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Veteran India manager leverages rally sparked by new central bank head

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Returns of Indian hedge funds in September were mixed, but the long-standing India Capital Fund (ICF) was a clear winner – rising 9.13%. The ICF fund has been running for 19 years, giving it the longest track record in the India-focused hedge fund universe.

The ICF's gains came from banks, which are its biggest allocation at a double overweight, and some industrial stocks. "We think of 4 September as Rajan Day," said ICF director Jon Thorn – referring to the new Reserve Bank of India governor, Raghuram Rajan.

Rajan's arrival at the head of the central bank sent the Indian rupee and the country's battered stock market soaring on the back of his reform plan aimed at regaining investor confidence and stabilising the ailing currency.

"He outlined some extraordinary short, medium and long-term monetary and economic changes, the like of which I have not seen in 19 years," said Thorn. "Everything is different now."

India Capital runs \$180 million in assets within the ICF vehicle at present. The strategy is very concentrated and deploys a long-term style of investing on the basis of deep research with the team having built its own research database.

The fund saw net capital inflows in the difficult years of 2008, 2009 and 2011 – and assets under management have been growing again in the current year. "Our investors trust us with their capital due to our research and to our conviction in using it," says Thorn. "We explain why we are different to the index and what took us to that view."