

INVESTOR PERSPECTIVES / SEPTEMBER 2026

# Global Wealth. Real Assets.

Nine white papers on purchasing power, portfolio construction, cross-border ownership and private-market economics.

AL T E R R A E Q U I T I E S

RESEARCH &amp; INSIGHTS

SERIES

THE COLLECTION

A framework for informed investment decisions across the United States, India and the United Arab Emirates.

Prepared for individual investors, families, wealth managers and professional advisors.

# A guide to the series

Read in sequence or choose a paper for the question you are addressing. Each report includes its own cover, methodology and linked primary sources.

|           |                                                           |           |
|-----------|-----------------------------------------------------------|-----------|
| <b>01</b> | <b>Wealth in Rupees. Goals in Dollars.</b>                | <b>3</b>  |
|           | Currency exposure and the cost of international goals.    |           |
| <b>02</b> | <b>Inflation, Currency &amp; Real Wealth</b>              | <b>11</b> |
|           | Protecting purchasing power across different liabilities. |           |
| <b>03</b> | <b>Real Estate vs. Equities</b>                           | <b>17</b> |
|           | A fair comparison of income, liquidity and total return.  |           |
| <b>04</b> | <b>The Case for Alternatives and Where Hotels Fit</b>     | <b>23</b> |
|           | What a private allocation should add to the portfolio.    |           |
| <b>05</b> | <b>Depreciation &amp; After-Tax Returns</b>               | <b>29</b> |
|           | The timing, usability and exit cost of tax benefits.      |           |
| <b>06</b> | <b>India to U.S. Real Estate</b>                          | <b>35</b> |
|           | Funding, structure, reporting and the advisor roadmap.    |           |
| <b>07</b> | <b>UAE to U.S. Real Estate</b>                            | <b>42</b> |
|           | Diversification beyond the dirham's dollar linkage.       |           |
| <b>08</b> | <b>GP/LP Structures &amp; Waterfalls 101</b>              | <b>49</b> |
|           | Control, incentives and worked distribution examples.     |           |
| <b>09</b> | <b>AI &amp; the Next Travel Expansion</b>                 | <b>57</b> |
|           | Demand, future travel patterns and hotel cash flow.       |           |

Page references use the complete collection's PDF page order. Individual reports retain their own page numbering. Use the bookmarks or click a title to navigate.

Educational research. Investor-specific tax and legal conclusions, and the eligibility of any actual investment vehicle, require professional review before any investment decision.

INVESTOR PERSPECTIVES / SEPTEMBER 2026

# Wealth in Rupees. Goals in Dollars.

The case for measuring wealth against the currency of future spending.

AL T E R R A E Q U I T I E S

RESEARCH &amp; INSIGHTS

01

THE INVESTMENT QUESTION

## Can a growing rupee balance keep pace with a family's dollar-denominated ambitions?

For India-based high-net-worth investors and their wealth managers.

# Executive perspective

A portfolio can be successful in its home currency and still fall short of an overseas goal. The relevant benchmark is the cost of the life the capital is intended to fund.

For an India-based family, business ownership, salary, property and savings may all draw on the same domestic economy. That concentration can be rational for Indian expenses. It becomes a separate planning risk when education, travel, a second home or future relocation will be priced in dollars. The objective is to fund those obligations without relying entirely on a favorable future exchange rate.

## The evidence in one comparison

The annual average INR/USD rate was 44.0002 in 2005 and 87.1468 in 2025. The rupee cost of an unchanged dollar amount increased about 98.1%. An unchanged rupee balance bought about 49.5% fewer dollars. These are exchange-rate calculations, not investment returns. [1]

## Three conclusions for the allocation discussion

**Measure in two currencies.** Track domestic net worth and the funded percentage of future dollar liabilities. Reporting only an INR account balance can conceal the gap.

**Do not confuse a currency decision with an asset decision.** Dollar cash, bonds, public equities and private real estate have different loss, liquidity and income characteristics. The case for diversification does not automatically favor a private fund.

**Make the investment earn its place.** Private U.S. real estate may be appropriate for genuinely long-term capital, but the expected benefit must survive fees, taxes, leverage, illiquidity and execution risk. Currency exposure cannot rescue a poorly priced asset.

Reading guide: historical evidence on page 3; currency and inflation mechanics on page 4; a worked example on page 5; implementation choices on page 6; the advisor challenge on page 7.

## 01 / The historical record

The chart uses complete calendar-year averages to avoid combining a single trading-day rate with a long-run average. The dollar became materially more expensive in rupees over this period, but the path was neither smooth nor one-way.

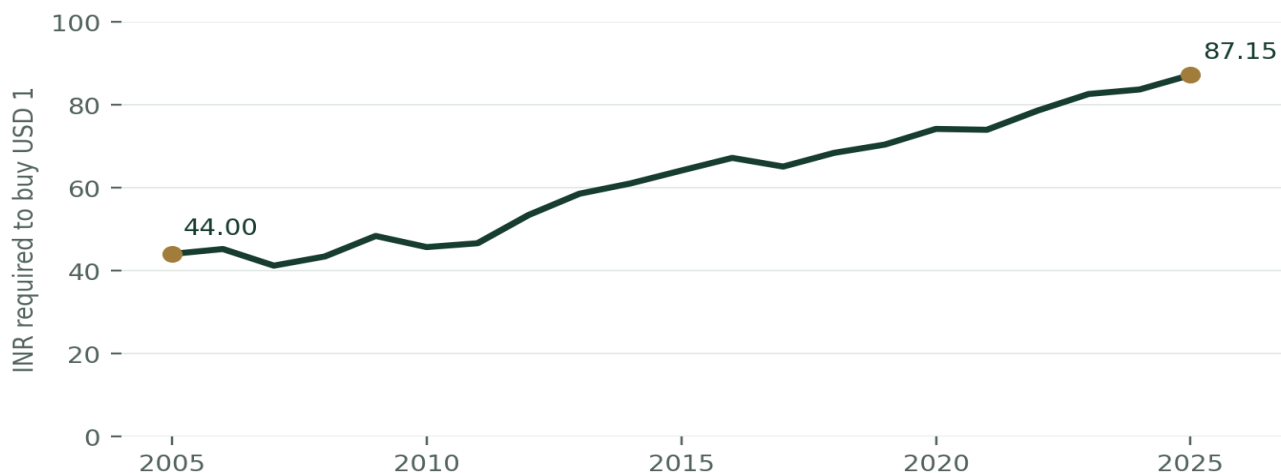


Exhibit 1. Annual average INR per USD, 2005–2025. Federal Reserve Board data via FRED, AEXINUS. [1] Annual averages are reference measures, not executable investor exchange rates.

| Window    | INR per USD: start / end | Annualized rise in INR/USD |
|-----------|--------------------------|----------------------------|
| 2005–2025 | 44.0002 / 87.1468        | 3.48%                      |
| 2015–2025 | 64.1073 / 87.1468        | 3.12%                      |
| 2016–2017 | 67.1572 / 65.0659        | –3.11%                     |

The 2016–2017 comparison shows the opposite outcome: the rupee strengthened on an annual-average basis. Foreign-currency exposure can reduce an INR investor’s reported wealth when the rupee appreciates. The historical case is about managing concentration, not promising perpetual depreciation.

A flat \$100,000 expense translates to roughly INR 44.0 lakh at the 2005 average and INR 87.1 lakh at the 2025 average. Any increase in the dollar price of that expense would be an additional source of required rupee funding. This example isolates currency and assumes the underlying dollar price is unchanged.

## 02 / Choose the right purchasing-power test

Domestic inflation and currency depreciation answer different questions. Indian inflation affects a basket of spending in India. INR/USD changes affect how many dollars a rupee balance buys. Inflation in the specific foreign goal then affects what those dollars can purchase.

| Goal                              | Appropriate test                                                                                   |
|-----------------------------------|----------------------------------------------------------------------------------------------------|
| Living expenses in India          | After-tax INR wealth relative to the relevant Indian spending basket.                              |
| A future U.S. expense             | INR wealth translated at the future exchange rate, relative to that expense's future dollar price. |
| Mixed domestic and overseas goals | Separate goal accounts or liability schedules by currency, timing and flexibility.                 |

### Avoid double-counting

For a dollar goal, divide the INR growth factor by the INR/USD growth factor, then by growth in the dollar cost of the goal. Do not also subtract Indian CPI from that same result. Indian CPI is relevant to a separate domestic purchasing-power test.

### The exact relationships

**Dollar return:**  $(1 + \text{INR return}) / (1 + \text{rise in INR per USD}) - 1$ .

**Dollar-goal real return:**  $(1 + \text{INR return}) / [(1 + \text{FX change}) \times (1 + \text{goal-cost inflation})] - 1$ .

The equations assume a single beginning investment and an ending value. For multiple contributions, distributions or tuition payments, translate each cash flow at its own date and evaluate the complete schedule. A shortcut based on one end-date exchange rate can misstate the actual result.

Consumer-price indices describe a representative basket rather than the exact cost of one family's education, healthcare or travel. BLS explains this distinction for U.S. CPI. [2] A university's actual fee schedule or an identified home purchase is a better planning input than assuming headline inflation is the family's personal cost escalation.

## 03 / When 8% growth barely advances the goal

**Illustrative assumptions:** INR wealth grows 8% annually after investment-level fees but before investor taxes; INR per USD rises 3% annually; the dollar goal costs 4% more each year. There are no additional cash flows, tax drag or conversion charges. None of these rates is a forecast.

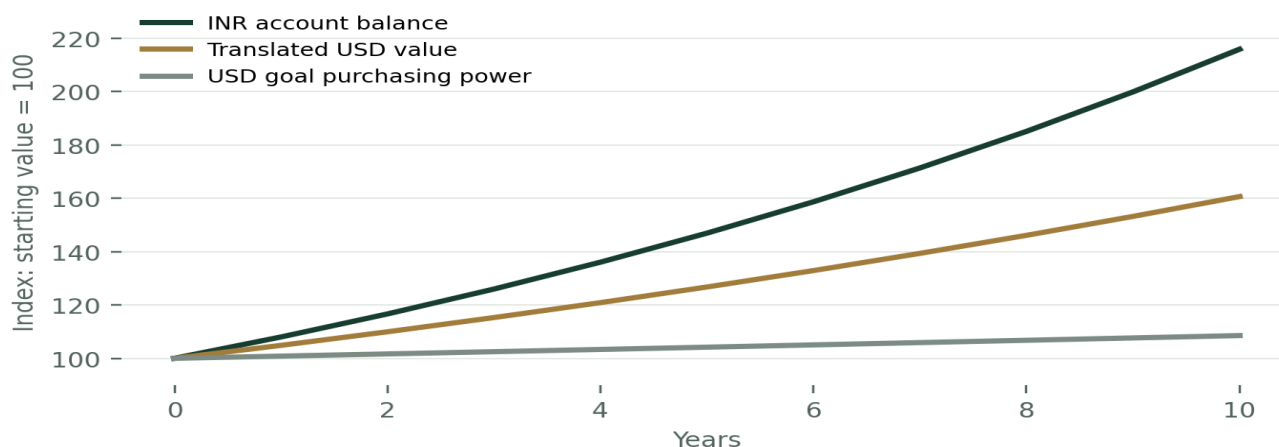


Exhibit 2. Original compound-growth illustration. The 8% INR growth rate becomes 4.85% in nominal USD and 0.82% relative to the assumed dollar goal.

Over ten years, INR wealth grows to 2.159 times its initial amount. Its dollar value grows to about 1.606 times, but the dollar goal grows to 1.480 times. The funded percentage improves only about 8.5%. Taxes or currency-conversion costs would reduce that improvement.

| Annual INR return | 0% FX depreciation | 3% FX depreciation | 6% FX depreciation |
|-------------------|--------------------|--------------------|--------------------|
| 6%                | 1.92%              | -1.05%             | -3.85%             |
| 8%                | 3.85%              | 0.82%              | -2.03%             |
| 10%               | 5.77%              | 2.69%              | -0.22%             |

Exhibit 3. Annual return relative to a dollar goal growing 4% per year. All inputs hypothetical; results before investor taxes and conversion costs.

The table also establishes the counterargument. Strong enough INR investment performance can exceed depreciation and goal inflation. The right question is whether the plan remains adequately funded across plausible outcomes, including weaker returns and an unfavorable exchange-rate move near the spending date.

## 04 / Build the allocation around the liability

Start by listing overseas goals with a currency, amount, date and acceptable shortfall. Separate a tuition bill due next year from discretionary wealth that can stay invested for a decade. The same dollar allocation should not be expected to solve both problems.

| Implementation route                     | Potential role                                 | Key limitation                                                                    |
|------------------------------------------|------------------------------------------------|-----------------------------------------------------------------------------------|
| Dollar cash / short-maturity instruments | Near-term payment matching and liquidity.      | Inflation, reinvestment, bank/custody and product risks; access must be lawful.   |
| Dollar bonds                             | Scheduled income or maturity matching.         | Duration and credit risk; a bond fund has no fixed investor redemption value.     |
| Global public equities                   | Long-term ownership of diversified businesses. | Market drawdowns and business currency exposures beyond trading currency.         |
| Private U.S. real estate                 | Long-horizon property and operating exposure.  | Illiquidity, concentration, leverage, taxes, capital calls and manager execution. |

An investment quoted in dollars is not necessarily a pure dollar economic exposure. A U.S.-listed multinational may earn revenues around the world. A U.S. hotel may collect dollars but remain exposed to local demand and global tourism. Ask which cash flows and obligations are actually matched.

### For a high-income professional

Retain enough accessible capital for domestic obligations, emergencies and known foreign payments. Consider employer equity and career concentration before adding an illiquid investment. A foreign allocation should reduce a meaningful risk in the family balance sheet, not simply introduce another product.

International investing introduces additional currency, legal and market risks. SEC investor education outlines these considerations. [3] Implementation routes, eligibility and reporting require separate jurisdiction-specific review.

## 05 / The questions a wealth manager should ask

| Challenge                                       | A defensible answer                                                                                                                 |
|-------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|
| "Indian assets can earn more."                  | Yes. Compare net returns in the goal currency. The argument is concentration management, not the inferiority of Indian investments. |
| "Why not just buy dollar bonds?"                | For a dated liability, that may be the more appropriate route. Private real estate must justify its additional risk independently.  |
| "What if the rupee strengthens?"                | Show that scenario explicitly and keep INR liquidity for INR liabilities.                                                           |
| "What is the net result?"                       | Include product fees, sponsor economics, taxes, withholding timing and conversion charges.                                          |
| "What if the capital cannot come back on time?" | Match commitments to realistic liquidity and legal remittance/repatriation rules. A planned sale is not a guaranteed exit.          |

### A practical review agenda

Ask the adviser to prepare a currency-by-currency household balance sheet, a dated liability schedule and a stress test. Include salary, business interests, properties, loans, existing investments and likely capital calls. Evaluate the overseas allocation alongside domestic investments rather than in isolation.

Before selecting a private investment, request a complete fee schedule, cash-flow model, legal ownership chart and exit assumptions. Obtain India and U.S. advice on the actual instrument and investor status. A product's availability through a platform does not establish that the investor is permitted to subscribe.

#### Alterra perspective

Wealth should be judged by the future choices it can fund. For a family whose ambitions cross borders, measuring progress only in rupees is incomplete. A deliberate foreign allocation can improve the match between assets and goals, provided the investment itself withstands independent diligence.

# Sources, methodology & important information

Scope: a goal-based framework for India-based investors. Historical evidence ends in calendar 2025; no intrayear 2026 figure is blended into the chart. The INR/USD annualized change is calculated as  $(\text{ending rate} / \text{beginning rate})^{(1 / \text{years})} - 1$ . The reciprocal purchasing-power calculation is different. All forward-looking figures are expressly hypothetical. This paper does not prescribe an allocation or establish a remittance route.

## Primary sources

[1] Federal Reserve Board / FRED: AEXINUS annual exchange rates

Annual averages of daily INR/USD figures. Complete 2005–2025 observations used; series updated January 5, 2026. Historical calculations by Alterra.

[2] U.S. Bureau of Labor Statistics: CPI frequently asked questions

Used only for the distinction between representative consumer inflation and household-specific spending.

[3] SEC Investor.gov: International Investing

General background on international-investment and exchange-rate risks.

## Use of this paper

Prepared by Alterra Equities for investor education. This paper is not an offer, solicitation, personalized recommendation, or legal or tax advice. Any investment is governed by definitive documents and applicable eligibility rules. Private investments can be illiquid and can lose all invested capital. Distributions, tax benefits and exits are not guaranteed. Examples are hypothetical and are not Alterra transactions, targets or investment performance.

Sources accessed September 11, 2026. Data cutoffs and dated rules are identified where used. Verify later changes and the investor-specific position before a transaction. Analytical frameworks and uncited worked examples are Alterra's original educational analysis; source organizations do not endorse this paper.

Prepared by Alterra Equities LLC | 381 Park Avenue South, 15th Floor, New York, NY 10016 | [ir@alterraeq.com](mailto:ir@alterraeq.com)

INVESTOR PERSPECTIVES / SEPTEMBER 2026

# Inflation, Currency & Real Wealth

How to distinguish nominal growth from economic progress.

AL T E R R A E Q U I T I E S

RESEARCH &amp; INSIGHTS

02

THE INVESTMENT QUESTION

Which assets protect the spending power that matters to your household – and under what conditions?

For U.S., India and UAE investors evaluating the role of global assets.

# Executive perspective

An inflation hedge is only useful if it protects the right liability, at the right time, after the costs of owning it.

Inflation erodes the amount of goods and services a fixed sum can buy. A currency move changes what that sum buys abroad. Asset prices introduce a third variable: the market can value a stream of growing cash flow less highly if required returns rise. Treating these as one risk produces weak investment decisions.

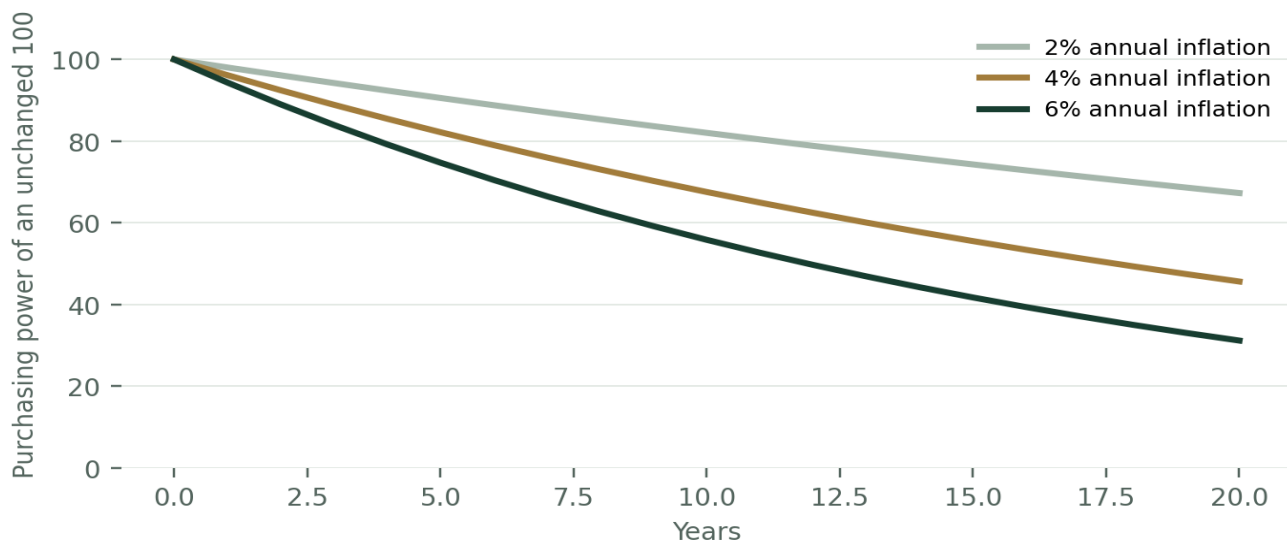


Exhibit 1. Hypothetical inflation compounded annually; no interest earned on the original 100. This is a purchasing-power illustration, not an inflation forecast.

At assumed annual inflation of 4%, an unchanged cash amount retains about 67.6% of its initial purchasing power after ten years and 45.6% after twenty. Interest income can offset some erosion, subject to taxes and the rate actually earned. The alternative to idle cash is not necessarily an illiquid investment.

## Three separate decisions

Identify the currency of future spending. Select an investment whose underlying economics fit the goal. Then test whether liquidity, fees, taxes and financing could defeat the intended protection.

# 01 / Match the hedge to the exposure

| Exposure                         | What helps address it                                                             | What can still go wrong                                                     |
|----------------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------|
| Domestic consumption inflation   | Assets or contracts whose net cash flow can respond to the relevant prices.       | Revenue may adjust slower than costs; taxes can consume the gain.           |
| Future foreign-currency spending | Assets or cash flows in the liability currency, matched to the payment timetable. | Asset losses, legal access restrictions or maturity mismatch.               |
| Rising discount rates            | Shorter duration or a return cushion; evaluate financing terms.                   | A nominal income increase can coexist with a lower asset price.             |
| Unexpected cash needs            | Accessible reserves and realistic commitment sizing.                              | Selling a volatile asset or exiting a private investment at the wrong time. |

BLS defines CPI around a representative consumption basket and explains that an individual family's spending experience can differ. [1] A property purchase price, a university fee and local household costs should therefore not be modeled as if they were the same inflation index.

## Different starting points by residence

**India:** A dollar goal exposes INR-funded savings to exchange-rate changes as well as changes in the dollar price of that goal. Measure those effects separately from Indian household inflation.

**UAE:** The dirham is pegged to the dollar. [3] Moving AED into USD is primarily a change of asset, custodian or jurisdiction, not a new hedge against routine AED/USD depreciation. It does not remove exposure to inflation or currencies other than the dollar.

**United States:** A dollar salary and dollar investment may still be concentrated in one employer, industry or regional economy. A domestic currency match does not eliminate business or portfolio concentration.

## 02 / Real estate is a conditional inflation hedge

Real estate can benefit when achievable rents or room rates rise, replacement costs support the competitive position, and financing costs remain controlled. Those conditions are neither automatic nor synchronized. Labor, insurance, utilities, maintenance and renovation costs can rise before income catches up.

| Simplified valuation example      | Initial position | Later position |
|-----------------------------------|------------------|----------------|
| Net operating income (NOI)        | \$1,000,000      | \$1,100,000    |
| Capitalization rate (NOI / value) | 5.0%             | 6.0%           |
| Value = NOI / cap rate            | \$20,000,000     | \$18,333,333   |
| Change in NOI                     | -                | +10.0%         |
| Change in property value          | -                | -8.3%          |

Exhibit 2. Original hypothetical arithmetic. Unlevered property value, before transaction costs, capital spending, taxes and interim distributions. Capitalization rates are assumptions, not market estimates.

Growing income does not guarantee growing market value. If \$12 million of debt remained outstanding in the example, residual equity value would move from \$8 million to about \$6.33 million, a 20.8% decline before other adjustments. Leverage magnifies the effect on the owner.

Hotels can change room prices frequently, but the guest must accept the new price. A higher quoted rate accompanied by weaker occupancy can reduce total revenue. Pricing flexibility is an operating tool; pricing power is an economic outcome. The two should not be conflated.

### The underwriting test

Model revenue and each major expense separately. Include debt repricing, replacement reserves and exit valuation. Ask whether the real cash distributed to the investor improves after those effects, not merely whether rents or average daily room rates rise.

## 03 / Compare the available tools

| Asset or strategy                | Potential use                                                      | Trade-off                                                                               |
|----------------------------------|--------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
| Short-duration cash instruments  | Liquidity and gradual reinvestment as rates change.                | After-tax yield may lag inflation; not all cash-like products have the same protection. |
| Inflation-linked sovereign bonds | Explicit linkage to a specified inflation index.                   | Real yields, duration, taxation and the chosen index still matter.                      |
| Public equities                  | Exposure to companies able to grow earnings or pass through costs. | Pricing power varies; valuations and earnings can fall.                                 |
| Private real estate              | Control over asset operations and potential income repricing.      | Capital intensity, leverage, illiquidity and sponsor execution.                         |
| Commodities / gold               | Different exposure to supply shocks or monetary uncertainty.       | Volatility, storage or product costs, and generally no operating cash flow.             |

U.S. Treasury Inflation-Protected Securities adjust principal with U.S. CPI. At maturity, Treasury pays the inflation-adjusted principal or original principal, whichever is greater; sale before maturity can produce a different outcome. [2] This is specific contractual protection, unlike the conditional economic behavior of real estate.

There is no single asset that reliably matches every currency, inflation basket and payment date. Evaluate the household's objectives before selecting a product. A credible diversification plan acknowledges where the proposed investment can fail.

### Advisor review questions

Which inflation measure is being hedged? Which costs are omitted? Can the hedge be accessed when needed? Is the apparent resilience the result of infrequent valuation? What happens if inflation falls, the currency moves the other way, or refinancing becomes expensive?

# Sources, methodology & important information

Scope: a conceptual asset–liability framework, not a backtest or estimate of expected inflation. All numeric examples are original hypothetical calculations. No assumed inflation or capitalization rate represents a current market quote. Inflation–linked bonds, public securities and private real estate are not presented as substitutes with equivalent risk.

## Primary sources

[1] BLS: Consumer Price Index frequently asked questions

Background on the CPI basket and household–specific inflation experience.

[2] U.S. Treasury: Treasury Inflation–Protected Securities

Description of principal adjustment and maturity protection. Investors must separately evaluate tax and sale–before–maturity effects.

[3] Central Bank of the UAE: How the monetary system works

Official description of the UAE dollar peg and monetary framework.

## Use of this paper

Prepared by Alterra Equities for investor education. This paper is not an offer, solicitation, personalized recommendation, or legal or tax advice. Any investment is governed by definitive documents and applicable eligibility rules. Private investments can be illiquid and can lose all invested capital. Distributions, tax benefits and exits are not guaranteed. Examples are hypothetical and are not Alterra transactions, targets or investment performance.

Sources accessed September 11, 2026. Data cutoffs and dated rules are identified where used. Verify later changes and the investor–specific position before a transaction. Analytical frameworks and uncited worked examples are Alterra’s original educational analysis; source organizations do not endorse this paper.

Prepared by Alterra Equities LLC | 381 Park Avenue South, 15th Floor, New York, NY 10016 | [ir@alterraeq.com](mailto:ir@alterraeq.com)

INVESTOR PERSPECTIVES / SEPTEMBER 2026

# Real Estate vs. Equities

Comparing the full economics of ownership, income and risk.

AL T E R R A E Q U I T I E S

RESEARCH &amp; INSIGHTS

03

THE INVESTMENT QUESTION

Does a private real estate allocation offer enough incremental value to justify the liquidity, complexity and concentration it adds?

For high-income professionals, high-net-worth investors and their advisers.

# Executive perspective

The strongest case for real estate is a specific economic advantage. “Stocks are volatile” is not enough.

Public equities and private real estate are both claims on economic activity. Their risks differ, but neither label determines investment quality. A diversified stock fund can be an efficient route to global business ownership; a well-executed property investment can offer a distinct operating plan and distribution profile. The comparison must use the same investor perspective.

| Dimension       | Diversified public equity fund                                             | Private property / real estate fund                                                |
|-----------------|----------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| Return drivers  | Business earnings, dividends and valuation changes.                        | Operating cash flow, asset value, financing and sponsor execution.                 |
| Liquidity       | Generally tradable in market hours, subject to fund and market conditions. | Usually restricted; fund terms, asset sale or approved transfer determine access.  |
| Valuation       | Market prices are frequently observable.                                   | Appraisals or models may update less often; realizable price can differ.           |
| Control         | The investor normally delegates corporate decisions.                       | LP rights are contractual; day-to-day control generally rests with the sponsor.    |
| Costs and taxes | Product costs, trading effects and investor tax treatment.                 | Property costs, financing, fund fees, promote and investor-specific tax treatment. |

A public REIT is an important bridge in this comparison: it combines real estate exposure with a listed-security structure. Public and non-traded REITs have materially different liquidity and valuation characteristics. [1] An investor who wants property exposure does not necessarily need a private allocation.

## Alterra perspective

Private real estate should complement a portfolio where its underlying opportunity, governance and expected net economics justify the additional constraints. It should not depend on presenting a diversified equity portfolio unfairly.

# 01 / Leverage changes returns

Debt changes the return to the owner. A property financed with substantial borrowing cannot be compared fairly with an unlevered asset-price series. Public companies may also carry debt inside the business; evaluate embedded leverage on both sides.



Exhibit 1. Original hypothetical sensitivity. Initial debt remains unchanged; ignores interest, income, expenses, taxes, transaction costs and recourse. This isolates valuation leverage only.

In the 60% debt example, a 20% fall in property value reduces residual equity value by 50%. The same arithmetic magnifies gains, but the asset must also pay interest and survive covenant and maturity requirements. A refinance can require additional equity even if the property has met current payments.

| Return claim                            | Necessary adjustment                                                                                 |
|-----------------------------------------|------------------------------------------------------------------------------------------------------|
| "The property generated a high return." | Show purchase basis, debt, all capital contributions and the net cash reaching LPs.                  |
| "Real estate prices are less volatile." | Separate infrequent appraisal marks from realized economic risk.                                     |
| "Income makes the investment safer."    | Confirm that distributions arise from operating cash rather than reserves, new capital or borrowing. |

The sponsor's operating model should explain how the asset performs before leverage. If the investment only appears attractive at the highest possible debt level, the financing assumption may be doing more work than the business plan.

## 02 / Income is not the same as total return

**Illustrative property:** \$10 million purchase price, \$6 million interest-only debt at an assumed 6%, \$700,000 annual cash flow before reserve and debt, and \$100,000 replacement reserve. Cash remaining is \$240,000, or 6% of the \$4 million initial equity. That figure excludes acquisition costs, extraordinary capital, fund fees and investor taxes.

| Cash-flow bridge                              | Illustrative annual amount |
|-----------------------------------------------|----------------------------|
| Cash flow before replacement reserve and debt | \$700,000                  |
| Replacement reserve                           | (\$100,000)                |
| Interest: \$6M x 6%                           | (\$360,000)                |
| Residual before fund costs and investor taxes | \$240,000                  |

The 6% cash yield is not a 6% total return. A change in asset value, loan payoff, additional capital and selling costs changes the eventual result. If distributions include returned principal, the distribution rate is even less informative about earnings.

### Use the appropriate performance measures

**Cash yield** relates a period's cash distributions to a defined capital base. **Equity multiple** compares total proceeds with invested capital but ignores timing. **IRR** incorporates dated cash flows and can be influenced by financing and distribution timing. None of these alone fully describes the experience.

For a public-market comparison, use a total-return benchmark including dividends and compare equivalent investment dates, currency and cash flows. A public-market-equivalent analysis can be useful for a private investment with capital calls and distributions. A private deal's gross IRR and a stock index's price-only return are not an adequate comparison.

All numeric inputs on this page are hypothetical. This paper presents no claim of historical or expected outperformance by either asset class.

## 03 / Decide what belongs in the portfolio

| Investor situation                | Allocation question                                                                                    |
|-----------------------------------|--------------------------------------------------------------------------------------------------------|
| High salary plus employer shares  | Does the proposed investment reduce exposure to the employer, industry and local economy?              |
| Known spending within a few years | Can the investor fund the obligation if the private asset does not sell or distribute on schedule?     |
| India- or UAE-based investor      | What is the net result in the spending currency after cross-border tax, structure and reporting costs? |
| Existing property-heavy wealth    | Would more private property increase concentration rather than diversify it?                           |
| Long-horizon surplus capital      | Is the expected net benefit sufficient to accept restricted liquidity and sponsor dependence?          |

Index funds can offer relatively simple access to a chosen market, but have market risk and can differ in fees and tracking performance. [2] Private funds introduce their own fee, disclosure and conflict considerations. [3] A simpler alternative should be the starting hurdle against which a more complex investment is assessed.

### Request a fair comparison pack

Ask for the complete distribution history and unrealized assumptions, gross-to-net reconciliation, leverage details, valuation policy, downside model, and investor rights. Compare a realistic alternative that the investor can actually buy, not an unusually weak stock selection or an unmatched time period.

### A decision that survives scrutiny

Choose private real estate when the asset, basis, operating plan and investor terms provide a defensible reason to own it. Retain public-market exposure where liquidity, breadth and simplicity better serve the household. The allocation can be complementary without declaring one category universally superior.

# Sources, methodology & important information

Scope: investor-level comparison of diversified public equities with private real estate. This is not an empirical return comparison or recommendation to replace an existing portfolio. The leverage chart isolates a single valuation change with a fixed loan balance; the cash-flow illustration uses explicitly assumed inputs. All comparison frameworks are original analysis.

## Primary sources

[1] SEC Investor.gov: Real Estate Investment Trusts

Used for the listed versus non-traded REIT distinction; not as a source of current fee estimates.

[2] SEC Investor.gov: Index Funds

Background on index-tracking investments, fees and risks.

[3] SEC Investor.gov: Private Equity Funds

Background on private-fund liquidity, fees and conflicts.

## Use of this paper

Prepared by Alterra Equities for investor education. This paper is not an offer, solicitation, personalized recommendation, or legal or tax advice. Any investment is governed by definitive documents and applicable eligibility rules. Private investments can be illiquid and can lose all invested capital. Distributions, tax benefits and exits are not guaranteed. Examples are hypothetical and are not Alterra transactions, targets or investment performance.

Sources accessed September 11, 2026. Data cutoffs and dated rules are identified where used. Verify later changes and the investor-specific position before a transaction. Analytical frameworks and uncited worked examples are Alterra's original educational analysis; source organizations do not endorse this paper.

Prepared by Alterra Equities LLC | 381 Park Avenue South, 15th Floor, New York, NY 10016 | [ir@alterraeq.com](mailto:ir@alterraeq.com)

INVESTOR PERSPECTIVES / SEPTEMBER 2026

# The Case for Alternatives and Where Hotels Fit

A framework for evaluating private assets without confusing complexity with quality.

AL T E R R A E Q U I T I E S

RESEARCH &amp; INSIGHTS

04

THE INVESTMENT QUESTION

What distinct economic exposure does the alternative provide, and is the investor paid enough to accept its constraints?

For investors considering an allocation beyond traditional public stocks and bonds.

# Executive perspective

Alternatives are useful when they add a return driver or ownership opportunity the existing portfolio does not already provide efficiently.

The category includes investments with very different economics: private businesses, loans, properties, infrastructure and specialized strategies. “Alternative” does not mean low-risk, uncorrelated or superior. A label cannot substitute for understanding the cash flow, capital structure and decision rights.

| Asset class                       | Core economic exposure                                                       | Principal diligence question                                                       |
|-----------------------------------|------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| Private real estate               | Property income, asset value and operational execution.                      | Is the entry basis and business plan attractive after capital needs and financing? |
| Private credit                    | Contractual payments and recovery if a borrower cannot pay.                  | What collateral, covenants and enforcement rights support repayment?               |
| Private equity / venture          | Business growth, margins, financing and exit valuations.                     | What must improve, and how much new capital is needed before liquidity?            |
| Infrastructure                    | Long-lived assets with contracted, regulated or volume-sensitive cash flows. | Which prices, counterparties and demand risks are actually protected?              |
| Commodity / specialist strategies | Specific supply, price or trading exposures.                                 | What is the return mechanism and what can cause permanent loss?                    |

Private fund documents can impose long holding periods and complex fees and conflicts. The SEC’s private-equity guidance highlights these features. [1] Investors should establish their capacity to hold before assessing the appeal of a proposed return.

## A useful test

If the investment’s expected advantage cannot be explained without the words “exclusive,” “institutional” or “uncorrelated,” the diligence is not complete.

# 01 / Distinguish diversification from a new label

Two funds may own different assets yet depend on the same economic conditions: cheap refinancing, strong consumer demand, rising exit multiples or plentiful buyers. The portfolio can be less diversified than its product list suggests. Identify the underlying exposures and look through to existing business and property holdings.

## Three potential sources of value

**Access:** Ownership of an asset or contractual position not readily replicated in public markets. Access is valuable only at an attractive price and on acceptable terms.

**Execution:** The ability to improve operations, governance, physical condition or capital structure. This depends on competence, resources and time; it is not an automatic private-market premium.

**Structure:** Negotiated rights, alignment and financing that shape outcomes. Priority in a waterfall can help, but it does not create cash where the underlying asset has none.

| Common claim            | What the investor should verify                                                       |
|-------------------------|---------------------------------------------------------------------------------------|
| "Low volatility"        | How often is it valued? Is smoothing masking changing economic value?                 |
| "Senior and secured"    | Which entity owes the money? What ranks ahead? What is collateral worth under stress? |
| "Stable distributions"  | Are payments earned, financed, drawn from reserves or returned capital?               |
| "Diversified fund"      | Asset concentration, correlation of demand, leverage and maturity clustering.         |
| "Institutional quality" | Documented controls, reporting, incentives and actual operating evidence.             |

A liquidity feature also needs inspection. For example, an interval fund may offer periodic repurchases rather than daily redemption; offers are limited and can be prorated. [2] An investment's wrapper changes access to cash, not the liquidity of the underlying asset overnight.

## 02 / Why hospitality belongs in the discussion

Hotels combine real estate ownership with a daily operating business. That can create opportunities to improve revenue strategy, brand position, distribution costs, staffing or capital deployment. The investor is accepting operating variability as well as property and financing risk.

| Property sector | Potential attraction                                               | Key trade-off                                                             |
|-----------------|--------------------------------------------------------------------|---------------------------------------------------------------------------|
| Hotels          | Frequent pricing decisions and visible operating levers.           | Demand volatility, labor intensity, renovation and franchise obligations. |
| Multifamily     | Recurring residential demand and periodic lease resets.            | Local supply, regulation, turnover and expenses.                          |
| Industrial      | Logistics or production use; leases may support contracted income. | Tenant concentration, rollover and specialized building needs.            |
| Office          | Contractual rent and repositioning possibilities.                  | Tenant demand, leasing capital and space obsolescence.                    |
| Retail          | Location, tenant mix and consumer access.                          | Tenant health, sales trends and competitive formats.                      |

This is a qualitative framework, not a ranking of expected returns. Sector labels contain very different assets. A small hotel dependent on one customer and a diversified resort have different operating profiles. A low cap rate or strong brand does not resolve poor basis or unbudgeted capital work.

### The hotel-specific diligence chain

Reconcile room revenue to property records. Review demand segments and competition. Price the franchise property improvement plan. Test payroll, taxes, insurance and replacement reserves. Underwrite the operator and the financing maturity together. A renovation that improves revenue after the loan matures may not solve the investor's immediate problem.

Commercial real estate underwriting requires attention to repayment capacity and collateral value; the OCC handbook provides a supervisory reference. [3] Specific lender tests and investor terms vary.

# 03 / Allocate only capital that can stay committed

**Illustrative liquidity screen:** A household has \$1 million of accessible investable assets. It reserves \$250,000 for known near-term obligations, \$150,000 for emergencies and \$200,000 for existing capital commitments. Only \$400,000 remains before additional concentration and risk limits. This is arithmetic, not a recommended allocation.

| Item                                    | Illustrative amount |
|-----------------------------------------|---------------------|
| Accessible investable assets            | \$1,000,000         |
| Known near-term obligations             | (\$250,000)         |
| Emergency reserve                       | (\$150,000)         |
| Existing commitment reserve             | (\$200,000)         |
| Remaining before other portfolio limits | \$400,000           |

Expected salary, projected distributions and a hoped-for property sale should not be treated as equivalent to funded liquidity. Stress the possibility that a capital call arrives when public markets are weak and employment income is less certain.

## What a private investment must demonstrate

Require a complete sources-and-uses schedule; an operating case independent of optimistic refinancing; a net investor waterfall; meaningful reporting; documented conflicts; and a realistic loss scenario. Check who can change the business plan or extend the investment, and what happens if additional capital is unavailable.

### Alterra perspective

Hospitality can offer a differentiated ownership opportunity when basis, operations, capital spending and financing align. The case belongs at the asset and investor level. Alternatives deserve an allocation only when that case is stronger than the constraints they introduce.

# Sources, methodology & important information

Scope: qualitative comparison of selected alternative assets and real estate sectors. No return, yield, volatility or correlation estimates are asserted. Asset descriptions are analytical categories, not product recommendations. The liquidity example is hypothetical and excludes any investor-specific tax, risk or suitability conclusion.

## Primary sources

[1] SEC Investor.gov: Private Equity Funds

General private-fund background; liquidity, fees and conflicts.

[2] SEC Investor.gov: Interval Funds

Repurchase structure and liquidity limitations.

[3] OCC: Commercial Real Estate Lending, version 2.0

March 2022 handbook, with noted subsequent revision. Used as background on repayment and collateral analysis, not current market terms.

## Use of this paper

Prepared by Alterra Equities for investor education. This paper is not an offer, solicitation, personalized recommendation, or legal or tax advice. Any investment is governed by definitive documents and applicable eligibility rules. Private investments can be illiquid and can lose all invested capital. Distributions, tax benefits and exits are not guaranteed. Examples are hypothetical and are not Alterra transactions, targets or investment performance.

Sources accessed September 11, 2026. Data cutoffs and dated rules are identified where used. Verify later changes and the investor-specific position before a transaction. Analytical frameworks and uncited worked examples are Alterra's original educational analysis; source organizations do not endorse this paper.

Prepared by Alterra Equities LLC | 381 Park Avenue South, 15th Floor, New York, NY 10016 | [ir@alterraeq.com](mailto:ir@alterraeq.com)

INVESTOR PERSPECTIVES / SEPTEMBER 2026

# Depreciation & After-Tax Returns

What real estate tax benefits can deliver – and what a passive investor should not assume.



## THE INVESTMENT QUESTION

**When does a deduction become a usable economic benefit, and what is owed when the asset is sold?**

For U.S. high-income salaried investors, with implications for international LPs.

# Executive perspective

Depreciation can improve the timing of after-tax cash flow. It does not make an investment tax-free or turn every passive loss into a salary deduction.

The investment must first generate sound economics before tax. A large deduction attached to a weak asset is not a substitute for durable cash flow. For a salaried professional, the key questions are whether the loss is usable, at what rate, in which year, and with what consequences at exit.

| Investor question                      | Required distinction                                                                |
|----------------------------------------|-------------------------------------------------------------------------------------|
| Will cash distributions be taxable?    | Taxable income, distributions and tax basis are different measures.                 |
| Can the loss offset salary?            | Passive activity, basis, at-risk and other limitations must be tested.              |
| Does cost segregation improve returns? | It may accelerate deductions; usability, fees and later tax consequences matter.    |
| What happens on sale?                  | Adjusted basis, gain character, recapture and suspended losses affect net proceeds. |

## For the high-income employee

A passive LP should not assume that buying an interest in a hotel permits a deduction against W-2 wages. Investor participation and activity classification must be evaluated separately from the sponsor's work. [2, 3]

The same caution applies to projected "tax-equivalent returns." If the investor cannot currently use a deduction, crediting the full marginal tax rate as an immediate cash benefit overstates the result. A credible model shows both immediate-use and delayed-use cases.

This paper summarizes selected U.S. federal concepts. State taxes, investor status, entity elections and international rules may materially change the outcome. It is not an individualized tax calculation.

# 01 / What depreciation actually measures

Depreciation allocates qualifying property basis for tax purposes. Land is not depreciable. Under the general MACRS system, residential rental property ordinarily uses 27.5 years and nonresidential real property 39 years; other systems and classifications can apply. Hotels generally require nonresidential analysis. [1]

**Cost segregation** is a supported allocation among property components with different tax classifications. It is not a blanket deduction for the purchase price. A study should explain the assets, legal classifications, valuations and applicable recovery periods rather than apply an unsupported percentage.

IRS Publication 946 describes restored 100% bonus depreciation for certain qualified property acquired and placed in service after January 19, 2025, subject to eligibility and elections. The rule does not mean an entire hotel building is immediately deductible. [1]

| Illustrative allocation                                   | Assumed basis | Conceptual treatment                                                |
|-----------------------------------------------------------|---------------|---------------------------------------------------------------------|
| Land                                                      | \$2,000,000   | No depreciation.                                                    |
| Building shell / qualifying structural components         | \$6,000,000   | Long-lived real property treatment; actual classification controls. |
| Separately identified qualifying shorter-lived components | \$2,000,000   | Different recovery periods; bonus eligibility requires analysis.    |
| Total assumed purchase basis                              | \$10,000,000  | Allocation is hypothetical, not a cost-segregation estimate.        |

A real transaction also requires acquisition-cost allocation, placed-in-service analysis, documentation and review of entity elections. The allocation in the table is invented solely to show that land, a building and qualifying components are not treated identically.

Ask the tax adviser to show the deduction schedule under the proposed approach and a reasonable alternative. Compare present values after investor-level limitations, professional fees and exit taxes, not just the first-year deduction.

## 02 / Usability matters more than headline size

IRS guidance treats many rental activities as passive, with exceptions. For rental real estate, real-estate-professional qualification requires more than 750 hours and more than half of personal services in qualifying real property businesses; material participation still matters. An activity with average customer use of seven days or less can fall outside the rental definition, but that alone does not make a passive investor materially participate. [2]

The special rental-real-estate loss allowance is limited and income-sensitive; it is not a general high-earner wage offset. Basis and at-risk limits can restrict losses before the passive rules, and additional limits may apply afterward. [2, 3]

| Hypothetical investor allocation                                           | Amount     |
|----------------------------------------------------------------------------|------------|
| Cash distributed from operations                                           | \$60,000   |
| Taxable income before depreciation, assumed equal to cash for this example | \$60,000   |
| Allocated depreciation deduction                                           | (\$80,000) |
| Resulting tax loss before investor limitations                             | (\$20,000) |

Assume sufficient basis and amount at risk, no other tax adjustments, no other passive income, and a loss restricted by the passive rules. The \$20,000 loss may be suspended rather than reduce current salary tax. At an assumed 35% rate, multiplying \$20,000 by 35% and advertising \$7,000 of immediate wage-tax savings would be wrong for that investor.

An otherwise deductible loss available five years later is less valuable than an identical benefit today. A hypothetical \$7,000 tax benefit discounted five years at 6% has a present value of about \$5,231. Actual timing and tax rates are uncertain.

Exhibit 2. Original illustration. Cash and taxable income are deliberately simplified. Real K-1 items, debt allocations, distributions, basis and investor limitations must be analyzed together.

## 03 / Model the tax cost at exit

Depreciation generally reduces adjusted tax basis. A later sale can therefore produce taxable gain even if proceeds are close to original cost. Gain may include ordinary-income recapture on certain components and unreaptured section 1250 gain for individuals, subject to a maximum 25% rate for that category. Other gain, tax rates and circumstances must be analyzed separately. [4]

| Simplified basis illustration             | Amount      |
|-------------------------------------------|-------------|
| Original depreciable basis                | \$1,000,000 |
| Cumulative depreciation                   | (\$300,000) |
| Adjusted basis                            | \$700,000   |
| Assumed sale proceeds after selling costs | \$1,100,000 |
| Tax gain before other adjustments         | \$400,000   |

This is a gain calculation, not a tax bill. The example excludes land, debt, installment treatment and investor-level adjustments. A property-specific computation must allocate proceeds across asset classes and determine the character of each gain.

Section 1031 can defer eligible real-property exchange gain when its conditions are met. U.S. real property is not like-kind to foreign real property. [5] A passive fund investor should not assume that their redemption can be exchanged or that the sponsor will undertake an exchange. The governing entity and transaction structure matter.

### The advisor's sign-off questions

What tax treatment applies to the investor and activity? Which deductions are usable now? Which are suspended? How are distributions and debt changes reflected in basis? What gain and recapture arise at exit? Are state and cross-border taxes modeled? Which assumptions depend on a future election or sponsor decision?

**Alterra perspective.** Tax efficiency is an investor-specific component of the economics. Useful deductions can improve a sound investment; an unusable deduction is not cash in the investor's pocket.

# Sources, methodology & important information

Scope: selected U.S. federal tax concepts using IRS guidance reviewed September 11, 2026. The 35% tax rate and 6% discount rate are hypothetical, not an estimate of any reader's liability. No deduction percentage or cost-segregation outcome is promised. Investor-specific tax advice is required before relying on any projected benefit.

## Primary sources

[1] IRS Publication 946 (2025): How To Depreciate Property

Selected recovery periods and section 168(k) provisions, including the post-January 19, 2025 qualified-property rule.

[2] IRS Publication 925 (2025): Passive Activity and At-Risk Rules

Passive classification, material participation, real-estate-professional requirements and ordering limitations.

[3] IRS Topic 425: Passive Activities – Losses and Credits

Overview of passive-loss restrictions and the limited special allowance.

[4] IRS Publication 544 (2025): Sales and Other Dispositions of Assets

Adjusted basis, gain and depreciation recapture framework.

[5] IRS: Like-kind exchanges – real estate tax tips

Selected section 1031 real-property rules and U.S. versus foreign property distinction.

## Use of this paper

Prepared by Alterra Equities for investor education. This paper is not an offer, solicitation, personalized recommendation, or legal or tax advice. Any investment is governed by definitive documents and applicable eligibility rules. Private investments can be illiquid and can lose all invested capital. Distributions, tax benefits and exits are not guaranteed. Examples are hypothetical and are not Alterra transactions, targets or investment performance.

Sources accessed September 11, 2026. Data cutoffs and dated rules are identified where used. Verify later changes and the investor-specific position before a transaction. Analytical frameworks and uncited worked examples are Alterra's original educational analysis; source organizations do not endorse this paper.

Prepared by Alterra Equities LLC | 381 Park Avenue South, 15th Floor, New York, NY 10016 | [ir@alterraeq.com](mailto:ir@alterraeq.com)

INVESTOR PERSPECTIVES / SEPTEMBER 2026

# India to U.S. Real Estate

A practical roadmap from investment conviction to a compliant, documented allocation.

AL T E R R A E Q U I T I E S

RESEARCH &amp; INSIGHTS

06

THE INVESTMENT QUESTION

## How can an Indian investor translate a global allocation thesis into a structure that actually works?

For India-resident high-net-worth investors and their wealth, tax and legal advisors.

# Executive perspective

A sound cross-border investment requires two successful decisions: selecting the asset and establishing a workable ownership, funding and tax structure.

For an investor with rupee assets and international goals, U.S. exposure can address a real portfolio need. That need does not establish that a particular private fund is eligible for investment, that the intended remittance is permitted, or that the advertised distribution is the amount ultimately received.

| Decision layer    | Question to resolve before subscription                                                           |
|-------------------|---------------------------------------------------------------------------------------------------|
| Investor status   | Who invests: the individual, a company, a trust or another vehicle? Which residence rules apply?  |
| Indian permission | How is this exact instrument classified, and which current overseas investment rules govern it?   |
| U.S. ownership    | What entity and tax classification will hold the investment? What filings and withholding follow? |
| Net economics     | What remains after fees, taxes, withholding timing, conversion and recurring administration?      |
| Execution         | Can the bank, sponsor and advisors document funding, ownership and future capital calls?          |

## The central distinction

The RBI's Liberalised Remittance Scheme sets a framework for permitted remittances by resident individuals. Its annual monetary limit is not a blanket approval for every U.S. LLC, partnership or private fund interest. [1, 2]

This roadmap is designed to organize an advisor discussion. It does not certify any Alterra vehicle, overseas investment route or investor as eligible. The actual subscription documents and current rules must be reviewed together.

# 01 / Establish the permitted route

The RBI's published LRS FAQ describes a limit of US\$250,000 per resident individual per Indian financial year, April through March, for permitted current and capital account transactions in aggregate. It states that the scheme is not available to corporates, partnership firms, HUFs or trusts. Other remittances can consume the same annual allowance. [1]

A U.S. property purchase, an equity interest in an operating entity and an interest in an investment fund are different instruments. The framework distinguishes overseas direct investment (ODI) and overseas portfolio investment (OPI). The June 2024 amendment permits eligible resident individuals to invest as OPI in units or other instruments of a qualifying overseas fund, including funds regulated through their manager. [2] A U.S. LLC or LP label alone does not establish eligibility.

| Bring to the bank and counsel                               | Why it matters                                                                            |
|-------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| Structure chart down to the property and operating entities | Identifies the actual instrument, foreign entity activities and additional layers.        |
| Constitutional and subscription documents                   | Shows ownership rights, control, commitments, transfers and funding obligations.          |
| Fund and manager regulatory details, if relevant            | Allows the advisor to test the applicable route against the current rules and amendments. |
| Investor residence and current-year remittance history      | Establishes eligibility and remaining capacity under the relevant route.                  |

Request written confirmation from the authorised dealer bank and Indian counsel addressing the proposed instrument and funding schedule. The June 2024 amendment broadens the fund-instrument wording; it does not approve every private vehicle. Confirm the fund's regulatory status, applicable limits and current reporting duties.

An Indian citizen living in Dubai is not automatically an India-resident LRS investor. Citizenship, FEMA residence and income-tax residence are different questions. Resolve the applicable status before selecting a funding route.

## 02 / Budget the full cash commitment

The subscription amount is only one component of the cash plan. Conversion spreads, transfer charges, professional fees, any applicable tax collection at source (TCS), reporting costs and reserves for future capital calls can affect the amount the investor must keep available.

TCS should be modeled using the current purpose classification, threshold, rate and the investor's credit or refund position. This paper does not assign a TCS rate: obtain a dated calculation from the remitting bank and tax advisor. A recoverable collection can still create a material cash-flow and timing cost.

| Illustrative planning exercise                                                | Amount or treatment                                                                           |
|-------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
| Proposed subscription                                                         | \$150,000                                                                                     |
| Other remittances already using this year's assumed LRS limit                 | \$60,000                                                                                      |
| Remaining limit after both, if all qualify under the same \$250,000 framework | \$40,000                                                                                      |
| Potential future capital call                                                 | \$50,000: exceeds that illustrative remaining capacity by \$10,000                            |
| Additional rupee cash needs                                                   | Conversion costs, fees, applicable collections and advisor reserves must be added separately. |

The example assumes no special approval or different route. A future call can be difficult to honor even when the initial contribution fits within a limit. Ask whether future calls can be deferred, whether default can dilute or forfeit the interest, and how the funding plan survives changes in residence or regulations.

### Document the round trip

Before money leaves India, identify the evidence required for distributions, sale proceeds, reinvestment, repatriation and annual reporting. Keep bank advice, tax certificates, capital-account statements and the signed ownership documents in one record.

Family contributions require separate eligibility analysis. The RBI FAQ conditions capital-account clubbing on ownership participation; it is not a way around the rules. [1]

## 03 / Map the U.S. tax and exit position

A foreign investor in a U.S. partnership may face withholding on allocated effectively connected taxable income even when cash distributions differ. A transfer of a partnership interest can trigger a separate withholding regime. [3] Withholding is a payment mechanism; it is not a complete statement of the investor's final tax liability.

For a foreign person disposing of a U.S. real property interest, FIRPTA generally requires withholding of 15% of the amount realized, subject to exceptions and possible reductions. [4] The base is generally sale consideration, not simply profit. Do not apply this rule indiscriminately to every transaction in a multilayer structure.

| Layer to model     | Evidence required                                                                                                   |
|--------------------|---------------------------------------------------------------------------------------------------------------------|
| Operating years    | Federal and state tax estimates, withholding policy, distribution assumptions and filing responsibility.            |
| Sale or redemption | Property-sale versus interest-transfer treatment, withholding certificates and refund timing.                       |
| India reporting    | Appropriate return, foreign-asset and income schedules where applicable, credit eligibility and supporting records. |
| Treaty position    | Investor and income eligibility under the U.S.-India treaty; do not assume exemption.                               |
| Succession         | U.S. estate exposure, asset situs, ownership structure and the family's succession plan.                            |

The IRS publishes the U.S.-India income tax treaty documents. [5] Treaty relief requires analysis of the actual investor, entity, income and limitations. The Indian tax portal also identifies foreign-income and foreign-asset conditions that prevent use of the simplified ITR-1, and describes Form 67 for foreign tax credit claims. [6]

Non-U.S.-citizen, non-U.S.-domiciled investors need estate advice before ownership is established. IRS Form 706-NA instructions include a filing test involving more than \$60,000 of U.S.-situated assets, with specified adjustments. This is not a universal \$60,000 tax exemption; asset situs and structure require separate analysis. [7]

## 04 / The advisor review memorandum

A concise written memorandum should connect the portfolio rationale with the legal route and net cash flows. A favorable asset opinion from a wealth manager does not replace the bank's remittance review or the tax advisor's entity analysis.

| Owner of the review                       | Deliverable                                                                                       |
|-------------------------------------------|---------------------------------------------------------------------------------------------------|
| Wealth manager / investor                 | Purpose of the allocation, portfolio concentration, liquidity reserve and downside capacity.      |
| Indian counsel and authorised dealer bank | Current legal route for the exact instrument, funding conditions and reporting calendar.          |
| Indian tax advisor                        | Residence determination, cash collections, reporting, foreign tax credits and net rupee outcomes. |
| U.S. tax and estate advisors              | Entity classification, annual and exit taxes, filing burden and succession implications.          |
| Sponsor / administrator                   | Executed documents, fee schedule, capital calls, tax reporting timetable and distribution policy. |

Compare at least three outcomes: the base investment case; a delayed exit with reduced operating distributions; and a case with rupee appreciation against the dollar. Add a withholding-and-refund schedule rather than treating withheld tax as either permanently lost or immediately recovered.

The appropriate conclusion may be to proceed, change the ownership structure, use a different investment vehicle, reduce the commitment or decline. The benefit of preparation is a decision that remains workable after the subscription has closed.

### Alterra perspective

The case for international exposure becomes more credible when investors can see the complete path from permitted funding to after-tax proceeds. Transparent implementation is part of the investment proposition.

# Sources, methodology & important information

Scope: educational implementation framework, not a current-law eligibility opinion for a particular U.S. vehicle. The RBI's June 2024 fund amendment is included; the exact instrument and later changes must be verified before funding. No TCS rate, treaty exemption or approved remittance route is promised. The cash-budget example is hypothetical.

## Primary sources

[1] RBI: Liberalised Remittance Scheme FAQ

Published FAQ dated April 6, 2023: resident-individual limit, scope and family-clubbing conditions.

[2] RBI: Investments in Overseas Funds, June 7, 2024

Amends the Overseas Investment Directions: fund instruments and regulation through a fund manager. Actual eligibility requires bank/counsel review.

[3] IRS: Partnership withholding

Sections 1446(a) and 1446(f), including allocated income and transfers.

[4] IRS: FIRPTA withholding

General amount-realized withholding framework and exceptions.

[5] IRS: India tax treaty documents

Official convention and explanatory materials; no treaty rate is assumed here.

[6] Income Tax Department: Salaried individuals, AY 2026-27

ITR-1 limitations and Form 67 overview; investor-specific schedules require advice.

[7] IRS: Instructions for Form 706-NA

Nonresident, noncitizen estate filing framework and U.S.-situs analysis.

## Use of this paper

Prepared by Alterra Equities for investor education. This paper is not an offer, solicitation, personalized recommendation, or legal or tax advice. Any investment is governed by definitive documents and applicable eligibility rules. Private investments can be illiquid and can lose all invested capital. Distributions, tax benefits and exits are not guaranteed. Examples are hypothetical and are not Alterra transactions, targets or investment performance.

Sources accessed September 11, 2026. Data cutoffs and dated rules are identified where used. Verify later changes and the investor-specific position before a transaction. Analytical frameworks and uncited worked examples are Alterra's original educational analysis; source organizations do not endorse this paper.

Prepared by Alterra Equities LLC | 381 Park Avenue South, 15th Floor, New York, NY 10016 | [ir@alterraeq.com](mailto:ir@alterraeq.com)

INVESTOR PERSPECTIVES / SEPTEMBER 2026

# UAE to U.S. Real Estate

Beyond dollar exposure: geography, income drivers and the ownership decisions that matter.



## THE INVESTMENT QUESTION

**If the dirham already tracks the dollar, what should a U.S. real estate allocation add to the portfolio?**

For Dubai- and UAE-based high-net-worth individuals, families and their advisors.

# Executive perspective

For a dirham-based investor, the strongest U.S. allocation argument is diversification of assets and economic exposure.

The Central Bank of the UAE maintains a fixed exchange-rate regime against the U.S. dollar. [1] Moving AED cash into a USD investment therefore does not create the same currency diversification as moving from an unhedged rupee portfolio. The case must rest on what is owned, where income originates and how the investment changes the family's overall risk.

| Potential objective          | What the investment must demonstrate                                                           |
|------------------------------|------------------------------------------------------------------------------------------------|
| Geographic diversification   | Exposure to different local demand drivers, regulations and property markets.                  |
| Income diversification       | A return source that adds to, rather than duplicates, existing business and real estate risks. |
| Operational value creation   | A specific plan for revenues, costs, capital expenditure and management accountability.        |
| Long-term capital allocation | A holding period and distribution profile consistent with the family's liquidity needs.        |
| Institutional oversight      | Clear reporting, incentives, legal rights and tax administration.                              |

## A useful starting question

If the exchange rate between AED and USD remains stable, would this investment still deserve a place in the portfolio? If the answer depends entirely on a currency gain, the thesis needs to be rebuilt.

U.S. real estate may provide a different geographic exposure while increasing concentration in the same asset class. A family already heavily invested in property should assess that trade-off explicitly.

# 01 / Currency is only one dimension

A dollar peg does not make all AED and USD assets economically interchangeable. A Dubai apartment, a U.S. hotel, a Treasury security and a global equity fund have different cash-flow drivers, liquidity, leverage and legal claims. Their currency labels reveal only part of their risk.

A family's future spending may also extend beyond AED and USD. Education in the United Kingdom, retirement in India or a business commitment in Europe introduces other goal currencies. The portfolio should be evaluated against those actual obligations, not only the currency shown on the bank statement.

| Illustrative family balance sheet       | Risk revealed                                                                             |
|-----------------------------------------|-------------------------------------------------------------------------------------------|
| UAE business income plus local property | Business and property outcomes may depend on overlapping local conditions.                |
| U.S. hospitality allocation             | Adds U.S. demand exposure, but remains exposed to property, travel and financing cycles.  |
| Liquid USD reserves                     | Can support capital calls and near-term goals; still subject to purchasing-power erosion. |
| GBP or EUR future obligations           | AED/USD stability does not remove currency mismatch against these goals.                  |
| Assets and retirement needs in India    | The rupee side of the balance sheet requires a separate liability and currency analysis.  |

The CBUAE explains that maintaining the peg links the UAE's interest-rate environment closely to U.S. rates. [1] It would therefore be weak analysis to describe U.S. and UAE property financing as entirely independent interest-rate exposures.

## Diversification test

Map geography, sector, customer demand, leverage, liquidity and currency separately. A new jurisdiction is useful only if the combined portfolio is better suited to the investor's goals.

## 02 / Underwrite the investment on its merits

The same investment discipline applies whether capital originates in New York, Mumbai or Dubai. A sponsor should explain how the property generates cash, how that cash reaches investors and what could prevent the business plan from working.

| Underwriting question        | Evidence to request                                                                                |
|------------------------------|----------------------------------------------------------------------------------------------------|
| Why this location?           | Demand generators, supply pipeline, customer mix, competition and sensitivity to a local slowdown. |
| Why this operator?           | Relevant realized experience, operating systems, staffing plan and accountable decision makers.    |
| What improves the economics? | Documented renovation or operating changes, their cost and the timing of disruption.               |
| What protects the capital?   | Leverage, debt maturity, reserves, covenant headroom and realistic sale alternatives.              |
| What reaches the investor?   | Cash after property expenses, debt, recurring capital needs, fund fees and sponsor participation.  |

For hospitality, separate a property ownership thesis from an operating-business thesis. Revenue can respond quickly to demand, while payroll, insurance, maintenance and brand obligations can remain substantial. A favorable market does not eliminate execution risk.

The exit case deserves particular attention. A plan that depends on refinancing at a lower rate or selling at a richer valuation may perform poorly even if the operator improves the asset. Ask for a delayed-exit case that preserves necessary capital expenditure and does not assume a convenient liquidity event.

Compare the proposed private investment with public REITs, diversified equities and liquid fixed income on the same after-fee, after-tax basis. Ease of comparing prices is not a weakness of public markets, and infrequent private valuations are not evidence of lower economic risk.

This page presents an original diligence framework, not an assessment of a named asset or a claim about Alterra's realized investment performance.

## 03 / Residence, ownership and U.S. tax

“Based in Dubai” is a location description, not a complete tax profile. U.S. citizens and resident aliens are generally subject to U.S. tax on worldwide income even when living abroad. [2] An investor with Indian connections also needs an independent residence and funding analysis; citizenship alone does not establish the appropriate overseas investment route.

For a foreign partner, U.S. partnership withholding can arise on allocated effectively connected income, while a transfer of an interest may have separate withholding consequences. [3] Property dispositions can fall under FIRPTA. [4] These mechanisms should be reflected in the timing of cash received and the responsibility for returns and refunds.

| Ownership question                                  | Required analysis                                                                               |
|-----------------------------------------------------|-------------------------------------------------------------------------------------------------|
| Individual, family company, trust or other vehicle? | Compare liability, tax classification, administration, succession and total costs.              |
| Direct partnership interest or corporate structure? | Determine investor-level filings, entity-level taxes, distribution taxes and exit consequences. |
| Treaty relief assumed in the model?                 | Confirm an actual applicable treaty and eligibility; a UAE address is insufficient.             |
| Who bears U.S. estate exposure?                     | Review domicile, asset situs, entity ownership and succession before subscribing.               |

The IRS’s published income-tax treaty list does not list the UAE. [5] Do not insert a reduced treaty rate into a U.S. return model simply because an investor lives in Dubai. Another country connection requires its own eligibility analysis.

The Form 706-NA instructions describe filing obligations for certain estates of nonresident noncitizens, including a test involving U.S.-situated assets above \$60,000 with adjustments. [6] This is not a universal exemption or a conclusion about the situs of every partnership interest. Obtain structure-specific estate advice.

## 04 / Build a durable ownership plan

Cross-border ownership should continue to work through distributions, family changes, relocation, incapacity and exit. The initial wire is the beginning of the operating relationship, not the end of the implementation work.

| Before committing                      | Written answer to retain                                                                       |
|----------------------------------------|------------------------------------------------------------------------------------------------|
| Investor identity and residence        | Beneficial owners, source of funds, relevant tax residences and required tax forms.            |
| Entity comparison                      | Projected cash after all entity and investor taxes, recurring fees and exit costs.             |
| Capital and liquidity plan             | Initial funding, future calls, local reserves and capacity to hold through a delayed sale.     |
| Administration                         | Who prepares returns, obtains tax numbers, delivers statements and tracks withholding credits? |
| Family and succession                  | Who can act, receive information, transfer an interest or manage it after an owner's death?    |
| UAE and other home-country obligations | Local treatment of the actual owner and structure, with advice specific to the investor.       |

Ask the sponsor to provide a sample reporting package and a clear calendar for financial statements, capital-account reporting and tax documents. Confirm the governing jurisdiction, dispute process, transfer restrictions and procedures for verifying any change in payment instructions.

A useful investment memorandum should identify what the U.S. allocation adds, what concentration it creates, how much illiquidity the family can accept and what remains uncertain. Those questions should be answered before a commitment becomes difficult to change.

### Alterra perspective

For UAE investors, the case for U.S. real estate is strongest when the asset, operator and ownership structure stand on their own merits. The dirham's dollar linkage makes a precise diversification argument essential.

# Sources, methodology & important information

Scope: UAE-based portfolio and ownership considerations, with selected U.S. federal concepts. No specific U.S. investment vehicle, tax residence, UAE corporate-tax treatment or treaty entitlement is assumed. Local tax and legal obligations require separate review. Portfolio examples are illustrative; no allocation size, return or protection of principal is promised.

## Primary sources

- [1] Central Bank of the UAE: How the monetary system works  
Fixed USD exchange-rate regime and the relationship between UAE and U.S. monetary conditions.
- [2] IRS: U.S. citizens and resident aliens abroad  
Worldwide-income obligations for U.S. persons living abroad.
- [3] IRS: Partnership withholding  
Foreign-partner income withholding and partnership-interest transfers.
- [4] IRS: FIRPTA withholding  
Selected U.S. real-property disposition withholding rules.
- [5] IRS: United States income tax treaties A to Z  
Published treaty list reviewed September 11, 2026; UAE not listed.
- [6] IRS: Instructions for Form 706-NA  
Estate filing framework for nonresident noncitizens; structure and situs matter.

## Use of this paper

Prepared by Alterra Equities for investor education. This paper is not an offer, solicitation, personalized recommendation, or legal or tax advice. Any investment is governed by definitive documents and applicable eligibility rules. Private investments can be illiquid and can lose all invested capital. Distributions, tax benefits and exits are not guaranteed. Examples are hypothetical and are not Alterra transactions, targets or investment performance.

Sources accessed September 11, 2026. Data cutoffs and dated rules are identified where used. Verify later changes and the investor-specific position before a transaction. Analytical frameworks and uncited worked examples are Alterra's original educational analysis; source organizations do not endorse this paper.

Prepared by Alterra Equities LLC | 381 Park Avenue South, 15th Floor, New York, NY 10016 | [ir@alterraeq.com](mailto:ir@alterraeq.com)

INVESTOR PERSPECTIVES / SEPTEMBER 2026

# GP/LP Structures & Waterfalls 101

How control, capital, preferred returns and sponsor participation shape the investor's outcome.

AL T E R R A E Q U I T I E S

RESEARCH &amp; INSIGHTS

08

THE INVESTMENT QUESTION

Who gets paid, in what order, and how much of the investment's profit does the investor actually keep?

For first-time private-market investors and the advisors reviewing their terms.

# Executive perspective

A property can perform well while two investors receive different results. The ownership documents and distribution waterfall explain why.

The general partner or sponsor typically organizes and manages the investment. Limited partners provide capital and receive the economic and governance rights defined in the agreement. An LLC may use manager and member terminology instead. The legal form and actual documents control; labels in a presentation are only a starting point.

| Term                       | Plain-language meaning                                                                  |
|----------------------------|-----------------------------------------------------------------------------------------|
| Capital commitment         | The amount the investor agrees to contribute, potentially through future calls.         |
| Preferred return           | A contractual distribution priority, calculated under specified rules.                  |
| Promote / carried interest | The sponsor's negotiated participation in profits beyond its ordinary capital interest. |
| Waterfall                  | The sequence that allocates available cash among investors and the sponsor.             |
| Catch-up                   | A tier that can accelerate sponsor distributions after an investor hurdle is met.       |
| Clawback                   | A mechanism that may require repayment of excess prior sponsor distributions.           |

## Read the economic promise precisely

An "8% preferred return" is not necessarily an 8% annual cash payment, an 8% IRR, or a guarantee. Accrual, compounding, payment priority, cash availability and remedies depend on the agreement.

ILPA's Principles emphasize alignment, governance and transparency in private-market partnerships. [1] These are useful diligence objectives; they do not replace negotiated terms or impose a universal market waterfall.

# 01 / Separate the three layers

First identify the property's capital stack. Next determine the entity's available cash. Then apply the investor waterfall. A waterfall does not create cash or override a lender's contractual rights.

| Layer                        | What to understand                                                                                         |
|------------------------------|------------------------------------------------------------------------------------------------------------|
| Property capital stack       | Debt, any mezzanine or preferred capital, and common equity have different claims and remedies.            |
| Cash available to distribute | Operating expenses, debt service, taxes, capital expenditure, reserves and fees can reduce available cash. |
| Investor waterfall           | Capital return, preferred return, catch-up and residual splits allocate the remaining amount.              |

The sponsor may earn acquisition, asset-management, property-management, financing or disposition fees in addition to a promote. Ask which parties receive each fee, the base on which it is calculated, whether affiliated providers are used and whether offsets prevent duplication. A modest promote can coexist with substantial recurring fees.

Cash distributions and taxable allocations are separate. IRS partnership guidance distinguishes distributions, distributive income and basis adjustments. [2] The tax-distribution provision should be reviewed alongside the waterfall, particularly when taxable income is recognized without corresponding cash.

## What the model should reveal

Ask for a complete schedule from property revenue to investor distributions. It should show contributions by date, every fee, debt and capital expenditure, the definition of unreturned capital, preferred-return accrual and the cash allocated at each tier. An IRR percentage without these inputs cannot be independently checked.

"LP" and "GP" are used as convenient economic labels throughout. This paper does not determine legal liability, tax status or the rights of a particular LLC member or limited partner.

## 02 / A waterfall without a catch-up

Assume the LP contributes \$1,000,000 at inception. Five years later, \$1,800,000 is available after all property debt, expenses, fees and reserves but before investor taxes. There are no interim distributions or additional calls. The example omits GP co-investment solely to isolate promote mechanics.

The agreement returns LP capital first, then pays an 8% simple annual preferred return on that unreturned capital, then splits remaining cash 80% to the LP and 20% to the GP. The preference is  $\$1,000,000 \times 8\% \times 5 = \$400,000$ . It does not compound.

| Distribution tier           | LP receives | GP receives | Cash left   |
|-----------------------------|-------------|-------------|-------------|
| Starting distributable cash | –           | –           | \$1,800,000 |
| 1. Return LP capital        | \$1,000,000 | \$0         | \$800,000   |
| 2. Pay accrued preference   | \$400,000   | \$0         | \$400,000   |
| 3. Split residual 80% / 20% | \$320,000   | \$80,000    | \$0         |
| Total distributions         | \$1,720,000 | \$80,000    | –           |

The investment has generated \$800,000 of profit after the costs already assumed in available cash. The GP receives \$80,000, or 10% of that profit. “20% promote” describes the residual split here; it does not mean 20% of all profit.

### Investor result

The LP receives a 1.72× equity multiple. With one contribution today and one distribution exactly five years later, its annualized IRR is approximately 11.46%, before investor taxes. The calculation is  $1.72^{1/5} - 1$ .

Exhibit 1. Original hypothetical example, not Alterra fund terms, a target return or a forecast. The ordering is assumed for illustration; other agreements use different priorities.

## 03 / The same deal with a full catch-up

Keep all assumptions from the prior page, but insert a 100% GP catch-up after the \$400,000 LP preference. The GP receives cash until it has 20% of cumulative profit distributions to both parties. The required catch-up is  $\$400,000 \times 20\% / 80\% = \$100,000$ .

| Distribution tier           | LP receives | GP receives | Cash left |
|-----------------------------|-------------|-------------|-----------|
| 1. Return LP capital        | \$1,000,000 | \$0         | \$800,000 |
| 2. Pay accrued preference   | \$400,000   | \$0         | \$400,000 |
| 3. Pay full GP catch-up     | \$0         | \$100,000   | \$300,000 |
| 4. Split residual 80% / 20% | \$240,000   | \$60,000    | \$0       |
| Total distributions         | \$1,640,000 | \$160,000   | –         |

The GP now receives \$160,000, or 20% of the \$800,000 profit. The LP receives \$1,640,000. The property outcome is unchanged; the contractual allocation changes.

| Same \$1.8 million available cash | No catch-up | Full catch-up |
|-----------------------------------|-------------|---------------|
| LP equity multiple                | 1.72×       | 1.64×         |
| LP five-year annualized IRR       | 11.46%      | 10.40%        |
| GP promote                        | \$80,000    | \$160,000     |

The catch-up reduces LP proceeds by \$80,000 in this example. It may be commercially acceptable, but it should be visible. Partial catch-ups, multiple hurdles, different compounding conventions and GP co-investment change the calculation.

Exhibit 2. The 1.80× pre-promote equity multiple corresponds to approximately 12.47% annualized over five years. It is already after the costs assumed in available cash; it is not an unlevered property return. Investor-level taxes are excluded throughout.

## 04 / What happens when performance disappoints?

A priority is useful only to the extent cash exists. Under the same simplified five-year waterfall, \$1,200,000 of available cash pays the \$1,000,000 capital return and only \$200,000 of the \$400,000 preference. The sponsor receives no promote. At \$800,000 of available cash, the LP loses \$200,000 of its contributed capital.

| Cash available at year five | LP receives | GP promote | LP annualized IRR |
|-----------------------------|-------------|------------|-------------------|
| \$800,000                   | \$800,000   | \$0        | -4.36%            |
| \$1,200,000                 | \$1,200,000 | \$0        | 3.71%             |
| \$1,800,000; no catch-up    | \$1,720,000 | \$80,000   | 11.46%            |
| \$1,800,000; full catch-up  | \$1,640,000 | \$160,000  | 10.40%            |

The unpaid preference does not create money, and the agreement determines whether it carries forward, compounds, expires or gives rise to a remedy. Do not assume that an unpaid equity preference is equivalent to a missed contractual debt payment.

Cash timing also matters. Returning capital early can reduce the balance on which a preference accrues; refinancing distributions may affect future hurdles. An IRR hurdle depends on dated cash flows and is not interchangeable with a simple percentage accrued on capital.

### Model the difficult cases

Require examples for a partial capital loss, a delayed exit, an unexpected capital call and an early refinance. Check that the agreement's calculation and the marketing model produce the same result.

Exhibit 3. Original scenarios; all cash arrives at the end of year five. With no GP capital in this teaching example, the GP receives only the promote shown. Actual GP co-investment must be modeled as a separate capital interest.

## 05 / Governance completes the economics

A waterfall is one part of alignment. The ability to obtain information, manage conflicts and enforce rights can matter as much as the stated profit split. ILPA's framework provides a useful lens for examining these issues. [1]

| Term to review                         | Question for the sponsor and counsel                                                                            |
|----------------------------------------|-----------------------------------------------------------------------------------------------------------------|
| GP commitment                          | How much actual cash is at risk, who contributes it and is any portion funded through fee waivers or borrowing? |
| Whole-fund versus deal-by-deal promote | Can the sponsor receive carry on an early winner before later losses are known?                                 |
| Clawback and escrow                    | Who owes repayment, what limits apply and what resources support collection?                                    |
| Key person and removal                 | What happens if essential people leave or defined misconduct occurs?                                            |
| Conflicts and related parties          | Who approves affiliated contracts, asset transfers, valuations and changes to strategy?                         |
| Capital calls and defaults             | What are the notice period, remedies, dilution terms and commitment limits?                                     |
| Reporting and calculations             | Who verifies fees, valuations and waterfall calculations, and what can investors inspect?                       |

Have counsel compare the term sheet, subscription package and governing agreement. Ask the administrator for a worked example under the signed language. Marketing shorthand such as "8% pref, 80/20 split" leaves too many material questions unanswered.

### Alterra perspective

An understandable structure gives investors a clear view of both upside sharing and downside exposure. Sponsor compensation is easier to evaluate when every fee, capital interest and distribution tier can be traced to the governing documents.

# Sources, methodology & important information

Methodology: all waterfall numbers are original hypothetical calculations. One LP contributes \$1 million at inception; all distributions occur exactly five years later. GP capital, interim cash flows, additional calls and investor taxes are excluded. Available cash is assumed net of property debt, expenses, fees and reserves. The 8% preference is simple, not compound; cash priorities are explicitly assumed. Actual legal terms govern.

## Primary sources

[1] ILPA: Principles and best practices

Principles 3.0 overview: alignment of interests, governance and transparency. Guidance, not binding law or universal terms.

[2] IRS Publication 541 (12/2025): Partnerships

Distributive shares, distributions and partnership basis are distinct tax concepts.

## Use of this paper

Prepared by Alterra Equities for investor education. This paper is not an offer, solicitation, personalized recommendation, or legal or tax advice. Any investment is governed by definitive documents and applicable eligibility rules. Private investments can be illiquid and can lose all invested capital. Distributions, tax benefits and exits are not guaranteed. Examples are hypothetical and are not Alterra transactions, targets or investment performance.

Sources accessed September 11, 2026. Data cutoffs and dated rules are identified where used. Verify later changes and the investor-specific position before a transaction. Analytical frameworks and uncited worked examples are Alterra's original educational analysis; source organizations do not endorse this paper.

Prepared by Alterra Equities LLC | 381 Park Avenue South, 15th Floor, New York, NY 10016 | [ir@alterraeq.com](mailto:ir@alterraeq.com)

INVESTOR PERSPECTIVES / SEPTEMBER 2026

# AI & the Next Travel Expansion

The case for an AI-enabled travel boom – and what hospitality investors should underwrite.

ALTERRA EQUITIES

RESEARCH &amp; INSIGHTS

09

THE INVESTMENT QUESTION

**If intelligence becomes cheaper, could real-world experiences become more valuable?**

For U.S., Indian and UAE investors and the wealth managers reviewing their allocations.

# Executive perspective

AI could turn more travel intentions into actual journeys. For hospitality investors, the opportunity is to own the physical experience that software helps people discover.

The strongest case starts with friction. A holiday requires matching budgets, dates, transport, rooms and the preferences of several people. Better conversational planning, translation and coordination could reduce the time and uncertainty between wanting a trip and booking one. For some households, that could make an additional short break or unfamiliar destination practical.

The larger thesis is more ambitious: if AI raises productivity and disposable income, and if some of those gains become discretionary time, demand for in-person experiences could expand. Those are separate conditions, not an established causal chain. More efficient work can also mean higher output expectations, job displacement or less business travel.

## Alterra investment view

AI is a plausible accelerator of travel demand and a potential source of operating efficiency. Acquire hotels at a defensible basis, improve the guest experience and distribution economics, and treat unproven AI-driven demand as upside rather than the foundation of debt service.

| The opportunity                       | The discipline                                                  |
|---------------------------------------|-----------------------------------------------------------------|
| More discovery and easier planning    | Measure completed incremental stays, not chatbot traffic.       |
| More spending on physical experiences | Test household affordability and destination access.            |
| Better hotel operations               | Measure net savings after systems, oversight and service costs. |
| Scarce assets meet wider demand       | Check local competition, new supply and acquisition price.      |

Research perspective as of September 12, 2026. Forward-looking mechanisms and investment implications are Alterra analysis, not a forecast of the size or timing of a travel boom.

# 01 / What the evidence establishes

Travel already has substantial demand independent of AI. UN Tourism estimated 1.52 billion international tourist arrivals in 2025, up 4% from 2024. These are arrivals by overnight visitors, not unique people or hotel room nights; one traveler may generate several arrivals. [1]

Booking.com reported in July 2025 that 89% of surveyed consumers wanted to use AI in future travel planning. Its research covered more than 37,000 consumers across 33 markets. This is stated interest in using a tool, not proof of additional trips or a representative forecast of U.S. hotel demand. [2]

In October 2025, Booking.com announced Smart Messenger and Auto-Reply to support property-to-guest communication. The announcement demonstrates a practical deployment pathway; it does not establish independent evidence of higher industry travel volumes or hotel profit. [3]

| Evidence category                | What investors may conclude                               |
|----------------------------------|-----------------------------------------------------------|
| Observed travel activity [1]     | A large existing market; no identified AI contribution.   |
| Consumer survey [2]              | Potential receptiveness; intent can differ from behavior. |
| Company product announcement [3] | Implementation is underway; economics need verification.  |
| Industry long-term scenario [4]  | A context for demand; not an AI-specific forecast.        |

IATA’s March 2026 central scenario projects revenue passenger kilometers rising from 9 trillion in 2024 to 20.8 trillion in 2050, a 3.1% annual growth rate. Its scenarios reflect economic growth, population, fuel prices, energy transition and capacity. Distance-weighted air traffic is different from passenger counts and lodging demand. Do not label that projection an AI forecast. [4]

No source cited here identifies the aggregate causal effect of generative AI on incremental global hotel room nights. Establishing that effect would require a credible comparison with what would have happened without adoption.

## 02 / How AI could unlock more trips

| Mechanism                           | Potential travel effect                                              | What must be true                                                |
|-------------------------------------|----------------------------------------------------------------------|------------------------------------------------------------------|
| Planning and coordination           | More intentions become bookings; complex family trips become easier. | The household can afford the trip and has available time.        |
| Translation and confidence          | Unfamiliar destinations become easier to navigate.                   | Reliable advice, transport and human support remain available.   |
| Personalized matching               | Travelers find suitable alternatives, dates and experiences.         | The recommendation serves the traveler and offers genuine value. |
| Productivity and income             | Some households may travel more frequently or spend more.            | Gains reach households rather than only corporate profits.       |
| Preference for physical experiences | Digital abundance may increase the appeal of shared experiences.     | People choose travel over other uses of money and time.          |

The first three mechanisms mainly change the purchase process. The last two could expand the travel budget itself, but are more speculative. A customer-support study by Brynjolfsson, Li and Raymond found a 15% average productivity increase with AI assistance, with differences across workers. That result concerns issues resolved per hour in one work setting; it does not establish shorter workweeks, higher household wealth or more vacations. [5]

### The conversion trap

A traveler who switches from a conventional search engine to an AI assistant and books the same holiday creates a new distribution path, not a new trip. Incremental demand means travel that would otherwise not have occurred.

Even an extra trip does not automatically add hotel demand: travelers may choose day visits, relatives' homes or other accommodation. Count paid room nights after cancellations, then assess which market and property captures them.

## 03 / Future travel patterns to watch

The following are forward-looking hypotheses for the next three to ten years. They are a framework for selecting and testing opportunities, not claims that these segments will grow at specified rates.

| Potential pattern                           | Why AI could help                                                        | Property-level implication                                                                      |
|---------------------------------------------|--------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| More short breaks                           | Less research makes a two- or three-night trip easier to organize.       | Drive-to access, weekend pricing and turnover costs matter.                                     |
| More complex family travel                  | Planning tools reconcile ages, budgets and multiple schedules.           | Room configurations, clear amenity information and reliable service.                            |
| Longer mixed-purpose stays                  | Flexible itineraries may combine work, leisure and family visits.        | Workspace, connectivity and length-of-stay economics; employer policies still constrain demand. |
| Secondary destinations and shoulder seasons | Better matching may reveal alternatives to crowded, costly destinations. | Air access, local attractions and seasonality must support occupancy.                           |
| Wellness, nature and shared experiences     | Some travelers may place greater value on time away from screens.        | Authentic product and execution; expensive repositioning needs its own return case.             |
| More personalized international journeys    | Translation and coordination reduce unfamiliarity.                       | Multilingual guest information and service recovery; entry requirements remain binding.         |

AI can also concentrate demand. Recommendation systems may repeatedly favor highly rated, well-documented brands or properties with advantageous commercial relationships. Discovery does not necessarily democratize access for every independent hotel.

For a U.S. hospitality mandate, global growth is only the starting point. Underwrite source markets, flight links, drive-to populations and the property's demand generators. More outbound travel from India or the UAE need not translate into more visits to the United States.

# 04 / Who captures the economic value?

More bookings can coexist with lower owner margins.  
Distribution is part of the investment thesis.

An AI assistant may become an intermediary between a guest and a hotel, or it may operate inside an existing online travel agency. Either way, the owner needs to understand the cost of acquiring the guest, who controls the relationship and whether a future stay can be earned directly.

| Owner action                           | Economic purpose                                                                                                     |
|----------------------------------------|----------------------------------------------------------------------------------------------------------------------|
| Maintain accurate property information | Keep room types, accessibility, fees, policies and availability consistent across authorized channels.               |
| Measure channel economics              | Track commissions, paid media, technology fees, refunds and net room revenue by booking source.                      |
| Improve direct guest relationships     | Earn repeat visits through service and appropriate consent; avoid assuming a tool removes intermediaries.            |
| Use AI with operating oversight        | Pilot guest messaging and administrative support with escalation to staff, accuracy checks and secure data handling. |
| Protect the actual experience          | A booking promise must match the room, service and amenities delivered. Poor reviews can offset discovery gains.     |

AI-assisted revenue management may improve pricing decisions, but rivals have access to similar tools. The durable advantage may come from an attractive acquisition basis, a differentiated property, trusted operators and consistent execution rather than possession of software alone.

## IQ, EQ and Terra

Analytical discipline identifies where demand and basis intersect. Relationships and judgment secure access and align operators. Ownership controls the guest experience and capital plan. AI can strengthen those capabilities; it does not replace them.

This is an original operating framework. No specific technology vendor, contractual fee level or implementation saving is assumed or recommended.

## 05 / Translate demand into cash flow

Consider a hypothetical 100-room hotel open 365 days a year. At 70% occupancy and a \$150 average daily rate (ADR), it sells 25,550 room nights and generates \$3,832,500 in annual room revenue. Revenue per available room (RevPAR) is \$105. All assumptions are illustrative.

| Annual operating measure | Baseline    | Demand upside |
|--------------------------|-------------|---------------|
| Available room nights    | 36,500      | 36,500        |
| Occupancy                | 70%         | 72%           |
| Sold room nights         | 25,550      | 26,280        |
| ADR                      | \$150       | \$150         |
| Room revenue             | \$3,832,500 | \$3,942,000   |
| RevPAR                   | \$105       | \$108         |

A two-percentage-point occupancy gain adds 730 sold room nights and \$109,500 in revenue. Assume a 60% incremental contribution margin after variable servicing costs, before the new annual costs below: incremental contribution is \$65,700. With \$40,000 of additional annual technology and distribution costs, the modeled increase in net operating income is only \$25,700.

| Sensitivity: all else held constant          | Annual effect                                        |
|----------------------------------------------|------------------------------------------------------|
| One occupancy point at \$150 ADR             | \$54,750 room revenue; \$32,850 contribution at 60%. |
| Break-even for \$40,000 annual added costs   | About 1.22 occupancy points, or 444.4 room nights.   |
| Two-point gain; added costs rise to \$70,000 | NOI decreases \$4,300 despite higher occupancy.      |

Original hypothetical sensitivity, not an AI demand forecast or Alterra asset. Costs in the 60% contribution margin exclude the separately assumed new technology/distribution expense to avoid double counting. Other revenue and fixed costs are unchanged. Debt service, investor taxes, capital expenditure and valuation effects are excluded; NOI is not distributable investor cash flow.

## 06 / Underwrite the countercase

The travel boom thesis faces real constraints. A cheaper planning service cannot manufacture airline seats, hotel rooms, paid leave or disposable income. A better itinerary does not resolve visa access, geopolitical disruption or an unaffordable airfare.

Near-term conditions can diverge sharply from a long-term scenario. IATA reported global July 2026 RPK growth of only 0.2% year over year, with international RPK down 0.1%. Its release highlighted fuel costs, economic uncertainty and geopolitical tensions. A long-run growth case is not a smooth annual trajectory. [6]

| Risk                                        | How it can weaken the thesis                                                                                         |
|---------------------------------------------|----------------------------------------------------------------------------------------------------------------------|
| Labor displacement and income concentration | Productivity gains may bypass households or reduce spending among affected workers.                                  |
| Business-travel substitution                | Improved remote collaboration may replace some meetings and routine trips.                                           |
| Capacity and affordability                  | Limited flights or rising costs can absorb willingness to travel before rooms are booked.                            |
| Distribution concentration                  | Intermediaries can capture the value through fees or control of discovery.                                           |
| Demand redistribution                       | AI can move bookings between hotels or dates without growing total market room nights.                               |
| New supply and entry price                  | A genuine demand expansion can still produce disappointing returns if supply or acquisition prices outrun cash flow. |

### A disciplined base case

Use identifiable local demand, defensible rate assumptions, realistic operating costs and an executable capital plan. Stress lower occupancy, weaker ADR, delayed improvements and higher channel costs. Do not increase leverage merely because the technology narrative is persuasive.

## 07 / What would validate the thesis?

Track a chain of evidence from discovery to completed stays and owner cash flow. Where possible, compare a pilot with a similar untreated property or a controlled group, accounting for seasonality, events, rate changes and marketing spend. A before-and-after increase alone is weak evidence of causation.

| Monitor                                | Useful decision question                                                                |
|----------------------------------------|-----------------------------------------------------------------------------------------|
| AI-originated referrals and conversion | Are guests completing bookings, or only browsing?                                       |
| Stayed room nights after cancellations | Are completed stays increasing across all channels?                                     |
| Trip frequency and guest surveys       | Was this an additional trip, a different destination or a different booking method?     |
| Length of stay and day-of-week mix     | Does the property gain off-peak demand or merely displace existing high-value stays?    |
| Acquisition costs and net room revenue | Does revenue survive commissions, promotions and technology expense?                    |
| Service quality and repeat stays       | Do automation and personalization improve the experience without increasing complaints? |
| Local supply and operating cash flow   | Does incremental demand produce sustainable property earnings?                          |

For U.S. investors, this is a potential hospitality business driver, not a substitute for evaluating concentration and illiquidity. For Indian and UAE investors, the same asset diligence applies alongside their separate currency, structuring and cross-border obligations. The residence of the capital provider does not determine where hotel demand will emerge.

### The long-term ownership case

If AI expands access to travel while physical experiences remain valuable, well-positioned hospitality assets could benefit. The investable opportunity is a property bought and operated with discipline, able to capture that demand at an attractive net margin.

Read alongside Paper 04 on alternatives and hospitality and Paper 08 on GP/LP structures. This paper adds a demand and operating perspective; it does not establish offering terms or recommend an allocation.

# Sources, methodology & important information

Methodology: qualitative synthesis of the six linked primary sources and original Alterra analysis. No econometric forecast of AI-induced travel is estimated. Future travel patterns are hypotheses. Hotel sensitivities use explicit, constant-dollar assumptions and arithmetic; they are not transaction projections. Sources accessed September 12, 2026.

## Primary sources

[1] UN Tourism: 2025 international tourist arrivals

January 2026 release. Estimated 1.52 billion arrivals and 4% annual growth; arrivals are not unique travelers.

[2] Booking.com: Global AI Sentiment Report

July 23, 2025. Company-sponsored consumer survey across 33 markets; stated preferences, not measured incremental demand.

[3] Booking.com: Agentic AI innovations

October 9, 2025. Company announcement of guest-communication features; not independent impact evaluation.

[4] IATA: Long-term air travel demand projections

March 17, 2026. Central scenario for RPK, 2024-2050; not an AI attribution study.

[5] Brynjolfsson, Li and Raymond: Generative AI at Work

Author research paper, updated abstract: 5,172 customer-support agents and 15% average productivity increase. Context-specific evidence.

[6] IATA: July 2026 passenger demand

August 31, 2026. Provisional monthly RPK data; short-term growth can diverge from long-term scenarios.

## Use of this paper

Prepared by Alterra Equities for investor education. This paper is not an offer, solicitation, personalized recommendation, or legal or tax advice. Any investment is governed by definitive documents and applicable eligibility rules. Private investments can be illiquid and can lose all invested capital. Distributions, tax benefits and exits are not guaranteed. Examples are hypothetical and are not Alterra transactions, targets or investment performance.

Sources accessed September 2026. Data cutoffs and dated rules are identified where used. Verify later changes and the investor-specific position before a transaction. Analytical frameworks and uncited worked examples are Alterra's original educational analysis; source organizations do not endorse this paper.

Prepared by Alterra Equities LLC | 381 Park Avenue South, 15th Floor, New York, NY 10016 | [ir@alterraeq.com](mailto:ir@alterraeq.com)