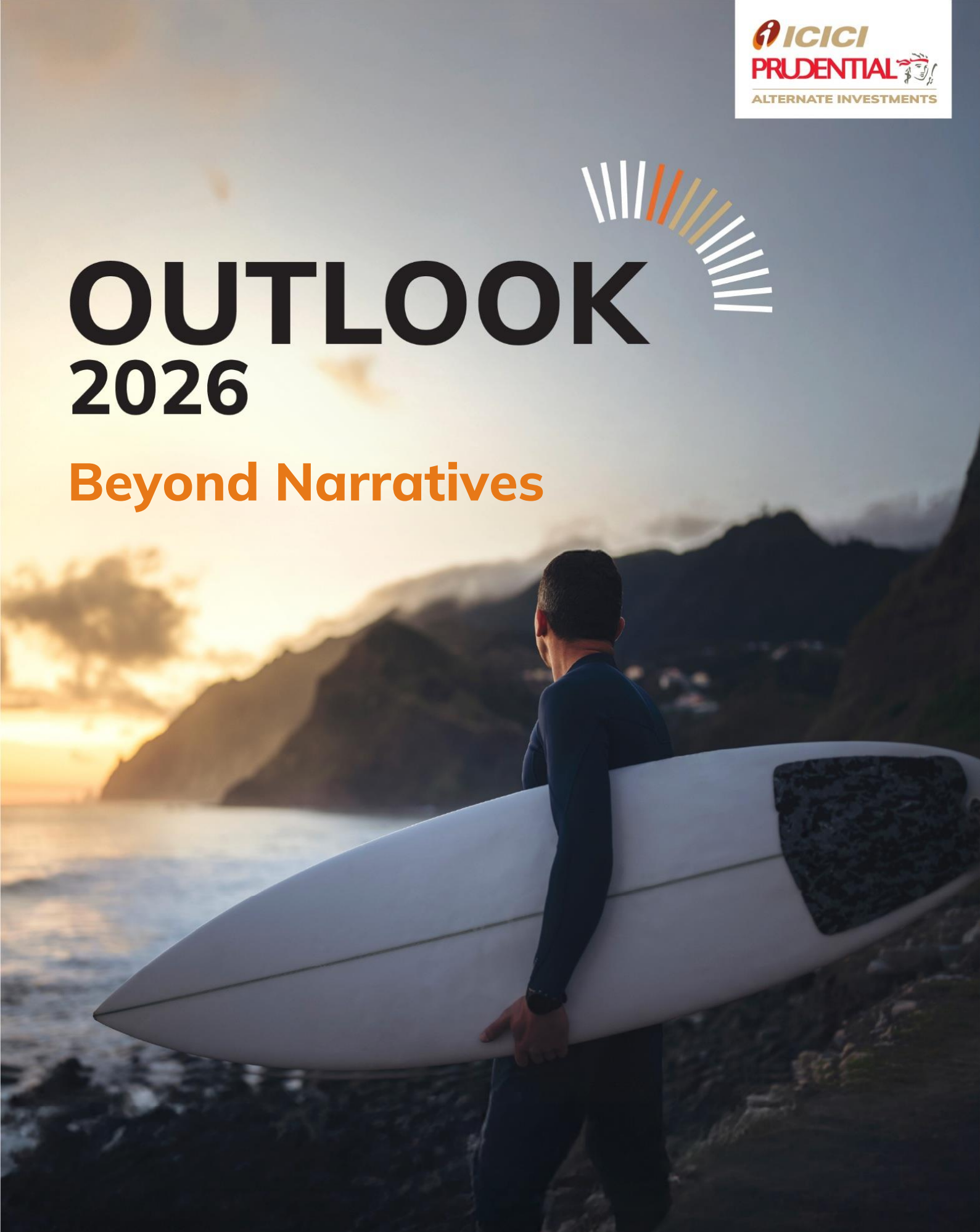
ICICI PRUDENTIAL
ALTERNATE INVESTMENTS

# OUTLOOK 2026

## Beyond Narratives



All data/information used in the preparation of this material is dated and may or may not be relevant any time after the issuance of this material. ICICI Prudential Asset Management Company Limited (the Investment Manager/ the AMC) takes no responsibility of updating any data/information in this material from time to time. The recipient of this material is solely responsible for any action taken based on this material. The information contained herein are strictly confidential and are meant solely for the benefit of the addressee and shall not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of the AMC. Further, the information contained herein should not be construed as forecast or promise. Past performance of the Investment Manager may not be indicative of the performance in the future. The contents of this document are only for information purpose. The contents of this literature should not be considered as an advertisement and are not an offer for sale or solicitation for investments in the Strategies. Kindly refer to page 20 for risk factors & disclaimers.

ICICI PRUDENTIAL ALTERNATE INVESTMENTS

# Outlook 2026

## Contents


**Foreword** 03
Nimesh Shah - MD & CEO

**Long-only Equity**
**Execution Over Narratives** 04
Anand Shah – CIO – PMS & AIF

**Private Credit**
**Navigating Growth Through Discipline** 09
Shekhar Daga - Head – Private Capital

**Real Estate**
**Shifting Trends And Evolving Opportunities** 13
Rohit Rathi – Principal – Real Estate
Vishal Gupta – Principal – Real Estate

**Long-short Equity**
**Managing Market Dynamics Through Strategic Offerings** 17
Paul Parampreet – Sr. Fund Manager AIF

**Concluding Remarks** 19
Sharzad Sethna - Head Sales – Alternate Investments & PCG Business Development

# From the Desk of the MD & CEO



**NIMESH SHAH**
MD & CEO

Dear Valued Investors,

The alternate investments market in India has evolved significantly over the past decade. It has moved from a niche offering into a key allocation in portfolios. An allocation that is keenly considered by institutional and affluent investors to create a balanced portfolio.

At ICICI Prudential Asset Management Company Ltd (AMC), our alternates business unit is built around delivering distinctive offerings. This distinction matters when investor needs drive your offerings. They are not just looking for another investment option; they are searching for expert guidance on how alternate investments can address specific financial objectives—whether that is generating income through private credit, adding diversification through real estate exposure, or accessing market opportunities through distinctive equity strategies.

We believe the strength of our alternate business lies in its institutional setup: a combination of deep domain expertise, robust research and risk-management infrastructure. This integrated foundation ensures we can design strategies that serve investor needs. Over the past several years, we have created structured investment processes and a collaborative environment where multiple teams can work together, with an aim to improve investment outcomes. This institutional capability has allowed us to develop a wide line-up of alternate offerings.

In equities, we recognize that no single investment approach serves all investors equally. We have designed our equity offerings to cater to this diversity. The aim is to build resilient portfolios through our institutionalized investment processes.

Under private credit and real estate, we have assembled teams with specialized expertise in credit assessment, asset evaluation, and risk mitigation. These are carefully constructed strategies managed by professionals who understand the intricacies of Indian private credit markets and the dynamics of real estate in India.

What ties all of these offerings together is a common thread: institutional excellence with an aim to provide favourable investor outcomes. Whether an investor chooses an equity strategy, a private credit fund, or a commercial real estate fund, they are not simply purchasing an investment product, they are gaining access to the full institutional capabilities of the AMC—our research depth, our risk discipline, our market insights, and our unwavering commitment to generate long-term value.

As we look forward to 2026, we believe the investment landscape will be shaped less by headlines and narratives, and more by the fundamental process and framework that guides our decision-making. Markets may continue to surprise; themes will come and go; volatility will test not only our convictions, but patience. We believe, if we stay true to our core principles, we will be able to navigate these complexities and deliver a meaningful experience to our investors.

This year's outlook brings together perspectives across the full spectrum of our alternatives platform, spanning listed equities, private credit, real estate and long-short strategies.

I am proud of the institutional backbone and solution-oriented mindset that define our Alternates business. I look forward to another year of helping investors achieve their financial goals through well-crafted offerings.

May the year 2026 bring you personal success and renewed optimism for the journey ahead.

Regards,
Nimesh

# Execution Over Narratives: Time for Micro Over Macro



**ANAND SHAH**
CIO - PMS & AIF

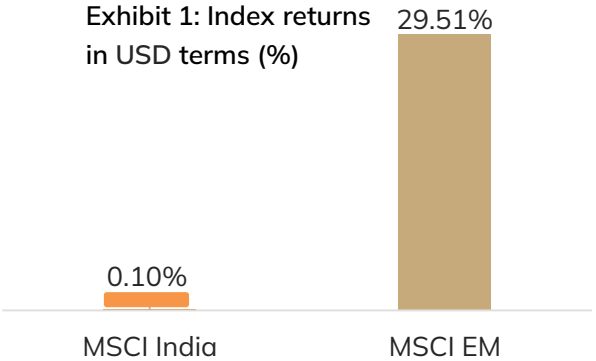
## The Year Gone By...

In our annual outlook for CY2025, titled "Resetting One's Expectations", we estimated a ~10% earnings growth for India Inc., which is broadly in-line with nominal GDP growth. While the year panned out similarly, the factors driving it had a few imponderables than what we envisaged. Some positive changes emerged, notably in the form of (a) fiscal policy support through lower direct taxes, as well as GST rate rationalization; and (b) adequate liquidity and monetary support by the Reserve Bank of India (RBI). These positives were partially offset by (a) the sudden escalations with the neighboring country, and (b) the uncertain turn in trade relations between India & US.

The above factors, combined with elevated valuations, resulted in a relatively tepid year for key indices. Consequently, over the last one year (as of Nov'25), the MSCI India Index registered a return of 0.10% (in USD terms) as against the broader MSCI Emerging Markets index registering a return of 29.51% (in USD terms). The Indian index lagged by nearly 29 percentage points this year – marking its largest underperformance in the last two decades. The underperformance may also be attributed to an absence of AI-related businesses within the country. Foreign investors withdrew approximately USD 17 billion **(refer Exhibit 4)** in current year (till Dec'25) and nearly USD 27 billion between the highs of Sept'24 and Dec'25, accounting for one of the weakest equity markets this year, amongst the large emerging economies[1].

**MSCI Emerging Markets Index outperformed MSCI India Index by nearly 29% in CY2025**

Exhibit 1: Index returns in USD terms (%)




MSCI India Index Factsheet Nov 28, 2025
EM – Emerging Markets

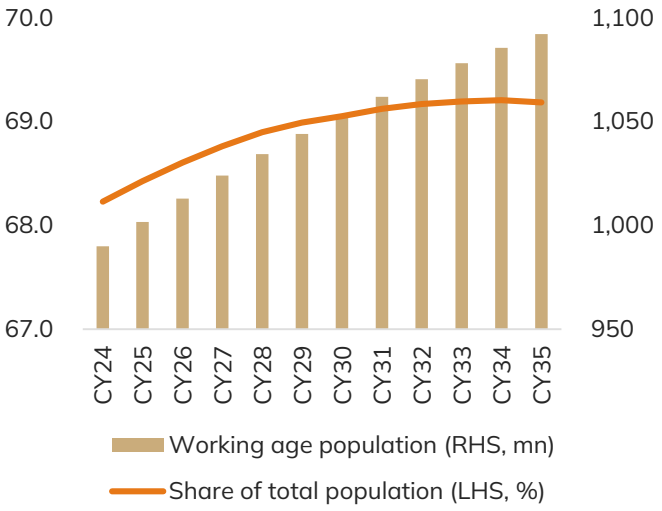
[1]As on Dec 26, 2025, Source – Kotak Institutional Equities – India Strategy | Past performance may or may not sustain in future.

## Balanced Macros for 2026

As we head into the second quarter of this century, India's economy appears to be in a good shape.

(a) The demographic dividend, with a large working age population entering the workforce, positions India favourably to most other economies that are facing ageing populations[1].

**Exhibit 2: India Working Age Population**

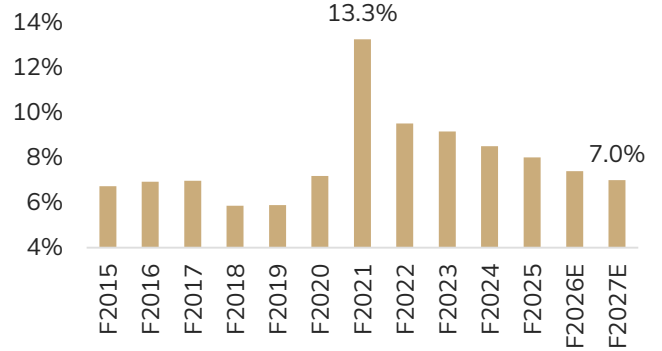



Source - Kotak Institutional Equities, UN Population Division

(b) The country's three fundamental pillars - legislative, judiciary and executive – continue to function with checks and balances, ensuring accountability and a functioning democracy.

(c) The fiscal stance of the Government is on a consolidation path and heading in the right direction. The external trade position is also reasonably balanced, with services exports and remittances contributing positively to flows, while the trade balance remains marginally negative.

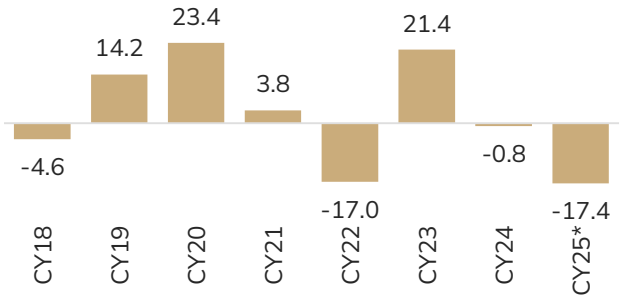
**Exhibit 3: Consolidated Fiscal Deficit (% of GDP)**




Source – Morgan Stanley Research Estimates, CEIC, RBI, Budget Documents
[1]EY – Economy Watch – Monitoring India's macro fiscal performance

(d) Capital flows from overseas investors has been lower than history, but given the growth setup, it has potential to attract foreign net inflows:

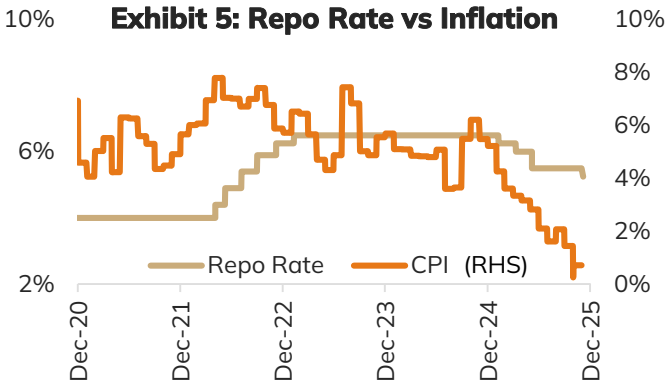
**Exhibit 4: Net FII Flows (USD bn)**




Source – Kotak Institutional Equities – India Strategy | *as of 26th Dec 2025

(e) Inflation and monetary policy setup is conducive for growth;

**Exhibit 5: Repo Rate vs Inflation**




Source – Reserve Bank of India, Monthly bulletins

(f) Corporate balance sheets are in better shape, which is encouraging as well. Between FY19 and FY25, the operating cash flows, PAT and investing cash flows have grown at a CAGR of 18%,15% and 14% respectively as against the single digit growth in the FY12 to FY19 period.

### Potential Catalysts for Growth

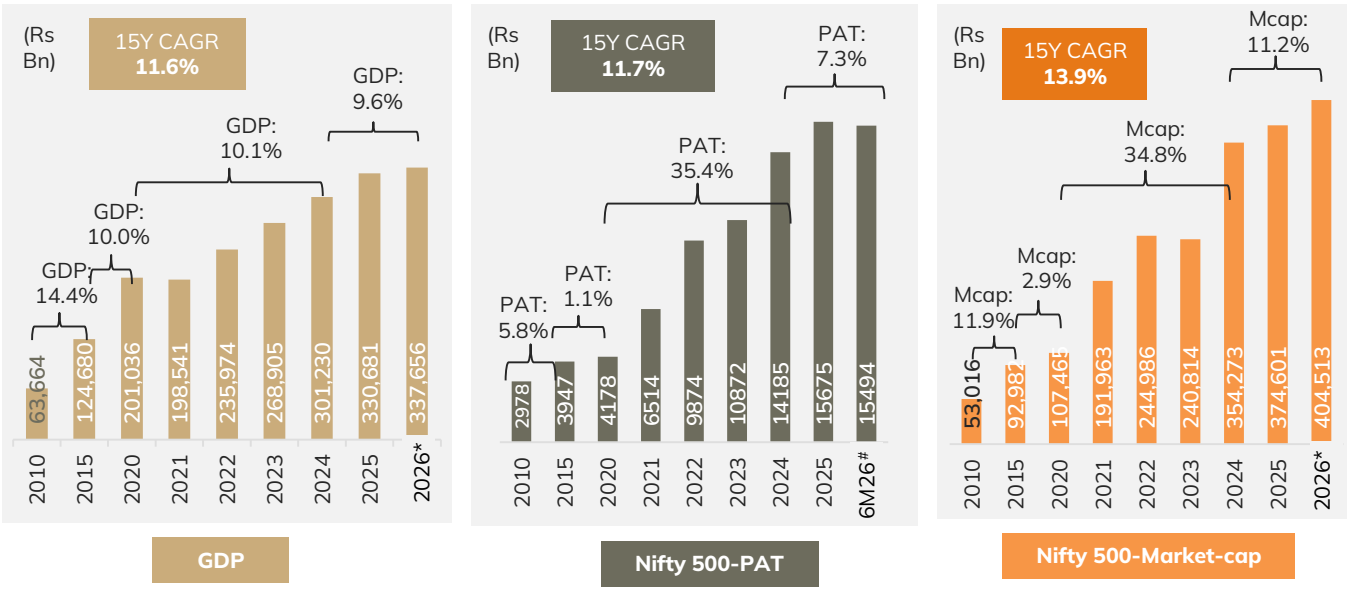
Given this backdrop, we see a case for the Indian economy to grow at a higher pace, with inflation also normalizing from previously subdued levels. What could act as a catalyst is the improvement in geopolitics and the trade relations between India and its major trading partners (US, China, Europe etc.). These factors have the potential to improve sentiment and can position India favorably in new supply chains that are emerging. The lagged effects of recent fiscal and monetary policy measures — these typically unfold over time and may begin to surface in CY2026.

## Way Forward: From Macros to Micro

**GDP growth expected to drive earnings**

At the macroeconomic level, an improved nominal GDP environment is anticipated, with consensus estimates projecting nominal GDP growth of 10.5% - 11% by 2027, compared to ~9% this year. An improving nominal growth backdrop, is expected to positively impact corporate revenues and earnings. Currently, earnings growth remains below nominal GDP growth, indicating potential for upward movement in the cycle. Factors such as the emergence of a private capital expenditure cycle, the re-leveraging of corporate balance sheets, a strong banking system, improved terms of trade—characterized by a greater share in global trade and a reduced reliance on oil in GDP—and a structural increase in consumption could all contribute to a revival in earnings. Additionally, rising capital expenditure is expected to be beneficial for corporate profit margins.

**Exhibit 6: GDP, Earnings and Markets**




Source: Motilal Oswal Financial Services Ltd, India Strategy Report – Sep 2025. Years mentioned above denotes Financial Year end. Past performance may or may not be sustained in future and is no guarantee of future results. | PAT – Profit after Tax, CAGR – Compounded Annual Growth Rate. | 15 year CAGR returns mentioned above are calculated for the period 2010 to 2025. *as on 30th Sep 2025. #Six months ended Sep 2025

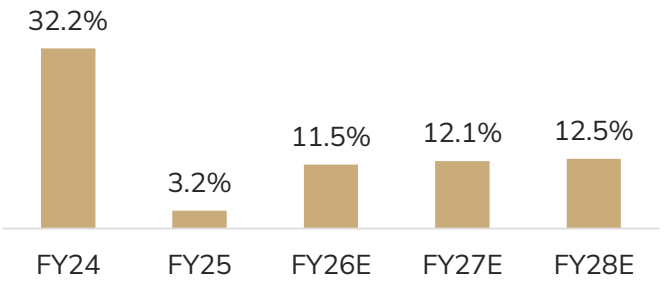
**Broad-based Earnings Revival**

Earnings per share (EPS) revisions across large, mid, and small-cap indices have stabilized over the past three months, with some upgrades beginning to emerge in specific areas. The recent earnings reporting season showed improvement relative to low consensus expectations, with NSE 500 Q2 FY26 profits exceeding expectations with a year-on-year growth of about 15%[1]. This positive trend was primarily led by the commodities and non-financial sectors.

Looking forward, the MSCI India EPS growth is anticipated to rise from 3% in FY25 and remain within the range of 11.5% to 12.5% over the following two years.

**With EPS revisions stabilizing across market caps, some upgrades are beginning to emerge**

**Exhibit 7: MSCI India EPS Growth (YoY %)**




[1]Source: Motilal Oswal – India Strategy Nov 2025

Source: Morgan Stanley Research, RIMES, MSCI, IBES Estimates

**Indian Equity markets entering a phase where bottom-up selection will be critical...**

Equities remain the asset of choice for investors seeking higher risk-return profiles, but historical evidence shows that patient and long-term investors tend to achieve better outcomes. Further, our research also shows that disciplined, bottom-up stock selection has the potential to improve performance.

**Exhibit 8: Return dispersion on a rolling basis over a 5-year period**

| 5 Year CAGR | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| >15% | 196 | 306 | 328 | 292 | 114 | 125 | 209 | 109 | 335 | 385 | 289 |
| 0-15% | 145 | 131 | 122 | 140 | 172 | 174 | 164 | 185 | 95 | 97 | 155 |
| -15% to 0 | 110 | 46 | 41 | 51 | 152 | 141 | 106 | 162 | 38 | 16 | 53 |
| <-15% | 49 | 17 | 9 | 17 | 62 | 60 | 21 | 44 | 32 | 2 | 3 |
| Nifty 500 Return | **6%** | **14%** | **15%** | **13%** | **8%** | **11%** | **17%** | **10%** | **26%** | **18%** | **16%** |

*Data for 2025 mentioned above is as of 26th Dec 2025 | Source for index data: NSE (www.nseindia.com); | Data from December 31, 2015 to December 26, 2025 | Past Performance may or may not sustain in future

**More Bottom-up from hereon**

PHASE-I of the market, spanning from April 2010 to March 2020, was characterized by a significant rally in consumption-oriented sectors, including IT, healthcare, and financial services. During this period, B2B and capital expenditure-intensive sectors struggled to gain momentum. In PHASE-II, B2B, manufacturing, and related businesses outperformed the market, while IT, consumer durables, and FMCG companies faced challenges.

Going forward, we believe that sector shifts, trend changes, or large themes may not be the primary drivers of portfolio decisions. Instead, a bottom-up approach focused on individual company fundamentals is expected to dominate investment strategy.

**Bottom-up approach, focused on individual company fundamentals is expected to dominate investment strategy**

**Exhibit 9: Market Phases**

| Index | PHASE-I Apr-2010 to Mar-2020 | PHASE-II Apr-2020 to Dec-2025 |
|---|---|---|
| **Nifty 100** | 5% | 21% |
| **Nifty Midcap 150** | 7% | 32% |
| **Nifty Smallcap 250** | 2% | 33% |
| **Nifty 500** | 5% | 24% |
| **Sector** | | |
| Metals & Mining | -9% | 43% |
| Power | -4% | 33% |
| Capital Goods | -1% | 39% |
| Services | -9% | 37% |
| Realty | -1% | 35% |
| Construction | 0% | 32% |
| Construction Materials | 11% | 24% |
| Oil, Gas & Consumable Fuels | 3% | 21% |
| Automobile and Auto Component | 8% | 33% |
| **B2B** | **0%** | **30%** |
| Telecommunication | 5% | 35% |
| Financial Services | 10% | 28% |
| Consumer Services | 15% | 34% |
| Fast Moving Consumer Goods | 17% | 11% |
| Consumer Durables | 23% | 15% |
| **Consumer-oriented** | **13%** | **23%** |
| Information Technology | 10% | 16% |
| Healthcare | 11% | 23% |
| Chemicals | 16% | 25% |
| Textiles | 19% | 26% |
| **Exports** | **11%** | **19%** |

Source: www.bseindia.com, www.nseindia.com , | Data as on Dec 30, 2025 | Past performance may or may not be sustained in future and is no guarantee of future results. These stocks / sectors may or may not form part of the portfolio in future and should not be construed as an investment advice or a forecast of their expected future performance.

## Our Investment Discipline

In constructing portfolios, our investment framework—**Business-Management-Valuation (BMV)**—remains the guiding principle for buy and sell decisions. Under the Business filter, we aim to focus on selecting companies that possess competitive advantages, wider moats and are growing at a faster rate than their industry, which in turn is expected to outpace nominal GDP growth. In terms of Management, we aim to prioritize businesses with a healthy track record in corporate governance (including ESG considerations). We also aim to pay close attention to management's decisions regarding capital allocation and their strategies for increasing market share, as these are crucial for driving growth.

Regarding valuations we remain cautious about the price we are willing to pay. Cash flow is central to our assessment of a company's value, which includes considerations of intrinsic value, discounted cash flow (DCF), dividend yield, and operating cash yield etc. We recognize that valuations should correspond to the growth drivers and aims to offer sufficient margin of safety.

**BMV Framework: Our Framework to Bottom-up Stock Selection**




**Aims to Identify Prominent businesses, with Competent Management, at Reasonable Valuations**

In addition to the BMV framework, we also employ a Quantitative model for few of our strategies. The Quantitative model aids in mitigating emotional biases and adopts a data-driven approach to identify potential companies. Following the initial selection process using the Quantitative model, the shortlisted companies are further evaluated using the BMV framework. The result is investment processes that tend to be better equipped to navigate diverse market regimes.

## To Conclude...

As we look ahead to 2026, the broader macro environment for Indian equities appears stable. Corporate balance sheets are healthier, and early signs of an earnings recovery are becoming more visible across sectors. However, after an extended market cycle and a rerating across many parts of the market, much of this macro and earnings optimism is already reflected in valuations. In this context, broad-based, index-led returns are likely to be more measured going ahead.

As Indian equities transition into a more mature phase of the market cycle, the opportunity set remains attractive, but outcomes are likely to be driven by informed stock selection rather than narratives. **We believe going ahead, execution is likely to trump narratives, and disciplined micro research is likely to outweigh broad macro views.**

Please note that BMV framework mentioned above is developed in house and only indicative in nature. The strategies offered by the Portfolio Manager may or may not follow the above framework at all times. The framework is developed in order to select the right companies through a filtration process and endeavor the strategy to attain their investment objective. These models are based on various broad market parameters prevalent in the market and are dynamic in nature. The aforesaid factors/framework are only indicative. There may be other factors that may be relevant for identification/selection of stock depending upon the varied market conditions.

# Private Credit:
# Navigating Growth Through Discipline



**SHEKHAR DAGA**
HEAD – PRIVATE CAPITAL

Private credit continues to be one of the fastest-growing segments within global private markets, with assets under management now estimated at over USD 1.5–2.0 trillion globally and projected to approach USD 3 trillion over the next few years . This growth has been driven by a sustained retreat of traditional banks from certain segments of corporate lending, increasing demand for flexible capital structures, and investors' preference for income-oriented strategies.

India's private credit market, while still at a relatively early stage of development, has scaled meaningfully over the past five years. Estimated assets under management of the private credit market stands at approximately USD 25 billion[1], with the market expected to expand steadily as institutional participation deepens. Private Credit deal activity in India has accelerated sharply, supported by improving corporate balance sheets, refinancing demand from earlier vintages, and increasing acceptance of private credit as a core financing offering rather than a niche alternative.

**India vs Global Markets**

The evolution of private credit in India mirrors global markets in one important respect: in both cases, the asset class gained prominence following periods of financial stress. In the US, the Global Financial Crisis (GFC) of 2008 marked a turning point, as regulatory tightening led banks to withdraw from corporate lending. Private credit stepped in to fill this structural gap, eventually becoming a permanent and scaled component of the credit ecosystem.

**USA: Post-GFC**

- Banks pulled back due to regulatory norms
  - Pull back was broad-based
- Private credit stepped in
  - Customized structuring and faster execution
- Permanent asset-class expansion

Market/Macro Event
↓
Banks Retreat & Tighten Credit
↓
Liquidity Gap for Borrowers
↓
Private Credit Steps in

**India: Post-2018**

- Crisis was liquidity driven, not a credit-quality collapse
- Indiscriminate risk aversion by traditional lenders
- Private Credit funds filled in this market gap
- Savers became investors, driving demand for Cat-II AIFs

[1]Source – PWC – Tapping Private Credit Opportunities in India. Data as of March 2025 | NBFC – Non-Banking Financial Companies

India's inflection point came a decade later, following the 2018–2019 NBFC liquidity crisis. While the crisis was liquidity-driven rather than a broad-based credit collapse, it resulted in indiscriminate risk aversion by banks and NBFCs alike. This created financing gaps even for fundamentally sound borrowers, particularly in the mid-market, paving the way for the emergence of private credit as a viable, institutional solution.
However, while the origins may be similar, the two markets today look materially different.

### How India Is Different Today

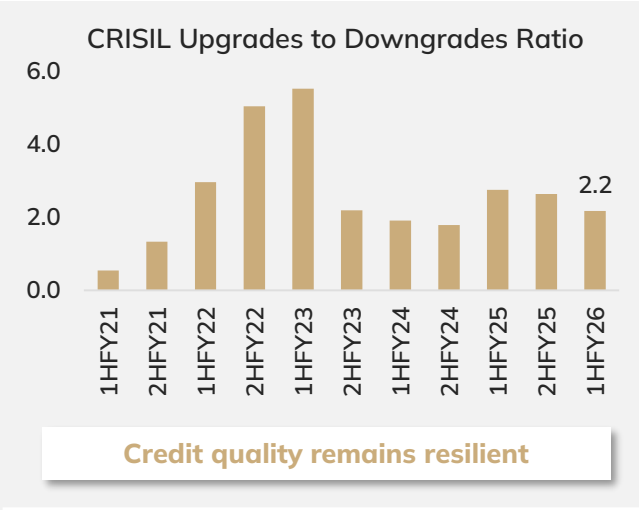
In developed markets, private credit has expanded across the risk spectrum—from senior secured lending to unitranche, leveraged buyouts, and opportunistic credit. This breadth has also introduced greater dispersion in outcomes, with rising default activity in certain segments as leverage increased and underwriting standards softened in parts of the market.

By contrast, Indian private credit remains a more conservative and asset-backed market. Deal structures typically emphasize tangible collateral, promoter alignment, and cash-flow visibility. Exposure to highly leveraged transactions remains limited, and the asset class has, so far, exhibited lower default volatility relative to global peers.

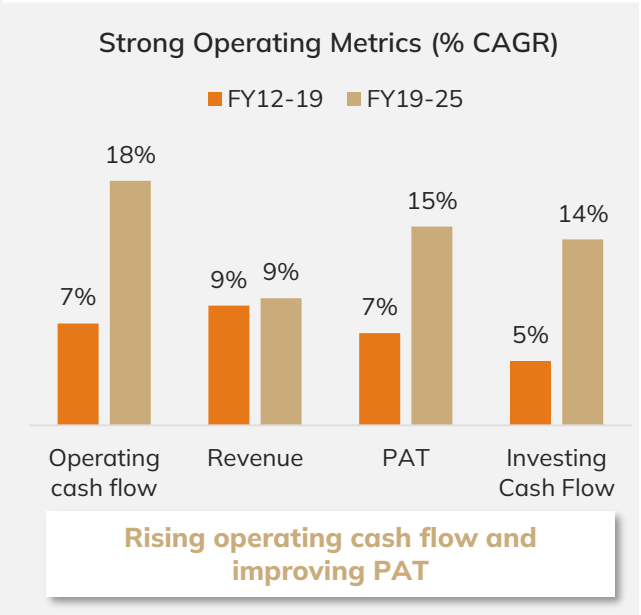
This difference is underpinned by the broader health of Corporate India. Over the past few years, Indian corporates have seen an improvement in financial health, which is fueling the demand for capital. Companies have deleveraged meaningfully, operating cash flows have improved, and balance sheets seem to be improving across most sectors. The continued strengthening of the Insolvency and Bankruptcy Code (IBC) has also enhanced recovery visibility and reinforced borrower discipline—a significant reassurance for investors.

**Private credit in India remains an asset-backed market where deal structures typically emphasize tangible collateral, promoter alignment, and cash-flow visibility**

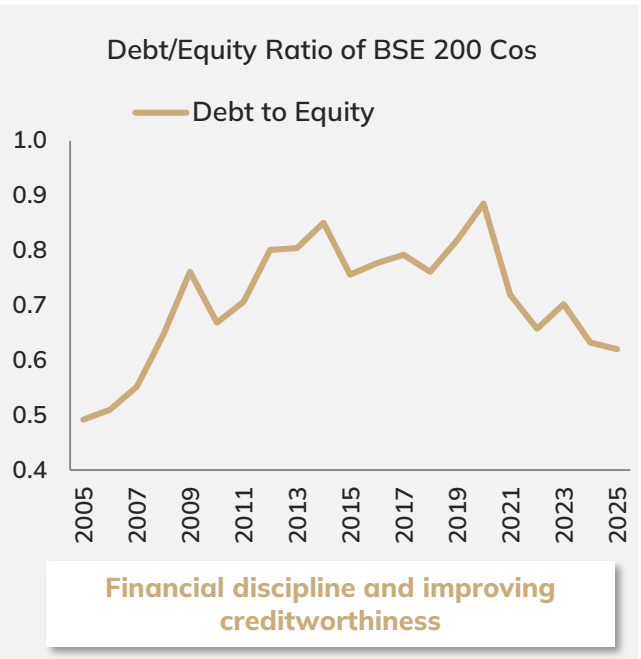
**India Inc.'s Resilience Fueling Confidence in Private Credit**




Credit quality remains resilient




Rising operating cash flow and improving PAT



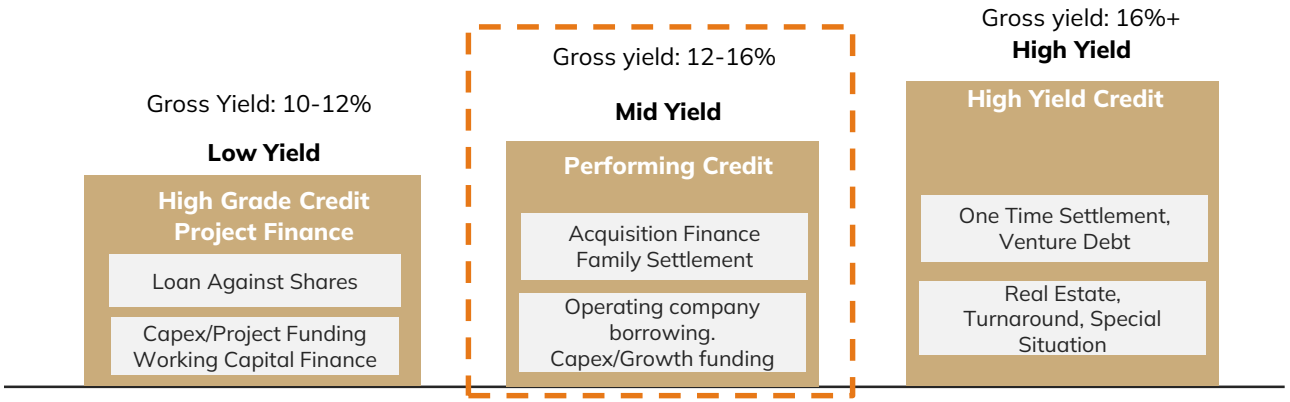

Financial discipline and improving creditworthiness

Source - CRISIL, Morgan Stanley Research, Axis Capital – India Strategy – Jun.'25, BSE 200 (ex-financials) | Data as of June 2025.
Years mentioned above denotes Financial Year end.

## India's Credit Spectrum: Where We See Opportunity

The private credit opportunity in India is best viewed as a spectrum, rather than a one-size-fits-all strategy. At the lower end of the risk spectrum lies high-grade, collateral-rich structures such as loan-against-shares and secured corporate lending, typically offering modest yields with downside protection. At the other extreme end are opportunistic and distressed strategies, including turnaround situations and one-time settlements, which offer higher returns but carry execution and recovery risks.

We believe the most compelling risk-adjusted opportunities lie in the performing credit segment—supporting growth capital, acquisitions, and refinancing for cash-flow-positive businesses with tangible asset cover and clearly defined exit paths. This segment benefits from structural demand, disciplined pricing, and the ability to generate better yields without relying on stressed or distressed outcomes.




Source: The information above is based on internal data, publicly available information and other sources believed to be reliable. | Past performance may or may not be sustained in future. No assurance or guarantee of any return is being provided. The Security(s)/Sector(s) mentioned in this material do not constitute any recommendation of the same and the AMC may or may not have any future positions in these Security(s)/Sector(s) | The yields mentioned above is the gross yield and there is no guarantee or assurance that the same would be achieved. It would vary based on various market factors and adherence to the contractual obligations.

## Our Approach and Positioning

Our private credit strategy is built on a disciplined, institutionally driven underwriting framework. Promoter quality, governance standards, and business durability form the starting point of our evaluation. We aim to focus on transactions with transparent cash flows, hard collateral cover, and well-structured covenants, supported by active monitoring throughout the investment life.

Equally important is what we avoid. We aim to remain cautious on greenfield projects, asset-light business models with volatile working capital requirements, and sectors where recovery visibility is opaque.




The Stock(s)/Sector(s) mentioned in this material do not constitute any recommendation of the same and the portfolios/Scheme may or may not have any future positions in these Stock(s)/Sector(s). MFI – Micro Finance Institution; EPC – Engineering, Procurement & Construction. The aforesaid process is only indicative, there may be other factors considered for investment.

Our preference is primarily for established businesses in traditional sectors, where risk can be assessed, structured, and monitored with greater confidence.

Over time, this approach has enabled us to build a diversified private credit portfolio across sectors such as infrastructure-linked businesses, manufacturing, real estate, logistics, and select services—while maintaining steadiness in outcomes rather than chasing headline yields.

**Flavor of Deals**

Understanding what the capital is used for explains where returns are anchored and where risk lies. Three end-use buckets capture the majority of private credit deployments for the AMC.

| | | |
|---|---|---|
| 40% | Capex / New Business Initiatives | • New business ventures<br>• Capex for capacity addition/new project<br>• Equity investment in subsidiaries/JV companies<br>• Growth finance |
| 40% | Share acquisition | • Family Settlements<br>• Take out of private equity investors<br>• Secondary market acquisition<br>• Consolidation of shareholding |
| 20% | Cash-flow Alignment | • Repayment of identified debt<br>• Finance for general corporate purpose |

These category weightings reflect the market's current appetite for performing, cash-flow-backed credit while leaving room for transactional and opportunistic trades that command higher yields.

**Looking Ahead**

As we move into 2026, we believe India's private credit market is entering a phase of measured institutionalization. Deal flow is expected to remain robust. Outbound Merger & Acquisition activity by Indian companies is expected to remain steady through 2026, supported by improving balance sheets and improved access to capital. As private equity investments are maturing, exits, recapitalisations, and acquisition financing are expected to become key end-use for private credit capital going ahead.

Crucially, we believe that private credit in India is not about taking outsized risks or exploiting dislocations—it is about recognising quality when markets fail to price it efficiently, and providing structured capital that aligns investor protection with borrower needs.

For investors, private credit should increasingly be viewed as a core income allocation within a diversified portfolio—offering comparatively stable returns, downside protection, and low correlation with public markets—rather than a cyclical or opportunistic allocation.

The Stock(s)/Sector(s) mentioned in this material do not constitute any recommendation of the same and the portfolios/Scheme may or may not have any future positions in these Stock(s)/Sector(s).

# Real Estate:
# Shifting Trends and Evolving Opportunities





**ROHIT RATHI**
Principal – Real Estate

**VISHAL GUPTA**
Principal – Real Estate

India's real estate market is entering 2026 on a firmer footing than at any point in the last decade. 2025 was marked by disciplined supply, sustained end-user demand and rising institutional participation, which has collectively reduced cyclicality and enhanced return visibility. For long-term investors, real estate today offers a differentiated blend of income stability and selective capital appreciation.

The macroeconomic stability, coupled with declining inflation and supportive monetary policies, has continued to foster growth in the real estate sector, creating opportunities and attracting institutional capital. Significant regulatory reforms such as The Real Estate (Regulation and Development) Act, 2016 (RERA), have greatly improved transparency, boosted investor confidence, and enhanced operational efficiency.

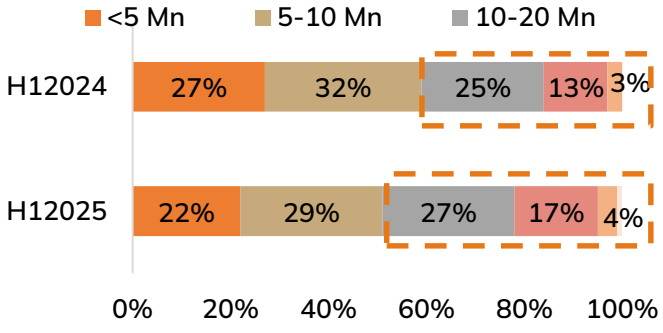
With rising urbanization, digital transformation, and a focus on sustainable construction, the Real Estate sector appears to be well-positioned to drive long-term economic growth and support India's vision for inclusive urban development. To meet the funding gap, Alternative Investment Funds (AIFs) have emerged as an important funding source in the sector in recent years. As of June 2025, of the total ₹5,722 bn investments made across all the AIF categories, around 12% of investments were focused on real estate.[1]

On the back of the above tailwinds, the Indian real estate sector has steadily grown into a significant contributor to Indian economy, with a market size close USD 0.6 tn, accounting for 6–8% of the GDP and is inching towards a USD 1 tn market size expected to contribute 12-14% in the GDP by the year 2030.[1]

## Shifting trends in Residential segment

The residential market has gradually transitioned towards higher price points over the past few years. In CY H1 2018, units priced below ₹5Mn represented 54% of total market sales, which has now dropped to just 22%. The severe mobility restrictions during the pandemic created a demand for personal space and lifestyle amenities, a trend that persists even today in making a housing choice. Notably, the proportion of units priced over ₹10 Mn has increased significantly, rising from 16% in CY H1 2018 to 49% in CY H1 2025.

**Increasing Demand in > ₹ 10 Mn segment**




[1]Colliers – Real Estate @2047 | CY – Calendar Year

Source – Knight Frank – India Real Estate – H12025

The launches and sales under residential segment for CY H1 2025 have stayed in line with the CY H1 2024 levels at around 1.79 lakh units and 1.70 lakh units respectively. The market continues to experience a steady growth, although trends differed across various price segments. Affordable housing saw mixed results while luxury housing (above ₹10 Mn) surged, driven by higher income and evolving lifestyle choices.

Overall in the past few years, there has been some unsold inventory stock pan India as supply levels have exceeded sales. While the rising inventory may appear concerning when considered in isolation, it is essential to evaluate them alongside sales velocity to gain a clearer understanding of market health. Over the past year, the Quarter to Sell (QTS)[1] level for the eight markets[2] has remained at 5.8 quarters (less than 18 months), despite the increase in inventory levels, suggesting that the market maintains stable fundamentals even with rising inventory.




**New Micro markets fueled by infrastructure improvement –**
New micro markets are believed to be emerging due to enhanced connectivity and accessibility from improved transportation infrastructure. The influx of job opportunities in nearby commercial hubs attracts professionals, while better amenities contribute to an improved quality of life. As demand increases, property values in these areas appreciate, making them appealing investment opportunities and transforming previously overlooked neighborhoods into sought-after residential destinations.

## Emerging Trends in Residential Real Estate

**Pick up in redevelopment projects -** In the coming decades, improving technologies, sustainable designs, and innovative living solutions would help improve housing standards. Cities like Mumbai, could witness large-scale redevelopment projects in-city prime locations supported by future ready Floor Space Index (FSI) norms, Transferrable Development Rights (TDR) and zoning regulations. Collaborative efforts between government and real estate stakeholders would be crucial in mitigating the demand-supply gap in residential real estate.

**Rise of gated community -** Gated communities are designed to provide residents with a secure living environment, featuring 24/7 security that ensures safety and peace of mind. With modern infrastructure that includes well-planned layouts, and advanced technology, gated communities also emphasize exclusivity, appealing to those seeking a premium lifestyle that combines comfort, convenience, and security.

Source: Prop Equity Residential – Tier 1 Cities. Data as of Dec 2024 | [2] Mumbai, NCR, Bengaluru, Pune, Hyderabad, Ahmedabad, Chennai, Kolkata

## Going Forward

The outlook for the residential segment remains positive, driven by increased financing options, stamp duty exemptions, and other incentives. The reduction in interest rates and the Cash Reserve Ratio (CRR) in the first half of 2025 has boosted liquidity in the Indian financial market, facilitating lending and lowering borrowing costs. This liquidity surge is expected to stimulate credit growth, benefiting both developers and urban homebuyers, and supporting the overall real estate market.

On the Real Estate investments front, investor participation is likely to deepen with innovative investment structures through AIFs. Investing through residential AIFs offers several advantages, which may include partnerships with established developers, access to institutional-grade capital, and assurance of timely project delivery. AIFs are also undertaking redevelopment projects with renowned developers opening access to locations and space.

The investors benefit from pre-identified and vetted projects, clear exit pathways, and robust governance standards offered by AIFs, making it a secure and strategic investment option in the real estate sector.

[1]The Quarters to Sell (QTS) metric determines the number of quarters needed for the market to deplete existing inventory at the sales velocity observed over the past eight quarters. Typically, a lower QTS indicates stronger sales momentum and healthier market conditions. Mumbai, NCR, Bengaluru, Pune, Hyderabad, Ahmedabad, Chennai, Kolkata

## Commercial Real Estate's Sustained Momentum

India's commercial real estate sector has emerged as a catalyst for economic growth and a reflection of the nation's evolving economic environment. Driven by technological advancements, the sector has developed into a multifaceted ecosystem that includes Office spaces, Retail, Industrial and Warehousing facilities, Global Capability Centres and Data Centres.

**Office**

Core Assets

- Yield play: Income generating asset
- Development play: Grade 'A' Office assets

**Typical Gross IRR ~16% - 20%**

- 15% annual growth in office leasing
- Avg. Rental Growth of ~3%-5% in last 5 years

While India's office segment stays robust with market stock now at 992.8 Mn Sq ft[1]. , it is expected to cross the 1 bn sq ft. milestone soon . The Data Centres have emerged as the fasted growing commercial segment. Additionally, India stands out as one of the most promising growth hub for Global Capability Centres (GCC) in the world today. The skilled workforce and cost advantages are proving to be of great benefit in building a strong GCC market. Initially concentrated on back-office operations, these centres are now led strategically to provide high-value in research and development and AI-driven services.

In the CY H12025, the Indian office market gained significant momentum, surpassing the benchmarks established in 2024, which was already a standout year. The growing influence of GCCs and the consistent recovery of Third Party IT Services are strong tailwinds that will likely continue to benefit the market.

Post Covid-19 pandemic, India has distinguished itself as an outlier in the global office market landscape. While many international markets experienced contraction and extended uncertainty, India's office sector exhibited remarkable resilience.
The declining vacancy rates are a testament to the momentum in the office market.

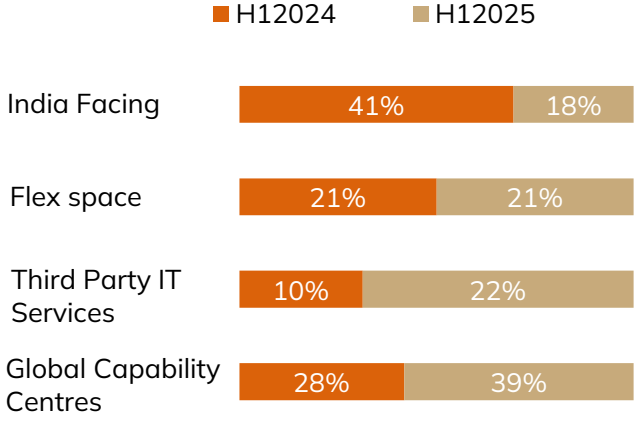
Moreover, leasing activity has not only recovered but has also reached historic highs, driven by ongoing growth from Global Capability Centres (GCCs), technology companies, Banking, Financial Service and Insurance institutions, and flexible workspace providers. However, this robust demand recovery has not been accompanied by a corresponding increase in new supply, further exacerbating the pressure on existing inventory.

**Emerging Trends in the Commercial Real Estate**

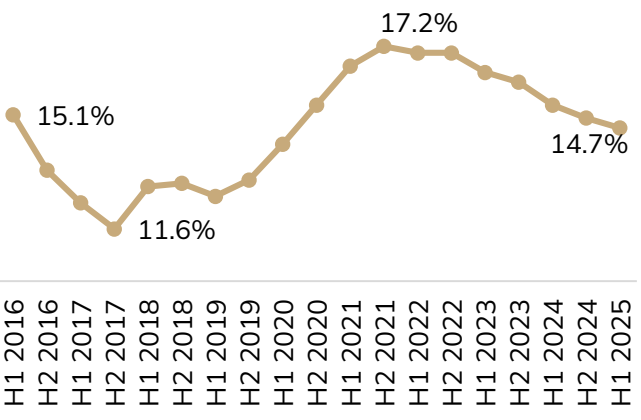
**GCC – Demand engine -** Demand from GCCs is expected to become more diversified, extending beyond the technology firms. Significant increase in demand is expected from global financial services, engineering and manufacturing, as well as healthcare companies. GCC leasing likely to reach 30-35 mn sq ft in 2026, accounting 40-50% of the Grade A office space demand.[2]

**Data centres – an opportunity to invest in AI** – Data centres have transitioned from a niche focus to a major infrastructure opportunity, driven by AI

**End – Use Split of Transactions in Commercial segment**




**India Office Market Vacancy**




[1]Knight Frank – India Real Estate - H12025 |[2] Colliers – India Real Estate 2026

Source: JLL Research 2025 Office/Retail – top 6 Cities. Data as of Dec 2024

advancements, cloud migrations, and regulatory support. With the AI market expected to grow from over USD 9 bn to USD 500 bn, Indian cities are emerging as key hubs for AI-driven data centres. Increasing data consumption, better internet access, and the rise of AI and cloud technologies are fueling demand for co-location facilities. Government initiatives like the India-AI Mission and the rollout of 5G are further accelerating the development of AI-ready infrastructure and smart data cities.

**Fulfillment centres and Retail demand** – Organized logistics and last-mile micro-fulfillment are key outcomes of India's consumption growth. Trends in retail leasing and the expansion of organized retail also drives the need for higher-quality distribution and omni-channel retail formats. Rising per capita income and consumer confidence, driven by increased employment opportunities, are boosting consumption and investments across various sectors.

**Going Forward**

The Indian office market is on a robust trajectory, supported by a strong pipeline of deal activity which is likely to elevate leasing volumes to unprecedented levels. In GCCs, at the sector level, the significant rebound in third-party tech activity is boosting India's tech outsourcing sector, particularly with a focus on AI and other advanced technology solutions. The demand from international banking and financial services for offshore operational centres, along with the dynamic growth in the manufacturing sector driven by strategic policy initiatives, is also crucial for the market's future growth potential. Commercial real estate in India is characterized not only by cost advantages but also by its emergence as a strategic hub for innovative ideas, fueled by a rich talent pool.

Pre-leased commercial properties represent a compelling risk-adjusted investment opportunity, delivering returns through a combination of rental income and capital appreciation.

This space has attracted investments from AIFs as well, that are transforming physical property ownership into financial products, allowing for better diversification across locations and types of assets.

Investments by AIFs led commercial Real Estate offer yield based as well as development based investment options. The yield based asset helps in generating a consistent income while the development based investment seeks to generate a capital gain over a period of time.

**Well-structured real estate AIFs tend to meet this demand by combining tangible asset backing with robust institutional risk management**

**Why invest through Real Estate AIFs?**

AIFs address three critical challenges for HNI investors. First, they aggregate capital enabling participation in commercial properties and premium residential developments with ticket sizes of ₹1-5 crore versus ₹100-500 crore required for direct ownership.

Second, they provide geographic diversification across multiple cities and micro-markets, reducing concentration risk—a professional fund manager can identify opportunities in Bangalore, Hyderabad, or Chennai that individual investors lack expertise to evaluate.

Third, AIFs generally offer professional asset management, tenant relationships, and exit liquidity through institutional buyers (Real Estate Investmemt Trusts (REITs), global funds, insurance companies) unavailable to individual owners.

We expect continued shift toward AIFs as investors recognize superior risk-adjusted returns, elimination of operational hassles, transparency through SEBI regulation, and access to blended finance models. The sector's transition to being more organized, through RERA, improved data availability, and emerging small-medium REIT structures is likely to further accelerate this transition.

**ICICI Prudential AMC: Institutional Expertise**

ICICI Prudential AMC Ltd (the 'AMC') brings several critical capabilities to the table. Data availability is paramount—each micro-market in India has unique characteristics, and the AMC has access to comprehensive data on supply pipelines and demand patterns. Due diligence expertise is essential since every market has distinct nuances requiring an experienced team to evaluate properties properly. Property maintenance and tenant retention capabilities ensure quality tenants remain for extended periods. Finally, exit strategy execution—institutional platforms can access larger funds, sovereign wealth funds, and structured transactions that aren't available to individual retail investors.

# Managing Market Dynamics Through Strategic Offerings



**PAUL PARAMPREET**
Senior Fund Manager - AIF
AIF Investments (Hedged)

Global markets continue to exhibit elevated volatility amid persistent geopolitical tensions, policy shifts under the Trump's administration, and structural economic transitions. Our 2025 Annual Outlook—"Portfolio Diversification in a VUCA World"— highlighted the need for dynamic equity allocation, absolute return strategies, and derivative overlays to manage VUCA - Volatility, Uncertainty, Complexity, and Ambiguity. Building directly on this, here we present another version of VUCA through which we aim to address the market challenges through distinctive investment offerings.

## Global Derivatives Landscape: Proven Risk Management

Derivatives have become essential tools for institutional investors worldwide in handling market turbulence. In developed markets, the usage is widespread. US wealth managers increasingly deploy derivate strategies to mitigate volatility. Globally, alternate offerings incorporating derivatives—such as collars, protective puts, and dynamic hedging—managed to deliver uncorrelated returns, while enhancing portfolio Sharpe ratios during downturns.

Such strategies tend to do well across market cycles. In rising markets, managers capture the upside; in declines, they limit losses through hedges without liquidating core positions. Globally, absolute return approaches, blending long-short equity with thematic trading approaches, have done well in sideways markets, proving resilience amid geopolitical shocks.

## India Context: Low Penetration, High Potential

In contrast, India's adoption of derivative-based strategies remains nascent despite robust market infrastructure.

**Globally, alternate offerings incorporating derivatives managed to deliver uncorrelated returns, while enhancing portfolio Sharpe ratios during downturns**

Regulatory caution and limited expertise may have constrained adoption, leaving investor's portfolios exposed to volatility. This gap creates opportunity. Funds employing dynamic allocation—adjusting equity exposure via futures and options—have comparatively done well in volatile phases, capturing the post-correction rally while curtailing Q1CY2025 losses.

With this, we'll delve into a different take of VUCA, covering Volatility Management, Uncertainty reduction, Complexity mitigation and Agility. All four factors focus on how we as asset managers aim to mitigate the risks of a VUCA world, that we believe should form an essential part of an investor's portfolio.

### Volatility Management: Through uncorrelated strategies

Adding alternates such as long-short or dynamic allocation strategies to one's portfolio can help enhance return potential or lower risk depending on which type of strategy is selected. Globally, in developed markets, adding alternates has not only aided portfolio diversification, but has also led to improved risk-adjusted returns for investors.

### Uncertainty Reduction: Rule based models to eliminate biases

Our team's combine 15+ years of experience—spanning across cycles and major global events - 2008 GFC, 2013 taper tantrum, and COVID—with cross-functional expertise between equity, derivatives, and macro specialists. While we believe domain expertise is important, it is required to have in place, rule-based investing and asset allocation models that can help enforce discipline across market cycles, eliminating behavioural biases.

Knowledge systems and proprietary asset allocation models aim to capture trends early-on, compounding decision quality. This may reduce the uncertainty premium by identifying mispriced opportunities.

### Complexity Mitigation: Simple Structures

We aim to have simple theme-based allocations to counter complexity. Core holdings focus on three to six broad themes, like domestic consumption, infrastructure, financials, information technology etc.—reducing company-level noise while capturing structural tailwinds.

Portfolios are designed in a way that separates equity core, hedging overlays, and trading strategies. This clarity aims to outperform opaque structured products.

### Agility: Maintaining flexibility through liquidity

High-liquidity derivatives may enable nimble portfolio allocations amid geo-political ambiguity. Nifty derivatives often allow precise exposure adjustments without disrupting underlying portfolios. Rules-based models may enable real-time monitoring with an aim to minimize slippages. This agility aims to preserve capital.

**Our take on VUCA**

| | Through |
|---|---|
| **V**olatility Management | Long Short or dynamic Allocation Strategies |
| **U**ncertainty Reduction | Knowledge Systems & proprietary asset allocation models |
| **C**omplexity Mitigation | Theme based allocation |
| **A**gility | High Liquidity Derivatives |

### The Road Ahead: Aiming to manage risk through resilient portfolios

The global investment landscape increasingly validates using of hedging based strategies. In 2025, emerging hedge funds with less than $100 million AUM saw heightened interest, demonstrating clear demand for specialized skill-based strategies. Further, India's derivatives market has undergone a transformation, with market breadth widening across multiple indices and contract types. This is supported by India's regulatory framework focused on risk management reforms, including enhanced position monitoring, eligibility criteria, and margin frameworks, aligning Indian markets with global best practices while protecting systemic stability. This combined with deep capital markets infrastructure—real-time clearing, extensive derivative products creates a favourable environment for institutional-grade strategies. Asset managers embracing these long-short and dynamic equity approaches are positioned to deliver reasonable risk-adjusted returns while managing complexity in an increasingly sophisticated market.

We believe 2026 demands a move towards proactive strategies. Experienced teams, uncomplicated strategies, and agile execution can transform VUCA challenges into advantages. Investors embracing these should be able to manage market risks with resilience.

# The Rise of Alternates:

## From the Momentum of 2025 to the Opportunities in 2026



**SHARZAD SETHNA**
Head Sales – Alternate Investments &
PCG Business Development

The alternatives market in India is experiencing a pivotal moment. Over the past few years, the industry has witnessed significant capital flows into alternates—a clear testament to the fact that investors increasingly recognize the critical role that differentiated investment approaches play in wealth creation. At ICICI Prudential Asset Management Company Ltd (AMC), we have been privileged to be at the forefront of this shift, and the 2025 fundraising seen across equity, private credit, and commercial real estate is a clear testament that investors are eagerly seeking these bespoke offerings.

We believe this success is not accidental. It reflects years of thoughtful product development, institutional capability-building, and an unwavering commitment to align our offerings with genuine investor needs. The appetite for alternates is rooted in the fundamental recognition that capital markets and real asset classes offer distinct return potential and risk characteristics. As macroeconomic uncertainty may persist and traditional fixed income yields may remain compressed, sophisticated investors are rightly seeking diversification beyond conventional equity and debt markets.

Our suite of PMS offerings caters to multiple investment styles—growth-oriented strategies for investors seeking capital appreciation in resilient businesses; contrarian approaches for those looking to capture mispriced opportunities; and value focus for investors focused on margin-of-safety and long-term compounding.

At the same time, we recognize that market-cap segmentation matters. Investors with different risk appetites, time horizons, and return expectations may find their ideal allocation in largecaps, flexicaps, or small & midcaps.

What we have also created is a blend of quantitative techniques with fundamental insight. Rather than viewing these approaches as opposing philosophies, we have designed strategies that harness the strengths of both. Quantitative models can help eliminate the emotional biases and inconsistencies, while fundamental analysis ensures that we are not blindly following quant-based signals. The result is investment processes that are better equipped to navigate diverse market regimes.

For investors who prefer the familiarity of mutual funds, our Multi-Manager strategies offer diversified access to top-performing schemes across the industry. Here too, we have applied the same rigor that characterizes our direct portfolio management. We have built an unbiased selection framework that evaluates mutual funds on their merits. This approach ensures that our investors benefit from the best ideas across the industry, synthesized through an institutional filtration that adds genuine value.

Yet, our most significant opportunity for 2026 lies in asset allocation and the complementary role of dynamic equity strategies, private credit and real estate. As equity valuations remain elevated in certain segments and interest rates face structural headwinds, private capital addresses a fundamental market opportunity. Our offerings are constructed by teams with a wealth of experience. The private credit and real estate markets are evolving rapidly, and investors should have access to these opportunities.

As we move into 2026, we see asset allocation as the defining theme. We believe constructing the right mix of assets is paramount. In this light, alternates like quant-based equity strategies, private credit and real estate will play an even larger role.

Whether through specialized equity strategies, private credit schemes, or distinctive real estate approaches, our mission is clear: to leverage our institutional expertise to construct portfolios that aim to deliver long-term, risk-adjusted returns while providing genuine diversification.

As we turn the page to 2026, may the new year bring you investment success and fulfil your personal aspirations.

# Risk Factors & Disclaimers

All data/information used in the preparation of this material is dated and may or may not be relevant any time after the issuance of this material. ICICI Prudential Asset Management Company Limited, ( Investment Manager/ AMC/Portfolio Manager) takes no responsibility of updating any data/information in this material from time to time. The recipient of this material is solely responsible for any action taken based on this material. The information contained herein are strictly confidential and are meant solely for the benefit of the addressee and shall not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of the AMC. Further, the information contained herein should not be construed as forecast or promise. The recipient of this material is urged to read the PMS Disclosure Document/AIF Private Placement Memorandum (PPM) and Client Agreement and is advised to consult their own legal and tax consultants/advisors before making any investment in the products offered by the AMC.

Investing in securities including equities, debt and derivatives involves certain risks and considerations associated generally with making investments in securities. The value of the investments may be affected generally by factors affecting financial markets, such as price and volume, volatility in interest rates, currency exchange rates, changes in regulatory and administrative policies of the Government or any other appropriate authority (including tax laws) or other political and economic developments. Consequently, there can be no assurance that the objective of the portfolio would be achieved. The value of the portfolio may fluctuate and can go up or down. Investors could lose some or all of their investment. The Company(s)/Stock(s)/Sector(s) mentioned in this material do not constitute any recommendation of the same and the portfolios/schemes may or may not have any future positions in these Company(s)/Stock(s)/Sector(s).

All recipients of this material must before dealing and or transacting in any of the products referred to in this material must make their own investigation, seek appropriate professional advice and carefully read the offer documents . Actual results may differ materially from those suggested in this note due to risk or uncertainties associated with our expectations with respect to, but not limited to, exposure to market risks, general economic and political conditions in India and other countries globally, inflation, etc. The investors are not being offered any guaranteed or assured returns. There is no guarantee or assurance of such deals/investments will be executed by the AMC.

In the preparation of the material contained in this document, the AMC has used information that is provided by its internal research and/or have been obtained from published sources and/or prepared by other parties. The AMC does not warrant the accuracy, reasonableness and/or completeness of any information. We have included statements/opinions/recommendations in this document, which contain words, or phrases such as "MAY", "WILL", "SHOULD", "EXPECT", "ANTICIPATE", "ESTIMATE", "INTEND", "CONTINUE" OR "BELIEVE and similar expressions or variations of such expressions, that are “forward looking statements”. By their nature, all forward-looking statements involve risk and uncertainty. Any forward-looking statements contained in this document speak only as of the date on which they are made. The AMC (including its affiliates) and any of its directors, officers, employees and any other persons associated with this shall not be liable for any loss, damage of any nature, including but not limited to direct, indirect, punitive, special, exemplary, consequential, as also any loss of profit in any way arising from the use of this material in any manner whatsoever and shall not be liable for updating the document. In case of any inconsistency between this material and the coffer documents/client agreement, the client agreement shall prevail.

ICICI PRUDENTIAL
ALTERNATE INVESTMENTS

ICICI Prudential Asset Management Company Limited
ICICI Prudential Mutual Fund Tower, Vakola, Santacruz East,
Mumbai - 400055
**Contact**: 1800-268-0001 **Email**: alt@icicipruamc.com

www.iciciprualternates.com