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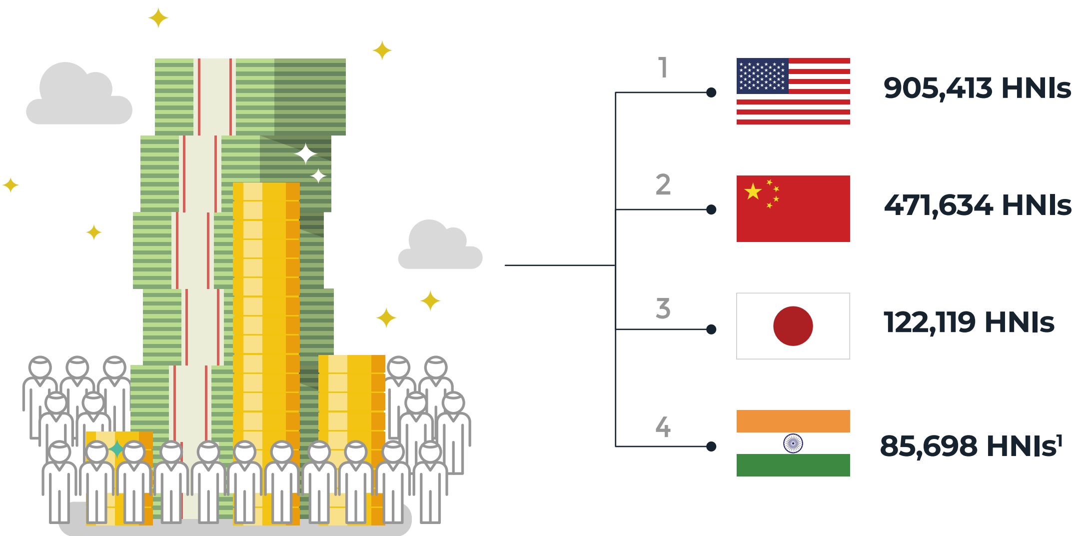
India’s Wealthy Are Quietly Rewriting the Investment Playbook

India's High Net-Worth Individual (HNI) landscape is undergoing a profound transformation, not just in terms of wealth accumulation but in investment behaviour.

With **85,698** individuals holding assets exceeding **$10 million**

India now accounts for **3.7%** of the world's wealthy population



However, going beyond the headline numbers, it's the shift in how India's wealthy are allocating capital that tells the real story.

As HNIs navigate persistent volatility, global macroeconomic shifts, and a low-yield environment, the demand for diversified and resilient portfolios is on the rise. Increasingly, this means moving beyond traditional equity-debt mix into the world of **Alternative Investments Funds (AIFs)** – spanning private equity, hedge funds, real assets, private credit, and other non-traditional assets typically uncorrelated with public markets. Once considered peripheral, alternatives are fast emerging as a core pillar in HNI portfolios—driven by the dual promise of returns and resilience.

According to SEBI data, cumulative investments in Indian AIFs reached **INR 5,38,161 crore** by Q4 FY2025, up from **INR 4,07,046 crore** in Q4 FY2024 – a robust **32% year-on-year growth**. This trajectory signals a decisive shift in allocation philosophy among HNIs and family offices[2].

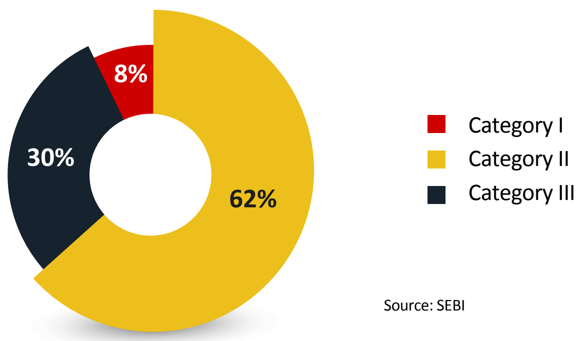
Why are the Wealthy Looking Beyond the Obvious

As traditional asset classes prove insufficient in meeting the evolving aspirations of India's wealthy, structural and strategic factors are accelerating the move towards alternatives:

Diversification

Alternatives span across SEBI's Categories I, II, and III—ranging from early-stage venture capital and private equity to private credit, infrastructure, and long-short hedge strategies. Each comes with a unique return profile, liquidity horizon, and risk exposure. By allocating across these diverse buckets, HNIs can reduce their overdependence on public markets, manage concentration risk more effectively, and build portfolios that are structurally more resilient across market cycles.

Exhibit 1 : AIF investment at the end of the quarter ending March 31, 2025[3]



Source: SEBI

Inflation Hedge

In an environment of sticky inflation and monetary uncertainty, real assets – including real estate, infrastructure, and commodities offer long-term purchasing power protection.

1. https://www.fortuneindia.com/business-news/india-ranks-4th-globally-with-85698-hnwis-billionaires-rise-12-in-2024/120960
2. SEBI | 3. https://www.sebi.gov.in/statistics/1392982252002.html

Institutional-Grade Management and Expertise

Alternative investments today are managed by experienced professionals with deep sectoral knowledge and global networks. The managers apply rigorous due diligence, active value creation strategies, and strong risk controls—bringing credibility and discipline to complex, long-horizon assets. For HNIs, this ensures access to high-quality, well-governed opportunities typically reserved for large institutions.

Case in Point: Consider a 40-year-old entrepreneur from Bengaluru, newly exited from her second SaaS venture. Rather than defaulting to equities, she's allocating across PE funds, climate-tech AIFs, and structured credit. For her, wealth is not just about accumulation, but alignment—with risk, with opportunity, and with purpose.

This evolving mindset reflects a larger shift: true portfolio resilience is being redefined beyond the traditional playbook.

Alternative Asset Classes: Expanding the Investment Canvas

As access improves and awareness deepens, HNIs are allocating across a diverse range of alternative asset classes, each catering to distinct strategic objectives:

1. Private Equity & Venture Capital

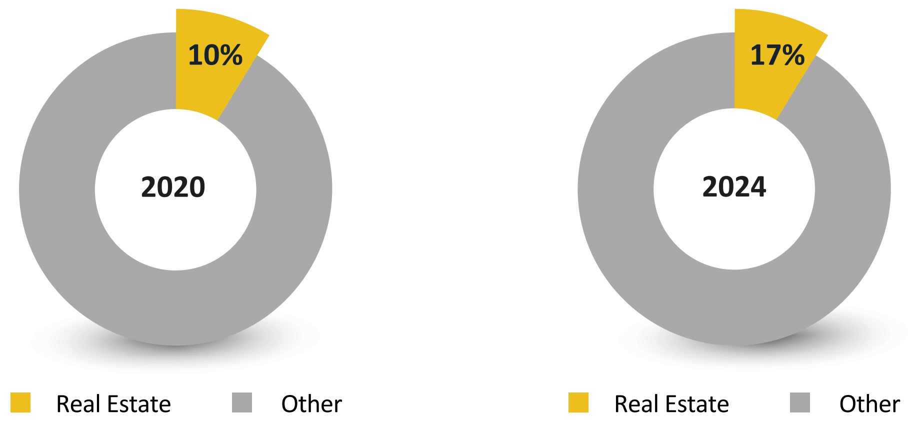
Private equity and venture capital have emerged as key allocations for HNIs looking to tap into India's high-growth innovation economy. From fintech and consumer brands to SaaS and healthcare, HNIs are entering the early-stage investment space via syndicates, family offices, and specialised AIFs. These investments offer access to long-duration, high-upside opportunities that are typically uncorrelated with public markets-a compelling proposition for HNIs with long-term horizons and higher risk appetites.

PE/VC investments in India have shown an uptick of 5%, reaching US$56 billion in 2024 from US$53.4 billion in 2023[4].

2. Real Estate & RE AIFs

Real estate continues to be a preferred asset class for Indian HNIs, accounting for approximately 17% of the total alternative investment market[5]. Institutional-quality Real Estate AIFs (RE AIFs) and commercial properties—especially in warehousing and urban commercial hubs—are regaining momentum.

Exhibit 2: Contribution of Real estate in global alternative investments 2020 vs 2024[6]



Source: CAIA

A key innovation here is fractional ownership, which has democratised access to high-value real estate assets. Today, 64% of Indian HNIs prefer the fractional model to invest in commercial real estate (CRE)[7], enabling diversified exposure with lower entry thresholds. Luxury office spaces, hospitality assets, and co-working hubs are among the most sought-after segments.

4. https://www.ey.com/content/dam/ey-unified-site/ey-com/en-in/insights/private-equity/documents/ey-private-equity-and-venture-capital-trendbook-2025-v1.pdf
5. SEBI | 6. https://caia.org/blog/2020/11/17/what-is-the-future-of-alternatives
7. https://www.businessworld.in/article/about-64-hni-investors-prefer-fractional-ownership-investment-model-in-cre-survey-517913

3. Hedge Funds & PMS Strategies

In an uncertain macro environment, hedge funds and PMS strategies are helping HNIs manage downside while generating tactical alpha. Long-short equity, event-driven, and quant models—often structured via Category III AIFs—are seeing growing adoption.

A recent addition to the product landscape is the Special Investment Fund (SIF) — a standalone category introduced under SEBI's Mutual Fund regulations. SIFs can be offered by any SEBI-registered mutual fund AMC and allow investors to access hedge-like strategies such as long-short and derivatives-based models. With a minimum investment of just ₹10 lakhs, SIFs offer a more accessible route to sophisticated strategies without the structural and regulatory complexities of the AIF framework.

The global hedge fund market size was valued at USD 5.3 trillion in 2024 and is projected to grow at a CAGR of 4.1% between 2025 and 2034.

The hedge fund market in India primarily operates through **Category III AIFs**, which have seen significant commitments rising from **₹1,45,132 crore in Q4 FY24 to ₹2,29,927 crore in Q4 FY25,** a testament to growing traction[8].

4. Credit Alternatives

Private credit is stepping into the vacuum left by banks and NBFCs. Structured debt, distressed assets, and high-yield credit opportunities offer attractive risk-return trade-offs.

India's private credit grew 15–16% in value and volume in 2024, with forecasts pointing to 25–30% annual growth in the near term[9].

5. Sustainable & Impact Alternatives

A new cohort of younger, value-conscious HNIs is allocating capital not just for returns, but for purpose. From ESG-themed AIFs, climate-tech venture funds to blended finance vehicles, sustainable alternatives are gaining traction.

Philanthropy is also evolving. Over the next five years, philanthropic spending in India is expected to grow by 10–12%, driven significantly by family philanthropy from UHNWIs, HNWIs, and the affluent class[10]. For these HNIs, impact investing provides a bridge between commercial outcomes and legacy goals—aligning personal values with long-term societal transformation.

Alternatives as a Pillar of HNI Wealth Strategy

India's wealthy are rewriting the rules of capital allocation. A growing number of digital-native, first-generation wealth creators are steering their portfolios toward transparency, thematic strategies, and outcome-based investing[11].

Their priorities are shifting from capital growth to capital purpose, from returns to resilience. Alternatives—from VC to private credit to impact funds—offer the flexibility, access, and personalisation they seek, often via digital-first platforms with real-time analytics and AI-led advisory.

What was once a footnote in portfolio construction is now central to the conversation.

We're entering an era where portfolio conversations may no longer begin with "How much in equity?" but rather, **"What is your Alternatives' strategy?"**

The rising AIF allocations among Indian HNIs is not just a sign of wealth expansion — it's a marker of wealth evolution.

For years, Indian portfolios have leaned heavily on public equities and fixed income, a mix that served well in an era of high growth and limited access. But the current time is writing a different rulebook — one where volatility is structural, inflation is sticky, and opportunity is unevenly distributed across private markets. In this environment, alternatives are not just a smart addition. They are a necessary recalibration.

What we are witnessing is the professionalisation of private wealth — led not only by family offices and seasoned entrepreneurs, but increasingly by younger HNIs who are no longer asking "What's the yield?" but "Is my capital positioned for where the world is headed — not where it's been?"

Alternative assets — whether private credit, venture capital, hedge strategies, or impact funds — offer differentiated answers. But more importantly, they demand a mindset shift: from liquidity obsession to patience, from benchmarks to bespoke outcomes, from capital preservation to capital purpose.

While portfolio allocations must reflect each family's unique objectives and risk appetite, a prudent starting point for single-family offices is to consider allocating 15–25% of investible assets to Alternatives, thoughtfully diversified across private equity, credit, real assets, and hedge strategies. As access improves and advisors grow more specialised, this can be fine-tuned, depending on liquidity needs and legacy goals. For sophisticated HNIs, alternatives are no longer optional—they are essential for building resilient portfolios aligned with long-term megatrends, delivering not just returns, but meaningful diversification and purpose-driven capital deployment.

If India's public market journey was about building wealth, its alternatives journey will be about designing legacies.

8. SEBI
9. https://www.pwc.in/research-and-insights-hub/tapping-private-credit-opportunities-indias-distressed-assets-market.html
10. https://www.bain.com/insights/india-philanthropy-report-2025/
11. https://waterfieldadvisors.com/impact-investing-report

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