

Gates' Fund Sets Sights on India

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The investment fund that manages the personal fortune of Bill Gates, Microsoft chairman and the world's richest individual, is turning its sights to the Indian securities market.

People close to Oregon-based Cascade Investment say the fund is beginning to tackle Indian regulatory formalities and is close to appointing managers, probably based in Hong Kong, to supervise an India portfolio.

Cascade's move comes shortly after the final clearance of regulatory hurdles by the California Public Employees' Retirement System (Calpers), the world's third largest pension fund, to invest in India.

The twin developments represent a big show of confidence in India as a safe destination for large long-term funds, analysts say.

Cascade, which describes itself as a long-term value fund, manages the personal investments of Microsoft's founder, including the \$25bn Bill and Melinda Gates Foundation. The fund does not disclose its overall size.

Cascade's debut in India is likely to happen early next year, when it hopes to reach a level of "comfort about the political environment", say people close to the fund.

Entry into India would complete Cascade's reach across Asia. The fund has a presence in Japanese equities as well as south-east Asian mandates, which have also given it modest exposure to Indian securities.

A month ago, Chinese securities authorities awarded Cascade a qualified foreign institutional investor (QFII) licence, allowing it to invest in domestic shares.

The QFII licence took a year to acquire and people close to Cascade say the fund favours bedding down its China entry before stepping up its move into India.

The fund's investment managers in Oregon already have a fair knowledge of India. "Bill knows India well, so we've had sound guidance," says one person close to the fund.

Mr Gates has invested in his private capacity in Aids prevention programmes in India, while Microsoft runs a software development centre — the company's largest outside of the US — in Hyderabad in south India.

Cascade managers last month visited several non-technology companies in India. The fund does not invest in tech stocks anywhere, something that sets it apart from most new entrants to India, for whom IT is a magnet.

That could include Calpers, which in July finally completed its registration as a foreign institutional investor (FII) in India. Little noticed at the time was the fact that Calpers also registered 11 sub-accounts — separately managed funds that will invest money placed with them by Calpers.

These so-called "segregated accounts" include large existing funds such as Black Rock, Alliance and Artisan, all from the US. They will now have a wider berth to invest in emerging markets, where Calpers currently invests only \$2bn out of the total \$162bn it has under management.

Jon Thorn of Hong Kong-based Indian Capital Fund, which manages \$125m in India, says: "It is safe to assume these large names would invest sizeable amounts [in India], otherwise such an array of illustrious sub-accounts would not make sense. This is a significant step up in the scale of portfolio investor in India."

India and China, among the fastest-growing economies in the world, have become increasingly attractive to large portfolio funds — including Fidelity and a growing number of US educational annuity trusts — looking for higher yields at a time when western markets have been losing their lustre.

Calpers' re-engagement with India comes two years after it placed the country on its "non-investable" list, for reasons that included poor corporate governance. Earlier this year, Calpers reversed its decision.