

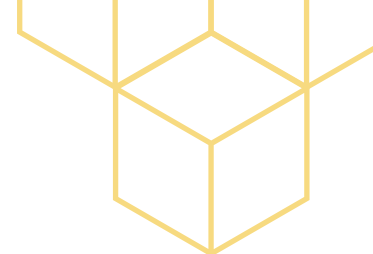


March 2024

Beyond the Basics: Navigating the World of Alternative Investment Funds

A Primer by NSE Indices Limited

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I. Introduction

>> A. Background and Context

Within the realm of traditional investments, the main attention frequently centres on stocks and bonds. The idea of 'alternative investment' involves the choice of avenues for investing that go beyond the usual scope of stocks, bonds, and mutual funds. In the past few years, Alternative Investment Funds (AIFs) have risen to prominence as significant participants in capital market and capital formation. Alternative Investment Funds are designed for discerning investors seeking a higher level of sophistication compared to traditional options like mutual funds and other mainstream investments.

Alternative Investment Fund (AIF) is a privately pooled investment vehicle that pools funds from investors, whether Indian or foreign and invests them in a variety of non-traditional or alternative assets. They pool funds from investors to invest in a variety of alternative assets, including private equity, venture capital, real estate, infrastructure, commodities and may employ complex long-short strategies.

Over the last decade, an increase in AIF industry in India has been observed, with more investors expressing interest in diversifying their portfolios through alternative assets. This growth has been supported by an increased understanding of alternative investments and the potential benefits they can offer.

Introduced in 2012, the Securities and Exchange Board of India (SEBI), the regulatory authority for India's securities markets, implemented the Securities and Exchange Board of India (Alternative Investment Funds) Regulations. These regulations aimed to create a regulatory framework for AIFs, fostering transparency, safeguarding investors, and facilitating efficient capital pooling, investment and

distribution.

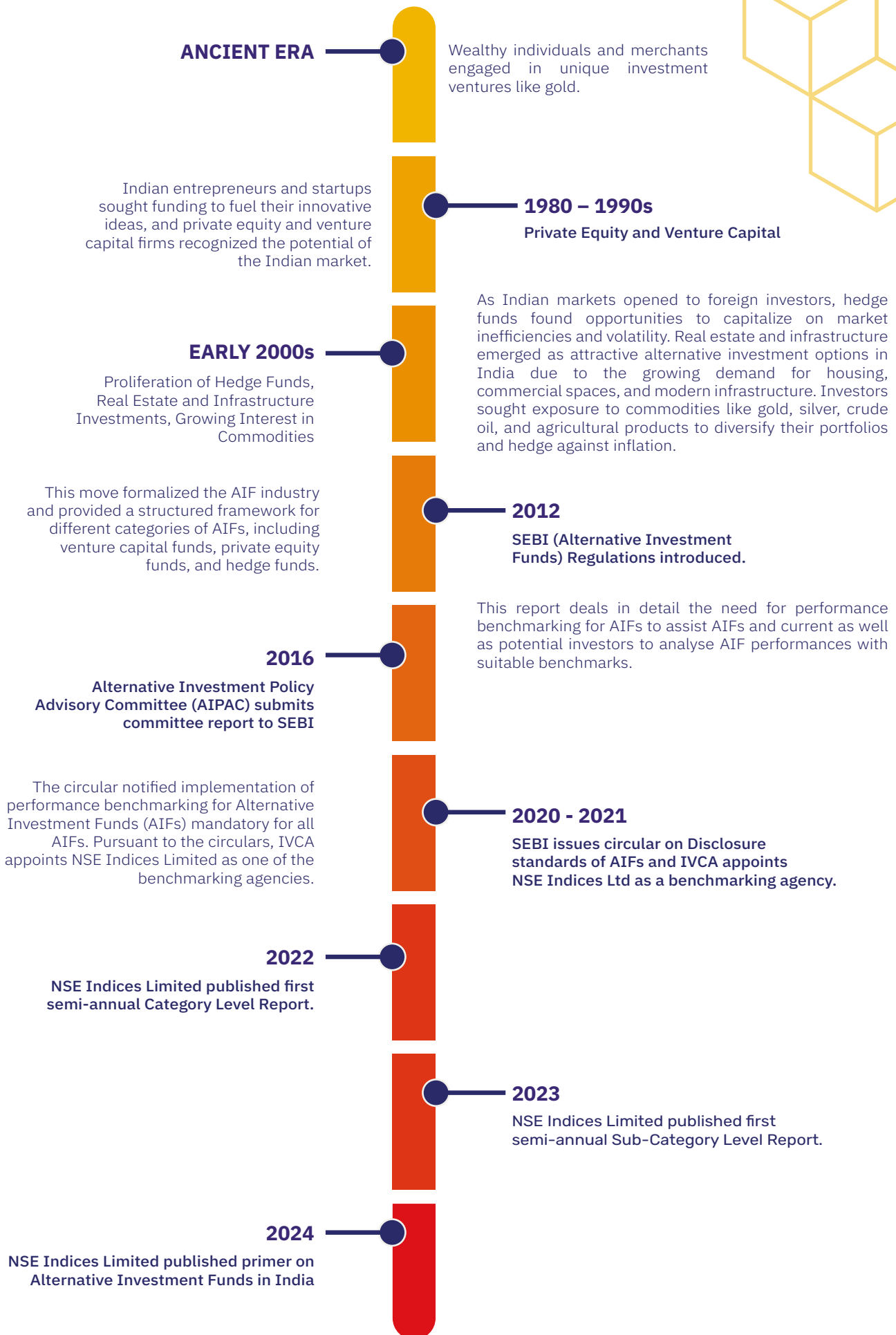
To increase the credibility and transparency of the AIF sector, the Alternative Investment Policy Advisory Committee (AIPAC) was set up, the committee submitted its 2nd AIPAC report to SEBI mentioning the need of benchmarking in the AIF Industry. Further, SEBI took on record the Indian Venture and Alternate Capital Association (IVCA) and its eligibility to appoint multiple benchmarking agencies. IVCA, is the oldest, not for profit body in India representing the highest number of private equity and venture capital firms in India, has engaged performance benchmarking agencies to evaluate the performance of AIFs.

The goal is to establish greater transparency, accountability and comparability among AIFs, empowering investors to gauge their performance against established industry benchmarks. This strategic move is anticipated to bolster investor confidence in the AIF sector, attracting a surge of capital into India's alternative investment landscape. NSE Indices Limited is appointed by IVCA as a benchmarking agency to facilitate this goal.

Making strides in this direction, NSE Indices Limited, in March 2022, unveiled its debut category-level Nifty AIF Benchmarking report covering the period up to March 31, 2021. Following that success, it rolled out its first subcategory-level Nifty AIF Benchmarking report for the period ending March 31, 2022, in February 2023.

Moreover, the semi-annual report is released in March and September, with the most recent publication being the Nifty AIF Benchmarking Report for category and sub-category levels, covering the period ending March 2023, published in October 2023.

>> B. Milestones of AIF Industry in India



>> C. Growth of AIF Industry in India

Exhibit 1: Table mentioning the growth of AIF Industry in India over 5-year and 10-year period.

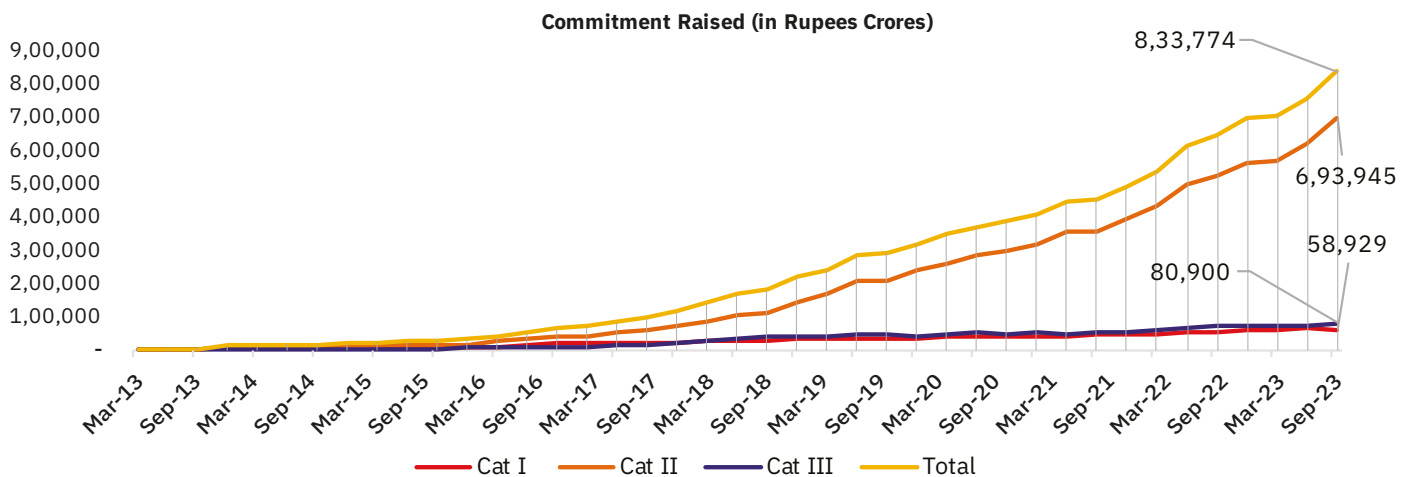
Cumulative net figures as at	Across All Categories – (In Rupees Crores)		
	Total Commitments Raised*	Total Funds Raised**	Total Investments Made***
31 st March, 2013	1,437	530	361
31 st March, 2018	1,65,095	85,276	61,402
31 st March, 2023	8,33,774	3,65,609	3,37,983
10-year CAGR (%)	88.96%	92.25%	98.22%
5-year CAGR (%)	38.25%	33.79%	40.65%

Source: SEBI Statistics.

*Refers to commitments made by investors to AIFs. | ** Refers to funds drawn by AIFs from investors. | *** Refers to funds deployed for investment purposes by AIFs.

The number of AIFs registered with SEBI have increased from 42 as on 31st March 2013 to 1,148 as on 13th July 2023 which accounts for around 27 times increase in just over a decade.

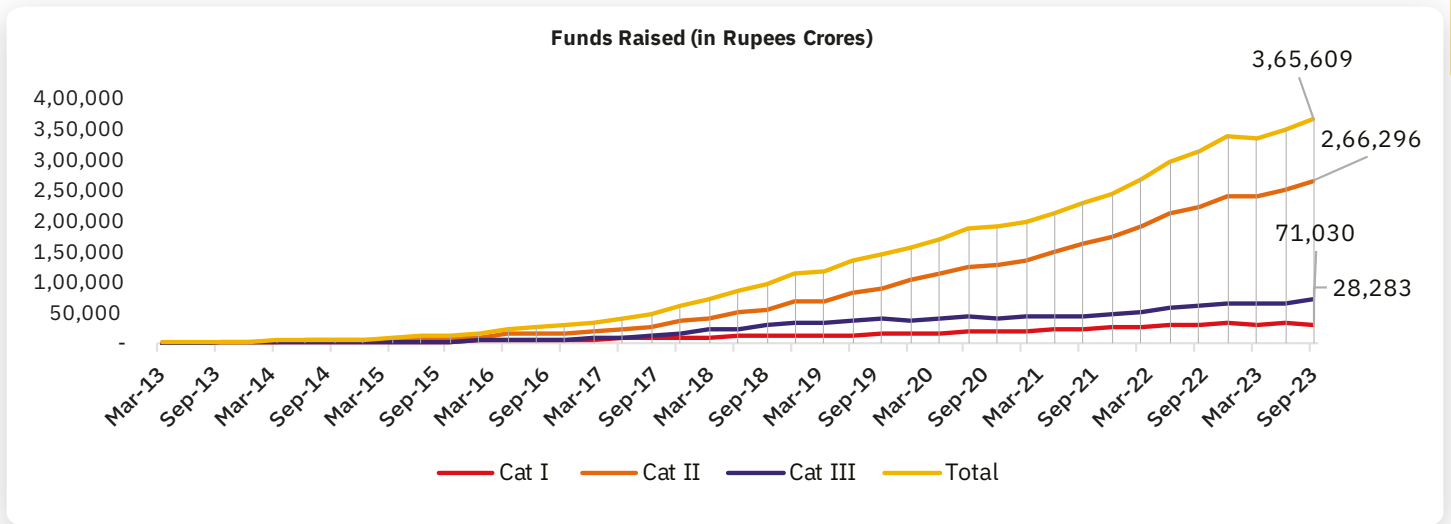
Exhibit 2: Graph depicting the growth of Commitment Raised by AIFs (in INR) in India over 10-year period.



Source: SEBI Statistics.

The above exhibit 2 illustrates the half yearly growth of commitments raised by Alternative Investment Funds (AIFs) from 31st March 2013 to 31st March 2023. The total commitment amount surged remarkably, accelerating 580-fold, starting at INR 1,437 Crores on 31st March 2013 and reaching INR 8,33,774 Crores on 31st March 2023. Notably, Category II exhibited the most significant contribution to the total commitment amount, followed by Category III and Category I.

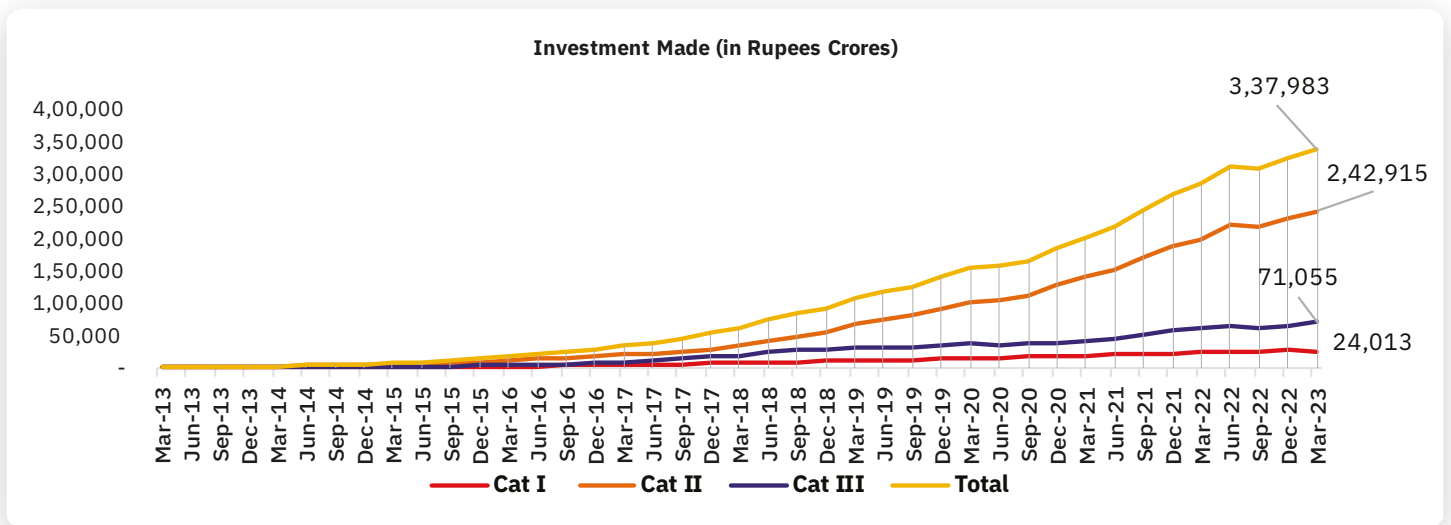
Exhibit 3: Graph depicting the growth of Funds Raised by AIFs (in INR) in India over 10-year period.



Source: SEBI Statistics.

The above provided exhibit 3 depicts the half yearly progress of funds raised by AIFs spanning a decade, from 31st March 2013 to 31st March 2023. Over this period, the total funds mobilized experienced an exceptional 690-fold increase, commencing at INR 530 Crores on 31st March 2013 and culminating at INR 3,65,609 Crores on 31st March 2023. It is noteworthy that Category II emerges as the most substantial component of the total funds raised, trailed by Category III and Category I.

Exhibit 4: Graph depicting the growth of Investments made by AIFs (in INR) in India over 10-year period.



Source: SEBI Statistics.

The above exhibit 4 portrays the half yearly advancement in investments made by AIFs over the period of 31st March 2013 to 31st March 2023. Impressively, the total investment amount surged by a staggering 936 times, commencing at INR 361 Crores on 31st March 2013 and surging to INR 3,37,983 Crores on 31st March 2023. Particularly notable is the exceptional contribution of Category II to the total investment amount, succeeded by Category III and Category I.

II. Types of AIFs in India

AIFs

Category I

- Funds which invest in start-up or early-stage ventures or social ventures or SMEs or infrastructure or other sectors or areas which the government or regulators consider as socially or economically desirable and shall include venture capital funds, angel funds, SME funds, social venture funds, infrastructure funds, special situation funds and such other Alternative Investment Funds.

- Funds which are generally perceived to have positive spillover effects on economy and for which SEBI or Government of India or other regulators in India might consider providing incentives or concessions shall be included and such funds which are formed as trusts or companies shall be construed as “venture capital company” or “venture capital fund” as specified under sub-section (23FB) of Section 10 of the Income Tax Act, 1961.

Category II

- Funds which do not fall in Category I and III and which does not undertake leverage or borrowing other than to meet day-to-day operational requirements and as permitted in the SEBI regulations.

- Private Equity Funds or Debt Funds or Fund of funds for which no specific incentives or concessions are given by the government, or any other Regulator are included here.

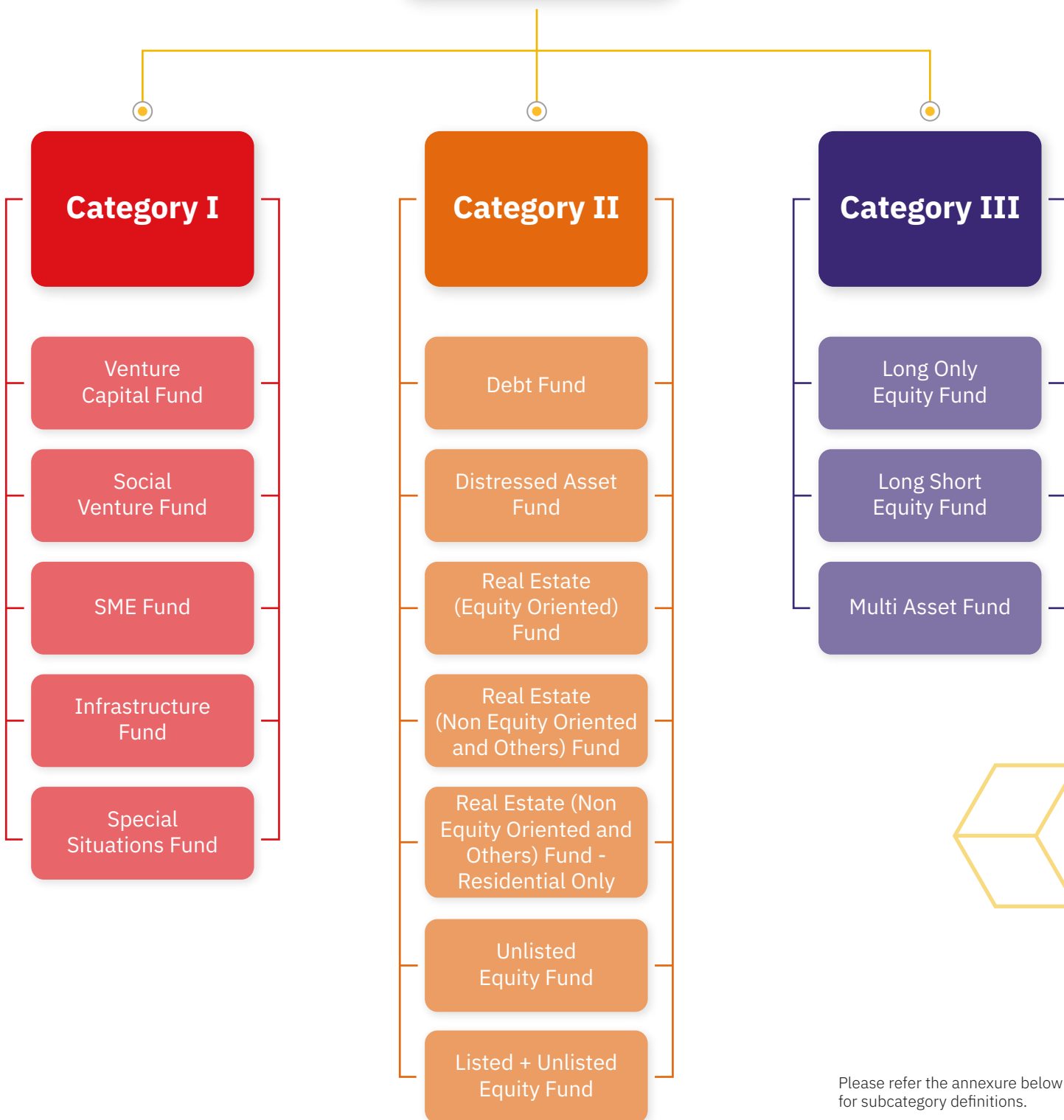
Category III

- Funds which employ diverse or complex trading strategies and may employ leverage including through investment in listed or unlisted derivatives.

- Funds such as hedge funds or funds which trade with a view to make short term returns or such other funds which are open ended and for which no specific incentives or concessions are given by the government, or any other Regulator are included here.

III. NSE AIF Benchmarking Sub-Categories

Alternative Investment Funds



Please refer the annexure below for subcategory definitions.

IV. Why choose to invest in an Alternative Investment Fund?



Limited correlation with traditional assets - Helps in diversifying the portfolio

Why choose to invest in an AIF?













Opportunity to invest in emerging industries and disruptive technologies (Startup ecosystem)



Potential for higher returns especially in the long run - Focus on long term investment and growth

A. Mutual Funds v/s AIFs

Mutual Funds		Alternative Investment Funds
Pooled investment vehicles	 Structure	Privately pooled investment vehicles
Regulated by the Securities and Exchange Board of India (SEBI) under the SEBI (Mutual Funds) Regulations, 1996	 Regulatory Framework	Regulated by SEBI under the SEBI (Alternative Investment Funds) Regulations, 2012
Open to all types of investors	 Investor Eligibility	Qualified Institutional Investors (QIIs), High Net worth Individuals (HNIs) and other sophisticated investors
INR 500	 Minimum Investment	INR 1 Crore
Invests in a diversified portfolio of stocks, bonds, hybrid, or other securities	 Investment portfolio	Invests in a wide range of alternative assets like real estate, private equity, hedge funds, venture capital funds, etc.
Can be bought or sold at the fund's net asset value (NAV) at the end of each trading day	 Liquidity	Generally, have a lock-in period and may have restrictions on redemption
Generally considered less risky, with returns based on the performance of the securities in the portfolio	 Risks and returns	May involve higher risk due to exposure to alternative assets, with potentially higher returns
Must provide regular disclosures and reports to investors	 Disclosure Requirements	Have more relaxed disclosure requirements
Standard Fee structure with Expense Ratio and Exit loads	 Fees	Management Fees, Performance Fees linked to the fund's performance
Depends on type of income and holding period	 Taxation	Depends on the category of AIF and nature of income

V. Investor Considerations while investing in AIFs

>> A. Comparative Analysis

Particulars	Category I	Category II	Category III
Investment Focus	Startups, Early-Stage ventures, Social Ventures, Infrastructure	Debt, Real Estate, Private Equity, Distressed Debt and Hybrid Funds	Complex trading strategies, Derivatives
Corpus	Minimum INR 20 crores		
Continuing Interest of Sponsor	At least 2.5% of the corpus or INR 5 crores, whichever is lower		At least 5% of the corpus or INR 10 crores, whichever is lower
Type of Scheme	Close Ended	Close Ended	Open or Close Ended
Tenure	Minimum 3 years	Minimum 3 years	Close Ended: Minimum 3 years Open Ended: No tenure
Listing of close ended AIF units	Permitted only after final close subject to a minimum tradable lot of INR 1 crore		
Investment restrictions*	<ul style="list-style-type: none"> •Maximum 25% of investable funds in an investee company directly/ indirectly •Uninvested/ divestment proceeds pending distributions may be invested in liquid MFs/ Bank Deposits/ other high quality liquid assets till their deployment 		<ul style="list-style-type: none"> •Maximum 10% of the NAV of the Scheme/Investable funds in listed equity of an investee company and maximum 10% of investable funds (in other than listed equity) of an investee company directly/ indirectly •Uninvested/ divestment proceeds pending distributions may be invested in liquid MFs/ Bank Deposits/ other high quality liquid assets till their deployment.
Leverage Restrictions	<ul style="list-style-type: none"> •Cannot borrow funds directly/ indirectly and shall not engage in leverage except for meeting temporary fund requirements for maximum 30 days, maximum 4 occasions in a year and maximum 10% of investable funds 		<ul style="list-style-type: none"> •May borrow or engage in leverage subject to consent from the investors and maximum limit specified by the board.
NSE Indices' Sub-categories	<ul style="list-style-type: none"> •Venture Capital, SME, Infrastructure, Social Venture, and Special Situations Funds 	<ul style="list-style-type: none"> •Unlisted Equity, Listed + Unlisted Equity, Real Estate (Equity Oriented), Real Estate (Non- Equity Oriented and Others) & Debt Funds 	<ul style="list-style-type: none"> •Long Only Equity, Long Short Equity and Multi Asset Funds

V. Investor Considerations while investing in AIFs

>> A. Comparative Analysis

Particulars	Category I	Category II	Category III	
NSE Indices' Performance Analysis Metrics	Internal Rate of Return (IRR), Distribution to Paid in Capital (DPI), Residual Value to Paid in Capital (RVPI), Total Value to Paid in Capital (TVPI) and Kaplan Schoar – Public Market Equivalent (KS-PME)		Trailing Returns, Financial Year Returns, Rolling Returns, Compounded Annual Growth Rate (CAGR)	
Risk Profile	Lower Systematic Risk, Higher idiosyncratic risk, Moderate liquidity risk	Moderate Systematic Risk, Market and Credit Risk, Moderate Liquidity Risk (Depends on type of investment)	Higher Systematic Risk, Market Volatility and Leverage Risk, Liquidity, and counterparty risk	
Investor Type	Institutional Investors (IIs), High Net worth Individuals (HNIs) and Family Offices (FOs)	Institutional Investors (IIs), High Net worth Individuals (HNIs) and Family Offices (FOs)	Institutional Investors (IIs), High Net worth Individuals (HNIs) and Family Offices (FOs)	
Investment Horizon	Longer investment horizon	Depends on type of investment	Shorter investment horizon	
Reporting to investors	Details to investors about financial information of investee company and material risks (and risk management) at least annually, within 180 days from the year end.		Quarterly reporting to investors, within 60 days of end of the quarter	
Taxation for resident Indian[#]	Type of Income	Category I	Category I	Category III
	Tax liability in the hands of	Investor	Investor	AIF
	Long-Term Capital Gain (Listed Shares)	10%		10%
	Long-Term Capital Gain (Unlisted and Others)	20% with indexation		
	Short-Term Capital Gain (Listed Shares)	15%		15%
	Short-Term Capital Gain (Unlisted and Others)	Maximum Marginal Rate		
	Dividend Income	Maximum Marginal Rate		30%
	Business Income	30%		

* Does not include Large Value Funds for Accredited Investors, for whom a more relaxed set of investment restrictions apply

[#]Non-residents may face a different regime basis DTAA's and Income Tax Act, 1961

For CAT I and CAT II, all income sources except Business Income have a pass-through tax regime, i.e., investors are taxed in the same manner as though they directly invested in the underlying asset.

> B. Taxation (Mutual Funds Vs AIFs)

Mutual Fund Taxation in India

Type of Income	Tax liability in the hands of	Equity Mutual Fund/Hybrid Equity-Oriented Mutual Fund	Debt Mutual Fund/Hybrid Debt-Oriented Mutual Fund
Long-Term Capital Gain	Investor	10% (above INR 1,00,000/- without indexation)	Deemed as short-term capital gain irrespective of holding period from FY24 taxed at individual slab rates
Short-Term Capital Gain	Investor	15%	
Dividend Income	Investor (MF required to deduct TDS @10% if annual dividend amount paid to an investor exceeds INR 5,000/-)	Added to Income from Other Sources and taxed at individual slab rates	

Alternative Investment Fund Taxation for Indian Resident*

Type of Income	Category I	Category I	Category III
Tax liability in the hands of	Investor	Investor	AIF
Long-Term Capital Gain (Listed Shares)	10%		10%
Long-Term Capital Gain (Unlisted and Others)	20% with indexation		
Short-Term Capital Gain (Listed Shares)	15%		15%
Short-Term Capital Gain (Unlisted and Others)	Maximum Marginal Rate		
Dividend Income	Maximum Marginal Rate		30%
Business Income	30%		

*Non-residents may face a different regime basis DTAA's and Income Tax Act, 1961. For CAT I and CAT II, all income sources except Business Income have a pass-through tax regime, i.e., investors are taxed in the same manner as though they directly invested in the underlying asset.

> C. NSE Indices' Analysis across AIF Categories

Building upon the contextual groundwork laid out in the preceding sections, we now shift our focus to a comprehensive analysis presented in the Nifty AIF Category Level and Sub Category level Benchmark Reports. The segment starting below offers a

profound understanding of the performance dynamics exhibited by various alternative investment categories at a category level and also features a host of finely curated sub-category level indices, covering their performances as on March 31, 2023.

Categories	No. of Schemes	No. of AIFs [#]	Valuation (INR Crores)
Category I	87	75	45,164
-Venture Capital Fund	66	59	32,349
-Social Venture Fund	11	6	4,686
-Infrastructure Fund	6	6	7,676
-SME Fund	4	4	453
Category II	334	250	2,55,500
-Unlisted Equity Fund	133	124	84,698
-Listed + Unlisted Fund	42	28	73,638
-Real Estate (Equity Oriented) Fund	9	9	5,587
-Real Estate (Non-Equity Oriented & Others) Fund	64	45	42,203
•Real Estate (Non-Equity Oriented & Others) - Residential Only	58	39	34,385
-Debt Fund	69	50	41,697
-Distressed Asset Fund	17	9	7,678
Category III	206*	90	75,512
-Long Only Equity Fund	146	67	50,551
-Long Short Equity Fund	33	22	12,621
-Multi Asset Fund	25	13	11,352
Total	627	415	3,76,166

Source: NSE Indices. Data as on March 31, 2023.

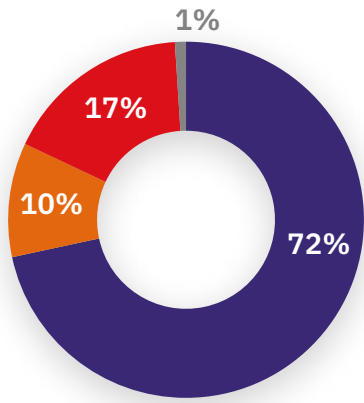
Valuation represents those schemes that were active as on March 31, 2023.

*Sum of subcategory scheme counts may not equal the scheme count at category level as few schemes could not be classified into any subcategory due to lack of adequate information.

[#]Few AIFs may have schemes falling under different subcategories and hence may be included in the AIF count for all those subcategories. For this reason, sum of AIF counts at subcategory level may not equal the AIF count at the category level.

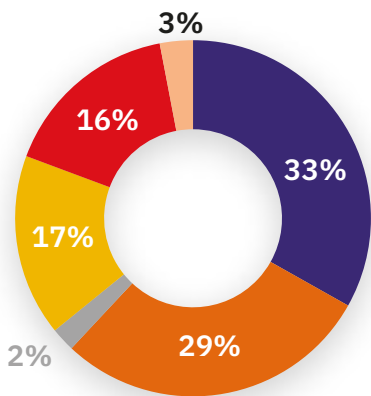
Please refer the annexure for details of the scheme eligibility criteria and the number of schemes excluded from the calculation of benchmark metrics for the period ended March 31, 2023.







Category I - Valuation breakup across subcategories as on March 31, 2023



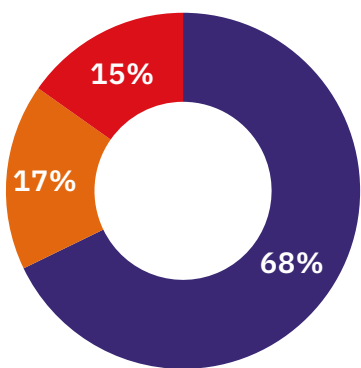
-  Venture Capital Fund
-  Social Venture Fund
-  Infrastructure Fund
-  SME Fund




Category II - Valuation breakup across subcategories as on March 31, 2023



-  Unlisted Equity Fund
-  Listed + Unlisted Fund
-  Real Estate (Equity Oriented) Fund
-  Real Estate (Non-Equity Oriented & Others) Fund
-  Debt Fund
-  Distressed Asset Fund

Category III - Valuation breakup across subcategories as on March 31, 2023



-  Long Only Equity Fund
-  Long Short Equity Fund
-  Multi Asset Fund

>> Terminologies used for performance analysis:



Vintage Year

Benchmarks for Categories I and II are calculated based on their vintage years. Vintage year is defined as the financial year in which the scheme had its first close i.e., the vintage year of a scheme will be FY14 if it had its first close anywhere between Apr 01, 2013, and Mar 31, 2014.



Distribution to paid – in capital multiple (DPI)

DPI is calculated by dividing the total distributions made to investors, by the total paid-in capital by the investors. DPI is also known as the realization multiple.



Residual Value to paid-in capital multiple (RVPI)

RVPI is calculated by dividing the residual value of all the investments remaining in the scheme post distributions, by the total paid-in capital. The residual value refers to the valuation of the scheme as of the date for which the benchmarks have been calculated.



Total Value to paid-in capital multiple (TVPI)

TVPI is calculated by dividing the sum of total distributions and residual value, by the total paid-in capital. It is also known as the investment multiple. It is the sum of DPI and RVPI.



Kaplan-Schoar Public Market Equivalent (KS-PME)

The Kaplan-Schoar PME represents the market-adjusted equivalent to the traditional TVPI. It incorporates the performance contribution of a public market index by compounding each scheme cash flow – both capital calls and distributions – based on the public market index performance between the date of the cash flow and the valuation date. The KS-PME is calculated by adding the scheme's final NAV to the distributions compounded at the public market index return and dividing this sum by the sum of capital calls compounded at the public market index return. The KS-PME produces a multiple that represents the out/underperformance of the scheme relative to the public market index. If the KS-PME is greater than 1, the scheme outperformed the public market index and vice versa.

The formula for KS-PME is given as:

$$\text{KS-PME} = \frac{(\sum \text{FV(D)} + \text{NAV})}{(\sum \text{FV(C)})}$$

Where FV(D) and FV(C) are the future value (at the final calculation date) of distributions and capital calls respectively, compounded at the public market index CAGR, and NAV is the valuation of the fund/scheme as on the final calculation date.



Asset-weighted Index

An asset-weighted index is created at the category level based on quarterly returns of constituent schemes using relevant AUMs as weights.

Below is the snapshot of the performance of the categories. The entire category/sub-category level report can be obtained by contacting us through niftyindices.com.

>> D. NSE AIF Benchmark Performance - March 2023

Vintage	Particulars	No. of Schemes	IRR					DPI		RVPI		TVPI				
			Pooled	Equal Weighted	Distribution			Pooled	Equal Weighted	Pooled	Equal Weighted	Pooled	Equal Weighted	Distribution		
					Q1	Median	Q3							Q1	Median	Q3
20	CATEGORY I	5	12.06%	10.64%	18.56%	12.95%	4.75%	1.18	0.76	0.68	1.40	1.86	2.16	3.27	1.89	1.34
	Venture Capital Fund	2	19.16%	19.73%	-	-	-	0.41	0.73	3.00	2.64	3.42	3.37	-	-	-
	Social Venture Fund	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Infrastructure Fund	2	11.74%	4.49%	-	-	-	1.28	0.90	0.51	0.45	1.79	1.35	-	-	-
	SME Fund	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	CATEGORY II	10	8.84%	9.38%	10.94%	10.30%	6.01%	1.15	1.18	0.06	0.13	1.20	1.31	1.36	1.34	1.21
	Unlisted Equity Fund	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Listed + Unlisted Fund	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Real Estate (EO) Fund	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Real Estate (NEO) Fund	5	8.64%	9.37%	15.02%	7.24%	5.60%	1.13	1.22	0.05	0.07	1.18	1.28	1.34	1.20	1.15
Real Estate (NEO) Fund - Residential Only	5	8.64%	9.37%	15.02%	7.24%	5.60%	1.13	1.22	0.05	0.07	1.18	1.28	1.34	1.20	1.15	
Debt Fund	3	10.71%	10.47%	10.64%	10.45%	10.30%	1.35	1.31	0.00	0.00	1.35	1.31	1.35	1.34	1.28	
Distressed Asset Fund	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
201	CATEGORY I	7	8.53%	10.51%	15.42%	12.04%	1.62%	1.02	1.01	0.57	1.18	1.59	2.19	2.33	1.88	1.09
	Venture Capital Fund	5	7.61%	11.53%	15.14%	12.04%	2.98%	0.89	0.99	0.67	1.50	1.56	2.49	2.58	2.07	1.17
	Social Venture Fund	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Infrastructure Fund	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	SME Fund	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	CATEGORY II	10	8.81%	9.48%	11.11%	6.42%	5.54%	0.56	0.66	0.90	0.91	1.47	1.57	1.64	1.40	1.21
	Unlisted Equity Fund	2	10.42%	13.40%	-	-	-	0.23	0.31	1.42	1.71	1.64	2.03	-	-	-
	Listed + Unlisted Fund	3	11.79%	15.44%	18.01%	11.38%	10.84%	0.48	0.83	1.19	1.00	1.67	1.83	1.96	1.65	1.62
	Real Estate (EO) Fund	2	2.42%	4.10%	-	-	-	0.34	0.20	0.79	1.09	1.13	1.29	-	-	-
	Real Estate (NEO) Fund	3	5.11%	4.49%	6.33%	5.75%	3.28%	1.03	1.03	0.15	0.15	1.18	1.18	1.27	1.19	1.10
Real Estate (NEO) Fund - Residential Only	3	5.11%	4.49%	6.33%	5.75%	3.28%	1.03	1.03	0.15	0.15	1.18	1.18	1.27	1.19	1.10	
Debt Fund	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Distressed Asset Fund	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2016	CATEGORY I	18	28.62%	25.28%	35.20%	26.91%	15.73%	0.46	0.50	2.93	3.00	3.39	3.50	4.34	3.13	2.04
	Venture Capital Fund	13	32.29%	29.81%	41.58%	30.82%	24.27%	0.54	0.60	3.38	3.30	3.92	3.90	4.52	3.28	2.81
	Social Venture Fund	3	21.21%	11.94%	18.49%	5.41%	2.13%	0.26	0.25	2.11	1.94	2.37	2.18	2.79	1.20	1.08
	Infrastructure Fund	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	SME Fund	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	CATEGORY II	15	14.15%	13.54%	16.17%	13.21%	7.73%	0.76	0.86	0.95	1.03	1.71	1.90	1.91	1.45	1.26
	Unlisted Equity Fund	4	21.55%	22.60%	32.36%	22.08%	12.32%	0.50	0.56	1.77	2.36	2.27	2.92	3.60	2.56	1.89
	Listed + Unlisted Fund	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Real Estate (EO) Fund	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Real Estate (NEO) Fund	7	8.81%	5.75%	9.41%	6.61%	1.45%	0.66	0.73	0.72	0.54	1.39	1.27	1.41	1.29	1.06
Real Estate (NEO) Fund - Residential Only	7	8.81%	5.75%	9.41%	6.61%	1.45%	0.66	0.73	0.72	0.54	1.39	1.27	1.41	1.29	1.06	
Debt Fund	3	14.53%	15.21%	16.17%	15.52%	14.41%	1.46	1.43	0.18	0.14	1.64	1.57	1.73	1.69	1.47	
Distressed Asset Fund	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

>> D. NSE AIF Benchmark Performance - March 2023

Vintage	Particulars	No. of Schemes	IRR					DPI		RVPI		TVPI				
			Pooled	Equal Weighted	Distribution			Pooled	Equal Weighted	Pooled	Equal Weighted	Pooled	Equal Weighted	Distribution		
					Q1	Median	Q3							Q1	Median	Q3
20	CATEGORY I	10	39.78%	32.61%	49.22%	36.41%	26.34%	0.24	0.26	3.57	3.61	3.81	3.87	5.43	3.46	2.37
	Venture Capital Fund	9	37.69%	30.61%	46.85%	35.38%	23.79%	0.27	0.28	3.26	3.39	3.53	3.68	4.90	2.96	2.34
	Social Venture Fund	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Infrastructure Fund	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	SME Fund	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	CATEGORY II	32	13.81%	12.26%	22.26%	12.25%	6.26%	0.63	0.69	0.84	0.90	1.47	1.59	1.93	1.44	1.21
	Unlisted Equity Fund	10	13.43%	17.28%	25.32%	21.51%	9.16%	0.46	0.40	1.26	1.53	1.71	1.93	2.30	1.94	1.51
	Listed + Unlisted Fund	7	20.29%	17.83%	24.63%	22.24%	10.99%	0.40	0.57	1.46	1.19	1.86	1.76	2.09	1.86	1.50
	Real Estate (EO) Fund	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Real Estate (NEO) Fund	6	12.34%	10.55%	15.29%	10.78%	8.29%	0.89	0.87	0.47	0.46	1.36	1.33	1.44	1.36	1.26
Real Estate (NEO) Fund - Residential Only	6	12.34%	10.55%	15.29%	10.78%	8.29%	0.89	0.87	0.47	0.46	1.36	1.33	1.44	1.36	1.26	
Debt Fund	8	5.97%	2.50%	12.20%	7.43%	5.52%	1.05	1.11	0.06	0.14	1.11	1.25	1.42	1.20	1.14	
Distressed Asset Fund	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2018	CATEGORY I	9	29.78%	24.27%	35.89%	20.58%	12.21%	0.30	0.35	1.73	1.86	2.03	2.21	2.57	1.63	1.23
	Venture Capital Fund	5	40.09%	33.68%	45.01%	35.89%	26.24%	0.27	0.26	2.83	2.71	3.09	2.96	3.01	2.57	2.05
	Social Venture Fund	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Infrastructure Fund	3	19.47%	16.79%	19.09%	17.59%	14.90%	0.32	0.29	1.19	1.07	1.51	1.36	1.43	1.23	1.22
	SME Fund	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	CATEGORY II	40	17.64%	17.70%	17.92%	13.74%	11.38%	0.82	0.83	0.88	0.95	1.70	1.79	1.72	1.51	1.32
	Unlisted Equity Fund	10	24.60%	31.73%	44.08%	24.73%	16.11%	1.16	0.79	0.88	1.91	2.04	2.69	3.11	2.40	1.60
	Listed + Unlisted Fund	11	18.21%	17.53%	20.31%	14.38%	13.74%	0.66	0.64	1.17	1.12	1.82	1.76	1.95	1.67	1.54
	Real Estate (EO) Fund	3	9.87%	8.14%	9.78%	8.18%	6.53%	1.01	0.64	0.32	0.65	1.32	1.29	1.31	1.26	1.26
	Real Estate (NEO) Fund	7	13.36%	9.88%	13.27%	8.32%	6.61%	0.85	0.92	0.55	0.39	1.41	1.31	1.37	1.33	1.22
Real Estate (NEO) Fund - Residential Only	5	13.45%	9.48%	13.11%	7.99%	5.23%	0.83	0.94	0.58	0.35	1.41	1.28	1.33	1.23	1.21	
Debt Fund	6	9.92%	10.11%	11.94%	11.50%	10.28%	1.10	1.15	0.21	0.16	1.30	1.31	1.34	1.29	1.25	
Distressed Asset Fund	3	14.83%	14.53%	15.37%	14.79%	13.83%	1.00	1.03	0.42	0.40	1.42	1.43	1.46	1.39	1.38	
2019	CATEGORY I	10	41.59%	39.60%	51.65%	43.42%	26.07%	0.05	0.06	2.54	2.53	2.59	2.58	3.21	2.64	1.86
	Venture Capital Fund	8	41.40%	37.17%	49.29%	43.42%	20.05%	0.05	0.03	2.55	2.38	2.60	2.41	3.15	2.51	1.69
	Social Venture Fund	2	42.76%	49.29%	-	-	-	0.04	0.17	2.51	3.10	2.55	3.27	-	-	-
	Infrastructure Fund	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	SME Fund	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	CATEGORY II	55	23.64%	20.55%	32.67%	17.54%	9.22%	0.41	0.40	1.14	1.36	1.56	1.76	1.98	1.51	1.25
	Unlisted Equity Fund	26	22.28%	26.43%	41.82%	24.93%	11.07%	0.13	0.15	1.50	1.87	1.62	2.03	2.51	1.65	1.36
	Listed + Unlisted Fund	7	33.26%	34.75%	43.96%	32.92%	13.74%	0.26	0.37	1.58	1.82	1.84	2.19	2.70	1.83	1.41
	Real Estate (EO) Fund	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Real Estate (NEO) Fund	10	15.12%	0.06%	15.99%	12.23%	5.70%	0.68	0.65	0.73	0.56	1.42	1.20	1.51	1.27	1.19
Real Estate (NEO) Fund - Residential Only	10	15.12%	0.06%	15.99%	12.23%	5.70%	0.68	0.65	0.73	0.56	1.42	1.20	1.51	1.27	1.19	
Debt Fund	8	15.77%	11.94%	17.23%	12.51%	6.54%	0.62	0.72	0.66	0.55	1.28	1.27	1.39	1.23	1.09	
Distressed Asset Fund	3	21.88%	23.62%	25.89%	23.08%	21.08%	0.92	0.90	0.45	0.60	1.37	1.50	1.61	1.40	1.33	

>> D. NSE AIF Benchmark Performance - March 2023

Vintage	Particulars	No. of Schemes	IRR					DPI		RVPI		TVPI				
			Pooled	Equal Weighted	Distribution			Pooled	Equal Weighted	Pooled	Equal Weighted	Pooled	Equal Weighted	Distribution		
					Q1	Median	Q3							Q1	Median	Q3
2020	CATEGORY I	16	31.91%	27.92%	36.84%	24.40%	9.64%	0.02	0.02	1.65	1.65	1.67	1.67	2.02	1.59	1.13
	Venture Capital Fund	14	32.01%	30.76%	40.07%	24.40%	12.41%	0.02	0.02	1.65	1.70	1.67	1.72	2.12	1.59	1.20
	Social Venture Fund	2	24.60%	8.10%	-	-	-	0.01	0.00	1.71	1.28	1.72	1.29	-	-	-
	Infrastructure Fund	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	SME Fund	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	CATEGORY II	50	17.87%	19.18%	29.08%	15.33%	9.23%	0.38	0.33	0.92	1.05	1.31	1.38	1.54	1.26	1.15
	Unlisted Equity Fund	25	27.74%	23.48%	34.67%	18.08%	13.38%	0.03	0.04	1.51	1.42	1.54	1.47	1.63	1.39	1.21
	Listed + Unlisted Fund	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Real Estate (EO) Fund	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Real Estate (NEO) Fund	8	13.23%	15.78%	21.96%	11.28%	5.91%	0.39	0.51	0.85	0.83	1.25	1.33	1.47	1.28	1.09
Real Estate (NEO) Fund - Residential Only	7	4.88%	11.62%	13.89%	9.11%	2.85%	0.31	0.48	0.78	0.78	1.09	1.26	1.32	1.25	1.05	
Debt Fund	12	15.24%	16.33%	15.59%	12.75%	9.74%	0.61	0.67	0.60	0.63	1.21	1.30	1.35	1.17	1.16	
Distressed Asset Fund	4	12.22%	11.73%	16.17%	12.94%	8.50%	0.50	0.55	0.73	0.69	1.23	1.24	1.27	1.20	1.17	
2021	CATEGORY I	5	38.70%	24.58%	38.40%	16.40%	10.42%	0.01	0.02	1.56	1.43	1.58	1.45	1.46	1.23	1.10
	Venture Capital Fund	4	38.90%	21.13%	25.68%	13.41%	8.86%	0.02	0.02	1.68	1.42	1.71	1.44	1.52	1.16	1.09
	Social Venture Fund	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Infrastructure Fund	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	SME Fund	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	CATEGORY II	36	14.95%	15.23%	24.57%	14.37%	6.79%	0.55	0.24	0.64	0.96	1.19	1.21	1.29	1.17	1.11
	Unlisted Equity Fund	15	18.64%	15.20%	27.55%	15.19%	-0.95%	0.01	0.02	1.24	1.20	1.25	1.22	1.33	1.24	0.99
	Listed + Unlisted Fund	2	17.48%	20.91%	-	-	-	0.33	0.41	0.91	0.88	1.25	1.29	-	-	-
	Real Estate (EO) Fund	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Real Estate (NEO) Fund	6	13.32%	13.39%	18.48%	13.57%	10.25%	0.72	0.40	0.45	0.83	1.17	1.22	1.24	1.17	1.15
Real Estate (NEO) Fund - Residential Only	4	14.13%	10.87%	15.99%	12.14%	7.02%	0.75	0.42	0.44	0.73	1.19	1.15	1.20	1.17	1.12	
Debt Fund	9	14.94%	12.35%	14.98%	12.76%	10.66%	0.63	0.43	0.55	0.71	1.18	1.14	1.16	1.13	1.12	
Distressed Asset Fund	3	11.04%	22.69%	31.47%	30.94%	18.03%	0.20	0.42	0.94	0.79	1.14	1.22	1.29	1.28	1.18	
2022	CATEGORY I	6	13.72%	19.78%	33.98%	16.69%	2.13%	0.01	0.01	1.11	1.19	1.12	1.20	1.22	1.12	1.02
	Venture Capital Fund	5	0.54%	18.02%	35.78%	4.78%	1.25%	0.01	0.01	1.00	1.18	1.00	1.19	1.19	1.05	1.01
	Social Venture Fund	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Infrastructure Fund	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	SME Fund	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	CATEGORY II	85	10.64%	14.58%	16.26%	9.86%	-1.50%	0.12	0.08	0.98	1.06	1.10	1.14	1.15	1.08	0.99
	Unlisted Equity Fund	40	10.20%	14.15%	21.13%	1.05%	-9.15%	0.00	0.01	1.10	1.15	1.10	1.16	1.16	1.01	0.92
	Listed + Unlisted Fund	10	6.73%	15.15%	7.45%	3.95%	-3.74%	0.05	0.08	1.02	1.00	1.06	1.08	1.08	1.03	0.98
	Real Estate (EO) Fund	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Real Estate (NEO) Fund	12	16.56%	13.56%	19.65%	13.77%	11.74%	0.37	0.22	0.77	0.92	1.14	1.14	1.20	1.13	1.08
Real Estate (NEO) Fund - Residential Only	11	17.22%	13.89%	20.99%	14.17%	12.65%	0.39	0.23	0.75	0.91	1.14	1.14	1.21	1.13	1.08	
Debt Fund	19	10.28%	18.89%	14.33%	10.34%	9.78%	0.09	0.09	1.00	1.06	1.09	1.15	1.12	1.09	1.07	
Distressed Asset Fund	3	-0.37%	4.24%	7.19%	0.08%	-0.79%	0.01	0.01	0.98	1.06	1.00	1.07	1.11	1.00	0.99	

Source: NSE Nifty AIF Sub-Category Level Report – March 2023. Data as of 31st March 2023; Returns and multiples are calculated on a post-expense, pre-carry, and pre-tax basis.

IRR: Internal Rate of Return, DPI: Distributions to paid-in capital, RVPI: Residual Value to paid-in capital, TVPI: Total Value to paid-in capital, EO: Equity Oriented, NEO: Non-Equity Oriented and Others.

The above table shows the vintage year wise performance highlights of Category I and Category II and their sub-category benchmarks.

Highlights of the table are as follows:

- 01 Category I and Category II Schemes with vintage year 2019 have outperformed schemes with other vintage years by yielding the highest pooled IRRs of 41.59% and 23.64% respectively. In terms of value generation (TVPI), Category I schemes having vintage 2017 and category II schemes having vintage 2016 have outperformed all other vintages by yielding TVPIs of 3.81 and 1.71 respectively.
- 02 In Category I, Venture Capital Funds have been the most consistent outperforming subcategory over all vintage years except 2019, whereas in Category II, Unlisted Equity and Listed + Unlisted Equity have been the most consistent subcategories over all Vintage years except 2022.
- 03 While observing performances of relatively new schemes (schemes having Vintage 2022), Real Estate (Non-Equity Oriented and Others) Schemes have outperformed all other subcategory schemes across both categories by yielding highest pooled IRRs.
- 04 As evident, schemes having earlier vintage years have higher DPIs as they are close to maturity. For recently launched schemes, debt funds and real estate (Non equity oriented and others) funds have relatively higher DPIs when compared to other subcategories.

>> Category III – Trailing Returns

Period	Category III Asset Weighted Returns	Nifty 50 TR	Nifty Composite Debt TR
3 Years	23.30%	27.80%	5.81%
2 Years	9.49%	9.99%	4.44%
1 Year	-1.37%	0.59%	3.76%

>> Category III - Subcategory Performances

Period	Asset Weighted Returns		
	Long Only Equity Fund	Long Short Equity Fund	Multi-Asset Fund
3 Years	27.91%	16.46%	9.31%
2 Years	9.45%	10.12%	5.35%
1 Year	-3.65%	4.05%	1.04%

Source: NSE Nifty AIF Category and Sub-Category Level Report – March 2023. Data as of 31st March 2023; Returns and multiples are calculated on a post-expense, pre-carry, and pre-tax basis. TR: Total Return. Schemes used for above analysis:

Particulars	Schemes Considered
Category III Aggregate Index	206
Long Only Equity	146
Long Short Equity	33
Multi – Asset Fund	25

The above table shows the performance highlights of Category III Schemes and their sub-categories based on their definitions provided below. Over 2 years period, long short equity funds have a better performance by yielding 10.12% as compared to Long Only Equity Fund and Multi Asset Fund which produced 9.45% and 5.35% respectively. However, Long Only Equity Funds have not just outperformed its sub-category peers by yielding 27.91% but also the Category III Asset Weighted benchmark which has a return of 23.30% over 3 years period.

VI. Conclusion

- Alternative Investment Funds (AIFs) have gained prominence in India's investment landscape, offering opportunities beyond traditional stocks and bonds. AIFs pool funds from diverse investors to invest in non-traditional assets like private equity, real estate, and commodities.
- The Indian Venture and Alternate Capital Association (IVCA) has appointed NSE Indices Limited as one of the benchmarking agencies to evaluate and enhance AIF performance transparency. This initiative aims to bolster investor confidence, product transparency and attract more capital into India's alternative investment sector.
- Alternative Investment Funds (AIFs) in India are categorized into three types: Category I includes funds investing in socially desirable sectors like startups, infrastructure, and social ventures; Category II covers funds without specific incentives, like private equity and debt funds; Category III involves complex trading strategies with potential leverage, including hedge funds.
- AIF categories are defined based on investment focus and strategy, ranging from socially beneficial ventures in Category I, general private equity, and debt in Category II, to complex trading and hedge funds in Category III, each with distinct regulatory considerations and incentives.
- Over the past decade, the Alternative Investment Fund (AIF) Industry has witnessed substantial expansion in terms of raised commitments, accumulated funds, and AIFs' investments. Among these metrics, Category II AIFs have exhibited a notably swifter growth rate compared to Category I and III AIFs.
- Investing in AIFs offers:
 - > Exposure to innovative sectors and technologies, diversifying from traditional assets.
 - > Potential for superior long-term returns and protection against inflation, enhancing wealth preservation and growth.
- Mutual funds are regulated pooled investment vehicles open to all, investing diversely in securities with lower risk. Alternative Investment Funds (AIFs) are privately regulated pools for sophisticated investors, involving higher risk and investing in diverse alternative assets like real estate and private equity. Mutual funds offer liquidity, while AIFs often have lock-ins. Disclosure, fees, and taxation differ between them.
- AIFs in India: Category I targets startups, early-stage ventures; Category II includes debt, real estate, private equity; Category III involves complex strategies, derivatives. Corpus requirements, sponsor interests, scheme type, tenure, investment limits, leverage, and sub-categories differ within these categories.
- There are various performance analysis metrics for each category of AIFs. Category I and II target Institutional Investors, Family Offices and High Net Worth Individuals, with varying investment horizons. Reporting to investors and taxation differ; Category III has higher systematic risk, volatility, and shorter investment horizons.

>> Annexure

● Eligibility Criteria



All AIFs registered with SEBI under the SEBI (Alternative Investment Funds) Regulations, 2012, are considered for the calculation of benchmarks, provided they fulfil the following criteria:



Completion of one year from the first close of the scheme as on the date for which the benchmarks are calculated. For e.g., the AIF benchmark calculated for the period ending Mar 31, 2023, will have schemes that had their first close on or before Mar 31, 2022

Valid data is provided to NSE Indices Ltd. in the specified format and by the stipulated deadline.

The following are excluded from calculation of benchmarks:



Any scheme that has not completed one year since its first close as on the date for which the benchmarks are calculated, i.e., Mar 31, 2023



Fund of funds



Angel Funds registered under Category I-AIF



Any scheme that has not provided complete or valid data or that has not provided data in the required format.



Schemes having vintage of 2012 or earlier.

● Subcategory Definitions

● For Category I Schemes:

Category I Schemes are classified purely based on their nature of registration with Securities and Exchange Board of India (SEBI).

● For Category II schemes:



Real Estate – Equity Oriented Fund

Schemes that have at least 90% exposure to real estate sector and at least 65% exposure to real estate equity.



Real Estate – Non-Equity Oriented & Others Fund

Schemes that have at least 90% exposure to real estate sector and less than 65% exposure to real estate equity. Also included in this category are those schemes that have at least 90% exposure to real estate sector but have not specified the nature of real estate investments – whether equity or debt.



Real Estate – Non-Equity Oriented & Others – Residential Only

Schemes that are classified as Real Estate – Non-Equity Oriented & Others above and have at least 65% exposure to Residential real estate.



Distressed Asset Fund: Schemes that have at least 65% exposure to distressed asset.



Debt Fund

Schemes that are not classified as Real Estate above and have at least 65% exposure to debt.



Unlisted Equity Fund

Schemes that are not classified as Real Estate above and have at least 90% exposure to unlisted equity.



Listed + Unlisted Equity Fund

Schemes that are not classified as Real Estate and Unlisted Equity above and have at least 65% exposure to equity (listed + unlisted).

● **For Category III schemes:**



Multi Asset Fund: Following schemes have been included under this sub-category –

- Schemes that had/have exposure to commodity or currency derivatives,
- Schemes that have more than 10% exposure to equity and at least some exposure to debt,
- Schemes that have more than 10% exposure to debt and at least some exposure to equity,



Long Short – Equity Fund:

Schemes not classified as Multi Asset as per above rule and having/had any short position in equity or index derivatives.



Long Only – Equity Fund:

Schemes having more than -95% exposure to equity, cash and cash equivalents and mutual fund units, And,
-No short position in equity or index derivatives.

>> **About NSE Indices Limited:**

NSE Indices Limited (formerly known as India Index Services & Products Ltd. - IISL), a subsidiary of NSE, provides a variety of indices and index related services for the capital markets. The company focuses on the index as a core product. The company owns and manages a portfolio of indices under the Nifty brand of NSE, including the flagship index, the Nifty 50. Nifty equity indices comprise of broad-based benchmark indices, sectoral indices, strategy indices, thematic indices, and customised indices. NSE Indices Limited also maintains fixed

income indices based on Government of India securities, corporate bonds, money market instruments and hybrid indices. Many investment products based on Nifty indices have been developed within India and abroad. These include index-based derivatives traded on NSE and NSE International Exchange IFSC Limited (NSE IX) and a number of index funds and exchange traded funds. The flagship 'Nifty 50' index is widely tracked and traded as the benchmark for Indian Capital Markets.

For more information, please visit: www.niftyindices.com

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