Trust is the cornerstone of asset management business

Venkat Ramaswamy, Vice-Chairman, Edelweiss Alternatives cites that with India's GDP expected to surpass $10 trillion over the next decade, alternative assets are expected to grow 5x to $600 billion

What are the key success factors for an alternative asset manager to invest in India?

Asset management is a fiduciary business where gaining and retaining the trust of clients is the most critical success factor. This comes through a combination of best-in-class governance standards, high levels of transparency, a strong culture of risk management and a demonstrated track record of returning capital to investors as measured by DPI (distributions to paid in capital).

The ability to deploy capital successfully requires on-the-ground experienced investment teams. A knowledge of the legal & regulatory landscape and long-standing relationships with companies and their promoters help to structure bespoke solutions that meet the requirements of portfolio companies while generating returns for the fund / its clients.

Operational capabilities like project management skills, ability to run and improve efficiency of the fund's investee companies and turnaround capabilities are increasingly becoming key factors to realise cashflows and deliver superior risk-adjusted returns to the clients.

What are the trends in alternative asset management industry in India?

Alternative asset management can be classified as – public alternatives (hedge funds, concentrated public equity strategies), private alternatives (private equity, private credit, real assets) and perpetual strategies (InvITs and REITs). Alternatives AUM in India has grown 4x since 2010 to over $120bn. With India's GDP expected to surpass $10 trillion over the next decade, alternative assets are expected to grow 5x to $600bn.

Private Equity and Venture Capital currently comprise over two thirds of assets managed. Private Credit and Real Assets are relatively new asset classes in India which are expected to grow 12x over the next decade to $225bn thus leading the industry growth.

This is similar to the trends observed in the US – the largest alternatives market in the world. Institutional investors like insurance companies, pension funds and family offices globally allocate to alternative products because they have long-term liabilities and are able to take some illiquidity to get better returns. They are taking a barbell approach to investing through a combination of lower cost public listed products / ETFs and lower liquidity alternative products to achieve their overall return objectives.