

What is Hurdle Rate?

--> It is the minimum return you will earn, before which performance fees will not begin (as can be seen in Case 2 & 3). Underlying idea is you need to earn a minimum compounded return at Hurdle rate, before performance fees are charged any year.

What is High-watermark?

--> Once your portfolio reaches a size, and there is a negative year, then no fees will be charged until the previous high of the portfolio is achieved back.

| | <u>Upto 50L</u> | <u>50L - 2 Cr</u> | <u>2 Cr +</u> |
|---------------------------------------|-----------------|-------------------|---------------|
| Fixed Fee as % of Starting AUM | 2.0% | 1.5% | 1.0% |
| Hurdle Rate | 15% | 15% | 15% |
| Performance Fees As % of year end AUM | 0.5% | 1.0% | 1.5% |
| GST | 18% | 18% | 18% |

| | <u>Option 1 - Upto 50 L</u> | <u>Case A</u> | <u>Case B</u> | <u>Case C</u> |
|-------------------------------------|--|-----------------|-----------------|------------------|
| a | Starting AUM | 40,00,000 | 40,00,000 | 40,00,000 |
| b | Returns % | 20% | 10% | -5% |
| $c = a \times b$ | Returns | 8,00,000 | 4,00,000 | -2,00,000 |
| $d = a \times (\text{Hurdle Rate})$ | Minimum Profit before Performance Fees (@ 15% Hurdle Rate) | 6,00,000 | 6,00,000 | 6,00,000 |
| $e = a \times (1 + b)$ | Ending AUM | 48,00,000 | 44,00,000 | 38,00,000 |
| $f = a \times 2\%$ | Starting AUM Fixed Fee | 80,000 | 80,000 | 80,000 |
| $g = f \times 18\%$ | GST @ 18% on Starting AUM Fixed Fees | 14,400 | 14,400 | 14,400 |
| $h = e \times 0.5\%$ | Ending AUM Fixed Fee | 24,000 | - | - |
| $i = h \times 18\%$ | GST @ 18% on Ending AUM Performance Fees | 4,320 | - | - |
| $j = c - (f + g + h + i)$ | Client profit before tax (Post Fees) | 6,77,280 | 3,05,600 | -2,94,400 |

| | Option 1 - 50 L to 2 Cr | Case A | Case B | Case C |
|-------------------------------------|--|------------------|-----------------|------------------|
| a | Starting AUM | 1,00,00,000 | 1,00,00,000 | 1,00,00,000 |
| b | Returns % | 20% | 10% | -5% |
| $c = a \times b$ | Returns | 20,00,000 | 10,00,000 | -5,00,000 |
| $d = a \times (\text{Hurdle Rate})$ | Minimum Profit before Performance Fees (@ 15% Hurdle Rate) | 15,00,000 | 15,00,000 | - |
| $e = a \times (1 + b)$ | Ending AUM | 1,20,00,000 | 1,10,00,000 | 95,00,000 |
| $f = a \times 1.5\%$ | Starting AUM Fixed Fee | 1,50,000 | 1,50,000 | 1,50,000 |
| $g = f \times 18\%$ | GST @ 18% on Starting AUM Fixed Fees | 27,000 | 27,000 | 27,000 |
| $h = e \times 1\%$ | Ending AUM Fixed Fee | 1,20,000 | - | - |
| $i = h \times 18\%$ | GST @ 18% on Ending AUM Performance Fees | 21,600 | - | - |
| $j = c - (f + g + h + i)$ | Client profit before tax (Post Fees) | 16,81,400 | 8,23,000 | -6,77,000 |

| | Option 1 - 2 Cr + | Case A | Case B | Case C |
|-------------------------------------|--|------------------|------------------|-------------------|
| a | Starting AUM | 5,00,00,000 | 5,00,00,000 | 5,00,00,000 |
| b | Returns % | 20% | 10% | -5% |
| $c = a \times b$ | Returns | 1,00,00,000 | 50,00,000 | -25,00,000 |
| $d = a \times (\text{Hurdle Rate})$ | Minimum Profit before Performance Fees (@ 15% Hurdle Rate) | 75,00,000 | 75,00,000 | 75,00,000 |
| $e = a \times (1 + b)$ | Ending AUM | 6,00,00,000 | 5,50,00,000 | 4,75,00,000 |
| $f = a \times 1\%$ | Starting AUM Fixed Fee | 5,00,000 | 5,00,000 | 5,00,000 |
| $g = f \times 18\%$ | GST @ 18% on Starting AUM Fixed Fees | 90,000 | 90,000 | 90,000 |
| $h = e \times 1.5\%$ | Ending AUM Fixed Fee | 9,00,000 | - | - |
| $i = h \times 18\%$ | GST @ 18% on Ending AUM Performance Fees | 1,62,000 | - | - |
| $j = c - (f + g + h + i)$ | Client profit before tax (Post Fees) | 83,48,000 | 44,10,000 | -30,90,000 |