTM net profit growth (%)

WHY USE IT?

Connects price with growth

PE shows how much investors pay for each rupee of earnings; PEG also considers how quickly those earnings are growing.

Avoids misleading valuations

A low PE is not automatically cheap, and a high PE is not automatically expensive.

Enables comparison

A higher-PE company can be less expensive relative to its reported profit growth than a lower-PE company.

Supports disciplined select

PEG connects valuation with business performance, helping assess the price paid for the growth received.

ILLUSTRATIVE COMPANY COMPARISON

Metric	Sterlite Technologies	Ambuja Cements
PE ratio	137.46	23.98
Net profit growth (TTM)	145.53%	9.88%
PEG ratio	0.94	2.43
1-year return	405.83%	-27.52%

Figures reproduced as supplied, without independent verification. Valuation dates and return end-dates were not provided. The stocks mentioned are for informational and educational purposes only and do not constitute any investment advice, recommendation, or solicitation to buy or sell securities.

Sterlite Technologies has a higher PE but a lower PEG than Ambuja Cements because its reported profit growth is much stronger. The supplied one-year returns also show stronger price performance for Sterlite Technologies.

PEG below 1 is a valuation filter, not proof of undervaluation or a promise of returns.

The principle is simple: assess the price paid against the quality and sustainability of the growth received.

PRINCIPLE 04

04 Keep Volatility and Beta Under Control

WHAT IS IT?

Our fourth principle is to **pursue growth without overlooking risk. We prefer relatively low standard deviation and beta between 0.8 and 1.2.**

Standard deviation

measures how widely return fluctuate around their average, including upward and downward movements. It is not a measure of business quality.

Beta

measures a stock's historical sensitivity to its benchmark. A beta of 1 indicates broadly similar sensitivity; above 1 indicates greater sensitivity. Actual movements can differ from these historical relationships.

WHY USE IT?

Looks beyond growth

Strong sales, rising profits and attractive valuations do not reveal how sharply a share price may fluctuate.

Seeks greater consistency

Lower standard deviation indicates a more consistent historical return pattern over comparable periods.

Controls market sensitivity

Our preferred beta range aims to retain market participation without excessively amplified exposure.

Strengthens risk discipline

We review risk across individual holdings and the portfolio, recognising that historical relationships can change.

ILLUSTRATIVE RISK COMPARISON

Metric	ACUTAAS	Zaggle
Sales growth	33.02%	46.32%
Net profit growth	124.47%	57.05%
PEG ratio	0.54	0.34
Yearly standard deviation	43.72	51.92
Yearly beta	0.81	1.60
1-year return	139.47%	-46.20%

Figures reproduced as supplied, without independent verification. Measurement dates, benchmark and standard-deviation units were not provided. The stocks mentioned are for informational and educational purposes only and do not constitute any investment advice, recommendation, or solicitation to buy or sell securities.

ACUTAAS and Zaggle both meet the 20:40 growth thresholds and have PEG below 1. However, **ACUTAAS has lower standard deviation and beta within our preferred range.** Lower does not necessarily mean low in absolute terms. The risk is also observed in the respective share prices.

The objective is to participate in upside while seeking to limit corrections.

PRINCIPLE 05

05 Invest Only in Futuristic Sectors

WHAT IS IT?

Our fifth principle is to invest in businesses with **meaningful exposure to futuristic sectors.** We seek opportunities linked to lasting changes in technology, healthcare, energy, security and financial services. Businesses must have a credible commercial role, relevant capabilities and a path to sustainable earnings.

WHY USE IT?

Lasting relevance

Focuses on products and services that can remain relevant as the economy evolves, rather than relying only on temporary demand, commodity prices or market enthusiasm.

Looks beyond labels

An artificial intelligence announcement, digital adoption or a popular sector is insufficient. We examine what the business sells and why customers need it.

Broadens opportunities

Includes infrastructure, equipment, specialist services and manufacturing that support innovation, not just technology developers.

Guides research

Sector themes identify opportunities but do not automatically qualify every company for investment.

FUTURE-FACING SECTOR MAP

Sector	Areas of focus
Data centres, artificial intelligence & semiconductors	Data centres; artificial intelligence; semiconductors; cloud computing; cybersecurity.
Healthcare	Contract development and manufacturing; obesity treatments; antibiotics; cancer therapies; biotechnology; robotic surgery.
Green energy	Solar; transformers and power transmission/distribution; smart meters; wind; nuclear; electric vehicles.
Defence industry	Anti-drone systems; space technologies.
Technology-enabled services & telecom	E-commerce; drones and electric vertical take-off and landing aircraft; streaming; digital advertising; optical fibre.
Digital financial services	Exchanges; asset management; stockbroking and allied services; public-sector banks.
Electronics manufacturing services	Printed circuit boards; mobile phone manufacturing; radio-frequency identification.

The principle is simple: structural opportunity qualifies the sector; growth, valuation and risk discipline determine which businesses deserve a place in the portfolio.

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HIGH GROWTH | BENCHMARK BEATING | FUTURE LEADERS



Today's Growth. Tomorrow's Market Leaders.

Focused on identifying strong growth businesses early and owning tomorrow's market leaders.

Strategy Return (1Y)	Nifty 50 TRI Return (1Y)	Alpha Generated
13.59%	**-9.45%**	**23.04** percentage points

Returns as on 31 October 2026

- **Generating 23.04 pp alpha**
- **Beating benchmark consistently**
- **Buying high growth companies of today that can become the future leaders of tomorrow**

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Market investments are subject to market risks. Please read all related documents carefully before investing.

BITDELTA INDIA

Your Client is Already Talking about CRYPTO



Indian investors are already asking about digital assets. A note for portfolio managers and advisers on what these assets are, the risks they carry, and how to keep any exposure small enough to survive a total loss.

BY

Vikaas M Sachdeva

Chief Executive Officer, BitDelta India

Crypto products and NFTs are unregulated and can be highly risky. There may be no regulatory recourse for any loss from such transactions.

I've spent close to 30 years persuading Indians to buy asset classes they didn't trust yet: IPOs in the 1990s, then mutual funds, then a ₹500 SIP that my peers called too small to matter. That SIP habit now brings in more than ₹32,000 crore a month.

Each of those products followed the same arc: curiosity, suspicion, a few early converts, then habit.

Digital assets sit in the middle of that arc today.

~30 YEARS
persuading Indians to buy asset classes they didn't trust yet

₹500 SIP
that my peers called too small to matter

₹32,000 CR+
a month, brought in by that SIP habit

Why it matters: Most crypto conversations start with price. Portfolio managers start with size. Does it deserve a place at all, how much, and what happens to the whole portfolio if I'm wrong?

> **"The useful questions are whether to own any, how much, and what it costs if you're wrong."**

One word, four asset classes

"Crypto" covers at least four kinds of assets, each with a different job. Lump them together and you get a basket of lottery tickets that only looks diversified.

THE DIGITAL ASSET MAP, AND THE RISK IN EACH BUCKET

Bucket	Examples	What it does	Main risk
Store of value	Bitcoin	Fixed 21 million supply	Sharp price swings
Smart-contract platforms	Ethereum, Solana	Run stablecoins, tokenised funds and on-chain markets	Technology and competition
Stablecoins	USDT, USDC	Track the US dollar 1:1; settle 24x7	Issuer and reserve quality
Utility tokens	XRP, LINK, AAVE	Power one network or use case	Liquidity and project failure

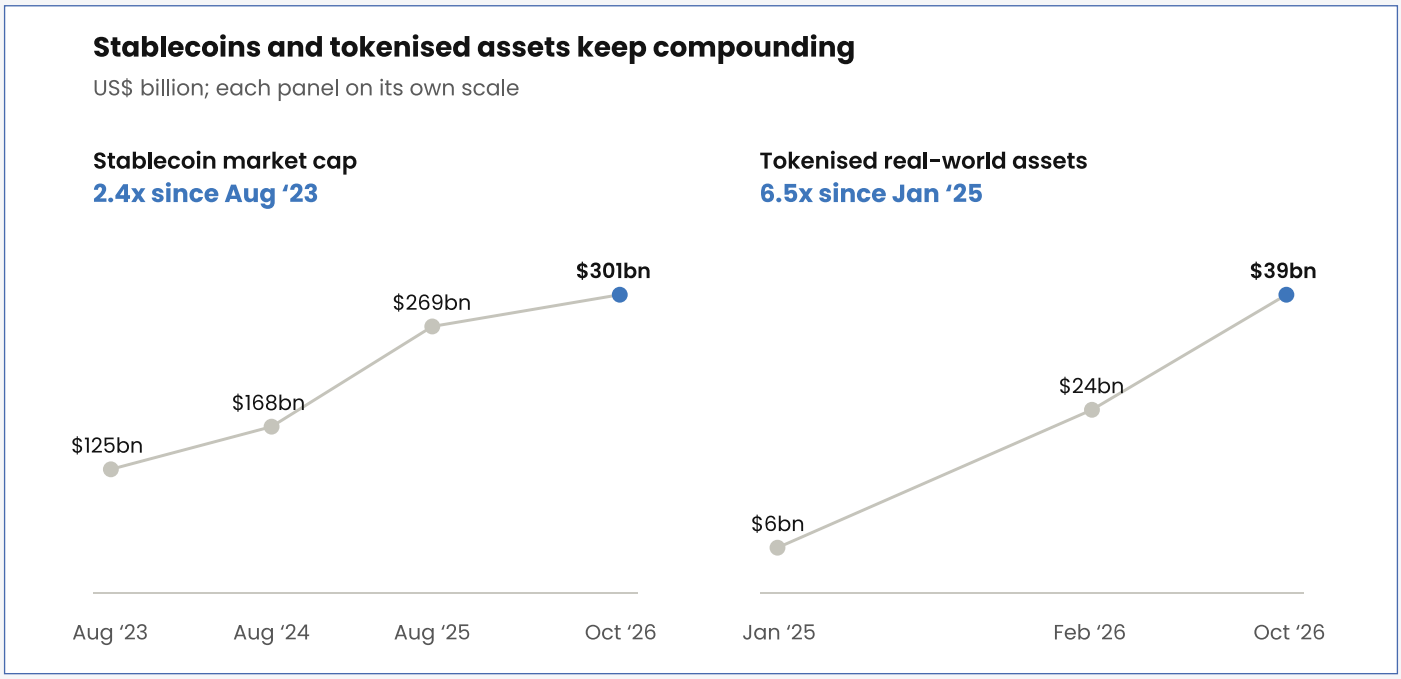
So, when a client asks for "some crypto", ask which bucket. Bitcoin and a basket of small tokens carry very different risks.

The rails are already carrying money

The fastest-growing corner of crypto barely moves in price.

BY THE NUMBERS:

- **Stablecoins** (reserve-backed digital dollars): $125 billion in August 2023, $300.5 billion by late October 2026.
- **Real use:** Allium counts about $4 trillion of genuine stablecoin transfers from January to August 2026, including roughly $480 billion of payments through September.
- **Tokenised real-world assets** (T-bills, private credit, fund units): $6 billion in January 2025, about $39 billion by October 2026.



Sources: RWA.xyz (history); Stablecoin Beat (stablecoins, 25 October 2026); RWA Foundation via Benzinga (tokenised assets excluding stablecoins, 9 October 2026)

All of it settles 24x7, with no weekend cut-off. The price story sits on top of a working payments layer.

Scarcity, written in code

Indians understand scarcity. Morgan Stanley estimates India holds about 34,600 tonnes of gold, roughly 15% of all gold above ground. Bitcoin takes that old idea of a scarce store of value and writes it into software; with rules anyone can check.

34,600
tonnes of gold held by India, by Morgan Stanley's estimate

~15%
of all gold above ground

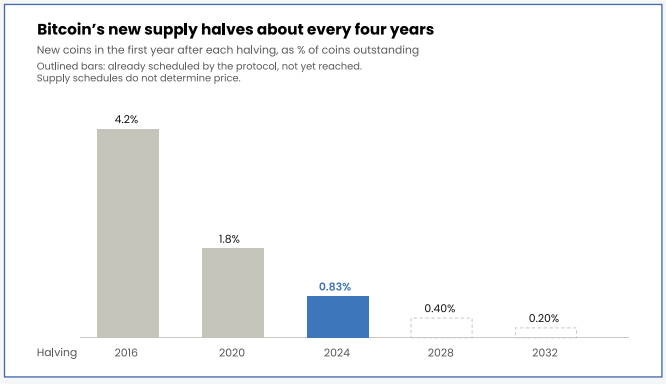
Bitcoin's design, and what to watch

Feature	How it works	What to watch
Supply cap	21 million coins; about 19.9 million issued	Scarcity alone does not set a price
New supply	About 0.82% a year; halves every four years	Halvings have not prevented deep price falls
Divisibility	Each coin splits into 100 million units	Small holdings carry the same price risk
Transfers	Settle in minutes, 24x7	Mistaken or fraudulent transfers usually can't be reversed
Verifiability	Supply and transfers are visible on a public ledger	Coins held on a platform depend on that platform's safeguards
Track record	Running since January 2009	A short history; behaviour in a crisis is still untested
Volatility	50–70% annualised	Past cycles saw falls of 75% or more
Institutional access	US spot ETFs, launched January 2024, hold 1.29 million BTC ($103 billion)	Institutional interest does not reduce price risk

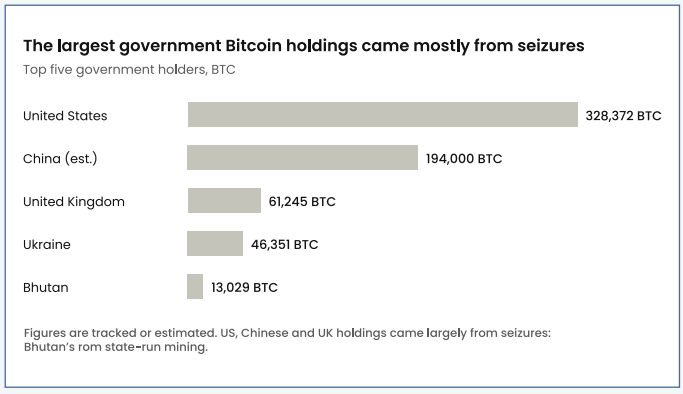
Sources: Bitcoin protocol schedule; Bitbo (23 October 2026); Morgan Stanley via Business Standard; PortfolioLab.

Bitcoin's issuance halves every 210,000 blocks, roughly every four years, on a schedule written into the protocol in 2009.

Changing that schedule would take the network itself agreeing to it, and in 17 years it never has. A fixed schedule describes supply only. It says nothing certain about price.



Source: Bitcoin protocol issuance schedule, at about 52,560 blocks a year



Source: CoinCoverage government holdings tracker (26 October 2026)

Sovereign adoption is at an early stage. The largest government holdings came mostly from seizures; Bhutan and El Salvador built theirs by choice.

The internet of money

I describe Bitcoin to mutual fund investors as the internet of money. The analogy holds up.

The internet's protocols (TCP/IP, HTTP, SMTP) made copying information free. Money can't work that way: a rupee that could be copied as easily as a PDF would lose its value as money. So, the web carried information and left value to banks, card networks and SWIFT, each with its own ledger and its own settlement hours.

The engineers saw the gap. HTTP's 1997 specification reserved status code 402, Payment Required, "for future use". It sat idle for nearly three decades. In May 2025, Coinbase revived it as x402, letting a website or an AI agent take a stablecoin payment inside an ordinary web request.

Blockchain fills that gap with a shared ledger anyone can verify, where transfers settle with finality and no intermediary.

SAME BUILD-OUT, 14 YEARS APART

	Internet, from 1995	Blockchain, from 2009
Base protocols	TCP/IP, HTTP, SMTP	Bitcoin, Ethereum, Solana
What it moves	Information	Value and ownership
Early applications	Hotmail, Yahoo, Netscape	Stablecoins, tokenised funds
The business that emerged	E-commerce: $6.88 trillion in 2026	Digital settlement: about $300 billion of stablecoins, $39 billion of tokenised assets
Who controls the base layer?	No one; open protocols	No one; open networks with their own tokens

Sources: EMARKETER (February 2025); Stablecoin Beat (25 October 2026); RWA Foundation (9 October 2026).

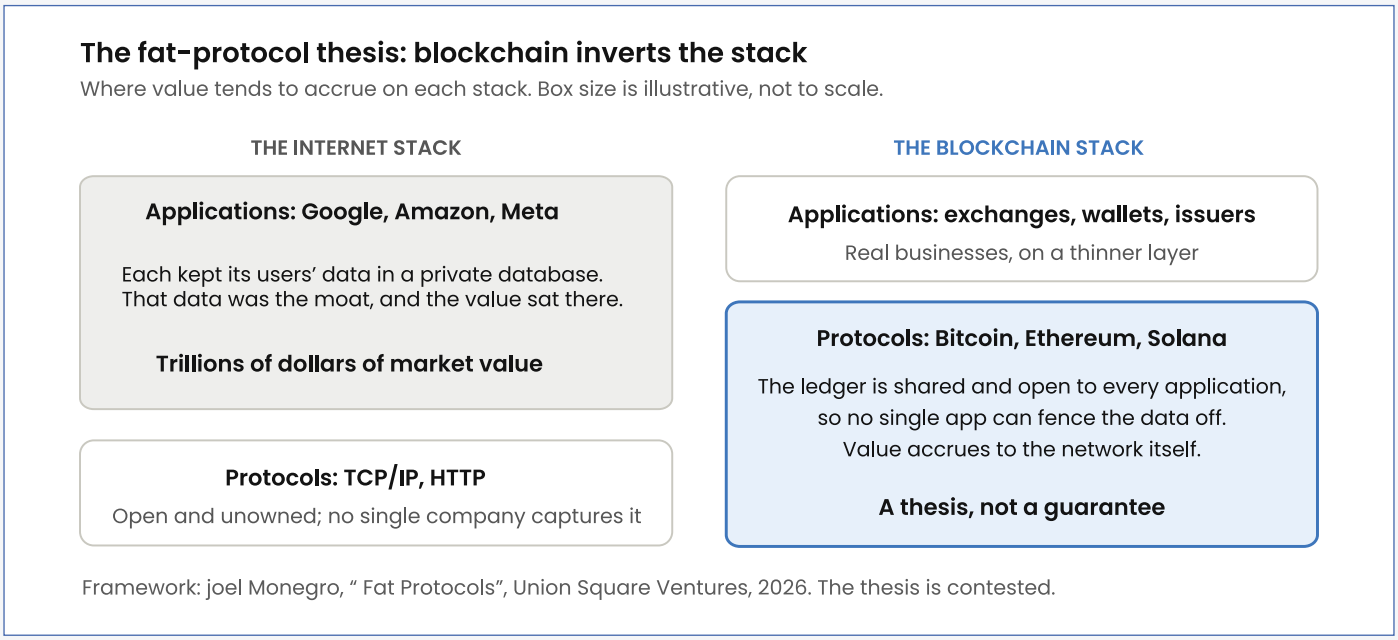
The internet's history carries a warning: the early leaders of a new network rarely last.

THE LEADERS OF 1998, AND WHERE THEY ENDED UP

Company	Peak	What happened next
Yahoo	About $125 billion market value, January 2000	Core business sold to Verizon for $4.48 billion in 2017
Lycos	$12.5 billion Terra Networks deal, May 2000	Sold for $95.4 million in 2004, then $36 million in 2010
AltaVista	Best search engine of 1998	Sold for about $140 million in 2003; shut in 2013

Sources: CNN, Reuters, TechCrunch; company transaction disclosures.

TCP/IP outlived all three. Some argue public blockchains flip the internet's economics: the data is shared, so no single app can fence it off, and value accrues to the network itself. Joel Monegro called this the "fat protocol" thesis in 2016.



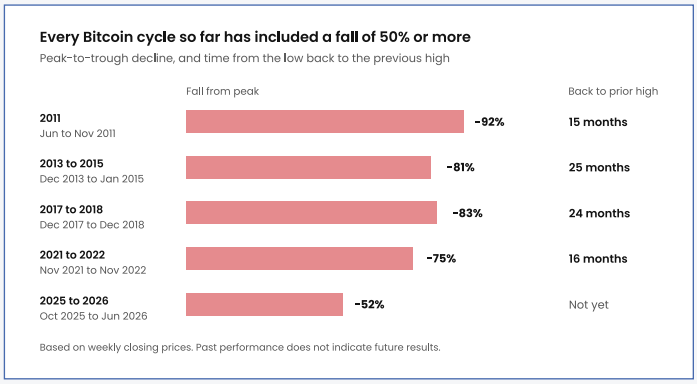
The internet stack against the blockchain stack. Adapted from Joel Monegro, "Fat Protocols" (2016)

> **It's contested. Applications on Ethereum and Solana now earn serious fees, and many tokens will fail the way the 1998 portals did. Selectivity matters far more than enthusiasm.**

The range is the risk

Just when you think you've figured it all out, the market humbles you. Digital assets prove it faster than anything I've managed.

Bitcoin's annualised volatility runs at 50–70%. Every major cycle so far has included a fall of 50% or more, and each completed recovery took more than a year.



Source: PortfolioLab, Bitcoin drawdown history (weekly closes), October 2026. Past performance does not indicate future results.

Spreading purchases over time doesn't remove that risk. A ₹10,000 monthly recurring purchase of Bitcoin from January 2016 to December 2025 returned 3.3% a year in its worst five-year window and 131% in its best: a 128-point gap decided by the start date.

Over the full decade the XIRR was 57.6%. Past performance does not indicate future results, and a range that wide argues for a small position.

Size for a total loss

For anyone who chooses to participate, sizing comes before selection. The test is simple: could the portfolio absorb a total loss of this position?

At 1% of a ₹20 crore portfolio, a complete loss costs ₹20 lakh. At 5%, it costs ₹1 crore. Pick the size that passes that test and hold it there.

Why now: access, trust, habit

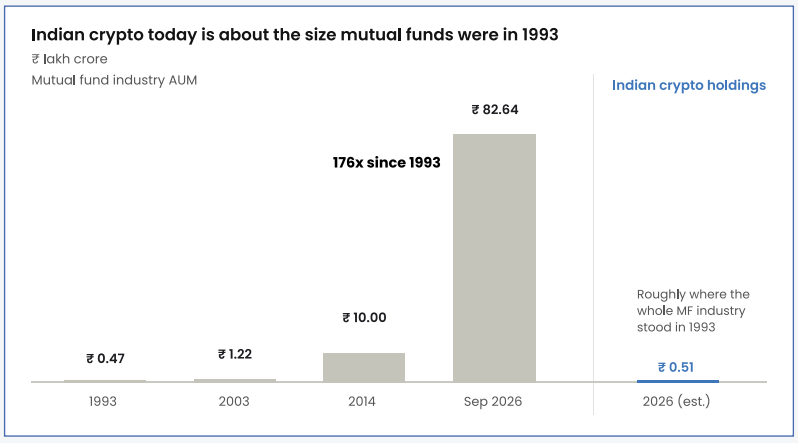
India's investing revolution was built in three layers, always in the same order.

THE SAME THREE LAYERS, AT DIFFERENT STAGES

Layer	How capital markets built it	Where digital assets stand
Access	Screen-based trading (1994); demat (1996)	**Arrived.** Registered platforms, INR rails, 24x7 markets
Trust	SEBI's statutory powers (1992); mutual fund regulations (1996)	**Building.** FIU-IND registration for anti-money-laundering since 2023, asset-safekeeping standards and audits. VDAs remain unregulated for investor protection
Habit	The monthly SIP, 2000s onward	**Emerging.** Recurring purchase plans are just arriving

Sources: NSE; SEBI; AMFI; FIU-IND.

Crypto in India today is roughly where mutual funds were in 1995–96.



Sources: AMFI (September 2026, via Angel One; historical AUM). Indian crypto holdings are an industry estimate.

Demand is already there. India topped Chainalysis' adoption index from 2023 to 2025 and still ranks second for crypto flows in 2026. Industry estimates put Indian crypto investors at 70–90 million, over 80% of them outside the metros. Yet their holdings total an estimated ₹51,000 crore, about 0.6% of mutual fund assets.

What built the mutual fund industry was distribution and advice. That network (23 crore demat accounts, 1.7 lakh distributors, about 1,000 RIAs and 300-plus family offices) has barely engaged with digital assets, and any advice here has to start with risk.

7 Questions to Ask before Investing

Digital assets call for the discipline any high-risk allocation demands.

SEVEN QUESTIONS TO ANSWER BEFORE THE FIRST RUPEE GOES IN

Decision	What to Consider	Why
Size	Only what you can afford to lose entirely	A total loss is possible
Selection	Understand exactly what you own	Many tokens have failed, and more will
Entry	Spread purchases over time	Reduces timing risk; price risk remains
Horizon	Long, with room for multi-year falls	Five-year outcomes ranged from 3.3% to 131% a year
Rebalancing	Trim back to target once a year	Stops one position from quietly dominating
Platform	FIU-IND registration for AML/CFT, MPC wallet security, independent security audits	Registration is not investor protection; check how assets are safeguarded
Tax	30% on gains, 1% TDS, no loss set-off	Factor tax into every decision

The habit is the asset

In 1993, a ₹500 monthly instruction looked too small to build an ₹82 lakh crore industry. It worked because it turned a decision into a default, and because the industry earned the trust that made that default feel safe.

Whether digital assets travel the same road is not settled. If they do, it will be because access, trust and habit were built carefully, by advisers who put risk first, one client at a time.

The bottom line: Ask how much before you ask how high. Size for a total loss, spread purchases over time, rebalance, and read the risks before the returns.

Disclaimer: Crypto products and NFTs are unregulated and involve high risks. There will be no regulatory recourse for losses arising from such transactions. Historical data on crypto assets and other asset classes is presented solely for statistical analysis and should not be taken as a basis for comparison. Past performance is not indicative of future results.

BITDELTA INDIA

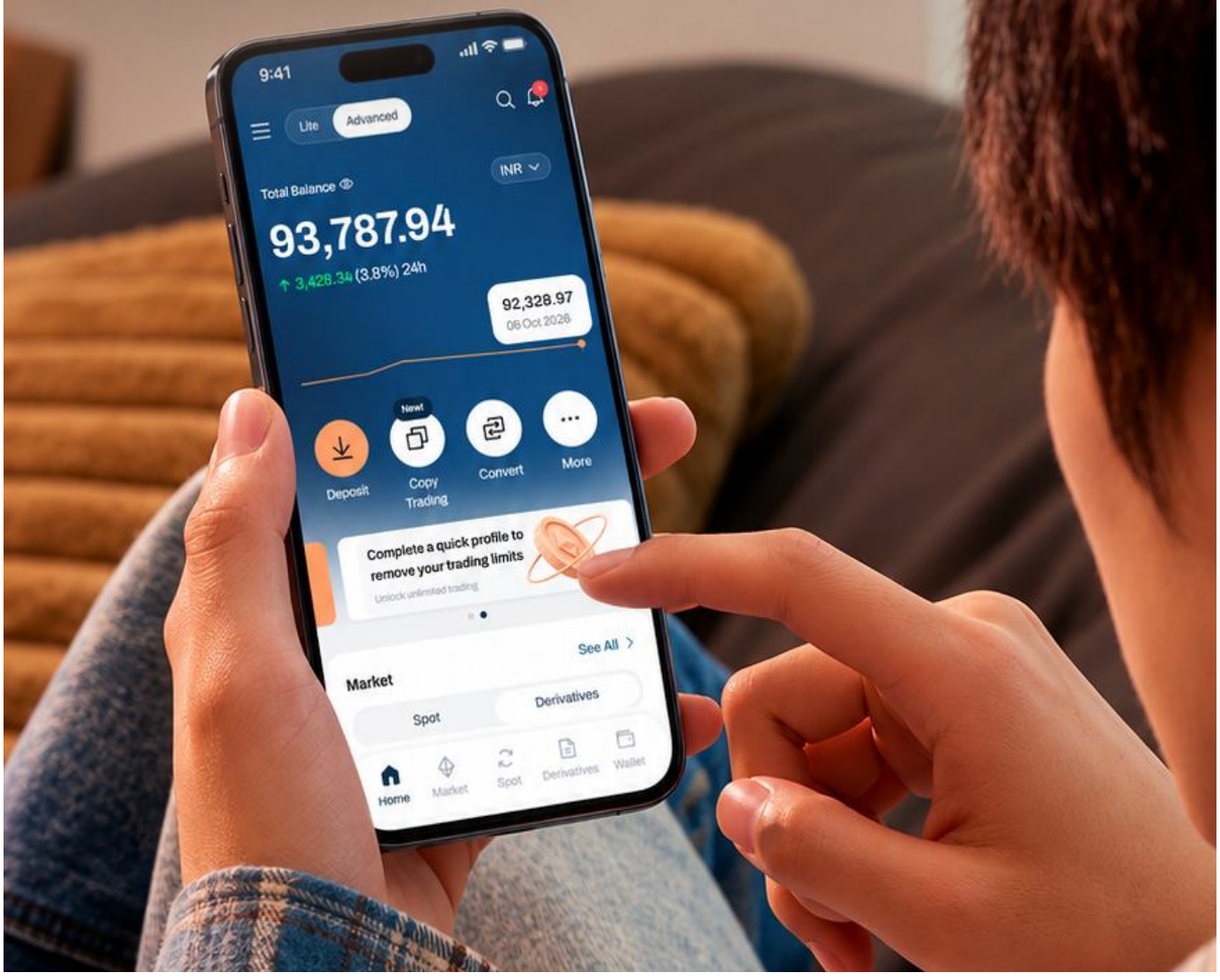
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SWYOM INDIA ALPHA FUND

A CATEGORY III AIF

3 in 1	36.88%	Top 3	₹350+ Cr
STRATEGY	**CAGR**	**AMONG CAT III AIFS**	**AUM**
LISTED | UNLISTED | CORPORATE ACTIONS	SINCE INCEPTION (*Sep'23*)	2-YEAR CAGR (*Source: PMS Bazaar*)	AND GROWING

WHY INVEST IN SWYOM INDIA ALPHA FUND?

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- **OPEN-ENDED**
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Radha Raman Agarwal
MD & CEO
Swyom Advisors Limited

"OUR 3-IN-1 PORTFOLIO FRAMEWORK — LISTED, CORPORATE ACTION, AND UNLISTED EQUITY — ENABLES US TO IDENTIFY AND MONETISE THESE OPPORTUNITIES CONSISTENTLY."

01 Do you see India moving toward a more event-driven investment environment, where corporate actions, restructurings and special situations become increasingly important sources of alpha?

Absolutely. As Indian capital markets deepen, we believe event-driven investing will become an increasingly important source of alpha. India is witnessing greater corporate restructuring and capital allocation activity — demergers, acquisitions, delistings, preferential issues and other corporate actions. These events can create opportunities that are not always captured by conventional investing.

Our approach is to look beyond the obvious market narrative and understand what is changing within the company and its capital structure. A corporate action is valuable to us not simply because an event is taking place, but because it can create a fundamental re-rating, unlock value, or alter the earnings and growth trajectory.

This is also where investing in listed equity alongside corporate actions becomes relevant for Swyom India Alpha Fund as a strategy. We believe alpha can be generated by identifying value before the market fully recognises the catalyst and, importantly, by understanding what happens after the event.

02 With some IPOs seeing listing premiums of 50% or more, how much of the pre-IPO investment thesis is actually driven by the listing event itself? Do you see the IPO as the natural exit point, or are the more attractive returns increasingly being created after the company becomes publicly listed?

A listing event or IPO can certainly be an important catalyst for value unlocking. To be fair, listing is an event, but the business itself is the investment.

For us, the real question is whether the company's underlying competitiveness, SWOT position, management quality and growth opportunity justify the valuation beyond the listing event. An IPO can offer an attractive exit opportunity, but it can also be the beginning of a much larger value-creation journey.

In many cases, price discovery improves once a company becomes publicly listed. Greater analyst coverage, institutional participation, quarterly disclosures and improved liquidity help the market better understand the business.

Therefore, we evaluate the entire value-creation curve from pre-IPO positioning and valuation to post-listing discovery.

03 Swyom India Alpha Fund has delivered over 35% CAGR in the last 3 years since inception, significantly outperforming the Nifty 500. How would you explain the alpha generated by your investment process?

We are conscious that performance is a combination of a disciplined investment process and the surrounding opportunities. Every success has an element of favourable opportunity within the Indian equity space. Our 3-in-1 portfolio framework — listed, corporate action, and unlisted equity — enables us to identify and monetise these opportunities consistently. Equally important has been our focus on building a portfolio that can weather challenging conditions across different market cycles and protect capital during those times.

We look at security selection, entry valuations, catalysts, position sizing, portfolio construction, and just as importantly the decisions to divest or reallocate capital. Our investment philosophy is fundamentally driven. We seek situations where there is a meaningful gap between the market's current perception and the company's potential trajectory.

The objective, therefore, is not merely to outperform the benchmark during a favourable market — it is to build a repeatable framework where differentiated research, disciplined valuation and catalytic opportunities can generate alpha across different market conditions.

04 As the number of holdings in Swyom India Alpha Fund moves from the 20s toward 40–45 across all strategies, how do you ensure that greater diversification does not dilute the portfolio or come at the cost of alpha?

We don't look at diversification simply as the number of stocks. Diversification should reduce unintended risk, not intentional conviction. As the portfolio expands, every position still needs to answer three questions: Why this company? Why now? And what is the catalyst or fundamental change that can unlock value?

We differentiate between core conviction positions and opportunity-driven positions, and Pre-IPO exposure with appropriate sizing— reflecting our confidence, risk-reward profile and the stage of the investment thesis.

Our overall portfolio gives us the ability to participate in multiple sources of alpha without allowing one idea to disproportionately determine portfolio outcomes. That said, not every stock receives equal weightage, as we continuously challenge every holding. If the thesis strengthens, capital can be increased; if the thesis weakens or the opportunity cost rises, capital is reallocated. For us, diversification is a risk-management tool; conviction remains the alpha-generation tool.

05 As India's alternative investment ecosystem matures, how are global institutions evaluating long-short strategies, and what is influencing their willingness to allocate capital?

Category III AIFs are the category under which long-short strategies operate, and this has been the fastest-growing segment of India's AIF industry for three consecutive years. As per SEBI data for FY26, Category III commitments touched roughly ₹3.1 trillion, growing about 37% year-on-year, against overall AIF industry growth of around 26%.

As the ecosystem matures, investors are becoming more sophisticated in evaluating alternative strategies. They are looking beyond headline returns and asking the right questions — about the strategy, source of alpha, downside management, scalability, liquidity, risk controls, transparency, and the repeatability of the investment process.

India offers an interesting opportunity because its market is broad, diverse and increasingly institutionalised — a combination that can be particularly relevant for long-short, special situations and event-driven strategies.

Ultimately, capital follows consistency, transparency and a clearly articulated edge. As Indian managers demonstrate robust processes and the ability to generate differentiated returns across cycles, we believe global participation in India's alternative investment ecosystem will continue to deepen.

06 India's growth story is increasingly being driven by rising affluence and aspiration. Which changes in consumer behaviour do you believe will have the biggest economic impact over the next decade?

The biggest shift, in our view, will be the transition from "need-based consumption" to "aspiration-led consumption."

India's consumption story is no longer simply about more people entering the middle class — it is about existing consumers spending more frequently and across a much wider range of quality products and services.

We expect the next decade to see strong structural shifts toward premiumisation, experiences, financial products, healthcare, organised retail, digital services, travel, convenience and branded consumption.

Another important change is the formalisation of consumption. As incomes become more visible and digital payments more widespread, organised channels and financial inclusion will deepen, and consumption will increasingly move from the informal economy into organised businesses.

For investors, the opportunity is not merely to identify companies benefiting from higher consumption, but to identify those capable of becoming long-term beneficiaries of changing consumer behaviour and lifestyle upgrades — companies with superior pricing power, stronger distribution networks and the ability to build enduring brands.

07 What kind of theme looks unattractive to most investors today but becomes compelling when viewed through a three-to-five-year lens?

One area we find particularly interesting is the infrastructure required to support India's next phase of digitisation and industrialisation.

Some of these businesses may not appear immediately exciting, since their growth depends on capacity expansion, capital expenditure and longer gestation periods. But when viewed over three to five years, the economics can change significantly.

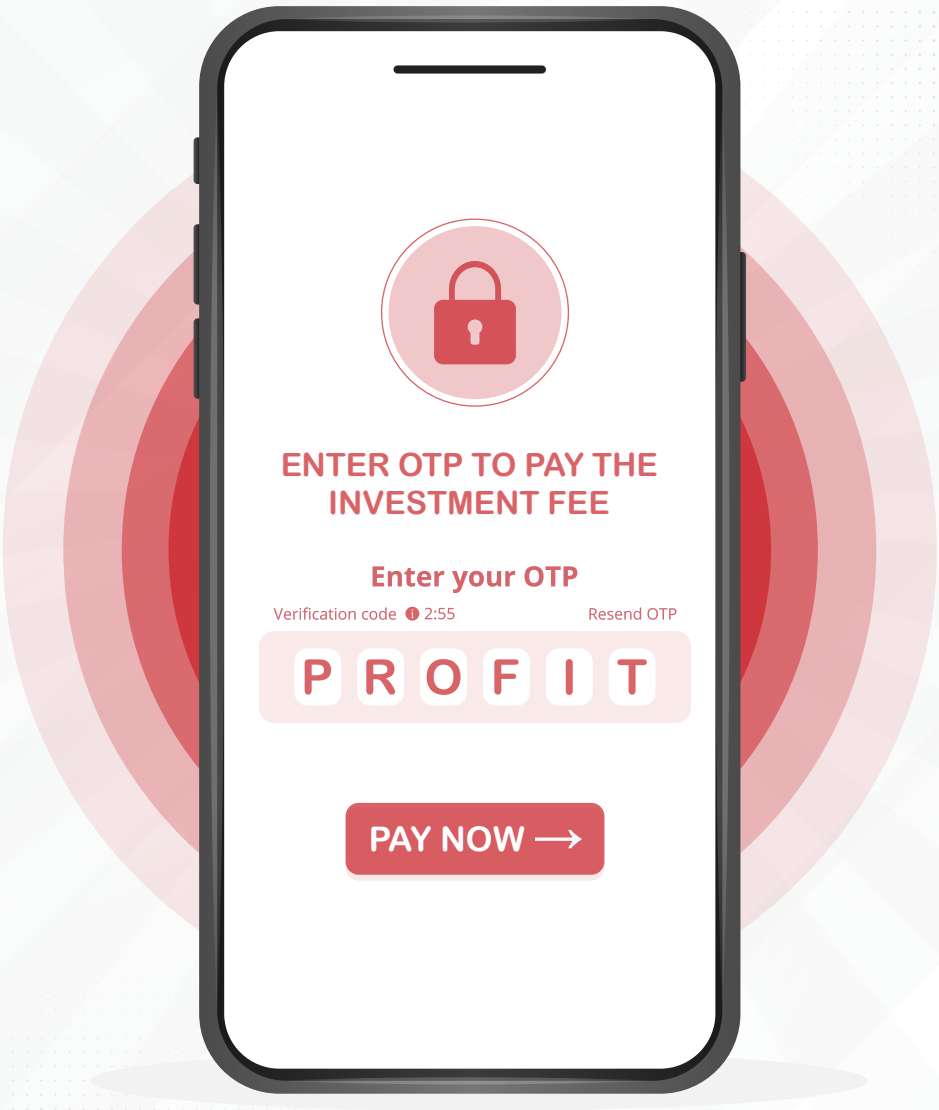
The opportunity does not necessarily lie in chasing the most visible theme — it lies in identifying the second-order beneficiaries: businesses supplying infrastructure, technology, components, power, logistics and specialised services required to support structural economic growth.

We believe this is where patient capital has an advantage. When the market is focused on the immediate beneficiary, the next layer of value creation can sometimes remain underappreciated.

Our approach, therefore, is to ask:
what will India need five to ten years from now that it is only beginning to build today? That question often leads us to opportunities that may initially look less fashionable but have stronger structural potential.

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Reshaping India's ALTERNATIVE INVESTMENT Landscape

SEBI's New PMS and AIF Regulatory Framework



SEBI's 2026 updates bring important changes to India's Portfolio Management Services (PMS) and Alternative Investment Funds (AIFs). The PMS Regulations, 2026 set out a new framework for portfolio managers. The AIF Master Circular brings together the operating requirements that AIFs must follow, including fundraising, investments, investor protection and fund closure.

The two updates are different: the new PMS Regulations take effect from 1 April 2027, while the AIF Master Circular is a consolidation of existing directions and later updates. It does not replace the SEBI (AIF) Regulations, 2012.

THE NEW PMS REGULATIONS, 2026

The new PMS Regulations replace the 2020 framework from 1 April 2027. The main focus is stronger financial discipline, a wider investment framework and clearer window with clients.

MINIMUM NET WORTH AND LIQUID ASSETS

A Portfolio Manager must maintain a minimum net worth of ₹5 crore. At least 10% of this amount (₹50 lakh) must be held in unencumbered liquid assets, such as cash, bank deposits, government securities, Treasury Bills and units of liquid or overnight mutual fund schemes.

Loans and advances made by the portfolio manager, including to related parties, are excluded when calculating net worth. Existing portfolio managers have 12 months from the start of the new regulations to meet the liquid-asset requirement.

₹5 cr
MINIMUM NET WORTH

10%
HELD IN UNENCUMBERED LIQUID ASSETS

12 months
FOR EXISTING MANAGERS TO MEET THE LIQUID-ASSET REQUIREMENT

1 Apr 2027
NEW REGULATIONS REPLACE THE 2020 FRAMEWORK

PRIM: A MUTUAL FUND INVESTMENT ROUTE UNDER PMS

The new framework introduces the **Portfolio Management Service Route for Investment in Mutual Fund Units (PRIM).** Under this route, portfolio managers can build and manage portfolios using direct plans of Indian mutual funds, including index funds, exchange-traded funds (ETFs) and Specialized Investment Funds (SIFs).

REQUIREMENT	REGULAR PMS	PRIM
Minimum investment per client	₹50 lakh	₹25 lakh
Minimum net worth of manager	₹5 crore	₹2 crore for an entity offering only PRIM
Liquid assets	At least ₹50 lakh (Atleast 10% of Networth)	At least ₹20 lakh (Atleast 10% of Networth)
Investment approach	As permitted under PMS regulations	Direct plans of eligible Indian mutual funds, index funds, ETF's, SIF's

WIDER INVESTMENT OPTIONS

The new regulations permit the portfolio manager to invests and advise in instruments such as **IPO for equity securities, primary-market issuance debt securities, listed securities, money-market instruments and mutual fund units, foreign securities, unlisted securities and exchange-traded derivatives.**

The Portfolio Manager may offer discretionary or non–discretionary or advisory services for investment up to hundred percent of the assets under management of the large value accredited investors in unlisted securities, subject to appropriate disclosures in the disclosure document and the terms agreed between the client and the portfolio manager. This is not a general permission for every PMS client. The portfolio manager may invest in mutual funds only through direct plans and shall not charge any kind of distribution related fees to the client.

CLEARER DISCLOSURES AND PERFORMANCE REPORTING

Portfolio managers must provide clients with a digital disclosure document before signing the client agreement and update it annually. It must explain fees, charges, risks, conflicts of interest, related-party transactions, diversification and performance. Fees may be fixed, linked to returns or a combination of both. Performance information must be presented consistently across regulatory filings, marketing material, client reports and websites.

AIF MASTER CIRCULAR, 2026

The Securities and Exchange Board of India (SEBI) has taken steps to make the Alternative Investment Fund (AIF) ecosystem more transparent, flexible and efficient. The AIF Master Circular, issued on June 3, 2026 and updated on November 5, 2026, brings together regulatory directions issued over time. Among the important developments are changes to investor accreditation, co-investment structures, scheme launches and fund closure.

EASIER ACCREDITATION FOR INVESTORS

One of the most significant recent changes is the revised Accredited Investor (AI) framework introduced on November 5, 2026. AIF managers can now independently verify and certify an investor's accredited status, instead of relying only on an external Accreditation Agency. This route is optional, and the existing agency-based process continues.

Manager-led accreditation remains valid for three years and is recognised across managers within the same corporate group. SEBI has also recognised securities-market exposure as an alternative eligibility route: ₹5 crore for individuals, HUFs, family trusts and sole proprietorships, and ₹20 crore for body corporates and other trusts. This can simplify onboarding and reduce repeated verification for eligible investors.

₹5 crore for individuals, HUFs, family trusts and sole proprietorships, and ₹20 crore for body corporates and other trusts.

A DEDICATED CO-INVESTMENT STRUCTURE

Category I and Category II AIFs can offer co-investment through a dedicated Co-Investment Vehicle (CIV) scheme within the AIF structure. This provides an additional route alongside the existing PMS co-investment route.
Each CIV must maintain separate bank and demat accounts, with its assets ring-fenced from other schemes. An investor's co-investment in a company is generally capped at three times the investor's contribution to that company through the associated AIF scheme. CIVs cannot borrow or use leverage. These conditions aim to provide flexibility while maintaining investor alignment and clear segregation of assets.

CLEARER RULES FOR FUND CLOSURE

SEBI has provided a more structured process for AIF schemes holding investments that cannot be easily sold at the end of their liquidation period. A scheme may enter a dissolution period after obtaining approval from at least 75% of investors by value.

Before seeking consent, the manager must arrange bids for at least 25% of the value of unliquidated investments and disclose valuations from two independent valuers. If the investments remain unsold during the dissolution period, they must be distributed in kind to investors. Managers cannot charge management fees during this period.

The Inoperative Fund status is meant for AIFs that have completed investment activity but need to retain money for specified pending or anticipated legal, tax or regulatory liabilities, or residual winding-up expenses. An Inoperative Fund cannot launch a new scheme or charge management fees. It must continue to provide the prescribed annual reporting on retained amounts and liabilities

CONCLUSION

WHAT THE CHANGES MEAN?

IN SHORT	IN SIMPLE TERMS
PMS Manager Net-worth	Managers must maintain the required net worth according to the category and hold a portion in liquid assets.
PRIM (MF-PMS)	Investors get a regulated PMS route built around direct mutual fund plans,SIFs ETFs, with a lower entry amount of Rs 25 Lakhs
PMS disclosures	Fees, risks, conflicts and performance must be explained more clearly and consistently.
AIF accreditation	Managers can verify accredited status, reducing repeated checks within the same group. The Accreditation agency route is still available, but optional
AIF co-investment	A defined CIV structure allows eligible investors to co-invest with safeguards.
AIF fund closure	Clearer procedures apply when investments remain unsold or money must be retained for liabilities.

SEBI's 2026 updates aim to make the PMS and AIF ecosystem more transparent, disciplined and investor-focused. The PMS framework combines stronger capital requirements with a new mutual fund portfolio route and clearer disclosure standards. The AIF Master Circular brings operating requirements together and provides more defined processes for accreditation, co-investment and fund closure. For investors and industry participants, the central message is that greater flexibility must go hand in hand with sound governance, clear communication and responsible risk management.

Investors and Analysts tend to extrapolate; in the real world, Business & Market Cycles Are the Reality

The greatest investment mistakes occur when investors assume the recent past will continue indefinitely. But businesses, industries and markets rarely move in straight lines.



BY

Bhaskar Bukrediwala

Head of PMS, IIFL Capital Services Limited

Investors extrapolate. A company that grows 30% a year is assumed to grow 30% for the next five. Expanding margins are assumed to be permanent. A stock that has doubled is taken as evidence that it will double again.

The market rewards this behaviour for a while: rising earnings validate optimism, rising prices attract capital, and the narrative reinforces itself. Then reality intervenes. Competition intensifies, new capacity arrives, consumer preferences shift, commodity prices reverse and growth normalises. What looked like a permanent structural trend turns out to be one phase of a larger cycle. The error also runs in reverse: at the bottom, weakness is extrapolated forever.

Investors extrapolate trends; markets eventually remind them that cycles exist.

The danger of extrapolating success

Warren Buffett is credited with the saying, "What the wise do in the beginning, fools do in the end." An opportunity that offers exceptional returns when recognised early becomes a poor investment once everyone has recognised it: capital chases it, valuations rise, expectations become demanding and the margin of safety disappears. The same logic applies to businesses. High returns attract competitors, exceptional profitability invites capacity, and rapid growth creates a higher base that is harder to beat. **The mistake is not recognising a great business; it is assuming its growth rate, margins and valuation multiple can all persist indefinitely.**

Markets are inherently cyclical, yet most investors behave as if current conditions will persist indefinitely. The critical skill is recognizing where we stand in the cycle rather than forecasting where it will go. Markets consistently overshoot in both directions greed near peaks, fear near troughs making most investors buy when optimism feels justified and sell when pessimism feels rational. The opportunity lies in identifying these transitions before they become obvious, having the conviction to act while consensus remains anchored to the recent past.



Fig 1 | The cycle, and the mistake investors tend to make at each stage.

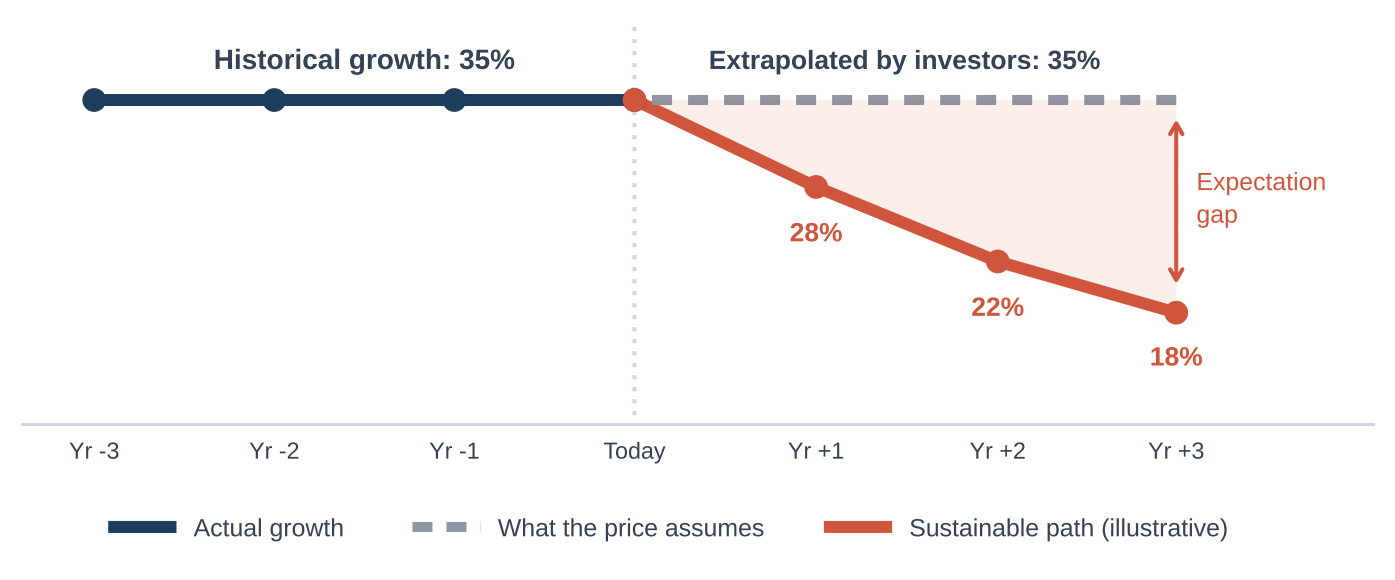


Fig 2 | The expectation gap (illustrative, not company guidance): a business can slow to a healthy 18% and still disappoint a price built on 35%.

DMart: when a great business meets changing realities

Avenue Supermarts, the operator of DMart, illustrates the danger of extrapolating a successful business model without considering how its environment may change. For years, DMart's value proposition was compelling: efficient operations, disciplined costs and competitive pricing. Its growth encouraged investors to extrapolate the combination of store expansion, improving scale and strong execution into the future.

However, a successful historical formula does not guarantee an unchanged growth trajectory. The expansion of quick-commerce platforms introduced a new competitive dimension, particularly in urban grocery markets. By 2024–25, DMart faced heightened pressure on same-store sales growth, margins and DMart's competitive positioning in some metropolitan markets. Thus, while earnings continued to grow at a healthy 22% in the last 5 years, the stock has corrected 40% from its ATH as the market price moved way ahead of the normalised earnings growth as revenue growth had moderated, prompting questions about whether its previous trajectory could continue as multiple continued to get derated.

None of this means the model is broken; the pricing advantage and non-metro runway remain valuable. It illustrates the distinction between business quality and investment expectations: a company can keep growing while its shares disappoint if the market priced in more. **A great company can stop being a great investment at its prevailing price.**

Trent: extrapolating a growth trajectory

Trent provides a similar illustration through the extraordinary growth of Zudio and Westside. The company's expansion and Zudio's affordable-fashion proposition drove strong revenue growth and substantial investor interest. Between 2023 and 2024, Trent's share price rose more than fivefold as its SSSG grew at a very healthy rate. By 2025, however, revenue growth had moderated, prompting questions about whether its previous trajectory could continue. Like DMart, the important point is not that Trent's growth story has ended. It is that a period of exceptional growth inevitably creates a higher base, while consumer demand, store productivity and competition continue to evolve.

When investors value a company on the assumption that exceptional growth will persist, even a perfectly healthy slowdown can trigger a sharp reassessment. A business delivering 20% growth may still be performing well. But if investors bought it expecting 35–40% growth, the gap between expectations and reality can be damaging.

This is the extrapolation trap: anchoring on the growth rate experienced rather than the growth rate that can be sustained.

MCX: when short-term scepticism masks a structural monopoly

MCX's stock performance over the past three years illustrates how market concerns around a near-term transition can mask a compelling long-term business opportunity. The exchange faced investor scepticism over its transition to a new trading platform, with concerns around execution risks, technology stability and potential disruption to operations. However, our independent research led us to view the concerns as a transition risk rather than a structural impairment to MCX's franchise. The appointment of TCS for the software contract provided additional comfort on execution and strengthened our conviction in the platform transition. More importantly, we remained focused on the structural opportunity in Indian commodity derivatives, where MCX's dominant position offered leverage to rising participation, product deepening and increasing derivatives penetration. As the transition concerns eased, the market began to recognise the durability of the franchise and its long-term earnings potential. The key insight was to look beyond near-term uncertainty and distinguish temporary execution concerns from the structural growth opportunity.

> From less than ₹100 crore in FY24 to ₹1,300+ crore in two years: MCX's earnings have expanded 16x as the market's software-transition concerns gave way to the structural growth in commodity derivatives. What was once a year's profit is now being earned in a quarter.

Investing against extrapolation: Our Framework at IIFL PMS

1. **Identify structural uptrends early.** Look for businesses benefiting from expanding addressable markets, durable competitive advantages, improving economics and long runways for reinvestment. The objective is to participate in the super growth cycle before the market fully recognises the opportunity.

2. **Identify cyclical businesses near an earnings trough.** Look for industries where pessimism, weak pricing and low utilisation have depressed profitability, but where the balance between demand and supply is beginning to improve.

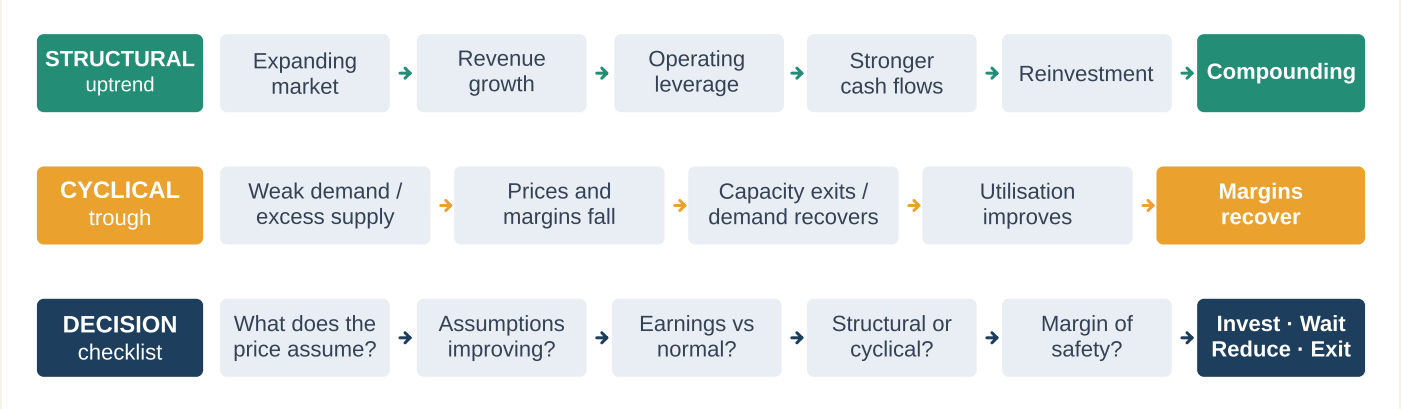


Fig 3 | Two playbooks and one decision checklist.

1. Identify structural uptrends early

CASE STUDY: ETERNAL

Long visibility of hyperscale growth - catching way before earnings start to improve, but when fundamentals start to improve

Look for expanding addressable markets, durable advantages and long reinvestment runways, and own the compounding before consensus recognises it. Eternal demonstrates how near-term loss optics can mask a structurally compounding business. The addressable market reality is very large, wherein its food delivery segment (Zomato) is in a long growth phase while significant growth is also seen in its Quick Commerce (Blinkit) segment. Blinkit's execution has been phenomenal, with sales growing from ~₹5,500 crore in FY23 to ~₹90,000 crore in FY27E, alongside significant margin improvement. The structural economics of the industry favour scaled leaders, with network effects, increasing order density and operating leverage driving sustained growth and profitability. This operating leverage kicking in on a scaled fixed cost base is the precise inflection our framework targets.

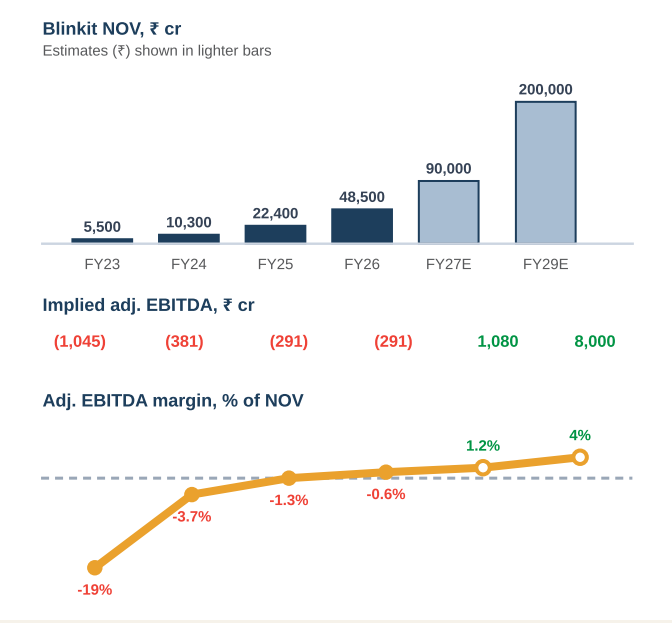


Fig 4 | Blinkit: NOV (approx.), implied adj. EBITDA and margin (FY27E and FY29E are IIFL estimates).

2. Identify cyclicals near an earnings trough

CASE STUDY: AMC STOCKS

When operating leverage works both ways

Asset management companies are fundamentally leveraged to market movements: rising markets lift AUM, drive mark-to-market-linked income and amplify operating leverage, while prolonged downturns reverse this dynamic. The current market weakness has weighed on AMC valuations as weaker market levels slowed the revenue growth and expose the downside of operating leverage. Yet net flows remain supportive, providing a base for incremental AUM and revenue growth, although at a slower pace. We believe the market is pricing in a prolonged period of subdued growth and margin pressure, leaving AMC valuations near a cyclical trough.

We believe the same operating leverage that has amplified earnings during bull markets can work in reverse during prolonged downturns; however, it can also accelerate the recovery once market levels and investor sentiment improve. With flows sustaining the underlying franchise, a market recovery could revive MTM gains, accelerate revenue growth and unlock sharper earnings rebound. We view the current phase as a potential cyclical trough for AMCs where near-term earnings pressure may be obscuring the upside from a normalisation in markets.

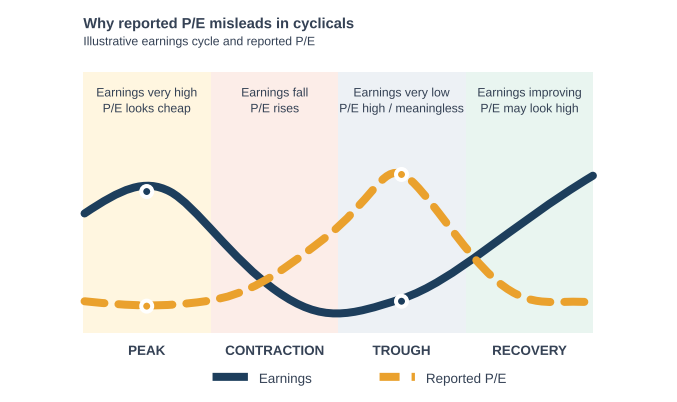


Fig 5 | P/E is most misleading at the peak and the trough (illustrative).

Both playbooks demand discipline. Cycles are difficult to time, and a low valuation does not guarantee an imminent recovery. What matters is a favourable relationship between expectations, fundamentals and price, not predicting the exact turning point. The key discipline in the structural case is to avoid paying a price that assumes every favourable outcome will occur.

BUSINESS TYPE	WHAT WE TRACK INSTEAD OF THE LATEST QUARTER
Retail	Same-store sales, store productivity, store additions and competitive intensity, against the growth rate embedded in the multiple.
Consumer platforms	NMV and order growth, contribution margin, cohort profitability and marketing intensity, not headline net loss.
Asset managers and exchanges	AUM and net flows, market levels, mark-to-market income, trading volumes and operating leverage, rather than the latest quarter's earnings.

Conclusion: recognise the cycle before the consensus does

The biggest opportunities often emerge when reality is about to diverge from consensus. At the start of a structural uptrend, investors underestimate how large the opportunity can become. Near the peak, we underestimate how quickly growth can normalise. At the bottom of a downturn, we assume temporary weakness is permanent. The objective is not to be always contrarian or to sell every winner once growth moderates, but to distinguish sustainable growth from temporary excess, depressed earnings from deteriorating fundamentals, and a strong business from an attractively priced stock. Ultimately, successful investing is not about extrapolating the past more confidently than everyone else. It is about recognising when the future is likely to be different.

> Investors have the tendency to extrapolate. Market cycles are the reality. The investor's edge lies in understanding the difference.

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Benchmark: BSE 500 TRI | Indicative Investment Horizon: 5 years & above

Please refer to the disclosure document & portfolio management services agreement for details and risk factors. This disclosure document can be referred at the below website https://www.iciciprualternates.com

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ICICI PRUDENTIAL
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Exclusive Interview

Shekhar Daga

Head - Private Capital
ICICI Prudential AMC



Our approach places emphasis primarily on engagement with veteran promoters and performing businesses, with underwriting being backed by real cash flows and hard assets, where available.

1 Why sell a piece of your company when you can borrow against its future? Is private credit changing how founders think about raising capital?

Private credit is increasingly giving promoters another option between traditional bank financing and equity dilution. For company promoters/founders, raising equity can provide substantial capital, but it also means sharing ownership and potentially diluting control at a stage when the business may still have significant value creation ahead.

This is where private credit can help. It can provide non-dilutive, flexible and customised capital for purposes such as growth funding, acquisitions, promoter financing, pre-IPO requirements or bridging a temporary capital gap. The structure can also be tailored around the underlying cash flows, including bullet or back-ended repayment structures.

GROWTH FUNDING | ACQUISITIONS | PROMOTER FINANCING | PRE-IPO REQUIREMENTS | BRIDGING A CAPITAL GAP

This does not mean debt is necessarily preferable to equity. The appropriate instrument depends on the company's cash flows, leverage, growth trajectory and the specific use of capital. But private credit is certainly expanding the financing toolkit available to Indian businesses. For promoters with established businesses and identifiable cash flows, the ability to raise capital without immediately giving up ownership can be particularly relevant.

2 With U.S. Treasury yields now nearing 5%, how are global institutional investors reassessing their allocation to private credit, and does this higher risk-free yield make private credit more attractive or less attractive?

A higher risk-free rate naturally raises the return expectation for any asset class, including private credit. Institutional investors therefore have to evaluate private credit not simply on its absolute yield, but on the incremental return over the risk-free rate relative to credit risk, illiquidity and complexity.

At the same time, the underlying proposition of private credit has not fundamentally changed. Investors are compensated not only for taking credit risk, but also for providing customised capital where traditional sources may be constrained. The ability to structure transactions around cash flows, collateral, covenants and repayment profiles can create a differentiated risk-return proposition.

So, rather than viewing higher Treasury yields as either positive or negative in isolation, I would see them as reinforcing the need for selectivity. Its upto Private credit managers to demonstrate why the spread being earned adequately compensates investors for the additional risks and illiquidity involved.

Higher yields reinforce the need for selectivity.

---

3 Private credit has grown into a ~$2.5 trillion global asset class. What would it take for India to build a much larger presence and capture a meaningful share of this opportunity?

India already has the fundamental ingredients: a large and growing economy, rising credit demand and an evolving financing ecosystem. The Indian private-credit market has expanded as traditional sources of capital have become more selective, with deployment reaching approximately $12.4 billion in CY2025[1] (EY India), and the markets estimated to have a $60–70 billion[2] opportunity across risk profiles.

For India to scale further, three things are important: greater institutional participation, deeper origination capabilities and continued development of the regulatory and recovery framework. Capital providers need to underwrite businesses and structure transactions to their specific requirements rather than simply replicating bank lending.

India's opportunity lies therefore not in replicating the US private-credit market, but in developing a market suited to its own corporate landscape—where experienced promoters, strong cash-flow businesses and specific capital gaps can be matched with flexible, structured financing.

EY-Ernst & Young| [1]EY – Private Credit in India – H2 2025 | [2]$70bn by 2028, based on the views and opinions of internal analysts which includes certain assumptions that are subject to change without notice. The following sources have been referred to for the same, EY – India Trend Book, PWC – Deals in India, RBI – Handbook of Statistics, among others.

4 Have you funded the same founders or promoters across multiple deals? If so, what drives that repeat funding decision—and if not, why?

Yes, repeat relationships can emerge in private credit, particularly when there is a history of effective engagements with experienced promoters. But repeat funding is never based simply on familiarity. Each transaction has to stand on its own merits.

WHAT GIVES US COMFORT

Demonstrated ability to execute	Transparency in financial reporting	Disciplined capital allocation	Sustainable cash flows	Clear purpose for the borrowing

What gives us comfort is a demonstrated ability of the promoter and the business to execute, have transparency in financial reporting, disciplined capital allocation, sustainable cash flows and a clear purpose for the additional borrowing. Our approach places emphasis primarily on engagement with veteran promoters and performing businesses, with underwriting being backed by real cash flows and hard assets, where available. The investment decision remains fundamentally credit-led: the structure, repayment capacity, downside protection and risk-adjusted return have to be considered every time.

Fundamentally credit-led. Every time.

SEBI Registration no. of ICICI Prudential Debt Fund [Category II AIF] - IN/AIF2/14-15/ 0105. Please find the list of Registrations by AMC at : List-of-Registered-Intermediaries.pdf

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SUNDARAM ALTERNATES
Sundaram Finance Group

We like to see the glass half full

"Bull markets are born on pessimism, grow on skepticism, mature on optimism, and die on euphoria."

SIR JOHN TEMPLETON



SANDEEP TULSIYAN

FUND MANAGER - AIF

SUNDARAM ALTERNATES

Templeton's four stages are the most useful map an investor can carry, but the hardest part is knowing which one you are standing in. Euphoria becomes obvious in hindsight, but it's irresistible in the moment. On the other hand, skepticism is a much quieter phase, when the market appears to have stopped rewarding good news. However, as commentary keep improving, inflows continue, and the index remains idle, this often proves to be the most rewarding place to continue investing. We think India is in this skepticism phase now, and the investment case for India is not a matter of sentiment; it's pure arithmetic.

The growth engine continues to march ahead

23%
Nifty-500 profits (ex-OMCs), YoY

19%
Sales growth, fastest in 15 quarters

16 of 22
Sectors grew profits in double digits

55%+
Companies saw FY27 earnings upgrades

Corporate India just delivered its strongest quarter in more than two years. In Jun'26, Nifty-500 profits (ex-OMCs) rose 23% YoY on sales growth of 19%, the fastest topline growth in 15 quarters. 16 of 22 sectors grew profits in double digits and more than half of the Nifty-500 grew earnings above 15%. The breadth is what makes this growth look credible, rather than a flash-in-the-pan. Large-cap profits (ex-OMCs) grew by 20%, a 10-quarter high, with mid-caps at 30% and small-caps at 35%, indicating that the recovery is broad-based. Also, this was a quarter where growth was volume-led, rather than price-led: auto volumes grew in the mid-20s for the third consecutive quarter, consumer staples and discretionary volumes were the strongest of the cycle and peak power demand rose 11%.

After many quarters of downward revisions, analyst estimates turned positive, despite inflationary concerns emerging from the West Asia War. More than 55% of companies saw FY27 earnings upgrades, with no meaningful downgrades to FY27 estimates. In a market that has spent three years conditioned to continuous downgrades, that is a meaningful reversal.

We have seen this film before

Indian equities have a long history of going quiet precisely when the next leg of growth is being built. The Sensex first touched 21,000 in Jan'08 and it was back at roughly the same level only in Dec'12, delivering almost five years with zero returns. Investors who bought during those quiet middle years, rather than at the exciting top, collected the re-rating that followed: the index went on to cross 30,000 by 2015 and 50,000 by early 2021.

A similar pattern shows up in the returns investors have actually earned through the current flat patch. The last decade up to Aug'26 includes a shadow banking crisis of 2019, pandemic years of 2020-21, a global rate shock of 2022, a war in 2022 and again in 2026 and the last two directionless years. Despite all this, the Nifty-500 index compounded at 12% a year, the Nifty-50 at 11% and the Nifty Midcap-150 at 17%. Disciplined SIP investors in diversified funds did better still: the flexi-cap category averaged a 12.9% ten-year SIP return and the strongest funds exceeded 15%. Thus, investors who remained disciplined in their approach and stayed invested continued to reap the benefits of higher returns.

Valuations are setting the stage for the next leg of growth

As earnings are expected to compound at mid-teens CAGR over next three years and markets have become cheaper, we think valuations are much more compelling today than they were two years ago. On 12-month forward earnings, large-caps now trade at a meaningful discount to their own long-run averages. The Nifty-50 index trades near 18.7x FY27 and 16.7x FY28 earnings, roughly a 15% discount to its own long-term average. This is a rare combination- one that long-term fundamental investors need to take note of: an earnings base that continues to grow and a multiple that does not look stretched. In our view, re-ratings are difficult to time, but the setup resembles conditions that have preceded previous re-ratings.

18.7x
FY27 earning

16.7x
FY28 earnings

~15% Discount
below long-term avg.

Contrasting sector multiples make stock selection essential

Beneath the flat index sits one of the widest valuation dispersions seen in years, and for contra fund managers with strong stock-picking capabilities, that is an opportunity rather than a concern. Banks and IT continue to trade below their long-term median P/E multiples, while pharmaceuticals/CDMO and capital goods command premiums to their 15-year median valuations, reflecting optimism around increased outsourcing to India and the visibility of multi-year order books. Yet, this divergence is noteworthy because sectors trading at lower valuations are not necessarily lagging on earnings growth. Private banks grew profits by 16% in the Jun'26 quarter, public sector banks by 14% and NBFC-lenders by 27%, with systemic loan growth running near 18% and technology sector profits rose 14% YoY.

On the other hand, capital goods and pharmaceuticals sectors grew at a faster clip, staying true to their growth expectations, but the growth is concentrated in a few pockets like CDMO and power equipment and not necessarily broad-based like banks and IT. Hence, sector selection alone may not translate into superior returns, as investors may end up owning very different companies from those ultimately rewarded by the market.

Scales have tilted in favour of DIIs

The most underappreciated development of this cycle is who owns India now. Domestic institutions have bought roughly $60bn of equities this calendar year to date, adding to $90bn inflows in 2025. Monthly systematic investment plan flows stand at $3.3bn (₹320bn) and have not broken their stride through any of the last three years' scares. We believe Indian equity markets are well supported, which is why they have absorbed sustained foreign selling. The ownership pattern has reversed as DIIs now own 18% of BSE-500 index as compared to 16.3% held by FIIs, while retail investors own 14%.

We are seeing signs of stabilisation as FII selling cooled over the past three months, while they turned net buyers in July and August. Foreign ownership of Indian equities now sits at a two-decade low, a good starting point against improving earnings and a currency the central bank has stabilised. The number of deals in the primary market and block window in Aug'26 are a testament to the strong demand for equities, as the month saw $3.2bn of IPO issuances and another $10bn of equity block deals. A market that can absorb that much supply without breaking has real depth, in our view.

Fund managers can't predict the roller coaster, but they can manage the ride

Crude has swung from $80 to $100, the US Federal Reserve raised rates in September and VIX (volatility index) has spiked. Our view is simple: while the destination looks attractive, the journey is unlikely to be comfortable. A portfolio that falls 20% needs to rise 25% just even out. Hence, deep drawdowns can be unforgiving in such markets and create a long-term dent in the wealth compounding journey of an investor.

We think the most logical approach to construct a portfolio in the current market would be a hybrid one, rather than taking aggressive equity bets when volatility may persist longer than expected. Pairing a high-conviction compounding equity sleeve with a low-volatility, income-generating debt sleeve eliminates the need to time the market. It will also help to normalise the distribution of returns, replacing the months of sharp corrections with steadier, predictable cash flows, so compounding continues uninterrupted and the investor stays in their seat for longer.

THE THINKING BEHIND

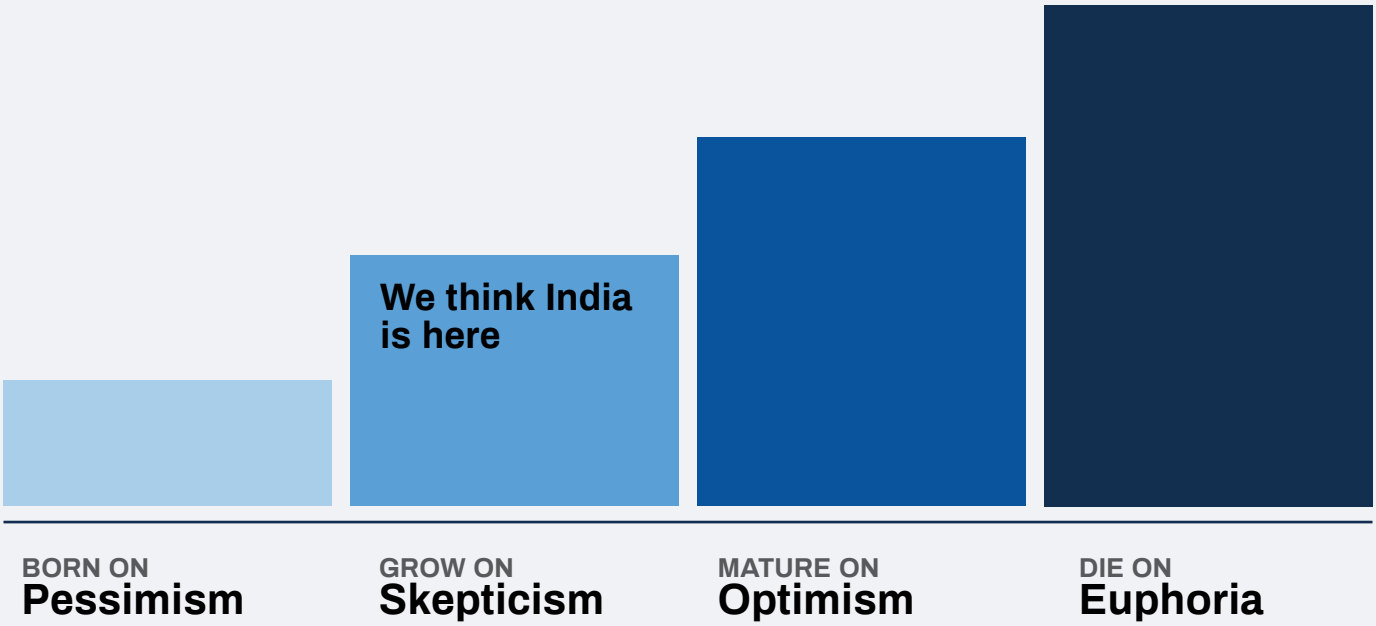
AlphaBet at Sundaram Alternates

This is the thinking behind AlphaBet at Sundaram Alternates, a hybrid portfolio built to address precisely this concern: reducing volatility without asking investors to compromise on returns. AlphaBet Series-I is India's first hybrid Category III AIF. It combines a flexi-cap listed-equity strategy with a 15-year track record, and a high-yield secured private credit strategy with over eight years and zero capital loss. The portfolio will be constructed with 60% weight in equities and 40% in private credit, aiming to maximise returns across both asset classes through time-tested strategies.

60% Equities	40% private credit

The equity schemes at Sundaram Alternates like SISOP, SELF and Atlas, invest in a concentrated portfolio of 20-25 stocks with higher weight allocation to mid and small caps and are consistently ranked in the first quartile over the last one year. The private credit sleeve is a combination of real estate and performing credit investments, targeting returns of 16-18%, providing stable cash flows on a quarterly basis. A 4×4 drawdown structure allows capital to be deployed gradually during periods of elevated equity volatility, reducing timing risk.

What stage are we in?



Nobody rings a bell when skepticism ends. What we do know is that earnings are compounding at their fastest pace in more than two years, growth is becoming broader rather than narrower, analysts are upgrading estimates despite geopolitical uncertainty, large-cap valuations remain below historical averages and foreign investors are under-allocated to Indian equities by two-decade standards. We believe investors may one day look back on 2026 not as a year to forget, but as the year that quietly laid the foundation for the next phase of growth.

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ALTERNATES_
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Axis Asset Management Company Limited
Portfolio Manager - INP000003534

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- Predominantly Indian manufacturing companies
- Research-led **stock selection**



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AXIS ASSET MANAGEMENT

INDIA'S MANUFACTURING STORY: THE GAME IS AFOOT



BY

NAVEEN KULKARNI

CIO, PMS & LISTED EQUITY ALTERNATES,
ALTERNATE INVESTMENTS
AXIS AMC

An Indian auto ancillary promoter once told me that his company's product quality and rejection rates were better than those of German manufacturers. My first reaction was scepticism. Generally wary of promoters' claims, I wondered whether this one stood up to scrutiny. Then came an acquisition in Europe-not to gain technical know-how, but to strengthen relationships with European original equipment manufacturers (OEMs). That distinction has been an eye-opener for me over the past few years. His point was clear: Indian companies are already very good at many aspects of manufacturing, sometimes better than their European counterparts. The gaps, he explained, often lie elsewhere-in understanding the legal and technical dimensions of a transaction that have little to do with manufacturing itself. Even there, he added, good lawyers can help examine the legal aspects of deals, and Indian companies are getting better.

That experience captures a larger shift. India's manufacturing sector is at an inflection point: the economy has grown in size and significance, even as the global landscape changes rapidly. According to the Economic Survey 2025–2026, citing World Trade Organization (WTO) statistics, India accounts for only around 2% of global manufacturing exports. China dominates with roughly 19%, followed by Germany at about 8%. China is likely to retain its lead over the next decade and beyond. But that is only one side of the equation. Seven years of geopolitical turbulence have brought home the long-term challenge of dependence on China. Set against that backdrop, the substantial improvement in Indian companies' capabilities has strengthened India's right to win in global manufacturing manifold.

POWERING A DECADE OF DEMAND

At an investment conference organised by a leading broker, the CEO of a major Indian transformer company described demand as unlike anything he had seen in a 40-year career. His company, he added, was turning away orders from major corporations because it lacked the capacity to fulfil them. The surge in India's power demand has several drivers: rising penetration of household cooling equipment, the expansion of data centres, broad-based industrial demand and other sources of consumption. Meeting that demand requires substantial investment in power infrastructure. Nor is this an India-only story. Power demand is rising globally. Artificial intelligence is power-hungry and expanding rapidly, while hotter conditions and torrid summers around the world are adding to cooling needs. As demand for electricity continues to rise, companies supplying power-related infrastructure-from transformers to cooling equipment and beyond-are seeing a significant opportunity. This is a decadal theme, with Indian companies positioned to benefit as demand grows.

40-YEAR

CAREER, AND DEMAND "UNLIKE ANYTHING HE HAD SEEN"

DRIVERS OF POWER DEMAND

- HOUSEHOLD COOLING EQUIPMENT
- DATA CENTRES
- BROAD-BASED INDUSTRIAL DEMAND
- AI AND HOTTER SUMMERS

THE PRECISION ADVANTAGE

India may not be the largest exporter of mass-market, commoditised products, but it has a clear edge in precision engineering. Indian companies serve applications ranging from watch hands for some of the world's largest and most prestigious watch brands to components for nuclear power and many other sectors. Precision engineering is arguably one of India's most promising manufacturing opportunities, combining niche capabilities with high margins. Over the next decade, ageing populations in developed countries are likely to erode the availability of specialist skills in this field. India, by contrast, has a younger population, and its companies are gaining traction. The country is positioned to develop one of the best-trained precision-engineering workforces over the coming decade.

NICHE CAPABILITIES

COMBINED WITH HIGH MARGINS

YOUNGER POPULATION

COMPARED TO DEVELOPED COUNTRIES

WATCH HANDS TO NUCLEAR POWER

DEFENCE AND AEROSPACE: CAPABILITIES TAKE FLIGHT

Defence has become a priority worldwide. Years of insufficient spending have left countries with dwindling capabilities across several areas. As one of the world's largest countries, India must invest in its defence infrastructure. That investment has helped build significant capabilities and a robust ecosystem of defence companies. With the geopolitical order changing rapidly, these capabilities are also opening up substantial export opportunities. Over the next decade, Indian companies could emerge among the largest exporters of defence equipment.

Aerospace is emerging as another important driver of demand. It is a sector that requires substantial capabilities in machining and tooling equipment—areas that create opportunities for Indian manufacturers. Demand for the capabilities offered by Indian companies is likely to remain significant in the years ahead.

OVER THE NEXT DECADE, INDIAN COMPANIES COULD EMERGE AMONG THE LARGEST EXPORTERS OF DEFENCE EQUIPMENT.

THE ELECTRONICS OPPORTUNITY

Electronics manufacturing services (EMS) has emerged as one of India's most attractive sectors. The government's Production Linked Incentive (PLI) schemes are important enablers. Import substitution, combined with substantial export potential, makes this a compelling manufacturing theme. Companies in the segment are reporting very high growth rates, with that momentum expected to continue over the next decade.

PLI
SCHEMES ARE IMPORTANT ENABLERS

IMPORT
SUBSTITUTION PLUS EXPORT POTENTIAL

VERY HIGH
GROWTH RATES REPORTED

PHARMACEUTICALS, CHEMICALS AND AUTOS: ESTABLISHED STRENGTHS, FRESH OPPORTUNITIES

India's capabilities in pharmaceuticals, chemicals and autos remain substantial. Indian pharmaceutical companies are global leaders in generics, while contract development and manufacturing organisations (CDMOs) now offer an immensely attractive opportunity. Pharmaceuticals remains an evergreen sector. India's chemistry capabilities, meanwhile, have

been recognised for decades. The speciality chemicals sector has clearly bottomed out, and depreciation of the Indian rupee has made Indian exports more competitive globally. Growth prospects for the sector are therefore likely to improve.

Indian suppliers have spent years serving **one of India's lowest-cost passenger-vehicle manufacturers and among the most cost-efficient car producers globally.** As a **leading Japanese automotive manufacturer,** it also places the highest priority on quality.

Meeting that combination of demanding cost and quality standards has made Indian auto ancillary companies highly competitive. Those capabilities can now be scaled globally: India's automotive market has become sizeable, and Indian auto companies have the capital to invest in international growth.

THE GAME IS ONLY BEGINNING

India's manufacturing story is only beginning, and it is taking shape in ways that can be difficult to appreciate from an office in India. Yet the game is unmistakably afoot. Across these sectors, the opportunity stretches well beyond a single cycle: it is a decadal theme. Axis Alternates offers the Axis Kaizen PMS Portfolio, which focuses on all these themes.

THE TIME TO INVEST IN INDIA'S MANUFACTURING STORY HAS NEVER BEEN BETTER!

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DEZERV



“Treat every vesting as a cash bonus your employer happened to pay in stock, because that is exactly how it is taxed.”

EXCLUSIVE INTERVIEW

BY **Sandeep Jethwani,** Co-Founder, Dezerv & Vice-Chairman, APMI.

01

Two job offers arrive on the same day: ₹30 lakh in salary at one company, or ₹22 lakh plus ESOPs at a startup. How should an employee decide whether the potential upside is worth the salary sacrifice?

Don't treat ESOPs as a lottery ticket. Their value rests on three things: whether the company succeeds, how big it gets, and whether you stay long enough to collect. Here you give up ₹8 lakh a year, but the real gap is wider. Assume the ₹30 lakh job gives 15% annual raises and you save 30% of your pay, while the startup gives 12% raises and you save 20%. Both sets of savings earn 12% a year. After five years, the ₹30 lakh employee has about ₹40 lakh more saved, nearly twice the startup's ₹22 lakh salary. ESOPs can also go to zero, so they must do much more than make up that ₹40 lakh. By the end of those five years, your ESOPs should be worth six to seven times the ₹22 lakh salary, roughly ₹1.3 to 1.5 crore in hand, after dilution and tax.

Then test four floors. Can you meet every EMI and keep saving on ₹22 lakh alone on year 1? Would you back this company as an investor? Will you stay five to seven years? Does the ESOP policy let you collect what you earn? Four yeses, take the equity. One no, take the cash.

Early in my career I chose cash over ESOPs because I had a home loan. Those options went on to be worth many times what I gave up. Even so, I would rather people decide on arithmetic than on someone else's regret.

02

Your RSUs keep rewarding you for staying, but your portfolio is becoming increasingly dependent on one stock. How much is too much, and what decides when it's time to sell?

There is no magic percentage. My test is simpler: if this one position halved due to markets, would your life plans change? If your home loan, your child's education and your retirement all ride on one share price, you have crossed the line, however good the company is. Even the best businesses face risks unrelated to quality, such as a regulatory action, a product miss or a sector being repriced.

Treat every vesting as a cash bonus your employer happened to pay in stock, because that is exactly how it is taxed. Would you take that cash and buy your employer's shares with all of it? Almost nobody would. Most people who hold are acting on inertia and calling it conviction.

The timing of a sale is better set by a plan than by the market. Staggered selling works like a SIP in reverse, protecting you from selling everything at the bottom. I followed this with my own previous employer stock for years. Your company already has your time and talent. It does not need your entire net worth as well.

Most people who hold are acting on inertia and calling it conviction.

03

A startup offers a young employee ESOPs instead of a higher salary. What five things should they investigate before accepting the offer?

Begin with the grant letter, the most important document in the offer and the one most people never read.

First, the strike price. Close to face value favours the employee; at fair market value, especially in an early-stage company, it does not. Second, the vesting schedule. A one-year cliff followed by even monthly or quarterly vesting is fair, while a back-loaded schedule rewards you only if you last. Third, the post-termination exercise window. In an unlisted company you want years. A 90-day window can force you to buy shares and pay tax on them the moment you leave, with no way to sell.

Fourth, dilution. Ask what percentage of the company your grant represents today and how future funding rounds will shrink it. Fifth, the path to liquidity. Has the company run buybacks, does it share its fair market value regularly, and is there a credible route to an acquisition or IPO? Together, these tell you whether the plan is built to reward you or simply to retain you.

STRIKE PRICE | VESTING SCHEDULE | POST-TERMINATION EXERCISE WINDOW | DILUTION | PATH TO LIQUIDITY

04

A large ESOP payout finally lands in an employee's account after an IPO or buyback. What should they do with it in the first year?

First, do nothing in a hurry. The costliest mistakes happen in the weeks after the money arrives, when it still feels like found money. Set aside the tax you owe on the sale, then park the rest somewhere boring while you build a plan.

That plan starts with the basics: an emergency reserve, adequate insurance and no high-cost debt. Then give the capital a proper asset allocation, with equity for growth, debt for stability and a small share in alternatives, matched to your goals and how soon you need the money. Spread it across managers and asset classes so that no single company, sector or country can undo it.

Two traps catch most people. The first is rolling the windfall into the next exciting stock, often from the same sector, which is the old concentration under a new name. The second is lifestyle inflation that arrives before the money is structured. The wealth was made at the company. It is kept through a plan.

The wealth was made at the company. It is kept through a plan.

TRAP ONE

Rolling the windfall into the next exciting stock

TRAP TWO

Lifestyle inflation before the money is structured

05

An employee exercises ESOPs and suddenly discovers a large tax bill, even though they haven't received any cash. How does this happen, and how can they avoid being caught off guard?

Indian tax law treats ESOPs as two separate events. At exercise, the gap between the share's fair market value and your exercise price counts as a perquisite, added to your salary and taxed at your slab rate that year. You owe this in cash, though you have sold nothing.

Say you exercise 1,000 options at ₹50 when the shares are valued at ₹1,000. That adds ₹9.5 lakh to your income, and at the 30% slab you owe about ₹2.85 lakh plus cess and surcharge before receiving a rupee. When you eventually sell, the gain above the exercise-date value is taxed again as capital gains.

Employees of eligible DPIIT-recognised startups can defer the exercise tax until they sell, leave the company or a fixed period lapses, whichever comes first. Deferral, however, is not exemption. Budget for the tax before you exercise, align exercise with a liquidity event where you can, and speak to a tax adviser while the decision is still open.

06

When ESOPs vest, should an employee exercise them immediately, wait until a company exit, or plan around a liquidity event? What factors should drive that decision?

There is no universal best answer, only trade-offs. Exercising as options vest usually means a smaller taxable perquisite and starts the clock towards long-term capital gains, which for unlisted shares takes 24 months. But you commit cash and pay real tax on a paper value, with no guarantee of an exit. If the company fails or stays private, that money is gone. Waiting for a liquidity event removes valuation risk and keeps your capital compounding elsewhere, at the cost of a larger tax bill at exit. That is why most holders exercise and sell together.

Four factors should drive the call: how much free cash you can afford to lose, your conviction in the business, your visibility on liquidity, and how much of your net worth already sits in this one company. One rule I hold firmly: never borrow to exercise early. If the listing disappoints, the tax you paid does not come back, and you finish behind the colleague who simply waited.

FOUR FACTORS

- Free cash you can afford to lose
- Conviction in the business
- Visibility on liquidity
- Share of net worth already in this company

Never borrow to exercise early.

THE MILLIONAIRE EMPLOYEE

AUTHOR

Sandeep Jethwani

Co-founder, Dezerv



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"Our investment philosophy is anchored in a **Quantamental approach,** marrying the objectivity of quantitative models with the discernment of fundamental research."



Arindam Ghosh

Director & CEO – Group Asset Management

Torus Wealth

Exclusive Interview

1 India has made significant progress in financial inclusion, but has wealth management truly become inclusive? Where does Torus see itself in bridging this gap?

India's financial inclusion journey is among the most consequential transformations in the world. Jan Dhan, Aadhaar and UPI have formalised crores of households, and capital markets have followed. India now has roughly 23 crore demat accounts and about 13 crore unique investors.

Yet participation has decisively outpaced advice. Districts outside the top ten now account for 70% of NSE's trading investors, while cities beyond the top 110 contribute merely 12% of mutual fund AUM. Institutional-grade research and bespoke wealth management remain, regrettably, largely a metropolitan privilege.

Therein lies the opportunity. Our Industry projections indicate India could add over 100 million long-term investors by 2035, propelled predominantly by tier-2 and tier-3 cities.

Torus is committed to help bridge this divide. Our focus is to target the bulge in the middle of the wealth pyramid. Our offerings deliver rigorous, fundamentally and quantitatively grounded investment solutions, with coverage spanning through large to micro caps as well as SME companies, a segment conspicuously underserved.

Our PMS translates that intellectual capital into professionally managed portfolios, complemented by broking and distribution, wealth and lending, all integrated on a single super app and technology stack.

"Yet participation has decisively outpaced advice."

2 How would you assess Q2 FY27 performance, and what is your outlook for the remainder of the year given the evolving global macro environment?

24.7% STREET ESTIMATE OF NIFTY 50 PROFIT GROWTH YOY	**22.6%** MEDIAN REVENUE GROWTH SO FAR	**20.8%** PROFIT GROWTH SO FAR	**7.1%** RBI'S UPGRADED FY27 GROWTH FORECAST

Q2 FY27 has emphatically reaffirmed the resilience of India's earnings engine. Street estimates pegged Nifty 50 profit growth at 24.7% YoY, the strongest in 12 quarters. Across the companies reported so far, median revenue grew by 22.6% and profit by 20.8%.

The macroeconomic scaffolding is equally robust. Real GDP expanded 7.8% in Q1 FY27, prompting the RBI to upgrade its FY27 growth forecast to 7.1%.

Crucially, global headwinds are now abating. Brent crude has retreated nearly 16% in a week to around $94 a barrel as West Asian tensions appear to de-escalate, a decisive positive for India. Since energy-led inflation compelled both the US Fed and the RBI to tighten, softer crude meaningfully alleviates pressure on rates, margins and the current account.

Domestic capital has served as a formidable shock absorber. In October, DIIs deployed ₹59,110 crore, comfortably absorbing ₹51,466 crore of FII outflows which now seem to have reversed as India again starts attracting global institutional flows.

With the Nifty down about 13% in 2026 even as earnings accelerate, the risk-reward equation has turned decidedly favourable. History is instructive: after a near-40% drawdown in 2020, the Nifty reclaimed its peak within about eight months as earnings recovered.

"At Torus our stance on Indian equities is unequivocally positive and constructive."

3 Are Indian investors still chasing the next big wealth opportunity, or have they started worrying about protecting what they've already made?

+31%

EQUITY MUTUAL FUND INFLOWS SURGED

₹32,490 CR

RECORD SIP INFLOWS

+71%

GOLD ETF INFLOWS, TO ₹4,451 CRORE

Both, and that duality is the hallmark of a maturing investor. In September 2026, equity mutual fund inflows surged 31% to ₹38,307 crore and SIPs touched a record ₹32,490 crore, even as gold ETF inflows jumped 71% to ₹4,451 crore. Investors are compounding and hedging simultaneously, forging a durable domestic bid for Indian equities.

We believe the next frontier of wealth creation lies in artificial intelligence and its enabling infrastructure. India generates nearly 20% of the world's data yet hosts only about 3% of global data centre capacity, an asymmetry that will drive capacity from 1.57 GW today to nearly 8 GW by 2030. Semicon 2.0, with an outlay of ₹1,27,500 crore, further accelerates this ecosystem. The beneficiaries extend well beyond technology, into power, electrical equipment, thermal management and AI-led transformation in pharma, healthcare, Defence, Banking etc., .

There is no perfect moment to enter the market; time in the market invariably wins over timing it. But pursuing themes without safeguarding the downside is speculation, not investing.

Capital preservation is therefore foundational to our philosophy. Our multi-asset allocation approach across equity, debt, precious metals and ETFs ensures no single asset class dictates a client's investment outcome.

4 What would be your investment philosophy and the strategy you would follow to manage clients portfolio?

Our investment philosophy is anchored in a Quantamental approach, marrying the objectivity of quantitative models with the discernment of fundamental research.

At its core lies our proprietary multi-factor scoring framework, which evaluates stocks across five factors: Momentum, Low Volatility, Growth, Value and Profitability. Every stock receives a systematic score within its investment universe, enabling single-factor, dual-factor and multi-factor strategies. We also explore factor timing, recognising that factor leadership rotates across market regimes.

01	02	03	04	05
Momentum	Low Volatility	Growth	Value	Profitability

Every strategy is subjected to rigorous historical simulation across multiple starting points, market cycles and rebalancing intervals, stress-testing robustness, consistency and drawdown behaviour rather than relying on headline returns.

The fundamental layer serves as a qualitative filter, scrutinising corporate governance, management integrity, capital allocation and accounting quality. Quantitatively attractive businesses are excluded where these attributes raise concerns.

Portfolio construction follows a disciplined, rules-based framework governing position sizing, diversification and rebalancing, avoiding both over-concentration and over-dilution. Continuous monitoring of factor scores, portfolio exposures and market conditions allows us to respond systematically rather than emotionally.

Our objective is clear: to fuse quantitative precision, fundamental conviction and uncompromising risk discipline into sustainable, risk-adjusted wealth creation over the long term.

asset 360 ONE



EXCLUSIVE INTERVIEW

BY

Charanjit Singh

Senior EVP & Fund Manager – AIFs
360 ONE Asset

> **In our PIPE strategy, where we enter through preferential allotments, block or bulk deals and other special-situation routes, a turnaround becomes interesting only when the promoter is infusing capital alongside us.**

1

India's corporate profit-to-GDP ratio has historically moved in cycles. Are we entering a structurally stronger era of corporate profitability, or could the recent improvement prove to be another cyclical peak?

Both, but the mix has shifted in favour of the structural. Profits have recovered from roughly 2% of GDP at the FY20 trough to around 4.5–5%, and this time the foundations are different: deleveraged corporate balance sheets, a cleaned-up banking system, the 2019 corporate tax cut, formalisation through GST and digital rails, and consolidation in many sectors where the top two or three players now earn most of the profit pool. Some cyclical tailwinds, such as benign commodity costs and unusually low credit costs in BFSI, will normalise. So, we don't expect the aggregate ratio to keep expanding sharply. What changes is the breadth: the next leg of earnings growth is likely to come from manufacturing, capital goods, energy transition, and consumption-led mid and small caps rather than a handful of large caps. For us, the real test is company-level: can return on capital stay comfortably above the cost of capital through a downturn?

2% → 4.5–5%

Profits as a share of GDP, from the FY20 trough to now

What changes is the breadth: Earnings growth from manufacturing, capital goods, energy transition and consumption-led mid and small caps

2

Government capex has been a key driver of India's investment cycle. What signals would convince you that private-sector capex is strong enough to sustain the next phase of economic growth?

Government capex has done the heavy lifting; private capex now needs to take the baton.

We look for four signals. First, capacity utilisation sustained above 75% for several quarters. That is when companies are forced to build, not just debottleneck. Second, order books of capital-goods and engineering companies showing a rising share of private-sector orders, not just PSU and government contracts. Third, a pickup in bank and bond-market credit to industry, alongside conversion of announced projects into actual completions. Fourth, and most important, is broadening. Today, private capex is concentrated in a few large groups and in themes like renewables, electronics, data centres, and defence. When mid-sized companies across sectors start expanding capacity with internal accruals and moderate leverage, the cycle becomes self-sustaining. Corporate balance sheets are ready; the trigger is demanding visibility.

3 Would you rather invest in a great business facing a temporary crisis or an average business on the verge of a turnaround? What factors determine which opportunity offers better risk-reward?

Given a choice, a great business facing a temporary crisis, but only after confirming the crisis is truly temporary. We ask three questions: Is the moat intact? That means brand, distribution, cost position, and customer stickiness. Can the balance sheet survive the crisis without dilutive capital raises? And is the problem external or fixable, rather than a sign of governance or capital-allocation failure? If all three check out, time works for you: the business compounds once the noise fades, and the market usually overcorrects. An average business on the verge of a turnaround needs many things to go right: execution, industry conditions, and management credibility. It can offer sharper upside, but only at a deep discount with a visible trigger. In our PIPE strategy, where we enter through preferential allotments, block or bulk deals and other special-situation routes, a turnaround becomes interesting only when the promoter is infusing capital alongside us. That commitment, plus negotiated entry pricing, is what tilts the risk-reward. Because these are large, concentrated bets, that conviction is earned only through deep, multi-level diligence before we act.

QUESTION ONE

Is the moat intact?

QUESTION TWO

Can the balance sheet survive the crisis without dilutive capital raises?

QUESTION THREE

Is the problem external or fixable, rather than a sign of governance or capital-allocation failure?

4 Special situations such as restructurings, demergers and asset sales often promise value creation. How do you distinguish genuine shareholder value creation from opportunities that look attractive only in theory?

We follow the cash and the incentives. A demerger or asset sale creates value only when it changes behaviour, not just the label. We test four things. Does each resulting entity have standalone economics, with its own management, capital allocation, and path to scale? Do the proceeds go towards debt reduction or buybacks, or into a new adjacent venture? Are the promoter's incentives aligned with minority shareholders, or does the structure shift value through related-party transactions, royalties, or skewed swap ratios? And are the timelines, tax leakage, and regulatory approvals realistic? Many restructurings look elegant on paper but leave a holding-company discount intact or create a sub-scale entity. Genuine value creation usually shows up as better return on capital and cleaner disclosures within a few quarters. Special situations are also one of our entry routes, and we prefer those where the promoter is infusing capital or raising their stake alongside us, not quietly exiting.

5 **Pre-IPO investing offers access to companies before public-market price discovery. How do you assess whether the entry valuation offers sufficient upside after accounting for listing expectations and post-listing volatility?**

We underwrite the business, not the listing pop. Our starting assumption is that the IPO will be priced close to fair value and that listed-peer multiples may compress. So, the entry price must offer a meaningful discount to listed peers on forward earnings, and our base-case return must come from earnings growth over two to three years, not multiple expansion. We stress-test three things: quality of earnings (cash conversion, working capital, related-party revenue), governance readiness for public markets, and the dilution and supply overhang after the lock-in ends. Post-listing volatility is a given, especially in small and mid-caps, so we plan exits in stages. And since our positions are concentrated, every thesis goes through multiple rounds of diligence and internal review before we commit. If the deal only works when the stock lists at a premium, we pass.

6 **The SCDV framework classifies businesses as Secular, Cyclical, Defensive or Value Trap. What evidence convinces you that a company's fundamentals have changed enough to justify moving it from one category to another?**

SCDV is a useful starting map, but in PIPE we rarely rely on category labels alone. We invest in closely held, promoter-led small and mid-caps, ideally with the promoter infusing fresh capital alongside us. So, the evidence we look for is as much about the promoter's actions as the company's numbers. A business earns an upgrade in our book when three things line up: the promoter is putting in money at the same price as us, or higher; the capital has a specific, return-accretive use, such as capacity, deleveraging or an acquisition, rather than plugging gaps; and the numbers start corroborating it, with improving return on capital, cash conversion and market share over two to three quarters. The reverse signals a potential value trap: promoters selling into the issue, rising pledges, or funds drifting into related-party channels. Our bets are large and concentrated. Therefore, any such shift is re-examined before we act, and our bias stays asymmetric: quick to exit, slow to upgrade.

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ICICI PRUDENTIAL ALTERNATE INVESTMENTS

India's Real Estate Investing:

Navigating Growth Across Residential and Commercial Assets



Rohit Rathi

Principal - Real Estate Business

ICICI Prudential AMC

India's Real Estate landscape is undergoing a structural transformation. Sustained infrastructure development is improving connectivity, expanding urban centres and opening new growth corridors across the country. Together with conducive demographics, rising household incomes, changing lifestyle aspirations and structural reforms in the Real Estate sector, these factors are strengthening demand for higher-quality residential and commercial spaces. Recent reforms are contributing to greater transparency, accountability and institutionalisation, thereby encouraging a more organised development ecosystem.

01	02	03	04
Infrastructure and connectivity	Demographics and rising incomes	Changing lifestyle aspirations	Structural reforms

Further, access to institutional capital and a greater focus on project execution and financial discipline are also shaping the sector's evolution. Together, these trends are creating opportunities across residential and commercial real estate, while broadening the investible universe across India's major cities and emerging urban centres.

Residential: Sustained Demand and a Shift Towards Premiumisation

India's residential market continues to anchor the sector's growth trajectory, with demand staying resilient across multiple cities. New launches remain buoyant, backed by improving home-buyer sentiment and better financing conditions. The residential outlook highlights continued appetite for upgraded living and premium projects.

A notable shift is underway towards premiumisation.

Developers are increasingly prioritising higher-ticket and lifestyle-oriented projects, supported by financially stronger buyer cohorts and disciplined supply. Rising incomes, aspirational living, and NRI participation continues to reinforce this trend.

COMMERCIAL

Institutional-Grade Depth and Occupier-Driven Strength

On the commercial side, India's Grade-A office sector remains resilient, powered by demand from global capability centres (GCCs), professional services, financial institutions, and newer tech-enabled enterprises. Despite evolving workplace trends, institutional leasing continues to hold firm. GCCs remain a major anchor for India's office market, providing multi-year occupancy visibility.

GCCs	SERVICES	FINANCE	TECH
Global capability centres	Professional services	Financial institutions	Newer tech enabled enterprises

At the same time, warehousing and logistics continue to expand due to manufacturing growth, e-commerce scaling, and national infrastructure initiatives.

ROUTES

Multiple Routes to Participate in Real Estate

For investors seeking exposure to real estate, the traditional approach has been direct ownership of residential or commercial property. While this can provide rental income and capital appreciation, it also requires substantial capital and involves relatively limited liquidity and significant operational considerations. Listed avenues such as REITs provide access to income-generating commercial assets with greater liquidity. However, for investors looking beyond established, income-generating assets, Alternative Investment Funds (AIFs) can provide a more flexible avenue to participate in real estate opportunities across different stages of the asset lifecycle.

DIRECT OWNERSHIP	LISTED · REITS	AIFs
Rental income and capital appreciation, but substantial capital, relatively limited liquidity and significant operational considerations.	Access to income-generating commercial assets with greater liquidity.	A more flexible avenue to participate across different stages of the asset lifecycle.

This Investment vehicle is driven mainly by two structural forces

Developers requiring stable, structured capital and investors seeking curated exposure that avoids operational complexity. Real Estate AIFs operate at this intersection, seeking to match long-duration funding needs with disciplined investment frameworks.

FORCE 1

Developers requiring stable, structured capital

FORCE 2

Investors seeking curated exposure

Real estate-focused AIFs span across the full capital stack and can invest in development, redevelopment, structured opportunities, commercial assets and other specialised segments.

DEVELOPMENT | REDEVELOPMENT | STRUCTURED OPPORTUNITIES | COMMERCIAL ASSETS | OTHER SPECIALISED SEGMENTS

This can enable investors to participate not only in the income generated by an asset, but also in value creation arising from development, repositioning, consolidation or improved utilisation of the underlying property. These are targeted opportunities that individual investors are rarely able to access directly.

SAFEGUARDS

The AIF structure adds governance, financial oversight, and ongoing monitoring - critical safeguards in a sector where regulatory approvals, construction delays and execution risks can materially influence returns.

Choosing the Right Route & Focusing on Asset Allocation

India's real estate ecosystem reflects a structurally broad-based growth cycle spanning across residential premiumisation, office-market resilience, logistics expansion, and digital-infrastructure acceleration. Against this backdrop, AIFs are quietly but steadily becoming an important investment medium for sophisticated investors seeking disciplined exposure to high-quality assets.

IN FY26

Real estate sector was leading the AIF deployment across Residential and Commercial segments reflecting investor confidence in institutional grade assets.[1]

Against this backdrop, asset allocation becomes a critical driver of long-term outcomes. Trends in real estate markets do not move uniformly - residential cycles, commercial leasing trends, and development-stage returns each behave differently across periods of liquidity, regulatory change and economic growth. Allocating capital thoughtfully across these segments and across stages of the asset lifecycle allows investors to balance yield generation, value-creation potential and risk management.

[1] SOURCE - SEBI ANNUAL REPORT FY2025-26

SEBI Registration No: ICICI Prudential Real Estate AIF – IN/AIF2/14-15/0112 - Category II AIF
REITs: Real Estate Investment Trusts

RISK FACTORS & DISCLAIMERS

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NSE Indices Ltd

AIF Benchmarking Report

Given the growing significance of Alternative Investment Funds (AIFs), NSE Indices Ltd (appointed by IVCA as one of the benchmarking agencies) has introduced a suite of benchmark indices to enhance transparency and enable better comparison of AIFs across Categories I, II, and III. These benchmarks help investors assess fund performance against relevant peers with similar investment and risk profiles. The sub-category level benchmarks would enable more accurate and like-for-like comparison for fund performance. This would allow investors to compare a fund's performance with the most relevant set of peers that most closely fit the investment criteria and risk profile of the fund. Sub-category indices are a pool of schemes having homogeneous investment and risk characteristics.

NSE Indices – AIF Benchmark Report Highlights

Performance Highlights – September 2025

CATEGORY I

Vintage Year	Scheme Count	INR				USD			
		Pooled XIRR (%)	Pooled DPI	Pooled RVPI	Pooled TVPI	Pooled XIRR (%)	Pooled DPI	Pooled RVPI	Pooled TVPI
FY 2014	5	10.78%	1.31	0.57	1.88	7.13%	1.10	0.42	1.52
FY 2015	7	5.60%	1.18	0.20	1.37	2.83%	1.03	0.14	1.17
FY 2016	16	19.79%	1.18	2.07	3.25	15.92%	1.01	1.59	2.60
FY 2017	10	28.65%	0.90	2.55	3.44	23.98%	0.80	2.09	2.89
FY 2018	10	20.55%	0.70	1.36	2.06	16.26%	0.65	1.15	1.80
FY 2019	12	23.82%	0.19	2.59	2.77	19.32%	0.17	2.17	2.33
FY 2020	18	18.13%	0.09	1.72	1.81	13.52%	0.08	1.50	1.58
FY 2021	6	14.55%	0.07	1.47	1.54	9.96%	0.06	1.30	1.36
FY 2022	7	15.66%	0.01	1.38	1.39	11.12%	0.01	1.27	1.27
FY 2023	21	12.03%	0.06	1.13	1.19	7.92%	0.06	1.06	1.13
FY 2024	19	20.99%	0.15	1.13	1.27	16.38%	0.15	1.07	1.21
FY 2025	8	21.55%	0.03	1.15	1.18	15.50%	0.03	1.10	1.13
Total Schemes	**139**								

Data as of 30th September 2025; Returns and multiples are calculated on a post-expenses, pre-carry, and pre-tax basis.
DPI: Distributions to paid-in capital, RVPI: Residual Value to paid-in capital, TVPI: Total Value to paid-in capital
Benchmark metrics are published starting from that vintage year in which at least 2 schemes are available.
RBI reference rates are used for calculation of metrics in USD terms.
Please refer the full report for complete scheme eligibility criteria and number of schemes excluded from calculation of above benchmarks

CATEGORY II

Vintage Year	Scheme Count	INR				USD			
		Pooled XIRR (%)	Pooled DPI	Pooled RVPI	Pooled TVPI	Pooled XIRR (%)	Pooled DPI	Pooled RVPI	Pooled TVPI
FY 2014	10	3.60%	1.08	0.03	1.10	1.00%	1.01	0.02	1.03
FY 2015	10	3.98%	0.89	0.33	1.22	0.98%	0.80	0.25	1.05
FY 2016	16	12.52%	1.24	0.58	1.82	9.16%	1.09	0.45	1.54
FY 2017	33	12.22%	0.98	0.66	1.64	8.34%	0.88	0.52	1.40
FY 2018	41	16.46%	1.02	0.84	1.87	12.25%	0.92	0.68	1.60
FY 2019	56	17.40%	0.66	1.03	1.69	13.16%	0.62	0.88	1.50
FY 2020	53	12.16%	0.63	0.66	1.29	7.98%	0.61	0.58	1.18
FY 2021	34	16.11%	0.78	0.61	1.39	11.64%	0.74	0.53	1.27
FY 2022	86	11.48%	0.38	0.90	1.29	7.05%	0.36	0.81	1.17
FY 2023	98	15.83%	0.23	1.02	1.26	11.80%	0.23	0.96	1.19
FY 2024	95	18.36%	0.23	0.93	1.16	13.26%	0.23	0.88	1.11
FY 2025	47	21.47%	0.05	1.07	1.13	14.45%	0.05	1.03	1.09
Total Schemes	**579**								

Data as of 30th September 2025; Returns and multiples are calculated on a post-expenses, pre-carry, and pre-tax basis.
DPI: Distributions to paid-in capital, RVPI: Residual Value to paid-in capital, TVPI: Total Value to paid-in capital
Benchmark metrics are published starting from that vintage year in which at least 2 schemes are available.
RBI reference rates are used for calculation of metrics in USD terms.
Please refer the full report for complete scheme eligibility criteria and number of schemes excluded from calculation of above benchmarks

CATEGORY III

Period	Benchmark Returns		Public Market Indices Returns (INR)		
	Asset Weighted INR	Asset Weighted USD	Nifty 50 TR	Nifty Total Market TR	Nifty Composite Debt TR
Since Inception*	15.91%	12.61%	14.27%	16.25%	8.08%
5 Years	20.95%	16.55%	18.37%	21.12%	6.19%
3 Years	19.23%	15.90%	14.23%	16.77%	7.70%
2 Years	21.15%	17.18%	13.32%	15.90%	7.76%
1 Year	11.07%	4.81%	-3.45%	-5.48%	6.41%

Data as of 30th September 2025; Total schemes considered for above analysis – 350
Returns are calculated on a post-expenses, pre-carry, and pre-tax basis.
RBI reference rates are used for calculation of metrics in USD terms.
*Indices have been created from the quarter in which at least three schemes were available i.e., September 2013
Please refer the full report for details of complete scheme eligibility criteria and number of schemes excluded from calculation of above benchmarks

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“I WOULD NOT SAY THAT EVERY CORRECTION IS A BUYING OPPORTUNITY. A CORRECTION BECOMES AN OPPORTUNITY ONLY WHEN THE UNDERLYING BUSINESS REMAINS FUNDAMENTALLY STRONG.”



Value Stocks
Growth lena hai, Sasta lena hai

SHAILESH SARAF

Fund Manager and Managing Director

Dynamic Equities Private Limited

EXCLUSIVE INTERVIEW

01 Markets have trained an entire generation to believe that every correction is a buying opportunity. Could that belief itself become the next big hidden risk?

I would not say that every correction is a buying opportunity. A correction becomes an opportunity only when the underlying business remains fundamentally strong.

If a company has a great business model, strong products or services, consistent sales and profit growth, a sustainable competitive advantage, and is available at a fair valuation, then a correction can be a very good opportunity to increase exposure. In such cases, the fall may simply be due to broader market sentiment rather than any deterioration in the business.

The key distinction is between a **price correction and a business correction.** If the price falls but the fundamentals remain intact, we become interested. But if growth is slowing, the business is weakening, or valuations are excessive, buying simply because the stock has fallen can be risky.

So for us, the correction itself is not the opportunity. The opportunity is buying a great business at a more attractive price.

02 Volatility often creates panic, but for a value investor, it can also create opportunity. When the market is in chaos, where do you start looking for the hidden bargains?

For us, volatility is not something to fear; it is something to measure and use intelligently. One of the key measures we look at is standard deviation, which helps us understand how volatile a stock has historically been.

When selecting companies, we prefer businesses that combine strong fundamentals with relatively controlled volatility. During periods of market panic, we therefore look for companies with a strong business model, healthy sales and profit growth, reasonable valuations, and relatively low standard deviation.

This is especially important in a growth-oriented portfolio. We want strong earnings growth, but we do not want to take unnecessary volatility to achieve it.

If a fundamentally strong company falls because of broader market volatility while its business prospects remain unchanged, that can create an attractive buying opportunity.

So the hidden bargain is not necessarily the stock that has fallen the most. It is a quality growth business available at an attractive valuation, with fundamentals intact and volatility within a comfortable range.

03 With 25 stocks as a fixed portfolio size and a 4% cap on each, how do you handle the gap between diversification and conviction? If your conviction in one stock is far higher than the others, why shouldn't it get a higher allocation?

Our strategy is built around high-growth companies. Currently, the portfolio has TTM sales growth of around 41% and TTM profit growth of around 82%, with a TTM P/E of approximately 48.9. With higher growth and higher expectations, however, also comes higher risk.

That is why we maintain an approximately equal allocation of 4% across 25 stocks. It allows us to participate meaningfully in each company while ensuring that no single stock has a disproportionate impact on the portfolio.

Even if our conviction in one stock is significantly higher, allocating 8%, 10% or more would increase concentration risk. High-growth companies can still face temporary earnings disappointments, execution challenges, regulatory issues or valuation corrections.

We therefore separate **stock-selection conviction from position-sizing discipline.** Our conviction is reflected in selecting a company among just 25 stocks, while risk management comes through diversification.

For us, the 4% allocation provides the right balance between high growth, conviction and risk control.

04 From 750 stocks to 25 names—there must be quite a story behind that filtering process. What does a stock have to go through before it earns a place in your portfolio?

We follow a very structured filtering process before a company earns a place in our portfolio.

Our first filter is the Nifty Total Market Index, which gives us a universe of 750 stocks. From there, we apply our **20:40 growth rule**-minimum 20% sales growth and 40% profit growth—which currently reduces the list to around 143 companies.

The next filter is valuation. Instead of looking at P/E alone, we use the PEG ratio because we want to judge valuation in relation to profit growth. This brings the universe down further to roughly 109 stocks.

We then apply our risk filters, preferring companies with lower volatility and beta broadly between 0.8 and 1.2.

Finally, we focus on companies operating in sectors where we see strong long-term structural or futuristic growth opportunities.

So for a company to enter our final portfolio of 25 stocks, it has to satisfy our growth, valuation, risk and future-opportunity criteria simultaneously.

05 In a Bluechip strategy, conviction can be found across different market caps, while uncertainty can make cash equally valuable. How are you currently thinking about your market-cap allocation, and how are you positioning cash alongside it?

We do not generally keep cash in the portfolio. If we believe market risk is elevated, rather than moving substantially into cash, we prefer to manage that risk within the equity portfolio itself.

One way we do this is by increasing our preference for fundamentally strong companies with relatively lower standard deviation. This allows us to remain invested while controlling portfolio volatility.

Similarly, we do not begin with a predetermined allocation to large caps, mid caps or small caps. Our market-cap allocation has varied historically because market capitalization is an **outcome of our stock-selection process, not an input.**

For us, growth comes first. We look for companies that meet our sales and profit growth criteria and then evaluate their business quality, valuation and risk.

If the best opportunities are in large caps, the portfolio will naturally tilt there. If they are in mid or small caps, the allocation can shift accordingly.

So we let our investment framework determine the market-cap mix, while diversification and volatility management help control risk.

06 Small caps are touching new highs, but the higher they go, the harder the valuation question becomes. Do you still see enough value at these levels, or are investors now paying a premium for a story that hasn't fully played out?

For us, the fact that small caps are touching new highs does not automatically mean that every small-cap stock is expensive. An index level tells us what the market has done, but not necessarily whether an individual company is overvalued.

We prefer to assess valuation in relation to growth, which is why the **PEG ratio is an important part of our framework.**

A company may appear expensive based on its P/E ratio, but if it is delivering much stronger and sustainable profit growth, that valuation may still be justified. The PEG ratio helps us understand how much we are paying for that growth.

So even if the broader small-cap market appears expensive, we do not automatically avoid the entire segment. We evaluate each company individually based on business quality, sales and profit growth, valuation and risk.

Ultimately, we are willing to pay a premium for superior growth, but we do not want to overpay for it. The PEG ratio helps us maintain that valuation discipline.

TRANSPARENT CAPITAL

Unlisted to Public: Mastering the Pre-IPO Cycle

The next chapter of wealth creation often begins long before the opening bell.



BY
Rahul Sahu
Founder, Transparent Capital

Every publicly listed giant was once a privately held ambition.

Before the ringing of the exchange bell, before the headlines and market valuations, there is a quieter chapter of growth, one where visionary founders build businesses, early investors nurture potential, and companies gradually evolve towards public ownership.

The pre-IPO market offers a window into this chapter, where opportunity exists before public recognition.

Beyond the Opening Bell

For decades, public markets have been the conventional gateway to equity investing. Yet a company's journey towards value creation rarely begins with its IPO. Businesses often spend years expanding operations, strengthening fundamentals, and establishing market leadership before considering a listing.

The unlisted equity market allows eligible investors to participate in this journey earlier, without necessarily waiting for a company's stock exchange debut.

However, early access is only one side of the equation. Navigating a market where information is fragmented, price discovery is less transparent, and suitable counterparties are difficult to identify remains a significant challenge.

Information is fragmented	**Price discovery is less transparent**	**Suitable counterparties are difficult to identify**

Bridging Capital and Opportunity

Private markets operate on a delicate balance between those seeking participation and those seeking liquidity.

For founders, early shareholders, employees, venture capital funds, and family offices, substantial wealth can remain concentrated in privately held equity for years. Converting that ownership into liquidity is not always straightforward.

Meanwhile, HNIs, family offices, and institutional investors increasingly seek opportunities to participate in established private businesses before their potential public-market debut.

SEEKING LIQUIDITY	THE SECONDARY MARKET	SEEKING PARTICIPATION
Founders, early shareholders, employees, VC funds, family offices	⇄	HNIs, family offices, institutional investors

> **The challenge is not always the absence of opportunity or capital, but the absence of an efficient bridge connecting the two.**

This is where the secondary market plays a pivotal role.

Transparent Capital: Creating Liquidity, Enabling Access

At Transparent Capital, we believe ownership should not have to wait for an IPO to find liquidity, and investment opportunities should not begin only after a company becomes publicly traded.

As a Mumbai-based facilitator specialising in unlisted and pre-IPO equity transactions, we connect existing shareholders seeking partial or complete liquidity with investors exploring private-market opportunities.

With over **₹5,000 crore in cumulative transaction value facilitated**, including **₹2,425 crore in shareholder liquidity enabled**, our journey reflects the growing depth of India's private markets.

1 lakh+	105+	300+	1,650+	225+
investors	cities	companies	B2B partners	institutional partners

Our network spans **1 lakh+ investors across 105+ cities**, with access to opportunities across **300+ companies**, supported by **1,650+ B2B partners and 225+ institutional partners.** Beyond these milestones lies a larger purpose: connecting credible counterparties, improving price discovery, and making secondary transactions more accessible and efficient.

Building on our institutional and B2B network, we have also launched **PreInvest**, our live retail-focused platform offering access to unlisted and pre-IPO secondary market opportunities. Through www.preinvest.in, we aim to extend private-market participation beyond institutions and family offices to individual investors.

The Future Begins Before the IPO

As India's private-market ecosystem matures, credible intermediaries and efficient secondary markets will become increasingly important in connecting capital with opportunity.

Because ultimately, **an IPO may mark a company's arrival in the public eye, but its story of value creation begins much earlier.**

And at Transparent Capital, our purpose is to make that journey more accessible, transparent, and connected.

More accessible | **More transparent** | **More connected**

TRANSPARENT CAPITAL

Bridging Private Ownership and Market Opportunity

www.transparentcapital.co.in

Note & Disclaimer: Transparent Capital solely facilitates transactions in unlisted and pre-IPO securities and does not provide investment advice or portfolio management services. Investments involve market risks, liquidity constraints, and applicable regulations. Investors should conduct independent due diligence, as neither listings nor returns are guaranteed.

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Novel Patterns
Redefining Limits

Genesis

Redefining Fund Accounting with AI and Automation for PMS & AIFs

Bringing intelligence, accuracy and scalability to modern investment operations.



Ashutosh Singh

CFO & Head of Products

Novel Patterns Private Limited

India's investment management industry is evolving rapidly. As Portfolio Management Services (PMS) and Alternative Investment Funds (AIFs) grow, fund houses face increasingly complex investment structures, regulatory requirements and investor expectations. Traditional systems often rely on manual processes, fragmented data and repetitive accounting activities.

Genesis, developed by Novel Patterns Pvt. Ltd., combines investment management, fund accounting, AI-driven automation and reporting within a unified technology platform.

COMPREHENSIVE PMS OPERATIONS AND ACCOUNTING

For **PMS providers,** Genesis offers an integrated Order Management System (OMS) and Investment Accounting platform covering client onboarding, model portfolio management, order placement, trade allocation, portfolio rebalancing and reconciliation.

SIP
SYSTEMATIC INVESTMENT PLANS

SWP
SYSTEMATIC WITHDRAWAL PLANS

STP
SYSTEMATIC TRANSFER PLANS

The platform supports **Systematic Investment Plans (SIP), Systematic Withdrawal Plans (SWP) and Systematic Transfer Plans (STP),** enabling efficient management of recurring investment transactions.

Its Tax Calculation Module supports capital gains computation, while configurable Management Fee and Performance Fee engines automate fee calculations and **client invoice generation.**

SPECIALISED FUND ACCOUNTING FOR AIF CATEGORIES I, II AND III

Genesis addresses the distinct requirements of alternative investment structures.

CATEGORY 1	For Category I AIFs, it supports investment accounting, capital contributions, valuations, expense allocations and investor reporting.
CATEGORY 2	For Category II AIFs, including private equity, private credit and real estate funds, Genesis supports capital commitments, capital calls, distributions and investor-level capital accounting.
CATEGORY 3	For Category III AIFs, Genesis supports multi-asset accounting, derivatives, automated pooling, class and series accounting, profit-and-loss allocation and NAV computation.

The platform also supports **Pre-Tax and Post-Tax NAV calculations** for AIFs, enabling transparent valuation and tax provisioning.

AI-POWERED AUTOMATION: MOVING BEYOND TRADITIONAL FUND ACCOUNTING

Genesis is evolving fund accounting from manual processing towards intelligent, exception-driven operations. Its automation capabilities include:

01

Automated Bank Accounting

Identifying transactions from bank statements and generating accounting entries for management fees, capital contributions and other fund-related transactions.

02

Intelligent Security Master Creation

Automatically identifying missing securities and initiating security master creation when instruments are unavailable in the system.

03

PPM-Driven Fund Setup

Leveraging AI to extract relevant information from uploaded Private Placement Memorandums (PPMs) and automate fund configuration and creation.

These capabilities aim to reduce manual intervention, accelerate onboarding, improve data consistency and allow operations teams to focus on exceptions and controls.

TRUE ACCOUNTING. INTEGRATED OPERATIONS.

Built on a double-entry accounting architecture, Genesis integrates the **Investment Book of Records (IBOR)** and Accounting Book of Records (ABOR), connecting investment positions with financial accounting.

Automated reconciliation, maker-checker approvals, configurable workflows, audit trails and reporting strengthen operational governance.

IBOR	DOUBLE – ENTRY	ABOR
INVESTMENT BOOK OF RECORDS		ACCOUNTING BOOK OF RECORDS

TECHNOLOGY THAT GROWS WITH FUND MANAGERS

Genesis is built around a simple philosophy: **technology should adapt to the fund manager, not the other way around.**

By combining configurable accounting, AI-enabled automation and integrated investment operations, Genesis helps PMS and AIF managers improve efficiency, strengthen transparency and scale with confidence.

Genesis
Investment Operations. Connected.

Novel Patterns Pvt. Ltd.
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Grant Thornton | 90 in Bharat and beyond

Novel Patterns Redefining Limits

Fund accounting has many moving parts. Genesis brings them together.

Developed by **Grant Thornton Bharat** and powered by Novel Patterns, Genesis is a tech-enabled solution that unifies fund accounting and reporting on a single platform.

Built for flexibility, visibility and control

- Configurable workflows aligned to client requirements
- User-driven controls with limited backend dependency
- Multi-currency and multi-jurisdiction support
- Flexible configuration across multiple asset classes and fund structures

Designed for multiple fund structures

- Private equity and private credit
- Hedge and Mutual funds
- Real estate and REITs
- Domestic AIFs and GIFT City funds
- Hybrid funds and fund of funds

Discover how **Genesis** can support your fund accounting and reporting requirements.

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SHAPING VIBRANT INDIA

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The Premium Is Not the Problem

Why expensive private credit is rarely simply a sign of a weak borrower—and what Indian companies are really paying for

BY

Saurabh Agrawal

Partner & Co-Fund Manager – SpECS - III

Spark Capital
Investment Management





When a mid-market company borrows at mid-to-high teens rates while banks are lending at single-digit or low-double-digit rates, the natural assumption is that the banks turned it down.

But that is often the wrong conclusion.

India's banks are well capitalised, asset quality is strong and credit growth remains healthy. Yet private credit continues to grow. EY estimates that Indian private credit investments reached US$3.5 billion across 102 transactions above US$10 million in the first half of 2026. Mid-market transactions of US$10 million to US$60 million accounted for 61% of deal value, while domestic funds accounted for 74%.

US$3.5bn	102	61%	74%
Private credit investments, H1 2026	Transactions above US$10 million	Of deal value in US$10–60 million deals	Share accounted for by domestic funds

EY estimates.

The question, therefore, is not simply why a borrower pays more. It is what the borrower gets in return for paying more.

Banks are optimised for standardisation

Bank lending is designed around scale, standardised underwriting, established collateral and predictable repayment structures. That model works exceptionally well for borrowers that fit within those parameters. **Many mid-market businesses do not.**

A company may have strong cash flows but limited hard collateral. Its working-capital requirement may be growing faster than its sanctioned bank limits. It may be undertaking a large capex programme whose cash flows will emerge only after commissioning. Or it may need capital quickly to execute an acquisition, tender or confirmed order book.

These are not necessarily signs of a weak business. They can instead reflect a mismatch between the company's financing needs and the structure of traditional lending. That distinction matters. The RBI's June 2026 Financial Stability Report showed gross NPAs of Indian banks at 1.8% in March 2026, a multi-decadal low, underscoring the strength of the banking system. **The fact that banks are healthy does not mean every creditworthy borrower is an equally natural fit for bank financing.**

What borrowers are really paying for

The private-credit premium is often a payment for speed, certainty and flexibility.

A private credit fund can structure a transaction around the business rather than around a standard lending template. That can mean faster execution, customised covenants, repayment schedules aligned with cash-flow generation, or financing against assets that conventional lenders may value differently.

This flexibility can be particularly valuable to a fast-growing company whose accounting profits and cash flows lag its investment cycle.

Importantly, private credit is not necessarily intended to be permanent capital. A borrower may take three-to-five-year private credit but refinance much earlier—once the business has scaled, its leverage has fallen, its rating has improved or conventional lenders have become more comfortable with the underlying business model. That creates an interesting dynamic. For the promoter, expensive debt can be an interim bridge to cheaper capital. For the private credit fund, early repayment means capital must be redeployed into another opportunity. **The headline coupon, therefore, does not tell the whole story for either side.**

The promoter's real trade-off

The most important comparison is often not private credit versus bank debt. **It is private credit versus equity dilution—or versus delaying an attractive business opportunity.**

Consider a company valued at ₹500 crore that needs ₹50 crore. If it raises the money as equity at that valuation, it gives up roughly 9% of the company. If instead it borrows ₹50 crore at 15%, the annual interest cost is ₹7.5 crore before considering repayment, fees and the tax treatment of interest.

The economics change further if the financing enables the business to grow substantially before the next equity raise. If the company is worth ₹1,000 crore three years later, the 9% stake surrendered at the earlier valuation would represent ₹90 crore of value. Of course, this is not an argument that debt is always better than equity. Debt creates fixed obligations and can magnify downside when cash flows disappoint. **The point is that promoters should evaluate financing on total economic cost, not merely the interest rate.**

Where private credit can fill the gap

Consider a fast-growing agri-tech company whose revenues were doubling annually. Its bank working-capital limits were repeatedly becoming inadequate as the business expanded, leaving confirmed orders undelivered because additional working capital was unavailable.

Or consider businesses such as co-working and furniture rental. They can have meaningful operating cash flows and profitability, but much of their asset base consists of movable furniture, fixtures and leasehold improvements—assets that may not fit neatly into conventional collateral frameworks. For such businesses, private credit can provide capital during a period when traditional lenders are still building familiarity with the model.

As the business matures, collateral strengthens, leverage falls and lenders gain comfort, the financing mix can change. **The private credit premium may therefore be the price of bridging a particular stage of the company's evolution—not necessarily a permanent cost of capital.**

The right question about the premium

The debate around private credit often starts and ends with the coupon. It should not.

The more useful questions are:

1	What is the money being used for?	2	How quickly does it create cash flows?
3	How strong is the security package?	4	What is the cash-flow coverage?
5	How aligned is the promoter?	6	is there a credible path to refinancing or repayment?

A higher yield should compensate investors for complexity, illiquidity and structuring risk. For a borrower, the corresponding premium should buy something tangible: speed, certainty, flexibility or access to capital at a critical point in the company's growth.

When those benefits are real, a higher-cost loan is not necessarily evidence of a weak borrower. It can simply be the price of capital that fits the business better.

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PMS Name	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	5 Years	Since Inception
Equirus Long Horizon Fund	-2.01%	3.72%	46.67%	25.58%	3.66%	13.03%	10.28%	20.78%
BSE 500 TRI	-5.57%	-3.59%	8.07%	-2.33%	-3.93%	9.20%	8.91%	12.69%

As of 30 September 2026.

SEBI registered Portfolio Manager : INP000007076
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India's Changing Market Mix:

The Next Engines of Equity Wealth Creation

As India's economy evolves, its equity markets could reflect a broader set of growth drivers. The opportunity for investors lies in identifying businesses that can translate structural change into sustainable earnings and long-term value creation.

Ashutosh Tiwari

Managing Director & CIO
Equirus Asset Management



When Economic Growth Reshapes Equity Markets

Equity indices are not static representations of an economy. As industries mature and new growth engines emerge, the sectors that dominate market capitalisation can change significantly.

India's equity market remains heavily weighted towards financial services, which account for approximately 35% of the NIFTY 50 and 31% of the NIFTY 500, according to Equirus PMS estimates. This reflects years of financial deepening, formalisation and expanding credit penetration.

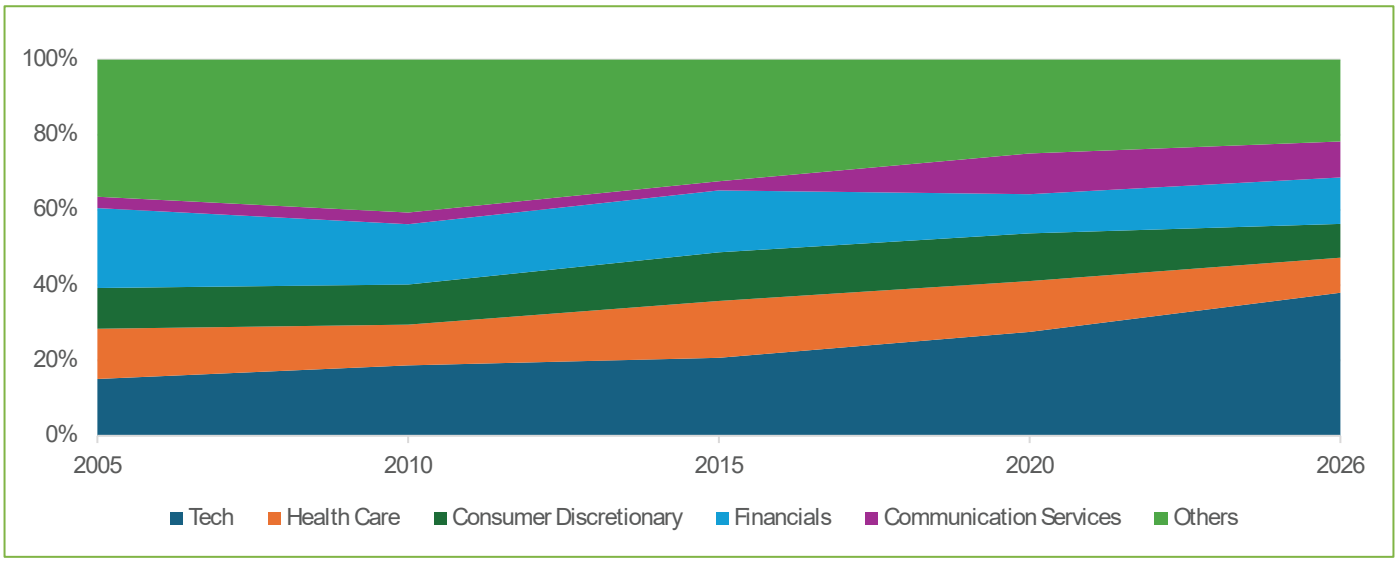
However, as manufacturing, infrastructure, technology and digital businesses scale, India's market composition could gradually broaden. The question is not whether financial services will remain important, but whether other sectors could gain relative prominence over the coming decade.

Lessons from the US and China

The US and China offer useful examples of how equity-market leadership can evolve. Between 2005 and 2026, Financials' weight in the S&P 500 declined from approximately 21.3% to 12.3%, while Information Technology increased from around 15.1% to 38%. In China, Financials' weight in the CSI 300 fell from a peak near 40% in 2015 to approximately 19.9% in 2026, while Information Technology rose from around 2.2% in 2010 to 22.6%.

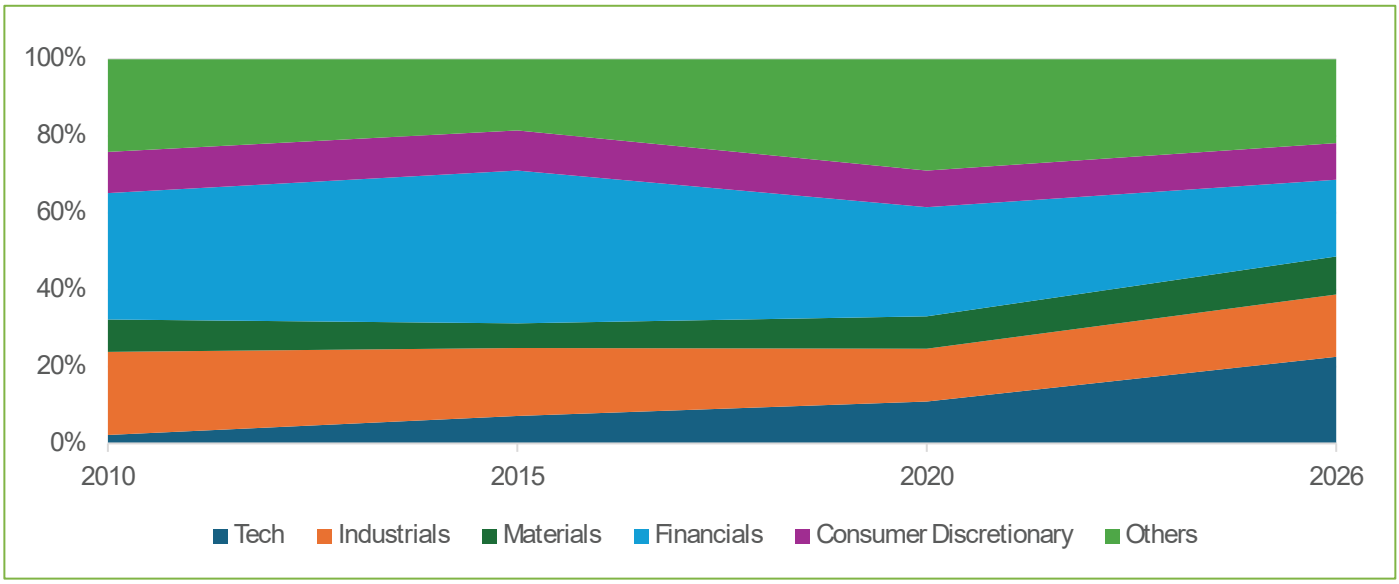
These shifts reflect multiple forces, including technological progress, policy priorities, business performance and changing investor expectations. India need not follow the same trajectory, given differences in economic structure and market development. Nevertheless, the examples demonstrate that today's dominant sectors need not retain the same relative weight indefinitely.

Chart 1: S&P 500 (USA) – Sector Composition Evolution



Source: Equirus PMS, Investor Newsletter, October 2026

Chart 2: CSI 300 (China) – Index Composition



Source: Equirus PMS, Investor Newsletter, October 2026

India’s Next Growth Engines

India’s current market structure offers a useful starting point. Beyond financial services, Consumer Discretionary and Industrials each account for approximately 11% of the NIFTY 500, followed by Materials at 9%, and Energy and Information Technology at around 8% each.

Several structural forces could broaden India's listed opportunity set over the coming decade.

Manufacturing and the Investment Cycle: Domestic demand, localisation initiatives, infrastructure investment and supply-chain diversification are creating opportunities across capital goods, engineering, electrical equipment, auto components and industrial manufacturing. The benefits can extend beyond manufacturers to businesses supplying equipment, components and services across the industrial ecosystem.

Digital Businesses and Technology-Led Growth: The opportunity extends beyond traditional IT services to digital platforms, software businesses and fintech enablers as India’s digital infrastructure and consumption ecosystem deepen. However, sector growth alone does not guarantee attractive returns; competitive intensity, profitability and valuations remain critical.

Formalisation and Changing Consumer Preferences: The expansion of organised businesses can create long-term opportunities in fragmented industries. Retail jewellery, for instance, may benefit from organised players gaining market share through stronger brands, wider distribution and store expansion.

Infrastructure and Supporting Ecosystems: Investment in power, infrastructure and industrial capacity can create opportunities across interconnected sectors. Equirus PMS estimates that private-sector capital expenditure could increase from approximately ₹2.6 lakh crore in FY26 to ₹3.2 lakh crore in FY27. If realised, this would represent an increase of approximately 23% and could create opportunities across industrial manufacturing, engineering, capital goods and associated supply chains.

From Structural Change to Investment Opportunity

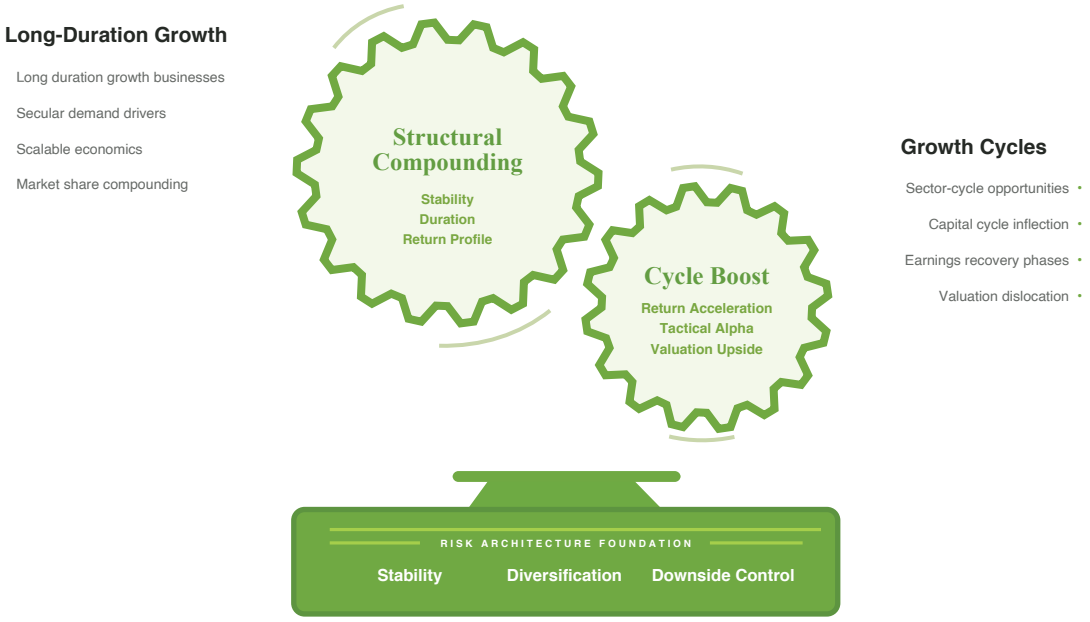
A broadening market creates possibilities, but identifying them requires more than predicting which sectors will grow. Economic expansion does not automatically translate into shareholder returns. Business quality, competitive positioning, capital allocation and valuation determine how much of that growth ultimately accrues to investors.

This becomes particularly relevant if the cost of capital remains structurally higher than it was during much of the past two decades. In such an environment, earnings growth, cash generation and the ability to reinvest at attractive returns may matter more than multiple expansion.

At **Equirus PMS,** the **Structural Compounding with Cyclical Boost (SCCB) framework** reflects this approach. Structural Compounding focuses on businesses with durable demand, competitive advantages and the ability to create value through disciplined reinvestment. Cyclical Boost seeks opportunities where temporary weakness may give way to a recovery in demand, utilisation or pricing power.

Together, these perspectives help assess businesses across industries at different stages of development, while distinguishing enduring opportunities from short-lived market enthusiasm.

The Equirus Structural Compounding with Cycle Boost (SCCB) Framework



Looking Beyond Today's Market Leaders

India's equity market will continue to reflect the country's existing economic strengths. Financial services are likely to remain an important component of the market. At the same time, manufacturing, technology, infrastructure and other industries may gain relative significance as the economy evolves.

The timing and extent of this transition remain uncertain. The US and Chinese experiences offer context, not a forecast for India. Investors must also account for valuations, business fundamentals and the risks that accompany structural change.

Ultimately, the next phase of equity wealth creation may depend less on predicting the next dominant sector and more on identifying businesses that can convert long-term economic opportunities into sustainable cash flows and returns on capital. In a changing market, disciplined selection, capital allocation and valuation awareness remain as important as recognising the direction of change.

Risk.Return.Optimized.

The Market Is Noisy. Your Investment Process Shouldn't Be.



BY

Shubham Goyal

Director, Strategy (Principal Officer and Fund Manager – I-Alpha)

Estee Advisors Pvt. Ltd.

A different way to invest in an increasingly unpredictable market environment.

Every investor faces the same question in a falling market: should I be doing something?

Doing nothing feels negligent. Yet the action taken in that moment is rarely the one that would have been chosen a month earlier, when the same portfolio looked perfectly acceptable. This is made harder by how quickly the subject changes. Inflation dominates one quarter, interest rates the next, followed by geopolitics, artificial intelligence, commodities and growth. Each shift arrives with the suggestion that something fundamental has altered.

Systematic investing takes a different view. It does not require a response to every change in narrative. The process follows predefined signals and risk controls, and is built to remain disciplined through such shifts rather than attempt to predict which narrative will prevail next. The process follows on how the news and trends impact the price, profitability and balance sheet of the company rather than speculating on how it will impact the company.

The Price Has Often Moved First

Acting on information assumes the price has not already adjusted for it.

Consider a company reporting quarterly results after market hours. In liquid stocks, much of the initial repricing can happen within the first minutes of the next session. The result is reported that evening, discussed the following morning, and reaches most individual investors well after that adjustment.

Research published in the Journal of Accounting and Economics, by Chordia and Miao, examined how earnings information is absorbed into prices. It found that greater low-latency trading activity speeds up that absorption and reduces the delayed price movement that used to follow announcements.

Indian markets have moved firmly in that direction. According to SEBI's Annual Report for 2025-26, co-located trading accounted for 51.4% of NSE equity derivatives turnover in FY26. In the cash market its share rose from 36.5% in FY25 to 39.4% in FY26.

51.4%

of NSE equity derivatives turnover was co-located trading in FY26

36.5% → 39.4%

Share of the cash market, FY25 to FY26

By the time widely reported information reaches most investors, a substantial part of the immediate repricing may already have occurred.

Why Recent Returns Can Distort Decisions

Recent performance has a way of changing how risk feels.

After a sharp fall, uncertainty is high and reducing exposure can feel sensible. After a strong run, the same market can begin to feel safer. Research on mutual fund investors has repeatedly found that flows respond to past performance, with new money tending to move towards funds that have recently performed well.

The 2020 market cycle shows how difficult market timing can be. In March 2020, foreign portfolio investors withdrew roughly ₹1.18 trillion from Indian markets across equity, debt and other instruments, making it one of the largest monthly FPI outflows recorded until then.

MARCH 2020

₹1.18 trillion

withdrawn by foreign portfolio investors across equity, debt and other instruments

FY21

₹2.74 trillion

net invested by FPIs into Indian equities

The direction changed as markets recovered. During FY21, FPIs invested a net ₹2.74 trillion into Indian equities. More than ₹1.22 trillion of that came in November and December 2020 alone. Those flows coincided with a strong market rebound: the Nifty 50 gained 3.5% in October and another 11.4% in November.

₹1.22 tn+

FPI inflow in November and December 2020 alone

+3.5%

Nifty 50, October 2020

+11.4%

Nifty 50, November 2020

That does not mean foreign investors were simply chasing returns. FPI flows also reflect global liquidity, interest rates, currencies and changes in risk appetite. But the broader behavioural problem remains: by the time an investment feels comfortable again, a meaningful part of the market move may already have happened.

Recent returns tell us what has happened, not what happens next.

A predefined process is designed to prevent recent performance from becoming the decision rule.

What a rule-based strategy changes

DISCRETIONARY

A discretionary decision is taken at a particular moment, shaped by whatever that moment feels like.

RULES-BASED

A rules-based decision is structured in advance, when nothing is happening, and executed when a condition is met.

Rules can reduce the scope for ad-hoc decisions made under stress.

Not About Predicting Everything Correctly

Systematic investing is often assumed to depend on forecasting accurately. It does not.

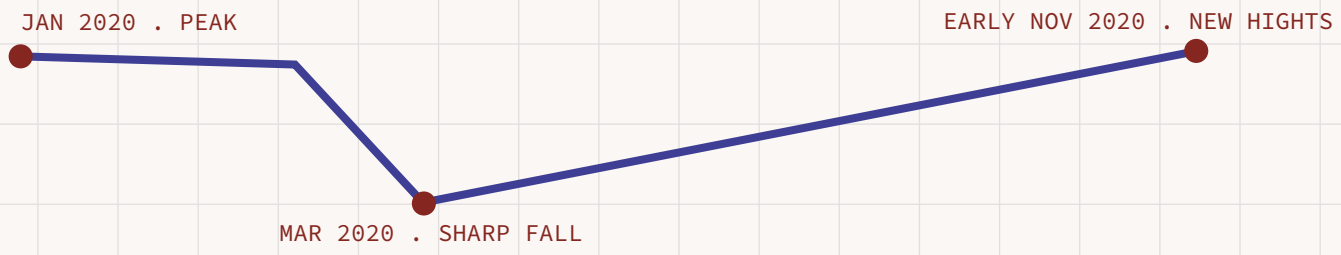
A systematic process does not require every signal or trade to work. What it requires is that the patterns hold across a large number of repeated decisions, after costs and risk controls are applied. That is a different question from whether any single view about the market proves correct.

Judging It Across a Full Cycle

Evaluation periods matter more than most investors assume.

One widely used definition treats a full market cycle as a peak-to-peak period containing a decline of at least 20% over at least two months, followed by a recovery to a new high. Over shorter windows, almost any approach can appear either exceptional or broken.

India supplied a compressed example. Benchmarks peaked in January 2020, fell sharply through March, and set fresh record highs in early November 2020. An entire cycle inside roughly ten months.



For a market-neutral strategy, the question is not whether it outperformed equities in a given year. It is whether the return profile held its shape across different conditions. A market-neutral strategy like arbitrage means it should be independent of rising and falling markets. It should also be able to handle other market variables like varying spreads, liquidity, volatility, funding costs and regulation.

Where I-Alpha Fits In

I-Alpha is a market-neutral arbitrage strategy that identifies mispricing between related instruments and takes hedged positions while seeking close to zero market exposure. Positions are sized and hedged according to research-determined parameters, and automated execution reduces discretionary intervention at the point of execution.

Since inception, I-Alpha has delivered an annualised return of 10.42%, compared with 6.35% annually for the Nifty 50 Arbitrage Index, generating an excess return of 4.07% per annum while maintaining a Sharpe ratio of approximately 2.05. Note that the comparison is to other arbitrage funds, not to the Nifty returns which carry market exposure instead of being market neutral.

10.42%
I-Alpha, annualised return since inception

6.35%
Nifty 50 Arbitrage Index, annual

4.07%
excess return per annum

~2.05
Sharpe ratio, approximately

Note that the comparison is to other arbitrage funds, not to the Nifty returns which carry market exposure instead of being market neutral. (data as of sept 30, 2026)

Understanding the Risks

Systematic investing carries its own risks. Models can be poorly specified, and market structure can change in ways historical patterns no longer work. Arbitrage strategies do not carry the risk of patterns not repeating. They carry a specific type of risk related to execution risk, and are affected by liquidity, margin requirements, transaction taxes and regulation.

EXECUTION RISK | LIQUIDITY | MARGIN REQUIREMENTS | TRANSACTION TAXES | REGULATION

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invest value

BEYOND THE FPI EXODUS:

Finding Tomorrows Winners in Indian Equities



In less than two years, India has gone from the best-loved emerging market to the most under-owned. Foreign portfolio investors have pulled over ₹3 lakh crore from Indian equities in 2026, nearly double 2025's previous record of ₹1.66 lakh crore. Their share of market capitalisation fell to 14.7% in March 2026, a 14-year low. Domestic institutions now own more of India than foreigners do, at 18.9%.

BY

Siddharth Purohit

Fund Manager Equities, InvestValue Capital Pvt. Ltd.

Follow the dollar earnings

Emerging-market money is loyal to earnings momentum in dollars, not to GDP growth. It chased commodities and China in the 2000s, China and then India in the 2010s, and AI semiconductors since 2025. China lost its flows to regulation, and its MSCI EM weight fell from about 40% to about 20%. India lost its flows to valuation and the currency. Its weight halved from about 20% in mid-2024 to around 10.7%, and it slipped from second to fourth place in the index. Taiwan (29%) and Korea (21%) won those flows with AI earnings.

In the decade to March 2025, FPIs added only $32.6 billion of fresh money to Indian equities, against $133.5 billion in the decade before. Their holdings, which peaked near $930 billion in 2024 and now sit around $725 billion, grew because Indian companies compounded, not because foreigners kept buying.

Why India was left behind

India has no AI trade. At the start of 2025, MSCI India traded at 22.3x forward earnings against 11.7x for MSCI EM. That was a 90% premium for a market with almost no semiconductor or data-centre exposure. Eight straight quarters of single-digit earnings growth removed any reason to pay it. Then the rupee fell about 7% between January and May 2026 on geopolitical shocks, crude prices and steep US tariffs. Meanwhile, SIP flows absorbed every sell-off, which let foreigners exit at high prices.

The dollar scoreboard has flipped. In October 2025, MSCI India's ten-year annualised return was 8.6% against 5.9% for EM. Today it is 7.7% against 9.5% (to 30 Sep 2026). Over three years, India has returned 3.8% a year, EM 24.7% and Korea 52.3%.

Index	1Y	3Y	5Y	10Y
MSCI Taiwan	88.53%	55.87%	26.62%	24.00%
MSCI Korea	152.60%	52.32%	21.71%	16.30%
MSCI China	(18.23%)	9.96%	(1.93%)	3.52%
MSCI India	(10.60%)	3.84%	2.30%	7.68%
MSCI Emerging Markets	29.65%	24.69%	9.44%	9.53%

*Source: MSCI Factsheet, as of 30 sep 2026

What brings them back

Sustained earnings and a stable rupee are the fastest route back:

- **Earnings:** Nifty-50 profits grew about 18% in Q1FY27, the fastest in ten quarters. Two more such quarters would turn "expensive" into "growth at a reasonable price."
- **Rupee:** Special FX measures raised about $136 billion, largely through FCNR deposits, and reserves hit a record $740.8 billion in late August.
- **Accelerants:** Softer crude, de-escalation with Iran, a US trade deal, clarity on FPI capital-gains tax, and fatigue in crowded Korea and Taiwan.

Cheap, or cheap for a reason?

India is no longer expensive, but it is not cheap. The Nifty trades at about 19.3x trailing earnings, below its five-year median of 21.9x. India's forward P/E premium to EM has eased to about 91% from about 110% in late August. Around 20x for 12–15% growth is fair value. The real asymmetry is positioning: from 14.7% ownership, even a return to neutral implies substantial buying, and rallies from such lows tend to be sharp.

If Q2 and Q3 FY27 confirm the 18% run-rate and the rupee holds, India becomes a classic contrarian setup.

What's the InvestValue PMS view on this?

We continue to believe the Indian equity market will be a stock picker's market, where every sector and stock should be analysed on its own merits rather than on where the index is headed. There could be new winners, and the index composition could see a tangible shift in its holding pattern over the next decade.



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KEY HIGHLIGHTS OF THE FUND

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CAGR
Since Inception

Unified Strategy
across
Pre-IPO & Listed
Markets

High Skin in the Game
Sponsor is ~8% of the AUM

Consistent Outperformance
Risk-managed across cycles

*Indicates CAGR as on Sep'26 | SI is Sep' 23 | Returns are calculated on the basis of TWRR |

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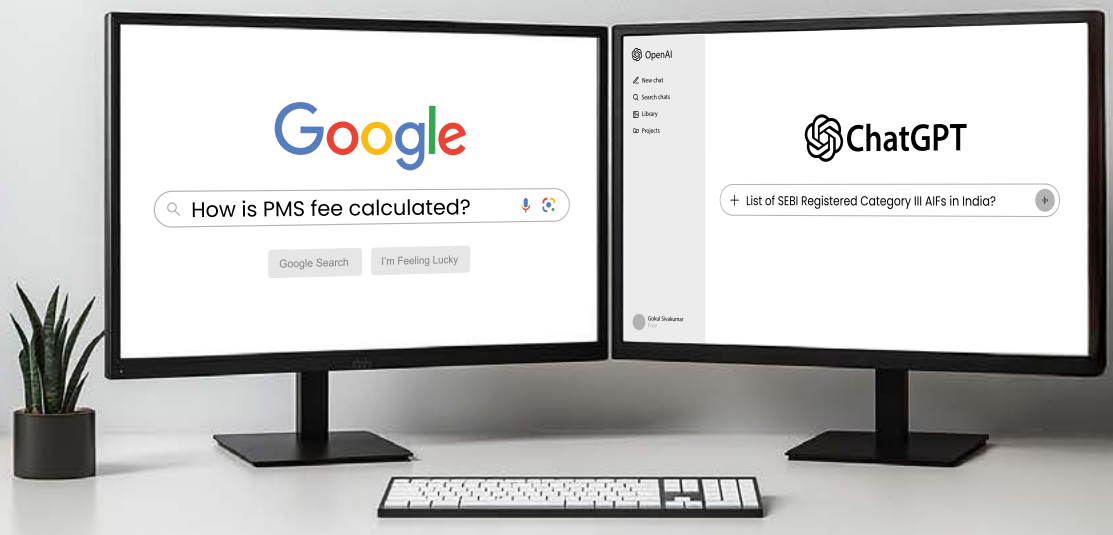
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