

Auroville Hedge Fund Is Said to Rise on Stock Bets Since Debut

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(Bloomberg) -- Auroville Investment Management's global stock hedge fund rose more than 10 percent in its first 4 1/2 months of trading after profiting from smaller, lesser-known stocks, said a person with knowledge of the matter.

The Asia-focused fund, run by Amar Anand, was bolstered by picks including Chinese pharma company Wuxi Biologics Cayman Inc., e-commerce platform provider Baozun Inc. and India's Yes Bank Ltd., said the person, who asked not to be identified because the details haven't been publicly disclosed. The MSCI World Index gained just under 6 percent in the same period through Sept. 22.

Anand founded Hong Kong-based Auroville, which started trading with prime brokers on April 28, after leaving Eashwar Krishnan's Tybourne Capital Management, where he had been a managing director. Auroville picks stocks primarily using fundamental research, aided by quantitative analyses and quarterly reviews of macro-economic factors.

"May was a tricky launch vintage, given the strong run the markets had already seen year to date, with very low volatility and elevated risk of a market correction," Anand wrote in a letter to investors recapping the first quarter of trading through July. "We had to be skillful in deploying our portfolios."

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This year, rallies posted by technology giants such as Facebook Inc. have helped put hedge funds on track for their best annual return since 2013, according to data from Singapore-based Eurekahedge Pte. Unlike many peers, Auroville focuses on medium-sized companies betting that they can enjoy longer periods of high growth, according to the investor letter.

Pavithra Srinivasan, Auroville's chief financial officer, did not reply to an email seeking comment.

Wuxi Biologics was the most profitable bullish bet in the quarter to July 31, when the fund returned 6.1 percent, Anand wrote in the letter. Wuxi -- the fifth-largest contract producer globally of biologics, complex combinations of molecules used in medical research -- has jumped more than 90 percent in Hong Kong since its June initial public offering.

Auroville is finding compelling opportunities in stocks that benefit from the rising popularity of online consumption, growing healthcare and leisure spending in China, Anand wrote. One is Baozun, which Auroville added to after a selloff in August, said the person. The stock plunged 24 percent Aug. 22, the day after the firm's third-quarter revenue guidance, as investors digested its third-quarter revenue guidance. The stock rallied 44 percent over the following month.

Macro Views

One the macro side, Auroville says the risks of a depreciating yuan and a credit bubble have eased in China, thanks to the government's moves to curb capital outflows and shadow lending. The firm also said in its investor letter that there are "upside risks" in Japan, where investors have been pessimistic over growth prospects.

Auroville trimmed investments in India as enthusiastic investors pushed its stock valuations above the long-term average, Anand wrote in early August, before the country announced the weakest quarterly economic growth in three years. Auroville has also become more cautious on high valuations of U.S. stocks, and has increased its bearish bets against those in the technology, media, telecommunications, automobile and retail industries, he added.

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