Crisil
Intelligence

Crisil AIF Benchmarks Methodology

by S&P Global

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Crisil AIF Benchmarks framework

Crisil AIF Benchmarks represent the performance of the respective AIF categories at an aggregate level. They are available at a category level, i.e., Category I, II and III. These benchmarks are calculated based on the disclosures made by the AIFs to Crisil.

The benchmarks are calculated both in rupee and US dollar terms and are available at a category level based on the vintage year of the fund. For returns in dollar terms, all the cash flows, valuations and index values are converted to US dollar based on the Reserve Bank of India's reference rates for the respective dates.

Returns for all the three categories are on a post-expenses, pre-carry and pre-tax basis.

Vintage year

Benchmarks for Category 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 fund will be FY14 if it had its first close anywhere between April 01, 2013 and March 31, 2014.

Only those vintage years are considered that have at least three schemes available; those with less than three schemes have been excluded.

Calculation metrics

The benchmarks for Category I and II are based on the following metrics:

Pooled internal rate of return (IRR)

Pooled IRR denotes the IRR calculated at an aggregate level by pooling all the cash flows that have occurred within all the schemes belonging to the category and the vintage year. Here the cash flows are considered according to the date on which they have occurred and the valuation as on the last day is considered as the terminal value for the calculation.

Investment multiples and ratios

Three types of ratios are considered for calculation of benchmarks, viz distributions to paid-in capital (DPI), residual value to paid-in capital (RVPI) and total value to paid-in capital (TVPI). All the three ratios are calculated for each applicable vintage year.

DPI: DPI is the ratio of the total distributions made to the paid-in capital. DPI is also called as realisation multiple.

RVPI: RVPI is the ratio of the residual value of all investments remaining in the fund after distributions to paid-in capital. The residual value refers to the valuation of the scheme as on the date for which the benchmarks have been calculated.

TVPI: TVPI is the ratio of the sum of total distributions and residual value, to the total paid-in capital. It is also called as investment multiple.

Quartile Analysis

For understanding the distribution of IRR across the peer set, the returns for all the individual funds are calculated. First quartile, median and third quartile thresholds are reported. First and third quartiles are the return thresholds for the top 25% and 75% schemes, respectively based on the individual scheme IRRs in each vintage year. Thus, any fund with an IRR value above first quartile threshold belongs to the top quartile, similarly a fund with IRR value between first quartile and median belongs to the second quartile and so on. The fund with returns below the third quartile belongs to the bottom quartile.

For category III funds, quartile analysis is based on individual fund's trailing returns for various time-frames. Those funds have been considered that have been in existence as of March 31, 2024, and present for the whole time period.

For quartile analysis, only those vintage years have been considered that have at least 8 schemes available.

Public Market Equivalent (PME+)

Public Market Equivalent as a metric helps in comparing the performance of an AIF against any public index. The PME+ method tries to replicate the cash flows of the AIF to a public index. The cash flows, depending on whether it is an inflow or an outflow are invested and distributed to and from the public index on the same dates as that of the AIF. The distributions are adjusted using a scaling factor in order to avoid a situation where the public index is oversold and results in the negative terminal value.

Outlier adjustment

Outlier adjustment has been carried out for sub-category benchmarks under category I and II whereby, those schemes that have IRR beyond a defined threshold on the higher side have been excluded from the respective benchmarks. In all 8 schemes were excluded from all sub-category benchmarks because of this outlier adjustment

The benchmark for Category III is based on the following metric:

Asset-weighted index

For Category III schemes, an asset-weighted index is created at the category level based on the quarterly returns of each scheme and the respective assets under management for those schemes.

The index is created from the quarter in which at least three schemes were available, i.e., June 2013.

Eligibility criteria

- All AIFs registered with SEBI under the SEBI (Alternative Investment Funds) Regulations, 2012, are considered for the calculation of benchmarks provided they fulfill the following criteria
  1. The scheme has completed one year from its first close as on the date for which the benchmarks are calculated. For example, AIF benchmark calculated for the period ending March 31, 2024, will have funds that had their first close on or before March 31, 2023
  2. Data is provided by the AIF in the required format within the specified deadline

- The following are excluded from calculation of benchmarks
    1. Angel Funds registered under sub-category VCF under Category I-AIF
    2. Fund of funds
    3. Any scheme that has not had any transactions or investments anytime in the past
    4. Any scheme that has not completed one year since its first close as on the date for which the benchmarks are calculated, i.e., March 31, 2024
    5. Any scheme that has not provided complete data or that has not provided data in the required format
- Schemes are divided based on their vintage years as described in the previous section. Only those vintage years are considered that have at least three funds available. Thus, schemes that belong to vintage years in which less than three schemes were available are excluded
- For quartile analysis, only those vintage years have been considered where at least eight schemes are available

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