



The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)



Women & Young Members Excellence Committee

Organises

यशस्विनी - An IDOL- Live Webinar



CA. Priti Paras Savla
Chairperson, WYMEC, ICAI



CA. Ravi Kumar Patwa
Vice Chairman, WYMEC, ICAI

Women CAs: Decoding Hedge Funds, Private Equity & Venture Capital

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HOW
ALTERNATIVE
INVESTMENTS
REALLY WORK

The Rapid Rise of Alternative Investments - India and Global Trends

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India: Rapidly growing AIF ecosystem - crossed ₹11–12 lakh crores



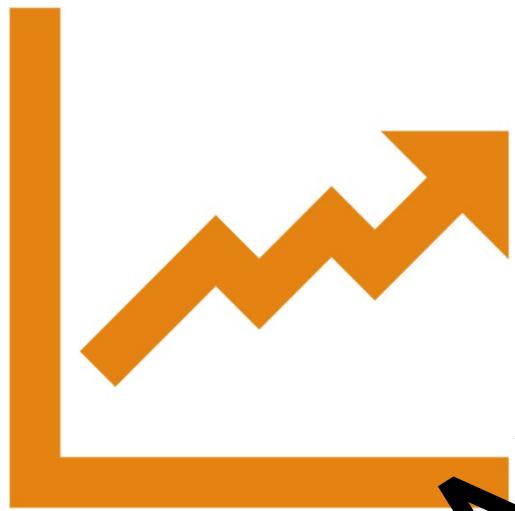
India: Right-shoring hub for global audits and fund administration



SEBI-regulated AIF Categories I, II, III

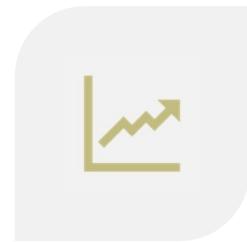


US: Largest global market for HF, PE & VC



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Funds Hedge

What Are Hedge Funds?



ADVANCED TRADING FUNDS
AIMING FOR ABSOLUTE
RETURN



GENERATE PROFITS IN
RISING AND FALLING
MARKETS



INVEST IN EQUITIES, BONDS,
COMMODITIES, CURRENCIES
& DERIVATIVES



PRIMARY GOAL: ALPHA
GENERATION

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Hedge Fund Structure

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- Mostly open-ended funds
- Common structures:
Master-Feeder, LP/LLP/LLC,
AIF Cat III (India)
- Key parties: GP, LPs,
Administrator, Prime Broker,
Custodian

Master- Feeder Fund Structure

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Accredited Investors

Onshore Feeder
US Tax Jurisdiction
US Taxable Investors

Offshore Feeder
Non-US Tax Jurisdiction
Foreign Investors
US Tax-exempt

Master Fund
Pools Capital
Trades Assets
Legal Owner

How Hedge Funds Make Money

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- Management Fee (~2% of AUM)
- Performance Fee (~20% of profits)
- Use of leverage to amplify returns
- Side pockets for illiquid investments

Popular
Hedge Fund
Strategies

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LONG / SHORT EQUITY

GLOBAL MACRO

EVENT DRIVEN

QUANTITATIVE TRADING

Hedge Fund Valuation & NAV

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Level 1: Quoted prices



Level 2: Observable inputs



Level 3: Illiquid / complex
assets



NAV prepared monthly or
quarterly

HF Audit Focus Areas

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Valuation of Investments



NAV Calculation



Performance Fees / Incentive fees



Internal Controls



Compliance & Regulatory Reporting



Related Party Transactions



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Private Equity
More

What Is Private Equity?

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Buy → Improve → Sell
strategy



Invests in mature or
undervalued
companies



Focus on operational
and governance
improvements

Private Equity Fund Structure



Closed-ended funds

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Commitment-based
capital drawdowns



GPs, LPs, Operating
Partners

How PE Funds Earn Returns

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Management Fee
(1.5%–2%)



Carried Interest
(~20%)



Transaction and
monitoring fees

Private Equity Lifecycle

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Raise Fund



Identify Target



Acquire



Improve (operations, cost, EBITDA,
governance)



Exit through IPO / sale



Distribute proceeds to investors

PE Valuation Methods

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- Market multiples
- Discounted Cash Flow (DCF)
- Adjusted NAV
- Mostly Level 3 valuations

PE Audit Focus Areas

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Investment Valuation



Carried Interest and Profit Allocation



Commitments and Capital Calls



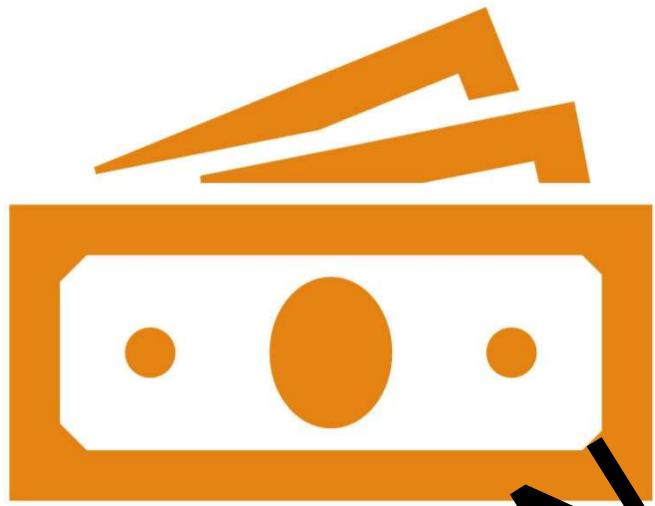
Portfolio Company Financials



Compliance & Regulatory Reporting



Internal Controls



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Venture
capital

What Is Venture Capital?



FUNDING STARTUPS AND
INNOVATION

HIGH-RISK, HIGH-
RETURN ASSET CLASS



FOCUS ON TECHNOLOGY
AND INNOVATIVE IDEAS

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VC Fund Structure

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MOSTLY CLOSED-
ENDED FUNDS



10–12 YEARS
LIFECYCLE



GPS, LPS, FOUNDERS,
ADVISORY BOARDS

Stages of VC Investment

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Seed



Early Stage (Series A)



Growth Stage (Series B-C)

Late Stage

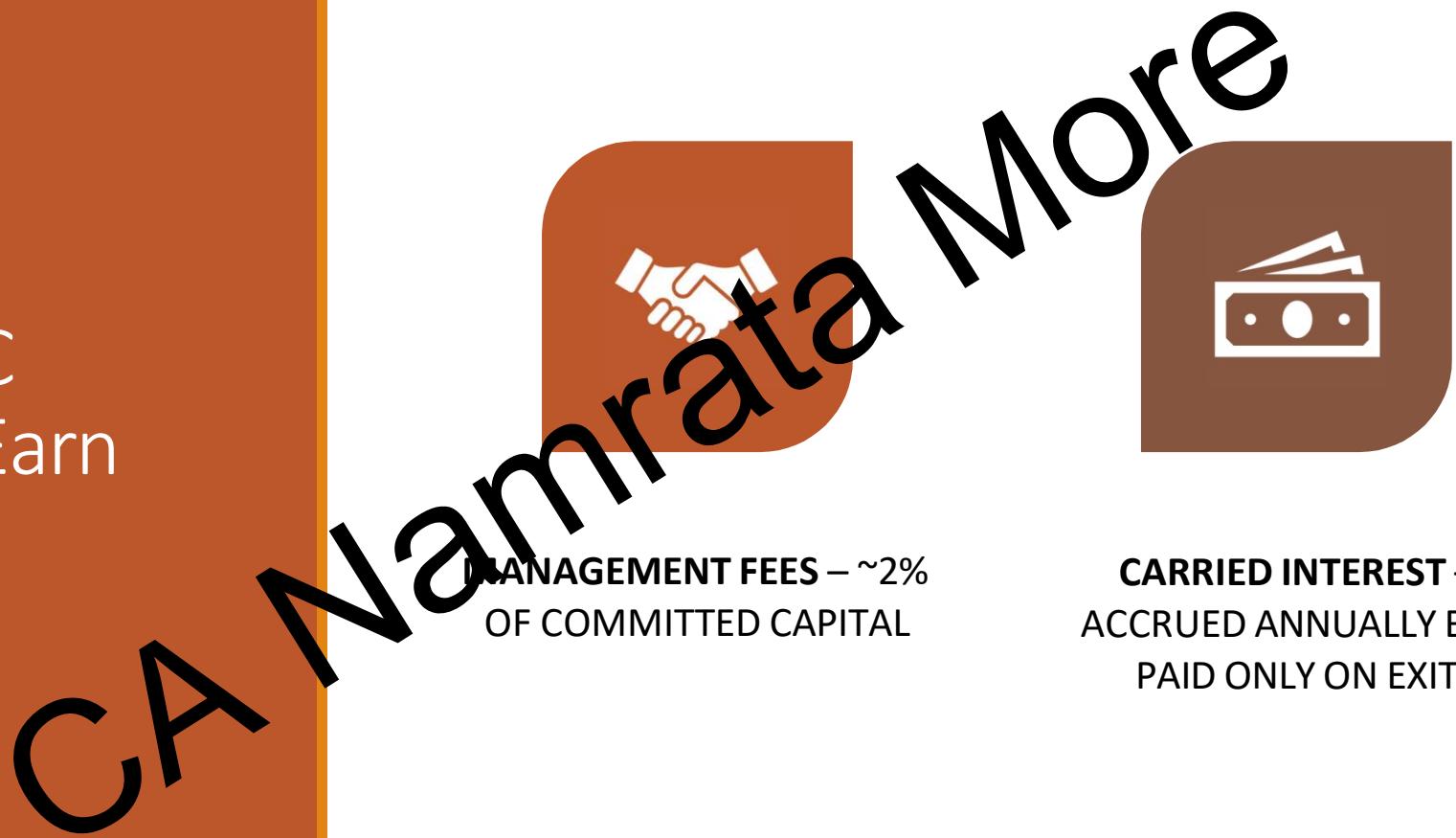


Mezzanine



IPO / Exit

How VC Funds Earn



VC Valuation Approaches

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Last Round of Financing / Post-Money Valuation

Market Approach
Comparable Startups

Income Approach (limited
early-stage use)

Calibration Testing (ASC 820
compliance)

Typical level: **Level 3.**

VC Audit
Focus Areas

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Capitalization table verification

Confirmations

Review of funding rounds

Valuation assessment

Rights & liquidation
preferences

Key Takeaways

Feature	Hedge Funds	Private Equity	Venture Capital
Fund Type	Mostly Open-Ended	Closed-Ended	Closed-Ended
Investments	Public markets	Mature private companies	Startups
Risk	Medium	High	High
Time Horizon	Short–Medium	3–7 years	10–12 years
Valuation	Mostly Level 1–2	Level 3	Level 3
Revenue Model	Mgmt + Performance Fee	Mgmt + Carried Interest	Mgmt + Carried Interest
India Category	AIF Cat III	AIF Cat II	AIF Cat I
Return	Total and Net Return for the year	IRR	IRR

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THANK YOU!
Any Questions?
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