



ASCERTIS CREDIT PERSPECTIVES

Patient Capital

The Next Infrastructure to Build

Why India's next phase of growth depends on courting patient private capital as deliberately as it builds its roads and grids

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As this note goes out, the US 10-year Treasury yield sits near 5.2% - it's highest since 2007, and still climbing as the Federal Reserve resumes tightening against sticky inflation. The era of near-zero rates is over and is unlikely coming back. Whatever the timing of the easing, the forces now pressing on rates - the enormous capital demands of artificial intelligence and the energy transition across the developed world, heavy government borrowing, and more fractured geopolitics - point to a higher cost of capital for years to come.

That resets the competition for the world's savings. When capital is scarce and dear, and the developed world is absorbing it at record scale, developing economies can no longer wait for cheap global liquidity to come looking for yield - they have to earn the allocation, with higher real growth, more compelling net returns, and smoother, stickier channels for long-term capital. India is unusually well placed to do exactly that.

The world's largest pools of long-term savings are hunting for something increasingly scarce: real, durable returns tied to genuine economic growth, over horizons measured in decades. India is hunting for exactly the kind of capital that thinks in decades. That symmetry is one of the most underused opportunities in global capital markets - and closing the gap deserves the same strategic priority India has long given to foreign direct investment.

The question has never been whether the capital exists. It is whether India is positioned to receive it - and to keep it.

PART ONE - A large and distinct pool

01 The scale of the opportunity

Pension assets across the world's 22 largest markets reached a record **US\$68.3 trillion**¹ at the end of 2025 - growing by roughly US\$6.0 trillion in a single year, more than sixty times India's entire record annual gross FDI. This is patient money by construction: it exists to meet liabilities falling due twenty, thirty and forty years out, which means it needs real returns above inflation, and it has been steadily rotating to find them. Close to a fifth of the largest funds' assets now sit in alternatives - private equity, real estate, infrastructure and private credit. This is capital that actively *wants* long-dated, growth-linked exposure. The only question is where it can find it at scale.

¹Thinking Ahead Institute / WTW, Global Pension Assets Study 2026 (22 largest markets, end-2025). The Institute revised the basis of its study in recent editions; figures are not directly comparable across editions, and the 9.6% growth rate is the study's own year-on-year measure.

Circle area $\propto$ value. 0.1% of the pool $\approx$ \$68bn $\approx$ about three-quarters of a record FDI year.

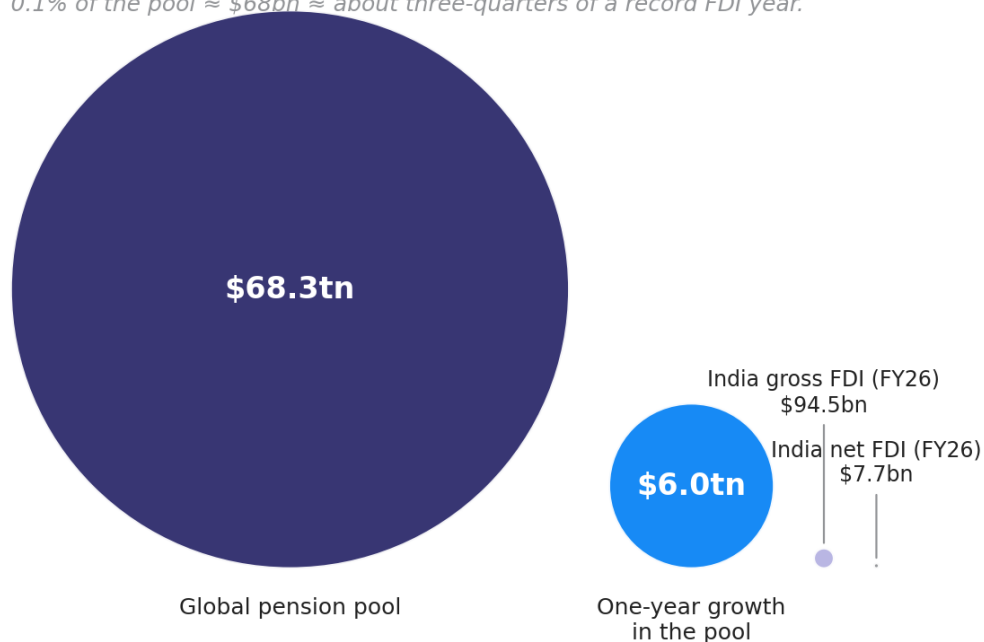


Fig 1. The global pool dwarfs India's annual foreign flows (US\$bn; circle area proportional to value). Sources: Thinking Ahead Institute / WTW, Global Pension Assets Study 2026; RBI Balance of Payments FY26.

02 India offers both the growth and the need for capital

India has grown at roughly **6.5% in real terms, on average, for two decades** - the fastest-growing major economy, and one that has rebounded from every shock, from the global financial crisis to the pandemic. The latest provisional estimate puts FY2025-26 real growth at 7.7%². Alongside that growth sits a vast, long-duration appetite for capital: India needs on the order of ₹170 trillion (~US\$1.9 trillion) of infrastructure investment by FY2031, only about half of it currently funded. Growth and a genuine hunger for long-term capital rarely line up this cleanly.

That scale is itself part of the alignment. Large pension and sovereign funds do not simply seek returns; they must place very large sums and need to find enough long-duration assets to absorb them without moving prices against themselves. An economy that needs on the order of US\$1.9 trillion of infrastructure and private-credit financing is one of the few able to take institutional capital at the size it now moves in - and to do so in the long-dated, contractual forms these funds are built to hold.

PART TWO - Why this capital, and why now

03 High growth alone doesn't reward investors - but scarce capital does

Here is the part sophisticated allocators already know: high economic growth does not always translate into high stock-market index returns. Across a century of data and dozens of countries, the link between GDP growth and equity-index returns has been roughly zero, and in the most-cited studies mildly negative. Several of the reasons are structural, and they shape how one should invest behind a growth story.

²MoSPI / NSO. India's GDP figures are provisional and subject to revision, including a pending base-year update; FY25 was revised from 6.5% to 7.1% and FY26 from 7.4% to 7.7% between the January and June 2026 releases.

Two of those reasons never go away, whoever is investing. GDP is the whole economy - wages, the state and a large unlisted private sector - not listed corporate profit; and much of an emerging economy's fastest growth accrues to private, unlisted companies, and to the founders and early backers who owned the winners long before they reached the public market. A public-equity investor cannot buy what is not yet listed. The best returns from India's growth are therefore frequently earned in the private and credit markets - rather than in an index that admits the winners only once the value has largely been created.

A further leak is specific to owning the index itself: a fast-growing economy continually issues new shares and floats new companies, and both dilute the investor who simply holds the market, so earnings per existing share lag aggregate profits, which in turn lag GDP. This is sharpest for passive index investors, who are fully exposed both to that dilution and to paying up for growth the market has already priced in. A skilled active manager can lean against both - but that relocates the challenge into manager selection, where the long-run odds against outperformance, particularly in emerging markets, are themselves well documented.

The provider of structured growth capital sidesteps the question altogether. In private credit, infrastructure credit and structured lending, scarcity of capital is the return: the lender contracts a defined yield - often secured, frequently linked to inflation or to the growth of the asset itself - and is paid regardless of share issuance, valuation multiples or stock-picking skill. In an economy raising and deploying capital as fast as India is, the price of that scarce capital is bid in the lender's favour.

The very dynamic that disappoints the index-buyer - an economy hungrily raising and deploying capital - is the one that rewards the patient, structured lender.

For a pension fund that needs real, growth-linked, liability-matching returns, this is a far more direct - and more reliable - route to India's growth than the equity index ever was.

04 The capital India attracts today is increasingly mobile

The flow data makes the case on its own. India's gross FDI hit a record US\$94.5 billion in FY2025-26, up 17%. But *net* FDI was only US\$7.7 billion, as repatriation (US\$53.6bn) and outward investment by Indian firms (US\$33.3bn) rose alongside inflows. The RBI reasonably reads this as the mark of a mature market where capital can enter and exit freely.

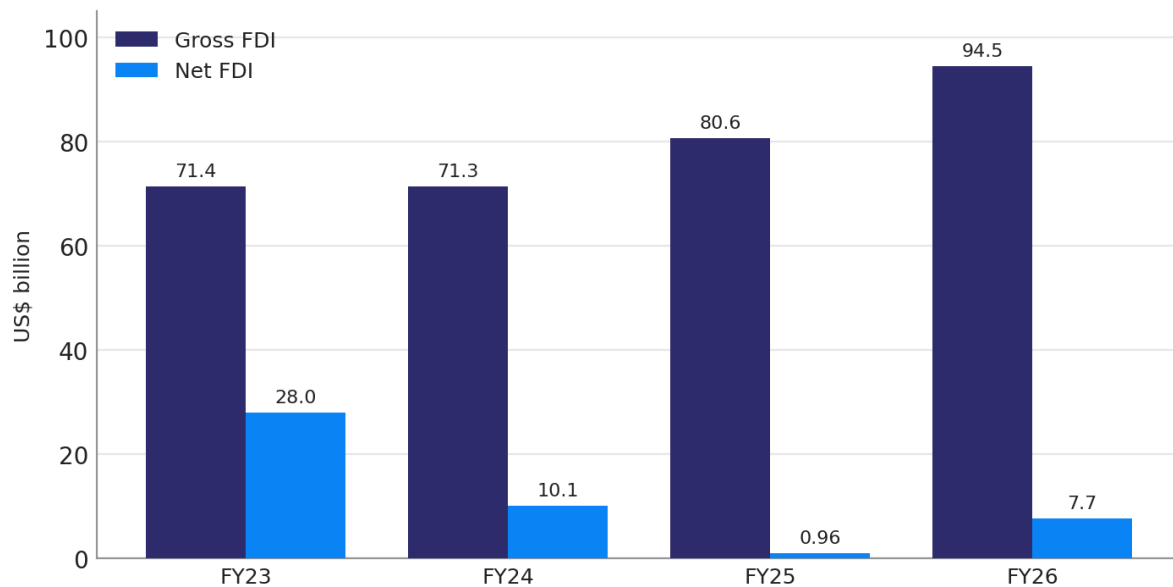


Fig 2. Gross vs. net FDI, FY23-FY26 (US\$bn). Source: RBI Balance of Payments; RBI Annual Report 2025-26.

Fair enough - but the more freely capital can leave, the more valuable the capital that chooses to stay through the cycle. Long-dated pension and private-credit capital, committed for the life of a fund and returned through amortisation rather than sold on exit, is precisely the flow India's existing channels do not reliably deliver. Address the frictions that hold this class of investor back - the drags on net return set out below - and those episodic allocations can compound into a standing, renewable pool of long-term capital that finances the build-out cycle after cycle.

PART THREE - What it takes to connect the two

05 The channel is a manager, and the frictions are fixable

This capital rarely invests directly. It reaches every market it enters through locally regulated managers with origination networks, underwriting capability and governance an offshore fiduciary can underwrite and explain to its board. Strengthen that channel and the flows follow.

But the decision, in the end, is about net returns. Even the most convinced believer in the India story will hold back if the return that survives costs and leakage does not stack up against the alternatives on its desk - and with the global risk-free rate at its highest in nearly two decades, that hurdle has rarely been higher. Three frictions currently stand between India's gross opportunity, and the net return an allocator earns - and none is intractable:

- **Currency.** The rupee's steady ~3-4% annual slide against the dollar, and the cost of hedging it, erode headline yields - best mitigated by deeper long-tenor hedging markets and by assets whose cash flows carry natural inflation linkage.
- **Tax.** Withholding, capital-gains treatment and treaty complexity add leakage and uncertainty; a stable, transparent regime and the GIFT City / IFSCA route reduce both.
- **Exit and certainty.** Allocators price in how cleanly capital can be returned. India's own development finance institution has already named the fixes - investment-ready projects, long-term currency-hedging options and credible exit routes.

These are the “elephants in the room” for offshore capital. India’s own institutions are already pointing to the answers - which is the constructive place for this conversation to sit.

The prize for removing these frictions is larger than the capital itself: money that comes in and finances real activity compounds through growth, employment and the fiscal base in ways a portfolio flow never does. India has before turned a targeted, time-bound incentive into an industry that now defines it - and the same ambition, applied to the gateways it has already built for global capital, could turn a promising channel into a permanent pool. The frame that matters is this: long-term capital is not a visitor to be courted but infrastructure to be built, as vital to the next phase of growth as the assets it funds.

The opportunity is structural, not cyclical, and it runs both ways. For global pension funds, India offers duration-matched, real-growth-linked returns and diversification at a moment when such exposures are genuinely rare - and, unusually, at a size that can absorb capital in the quantities these funds must deploy. For India, patient capital is the antidote to flightiness - long-tenor money that funds the build-out and stays for it.

And the prize is enormous precisely because the pool is so vast: **redirecting even one-tenth of one percent of that US\$68 trillion toward India would approach a full record year of the country’s gross FDI; a single percentage point would be several times larger.**

THE POINT

With US rates at their highest in nearly two decades and the developed world absorbing capital at record scale to fund AI and the energy transition, the competition for the world’s long-term savings has rarely been tougher. Yet the pools are vast: the world’s pension funds alone hold US\$68 trillion, and the largest of them must deploy in sizes they struggle to place - patient capital that wants real, low-volatility returns and needs large, long-duration homes.

India offers both the growth, and a capital need big enough to absorb that money, in the contractual forms these funds are built to hold - but only if it is earned on net returns, not assumed. The prize for removing the frictions in the way is larger than the capital itself: money that finances real activity compounds through growth, employment and the fiscal base in ways a portfolio flow never does, and episodic allocations can become a permanent, renewable pool.

The task now is to treat long-term capital as national infrastructure - as much a strategic priority as FDI, and as vital to the next phase of growth as the assets it funds.

SOURCES AND BASIS OF PREPARATION

Data as at September 2026. Thinking Ahead Institute / WTW - Global Pension Assets Study 2026 (US\$68.3trn, end-2025; asset allocation of the seven largest markets). Ministry of Statistics and Programme Implementation (MoSPI/NSO) - Provisional Estimates of GDP, FY2025-26 (June 2026) and First Advance Estimates (January 2026). World Bank / IMF World Economic Outlook - India real GDP series. US Department of the Treasury / Federal Reserve (FRED, series DGS10) - 10-year Treasury yield (as at 28 September 2026). Reserve Bank of India - Balance of Payments FY2025-26 (gross and net FDI, repatriation, outward FDI). NaBFID-BCG - Channelising Domestic and Global Capital for Infrastructure Financing (September 2025). FundsIndia - long-run INR/USD depreciation analysis. J.R. Ritter, Economic Growth and Equity Returns (2005); E. Dimson, P. Marsh & M. Staunton, UBS/Credit Suisse Global Investment Returns Yearbook; W.J. Bernstein & R.D. Arnott, Earnings Growth: The Two Percent Dilution (2003); S&P Dow Jones Indices, SPIVA Scorecards.

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